Integrated report

for the year ended 31 March 2014

Investing to be the

best

at connecting you, creating possibilities and changing lives.

How to get the most out of our integrated report:

This icon tells you where you can find related information in our report.

These icons will help you quickly spot the areas where we are doing well and where we're not doing well.

This icon tells you that a term is explained in the Glossary starting on page 100.

This icon tells you where you can find more information on **vodacom.com**.

This icon tells you where you can find more information on our parent Vodafone Group Plc's website at **vodafone.com**.

In this report

Online contents

www.vodacom.com

Interviews

For video interviews with our leadership team on key issues related to delivering on our growth strategy, go to www.vodacom.com

About this report

Thank you for reading Vodacom Group Limited's integrated report for the year ended 31 March 2014. The Board approved this report on 30 May 2014.

Our report aims to provide all of our stakeholders with a concise, material, transparent and understandable assessment of our governance, strategy, performance and prospects. This assessment is provided in relation to the opportunities and risks, resources and relationships that materially affect our ability to create value over time.

Pg 98 | for important information on the forward-looking statements used in our report.

Within this broader value creation context, the scope and boundary of our report focuses on Vodacom Group and our operating subsidiaries. Relevant information in respect of our parent company, Vodafone Group, is also included. Financial and non-financial data from our subsidiaries are fully consolidated. Where we only have data for our South African operation, which represents 77.9% of service revenue and 84.5% of EBITDA, we indicate this with (#). We've used (*) to indicate data reported at constant currency (using the current year as a base), excluding trading foreign exchange, and from ongoing operations.

Pg 09 | for the Group structure.

Making integrated thinking intrinsic to managing our business

We believe integrated thinking is critical to effectively managing the opportunities and risks, resources and relationships – and particularly the trade-offs between these – that are required to drive growth and create value for all our stakeholders. Integrated thinking is intrinsic to the way we manage our business, and is supported by our internal reporting processes.

We track our net promoter score ('NPS') – our key measure of customer satisfaction – across all of our operations on a monthly basis. Supplementing the ongoing engagement with our stakeholders at various levels of our business, our People Survey and Reputation Survey are in their fourth year. These formal feedback mechanisms ensure that the views and concerns of our stakeholders inform strategic decision-making at the highest levels of the Group.

Taking into account key feedback and reporting frameworks

Our 2012 integrated report was placed ninth overall and first in our sector in the 2013 Nkonki Top 100 Integrated Reporting Awards, and took sixth place in the EY Excellence in Integrated Reporting Awards for 2013.

The independent judges had this to say: "Vodacom's report is innovative, engaging and fun to read… We also applaud their stated approach of "less is more" that has resulted in a concise, yet comprehensive, report… the shortest of all the reports ranked in the top 10. We particularly liked the way that icons were effectively used to highlight the positive and negative aspects of the business, and that equal prominence is given to the "good" and "not so good.""

Based on EY's specific feedback on last year's report, we've made some key improvements this year. These relate mainly to the structure of the report, to provide a more logical flow. We've also revised the way we present some contextual information, for instance our business model, to take into account some of the recommendations of The International <IR> Framework, published by the International Integrated Reporting Council. Although we have not explicitly adopted the six capitals categorisation suggested by the Framework, the resources and relationships key to our ability to create value are clearly dealt with in our report.

Our material issues form the main storylines in our report, and focusing on them has helped us keep the report concise. The key concerns of our stakeholders were taken into account in determining our material issues and, on this basis, we have again made our stakeholder report available online and not in our printed report.

Pg 14 | for our material issues and the process we followed to define them.

We've provided summarised financials in our printed report, in line with the Companies Act, 2008. They were prepared in terms of International Financial Reporting Standards ('IFRS') IAS 34: Interim Financial Reporting. The full set of annual financial statements ('AFS') are available online or can be requested directly from our Company Secretary.

Besides the full AFS, our online report again includes additional reports and video interviews with our top executives on the most important aspects of our story for the year.

This year we have again reported at a GRI application Level B in terms of the Global Reporting Initiative ('GRI') G3.1 guidelines.

Refer online for a GRI response table.

Ensuring the integrity of the integrated report

The Board is responsible for ensuring the integrity of the integrated report. The Board believes that it addresses all material issues and presents fairly the Group's integrated performance and its impacts, and approved the integrated report on 30 May 2014.

Pg 93 | for information on our combined assurance model and the extent of assurance over this report, as well as the full directors' responsibility statement.

How we performed

for the year ended 31 March		2014	% change 2014 and 2013	2013	2012
Financial	Service revenue[1] (Rm)	**62 047**	4.7	59 261	58 125
	Revenue (Rm)	**75 711**	8.3	69 917	66 929
	Data revenue as a % of service revenue (%)	**21.4**		16.9	14.1
	EBITDA (Rm)	**27 314**	8.2	25 253	22 763
	Group Opex[2] as a % of service revenue (%)	**25.0**^		23.7	23.8
	Operating free cash flow (Rm)	**19 410**	6.9	18 158	16 934
	Free cash flow (Rm)	**13 185**	8.6	12 136	10 921
	Headline earnings per share (cents)	**896**	2.8	872	709
	Dividend per share[3] (cents)	**825**	5.1	785	710
Economic	Distributed to employees[4] (Rm)	**4 609**	4.1	4 427	4 368
	Distributed to governments through corporate taxation[4] (Rm)	**5 194**	(2.7)	5 337	5 449
	Distributed to providers of finance[4] (Rm)	**13 150**	3.6	12 697	8 648
	BBBEE score# (%)	**88.11**		78.40	75.77
	Capital expenditure (Rm)	**10 779**	14.0	9 456	8 662
Social – Employees	Number of employees[5]	**7 225**	(0.1)	7 295	7 330
	Engagement Index – People Survey (%)	**76.0**^		75.0	73.0
	Employee turnover[6] (%)	**11.2**		7.0	9.0
	Women representation in senior management[6] (%)	**28.7**		27.0	26.4
	Black representation in senior management# (%)	**48.9**		49.1	45.0
	Ratio of average basic salary of men to women# (times)	**1.4**		1.4	1.5
	Total training spend (Rm)	**77**	37.5	56	68
Social – Communities	Active customers[7] (thousand)	**57 489**	13.8	50 517	46 903
	Active data customers (thousand)	**23 777**	28.5	18 503	15 107
	Active M-Pesa customers (thousand)	**5 955**	21.1	4 916	3 139
	Total foundation contributions (Rm)	**115**	38.6	83	77
Environment	Number of base station sites	**14 326**	11.6	12 835	11 595
	Number of shared sites#	**4 733**	16.0	4 081	3 646
	M2M connections (thousand)	**1 488**	24.2	1 198	965
	Access network electricity# (GWh)	**214.4**^	3.8	206.6	189.4
	Core network electricity# (GWh)	**69.3**^	(10.5)	77.4	65.7
	Building electricity# (GWh)	**67.2**^	11.6	60.2	81.2
	Vehicle fuel (diesel and petrol)# (million litres)	**1.7**^	(10.5)	1.9	1.9
	Network equipment and handsets reused or recycled (tonnes)	**97**	(75.5)	396	254
	CO_2 emissions[8] (tonnes)	**549 311**	0.9	544 381	526 837

Notes:

1. Service revenue for prior periods have been restated. Refer page 43 for further information.
2. Staff expenses, publicity and other operating expense, excluding trading foreign exchange.
3. Total dividend declared for the year. A final dividend of 430 cents was declared after year end.
4. Refer to our value-added statement online.
5. Number of employees have been restated to exclude learners.
6. Excluding Gateway.
7. Active customers have been restated to exclude machine to machine SIM cards. Refer page 45 for further information.
8. Total scope 1, 2 and 3 emissions (Greenhouse Gas Protocol).

\# South Africa only.

^ These items were included as part of our assurance process this year.

What we live for

Our Purpose

Connecting you, creating possibilities, changing lives

Why we exist

Our reason to get up in the morning: knowing that what we do has the potential to change things for the better, and that we have the opportunity to do things better every single day by innovating.

Our Vision

Best network, best value, best service

Where we are going

We're focusing on making our vision real, specifically through our brand promise of best network, best value and best service, and everything that goes into keeping our promise.

Our Strategies

What we need to do

This is everything we need to do boiled down to five simple strategies.

- Deliver the best customer experience.
- Grow data, enterprise, new services and grow internationally.
- Make our processes and businesses more efficient.
- Build a diverse and talented team.
- Transform society and build stakeholder trust.

Our Way

Speed, simplicity and trust

How we need to do it

The Vodacom Way is the antidote to bureaucracy. If something fails this test, we find another solution.

vodacom

23.8

million active data

customers

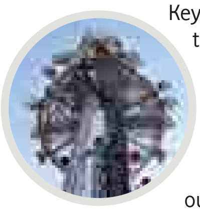
How we do business

ICT penetration drives economic growth, which creates employment, which in turn drives growth.

Our business model, which encompasses mobile and fixed network services, contributes to this virtuous cycle, and depends on ongoing investment in the assets that enable us to deliver value to our customers, sustain our revenues and maximise our profits. This provides the capital we need to reinvest in our business, and ensures we can continue to create value for all our stakeholders.

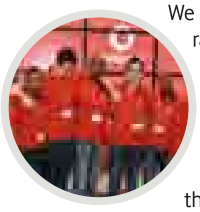
Pg 16 | for the value we've created.

Our network



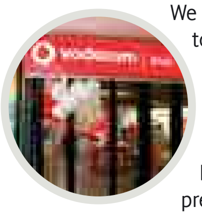
Key to our customer strategy is to differentiate through investing in our networks. We strive to build and maintain high-quality networks in all our operations, as the foundation for reliable voice and data services. Delivering modern networks requires that we keep up with advances in technology. As we evolve our services, all of which depend on spectrum, we engage with governments to acquire the right spectrum at the right price.

Our people



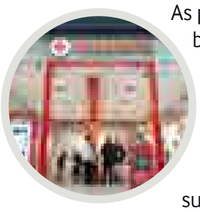
We serve a diverse base of customers, in terms of race, gender, age, religion, and how they think. We have to make sure our employees are as diverse, which allows them to understand and empathise with our customers, and meet their needs. Diversity is also important to our employees and to the governments in the countries in which we operate, making it a critical factor in sustaining our business model. Attracting and keeping the best people, and putting them in the right positions, is as fundamental and involves a wide range of interventions, including training and talent management.

Our distribution

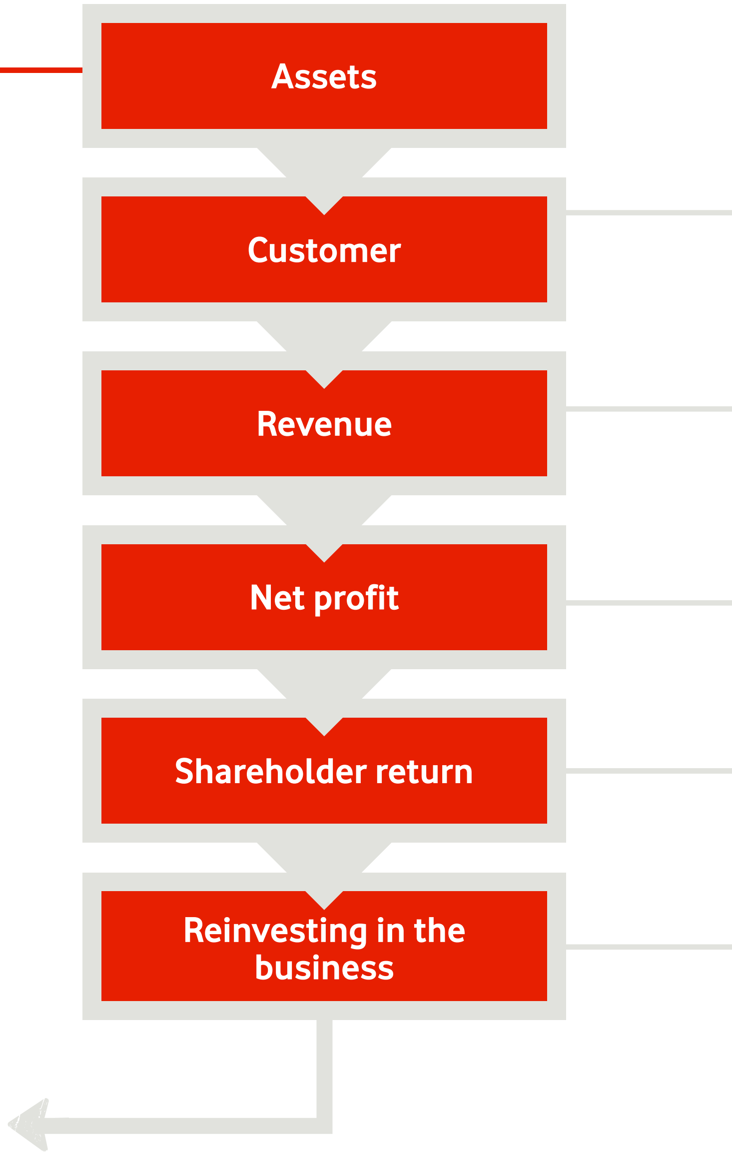


We reach our customers and deliver our services to them through our distribution channels. We build and maintain mutually beneficial, longstanding relationships based on ethical business principles, with wholesale distributors, retailers and franchise store business partners. We also have a growing presence in the online space. Expanding our distribution reach also gives us the opportunity to develop entrepreneurial businesses, by setting up container shops and informal traders that resell airtime.

Our parent relationship



As part of the Vodafone Group, we have access to best practices around the world. This includes technology research and development, device exclusivity and global procurement benefits. Having access to one of the world's largest telecommunications brands gives us the scale and expertise to grow our business sustainably.

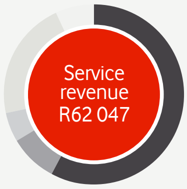


Over **57.5 million customers** in our operations on the continent use our voice, messaging, data and converged services. We serve individual and enterprise customers, which include large corporates, small and medium enterprises and public entities.

Mobile prepaid customers: 52 487 thousand

Mobile postpaid customers: 5 002 thousand

We generate revenue by providing communications services over our mobile and fixed line networks. Our services include voice, messaging, data and, more recently, enterprise, content and mobile financial services.



- **R35 976 million** Voice revenue
- **R5 310 million** Interconnect revenue
- **R3 290 million** Messaging revenue
- **R13 266 million** Data revenue
- **R4 205 million** Other services revenue

We need to make sure we convert revenue into profit to the extent that our business, and the value we create for all our stakeholders, remains sustainable. Our ongoing investment in our assets and in our business processes enables us to contain costs and optimise profitability in an environment of lower pricing and higher inflationary cost pressures.

Headline earnings per share

896 cents plus 2.8% growth

Our dividend policy is to return ordinary dividends to shareholders of at least

90% of headline earnings per share.

By consistently investing in our networks over the years we have reached a big portion of the populations in the countries in which we operate. It has also enabled us to lower the cost of communicating.

	Capex Rm	Intensity %
2014	**10 779**	**14.2**
2013	9 456	13.5
2012	8 662	12.9

Outcomes

Connecting people and enabling businesses are the main outcomes of the services we offer. Communication improves quality of life, enables efficiency, connects supply and demand, and supports the sharing of information and data, which enables effective decision-making.

We enable business not only by facilitating the exchange of data and information, but also by making it easier to transact through mobile financial services. This is bridging the gap between financial services providers and those sectors of society that remain underserved and unbanked.

Research has shown a direct correlation between the provision of Information and Communications Technology ('ICT') services and economic growth. With increased penetration of ICT, economies grow and employment is created, which increases economic capacity and spending power, which supports further growth.

Where we operate

Vodacom is a leading African mobile and communications company providing a wide range of services, including mobile voice, messaging, data and converged services to

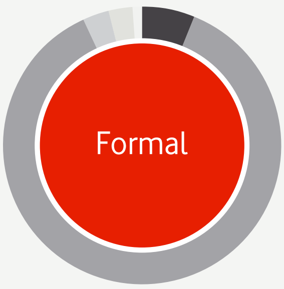
57.5 million

customers.

From our roots in South Africa, we've grown our mobile operations to include networks in Tanzania, the Democratic Republic of Congo ('DRC'), Mozambique and Lesotho.

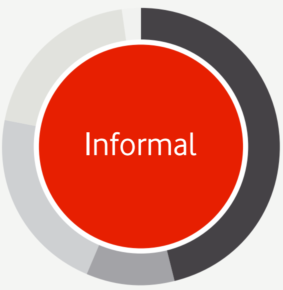
We also offer business managed services to enterprises in over 40 countries across Africa. Vodacom is majority owned by Vodafone, one of the world's largest mobile communications companies by revenue. We're listed on the JSE Limited and our head office is in Johannesburg, South Africa.

Point of presence



Formal points of presence include Vodacom owned and franchise shops, service providers and private outlets, retailers that purchase directly from Vodacom and M-Pesa agents.

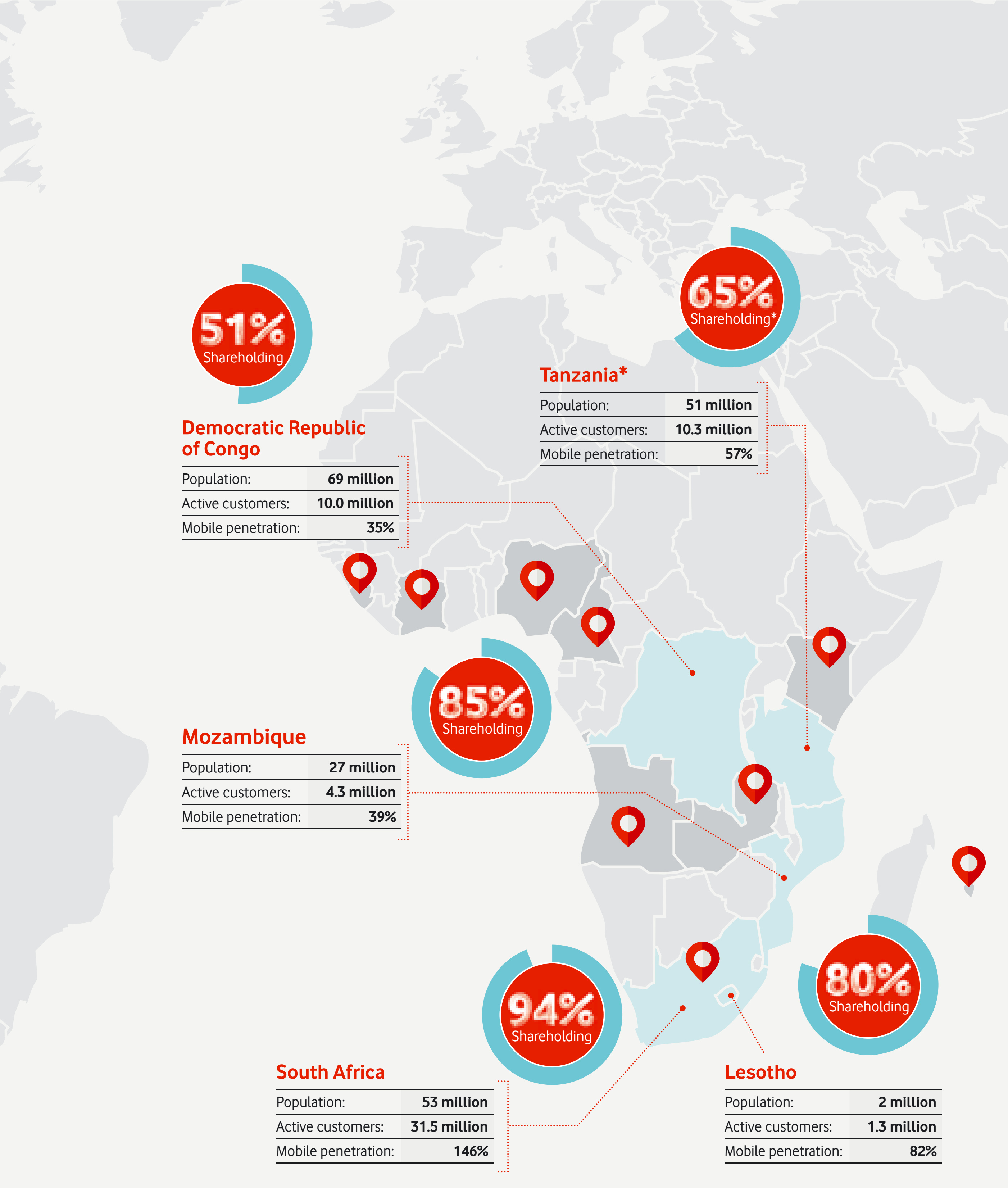
South Africa	Tanzania	DRC	Mozambique	Lesotho
9 823	135 604[1]	4 780	4 022	1 674



Informal points of presence include superdealers, territory and data dealers, street vendors/ freelancers and informal resellers.

South Africa	Tanzania	DRC	Mozambique	Lesotho
40 855	9 011	19 198	17 430	1 720

1. Includes unique M-Pesa agents.



Democratic Republic of Congo

Population:	69 million
Active customers:	10.0 million
Mobile penetration:	35%

Tanzania*

Population:	51 million
Active customers:	10.3 million
Mobile penetration:	57%

Mozambique

Population:	27 million
Active customers:	4.3 million
Mobile penetration:	39%

South Africa

Population:	53 million
Active customers:	31.5 million
Mobile penetration:	146%

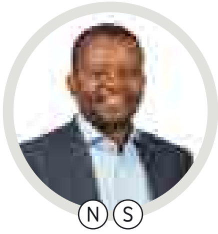
Lesotho

Population:	2 million
Active customers:	1.3 million
Mobile penetration:	82%

Offices for Vodacom Business Africa:
Sierra Leone, Côte d'Ivoire, Nigeria, Cameroon, Kenya, Angola, Zambia, South Africa and Mauritius

* Subsequent to year end, Vodacom increased its effective ownership to 82.2%.

Who governs us



1. Mthandazo Peter Moyo
Chairman of the Board
(51)

4. Phillip Jabulani Moleketi (56)

5. Thoko Martha Mokgosi-Mwantembe
(52)

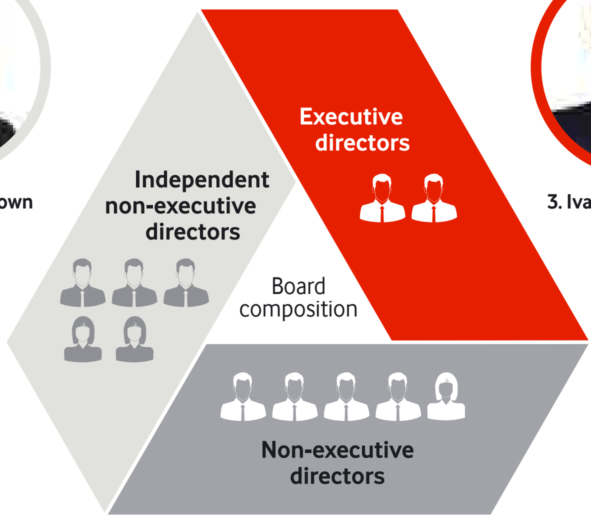
2. Mohamed Shameel Aziz Joosub (43)

6. Yolanda Zoleka Cuba (36)

7. David Hugh Brown
(51)

3. Ivan Philip Dittrich
(41)

Board structure:
We have a unitary Board with 12 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.



8. Serpil Timuray
(44)

9. John William Lorimer Otty
(50)

10. Ronald Adrianus Wilhelmus Schellekens (50)

11. Michael Joseph
(68)

12. Hatem Mohamed Galal Dowidar
(44)

(A) Audit, Risk and Compliance Committee (R) Remuneration Committee (N) Nomination Committee (S) Social and Ethics Committee

1 Appointed Chairman in May 2009
- Financial, corporate and governance expertise
- Entrepreneurial flair
- Government relations experience

2 Appointed in September 2012
- International operational experience
- Sound financial expertise
- Commercial strategist

3 Appointed in June 2012
- Diverse financial experience
- Sound financial governance knowledge
- Executive leadership background

4 Appointed in November 2009
- Corporate leadership
- Understands public sector relations
- Corporate and strategic leadership experience

5 Appointed in May 2009
- Strategic marketing focus
- Expertise in innovation
- ICT sector experience

6 Date of appointment 18 July 2013
- Strategic leadership expertise
- Business leader
- Wide range corporate exposure

7 Appointed in January 2012
- Corporate leadership experience
- Financial expertise
- Corporate governance expertise

8 Appointed in September 2012
- Business leader
- Brand and distribution knowledge
- Operational expertise

9 Appointed in September 2012
- Sound financial governance background
- Extensive telecoms knowledge
- Regional insight

10 Appointed in February 2009
- Expertise in human resources best practice
- Understands corporate best practice
- International operational experience

11 Appointed in May 2009
- Understands innovation
- Strategy and business leadership experience
- Emerging markets expertise

12 Date of appointment 5 February 2014
- Diverse operational experience
- Extensive sector knowledge
- Governance expertise

1. YZ Cuba was appointed to the board on 18 July 2013, replacing A Kekana who resigned on the same date. 2. NJ Read resigned on 5 February 2014.
3. HMG Dowidar was appointed on 5 February 2014.

Who leads us

Executive Committee

CEO
Shameel Joosub (43)
Chief Executive Officer
Joined Vodacom in March 1994

Finance
Ivan Dittrich (41)
Chief Financial Officer
Joined Vodacom in June 2012

International
Romeo Kumalo (42)
Chief Operating Officer: International
Joined Vodacom in August 2004

Customer operations
Gary Hagel (47)
Chief Officer: Customer operations
Joined Vodacom in February 2014

Corporate Affairs
Maya Makanjee (52)
Chief Officer: Corporate Affairs
Joined Vodacom in June 2012

Technology
Andries Delport (49)
Chief Technology Officer
Joined Vodacom in June 1996

Legal and regulatory
Nkateko Nyoka (51)
Chief Officer: Legal and Regulatory
Joined Vodacom in October 2007

Enterprise
Vuyani Jarana (43)
Enterprise Business Unit
Joined Vodacom in December 1995

Human resources
Mpho Nkeli (49)
Chief Human Resources Officer
Joined Vodacom in February 2011

Consumer
Phil Patel (42)
Consumer Business Unit
Joined Vodacom in July 2012/ Vodafone in March 2004

Strategy
Neil Gough (53)
Chief Officer: Strategy and New business
Joined Vodacom in August 2011/ Vodafone in March 2003

1. Mpho Nkeli has resigned effective 30 April 2014. Matimba Mbungela will assume the role on 1 May 2014.

82% **Male** — 18% **Female**

45% **White** — 55% **Black**

73% **South Africa** — 27% **International**

For detailed biographies of the Board and the Executive Committee go to **vodacom.com**.

What's happening in our industry

To continue creating value over the longer term, our strategy positions the Group to be responsive to and a leader in the ever-evolving mobile landscape.

Industry trends

Two notable industry trends that will contribute to diversifying our revenues, are the rapid growth in demand for data and the great potential for mobile financial services[1].

Rapid data growth

In developed markets, the connection base is rapidly shifting towards higher speed 3G and 4G networks. Globally, the proportion of higher speed networks is set to rise from a third at the end of 2013 to two thirds by 2020.

Higher speed networks and more advanced devices are driving the growth of data intensive services such as video streaming and always-on cloud applications. At a global level, the rate of growth in data traffic is likely to far outstrip the growth in mobile connections, as individual users consume ever greater amounts of data.

Mobile operators have invested substantially in their networks over the past six years, amounting to over US$1 trillion. Much of this investment has been in extending the quality, speed and coverage of data connectivity. Ever-improving mobile network technology, together with the exponential growth forecast in global data traffic, means these investments will remain an ongoing feature of network operators' capital expenditure. Total investment by operators is expected to increase to US$1.7 trillion between now and 2020.

Mobile financial services

The mobile industry has played an important role in the global economy as an innovation platform for new services. One of these innovations is mobile financial services, which is a great example of how mobile connectivity can transform the daily lives of people and drive socioeconomic development in developing regions around the world. Mobile technology brings financial services within reach of previously unbanked and under-banked populations, driving economic growth and promoting financial inclusion. Mobile connectivity also benefits some of the most disadvantaged communities through other emerging services such as e-Health and e-Education.

1. Statistics and insights from "The Mobile Economy 2014" by the GSMA and AT Kearney, available at www.gsmamobileeconomy.com.

Regulatory

South Africa

Mobile termination rates ('MTRs')

On 4 February 2014 Independent Communications Authority of South Africa ('Icasa') gazetted final MTRs and asymmetry with a three-year glide path from 1 March 2014 to 1 March 2017. We challenged Icasa in the High Court of South Africa on the basis that they did not follow the procedure set out in the Electronic Communications Act, which requires the rates to be cost based. The High Court ruled that the MTRs were invalid and unlawful but set aside the order for six months from 1 April to 30 September 2014. From 1 April 2014, MTRs reduced from R0.40 to R0.20 with asymmetry of R0.44. Icasa subsequently withdrew rates beyond year one of the regulation. The cost study will determine the final rates to be applied.

ICT Sector Code

The Empowerment Charter for the Information and Communications Technologies sector ('the ICT Sector Code') for the implementation and measurement of Broad-Based Black Economic Empowerment ('BBBEE') came into force in June 2012. The Department of Trade and Industry ('dti') published revised Codes of Good Practice on BBBEE during 11 October 2013. These revised Codes will come into effect in April 2015. In addition, the BBBEE Amendment Act No.46 of 2013 was promulgated in January 2014. This Act, will however, come into force on a date still to be proclaimed by the President of the Republic of South Africa. Once promulgated this act will become the overarching legislation for BBBEE.

National Broadband Policy

In December 2013, the Department of Communications issued the final National Broadband Policy which sets out government's National Broadband Policy objective of 100% broadband penetration by 2030. In addition to allocation of spectrum to existing market players, one of the considerations is to establish a single national wholesale network. The Minister of Communications has appointed a National Broadband Council (comprising of experts in the field) to advise on implementing the National Broadband Policy, including the business case of a single national wholesale network. The National Radio Frequency Plan 2013 envisages the 700 MHz band to be allocated to mobile services from 2015.

In January 2014, the Department of Communications commenced the consultative process on the National Integrated ICT Policy Green Paper to define, among other things, the allocation of future long-term evolution ('LTE') spectrum, the rural broadband coverage plans and the structure of the national regulator. The proposed timeline for the publication of the National Integrated ICT Policy White Paper is August 2014.

Spectrum

The availability of additional spectrum remains one of the most pressing concerns for mobile operators. Icasa has postponed licensing new spectrum in the 2.6 GHz and 800 MHz bands until after the Department of Communications publishes its overarching national broadband policy directive for spectrum licensing in the ICT sector.

Access to this spectrum is crucial for mobile operators to roll out long-term evolution ('LTE') optimally. It is also necessary for us to play our part in helping the government of South Africa achieve broadband access for all and deliver on its 2030 broadband goals as part of the National Development Plan.

International

Tanzania

In May 2013, the regulator implemented a traffic monitoring system funded by a tax applied to the incoming international traffic call charge.

New rules on customer registration were introduced in July 2013, which resulted in each mobile operator disconnecting unregistered SIMs. This resulted in a disconnection of 400 000 customers in the year.

In July 2013, the new Finance Act introduced changes to taxation on the mobile communications sector, including the introduction of a monthly tax on SIM cards. Following concerted industry engagement with the government, the SIM card tax was removed from the Finance Act from January 2014 in lieu of an increase from 14.5% to 17.0% of tax on mobile communications services.

On 1 January 2014, MTRs were reduced from TZS34.92 to TZS32.40 as the second year of a five-year glide path reduction introduced in 2013. The current glide path will conclude on 1 January 2017, bringing the rate down to TZS26.96.

The regulator commenced a new process in April 2014 with mobile network operators to implement mobile number portability.

DRC

The regulator introduced a new three-year glide path for MTRs. On 1 October 2014, rates will reduce to US$0.04, with subsequent reduction in each of the following years to US$0.034 and US$0.031 by 2016.

In October 2013, the regulator increased the price floor for voice retail tariffs from US$0.08 to US$0.10 (excluding tax), which will reduce to US$0.09 on 1 October 2015 and US$0.08 on 1 October 2016. The regulator has also issued amendments to promotion regulation, which exempts operators from the price floor for specific periods. The regulator has commenced, but not completed, regulatory proceedings on allegations of non-compliance with the price floor by certain operators. In March 2014, the Supreme Court issued a non-binding opinion that the price floor may be outside the mandate of the regulator's authority. The regulator has not formally responded to the Supreme Court and the price floor regulation remains in place.

During 2014, the government increased tax on international inbound traffic from US$0.05 to US$0.08 per minute. This is being used to fund a traffic monitoring system operated by the government. Other new taxes during the year include an environmental tax for base station batteries and generators.

Mozambique

Following the announcement of an auction of 800 MHz in February 2013, no parties submitted applications to participate in the auction due to concerns about the auction terms. No subsequent process has as yet been initiated.

Vodacom Mozambique was granted a mobile payment licence and launched services during the year.

On 1 January 2014, MTRs were reduced from MZN1.99 to MZN1.44. This is the second reduction of a three-year glide path ending at MZN0.86 from 1 January 2015.

Lesotho

MTRs were reduced from R0.58 to R0.47 in October 2013, the second year of a three-year glide path, ending at R0.38 effective from October 2014.

Vodacom Lesotho obtained 2x15 MHz of 800 MHz spectrum in October 2013, which can be used to launch commercial LTE/4G services. Vodacom Lesotho's service licence expires on 1 June 2016; the regulator has required Vodacom Lesotho to submit an application for renewal of the licence by 30 June 2014.

Vodacom Lesotho was granted a mobile payment licence and launched services during the year.

SADC

In November 2012, SADC Ministers of Telecommunications issued guidelines requiring the mobile industry to comply with international roaming transparency requirements by 1 June 2013. The Ministers of Telecommunications have asked an SADC working group to provide recommendations on "roam like a local" by May 2014.

What's most material for us

The issues most material to our stakeholders once again create the main storylines that run throughout our integrated report.

To determine our material issues we synthesised the issues that were top of mind for the Board and Executive Committee during the year with the top concerns of our key stakeholders.

Senior management and our Audit, Risk and Compliance Committee confirmed these material issues as those factors most likely to affect our stakeholders' assessment of our ability to create value over time. We do not rank our material issues as they are considered equally critical to our success.

The common theme that links our material issues to our strategic priorities is the investments we make, both of time and money, in managing the issues that will drive or inhibit our growth over the medium term, and therefore our ability to create value for our stakeholders.

For our stakeholders' report.

Investing in network quality, coverage and access

Pg 20 | Chairman's statement
Pg 23 | Interview with the CEO
Pg 26 | Customer
Pg 32 | Operations

Online technology report

All our services depend on our networks being up and working well. Any drop in quality impacts the customer experience. Ongoing investment in broadening our reach and in maintaining and improving our networks is critical to our viability and competitiveness.

Providing high-quality networks is the foundation of a truly differentiated customer experience, helping us to retain existing customers and attract new customers. On the other hand, low network quality can damage our reputation, which drives customers away and revenue down. Poor network quality can also result in action from regulators. More broadly, giving all citizens access to the knowledge, information and services that come with connectivity is a powerful driver of socioeconomic development. Widening network access is therefore a key objective for governments and regulators, and an opportunity for us to grow our customer base. To maintain our leadership in data, we need to accellerate our investment in new technologies and the fibre required to carry additional traffic. This will enable us to reduce our pricing further and support the volumes to offset lower prices.

Investing in diversifying our revenues

Pg 20 | Chairman's statement
Pg 23 | Interview with the CEO
Pg 29 | Growth
Pg 38 | Interview with the CFO

To grow we need to drive penetration in existing markets and pursue opportunities in new markets, and develop profitable products and services, including data, mobile financial services, content and enterprise services in all our markets.

Our South African operation accounts for 84.5% of EBITDA and 77.9% of service revenue. The local industry is also mature, with penetration at some 146%. There is growing pressure on our traditional revenue stream, with voice revenue under pressure from lower pricing, as well as a shift in customer preference to instant messaging applications and greater use of Voice over IP services. These factors mean we need to extend our service offering into both existing and new markets as well as diversify the products we offer in these markets. And we need to achieve this while keeping costs in check and realising efficiencies in the day-to-day delivery of our services.

Balancing affordability and investment

Pg 20 | Chairman's statement
Pg 23 | Interview with the CEO
Pg 26 | Customer

Finding the right balance between affordability and investing in maintaining, evolving and growing quality voice and data networks is core to remaining competitive and sustainable.

In all our operations price will always be an important consideration. To stay competitive our customers must believe that we offer them best value for their money as well as the latest developments in mobile technology. To retain our commercial licences to operate, regulators must believe that we are delivering a high-quality service while also promoting a healthy competitive environment, and governments must believe that we are advancing the cause of access and affordability. This requires that we balance the allocation of our capital and human resources to achieve all these imperatives, while creating value for our shareholders.

Investing in our competitive edge

Pg 23 | Interview with the CEO
Pg 26 | Customer
Pg 32 | Operations

Competition is intensifying across our markets, requiring that we invest continuously in maintaining a competitive edge.

Established operators are all looking to grow market share while new, entrants are fiercely targeting customers. Non-traditional players are branching into the telecommunications space and are able to cross-sell services to their existing customer bases. Churn, which is the extent to which we lose customers, impacts revenue and drives up the costs of acquiring new customers. To compete effectively and limit churn, we need to deliver an improved experience, more innovation and better value to our customers to earn their loyalty.

Managing regulatory challenges to maintain conducive conditions for investment

Pg 20 | Chairman's statement
Pg 23 | Interview with the CEO
Pg 12 | What's happening in our industry

Online stakeholder report

To continue investing in our chosen markets we need stable, enabling policy and regulatory frameworks. To this end, we engage with regulators and challenge them where necessary to provide the basis for ongoing investment in our businesses and in the sector's potential to drive socioeconomic development.

Mobile termination rates ('MTRs') continue to reduce in all our markets as expected. Lower MTRs will impact our revenues in the short term, which we will mitigate through new revenue streams such as data and by managing our costs effectively. We are committed to lowering the cost to communicate in all our markets, and on this basis are not opposed to lower MTRs. However, we believe that due process must be followed in doing so and the regulated rates should be informed by the true underlying costs. This was the basis for our recent legal challenge in respect of the process in South Africa. Although the negative publicity around the issue has potentially damaged our brand, we believe that the outcome will be in the best interests of our stakeholders in the longer term.

In South Africa, the allocation of spectrum has not yet been resolved. While using existing spectrum is a short-term solution, the unavailability of new spectrum will become a serious challenge in the near future. This will impede our ability to advance government's objective of broadband access for all.

We continue to work with regulators to secure the regulatory conditions conducive to investment and growth, and with governments in meeting national objectives.

The value we've created

We create value for all our stakeholders by investing in our networks, our people, new services and the countries and communities in which we operate.

Investing in our people

We distributed R4 609 million

(2013: R4 427 million)

to our employees in salaries, short- and long-term incentives and contributions to pension funds and medical aid schemes.

Pg 34 | for more on the many other ways in which we invest in our people to be the best.

Contributing to our countries

We contributed R5 194 million

(2013: R5 337 million)

to public finances through corporate taxes, which account for only a portion of our many direct and indirect contributions to public finances in the countries in which we operate.

Pg 65 | for more on the different ways in which we contribute to public finances.

Investing in our business

We invested R10 779m

(2013: R9 456 million)

in capital expenditure, representing 14.2% of revenue. We will accelerate our investment over the next three years to deliver the best networks and unlock new growth opportunities.

Pg 29 | for more on how we are investing in our network to diversify growth.

Returns for our providers of finance

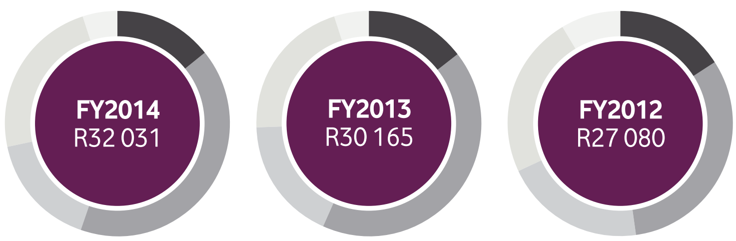
Our equity shareholders and debt funders received R13 149 million

(2013: R12 697 million)

of the value we created: R12 098 million in dividends and R1 051 million in interest respectively. By investing in and funding Vodacom, we are able to make the investments necessary to support our growth and deliver the best networks and in turn return value to our providers of finance.

Value distributed

%	2014	2013	2012
Employees	**14.4**	14.7	16.1
Finance providers	**41.1**	42.1	31.9
Government	**16.2**	17.7	20.1
Reinvested[1]	**23.4**	20.7	23.5
Retained	**4.9**	4.8	8.4



1. Depreciation, amortisation, impairment losses and deferred tax effects of R7 509 million (2013: R6 251 million).

Our value-added statement can be viewed online at **vodacom.com**
Refer to our communities report for how we invest in our communities.

Our ability to create value is underpinned by delivering on our strategic priorities.

Strategic priorities

Strategy 1

Customer

Investing in the **best** customer experience.

- Best value
- Best service
- Best network

Pg 26

Strategy 2

Growth

Investing in the **best** growth opportunities.

- Grow data
- Grow internationally
- Grow enterprise
- Grow new services

Pg 29

Strategy 3

Operations

Investing in the **best** processes and in delivering efficiencies.

- Improve processes
- Improved cost efficiencies
- Improve environmental impact

Pg 32

Strategy 4

People

Investing in being the **best** employer to work for.

- Develop pipeline
- Diversify talent

Pg 34

Strategy 5

Reputation

Investing our **best** in creating value for our communities.

- Transform society
- Smart partnerships

Pg 36

How we're managed

Ethics

We're committed to being ethical and responsible. Our values, one of which is trust, guide our behaviour. To succeed, there must be trust among us, and between us and our customers, other industry players, business partners, regulators, government authorities and our many other stakeholders. Our Code of Conduct ('Code'), which sets out our business principles and policies and gives guidance on how to apply them, also guides our interactions with all we come into contact with in our business dealings.

Key developments

- We are refreshing our Ethics Along the Way programme to ensure that we manage ethics risks appropriately. The Group Social and Ethics Committee and the Audit Committees of our operating companies provide oversight of the programme.
- Our Code forms a key element of the programme. Awareness of our business principles outlined in the Code was provided across the Group as part of our 'Doing what is right' campaign during the year.

For our Social and Ethics Committee report go online.

Governance

Good governance is fundamental to business sustainability. We continue to make sure that our governance structures support effective decision-making and robust control, and are aligned to changing requirements as well as local and international best practice.

Key developments

- Our Chairman led a comprehensive external Board evaluation during the year. Overall consensus was that the Board is working well, has a good mix of directors and that there is a high commitment to work in the best interest of Vodacom.
- The Chairman hosted a training session for relevant senior management on corporate governance, with emphasis on King III.

Pg 74 | for our abridged corporate governance report.

Risk management

There is no opportunity without risk. We have the right structures in place to identify, monitor and manage our risks effectively. Risk is managed at three distinct levels in the Group – the line manager at operational level, the Risk Group and the Risk Management Committees within each operation.

Key developments

- We reviewed and updated more than 4 000 operational, tactical and strategic risks. The risk management dashboards for Group operating companies were updated according to this review.

Pg 70 | for our risk management report.

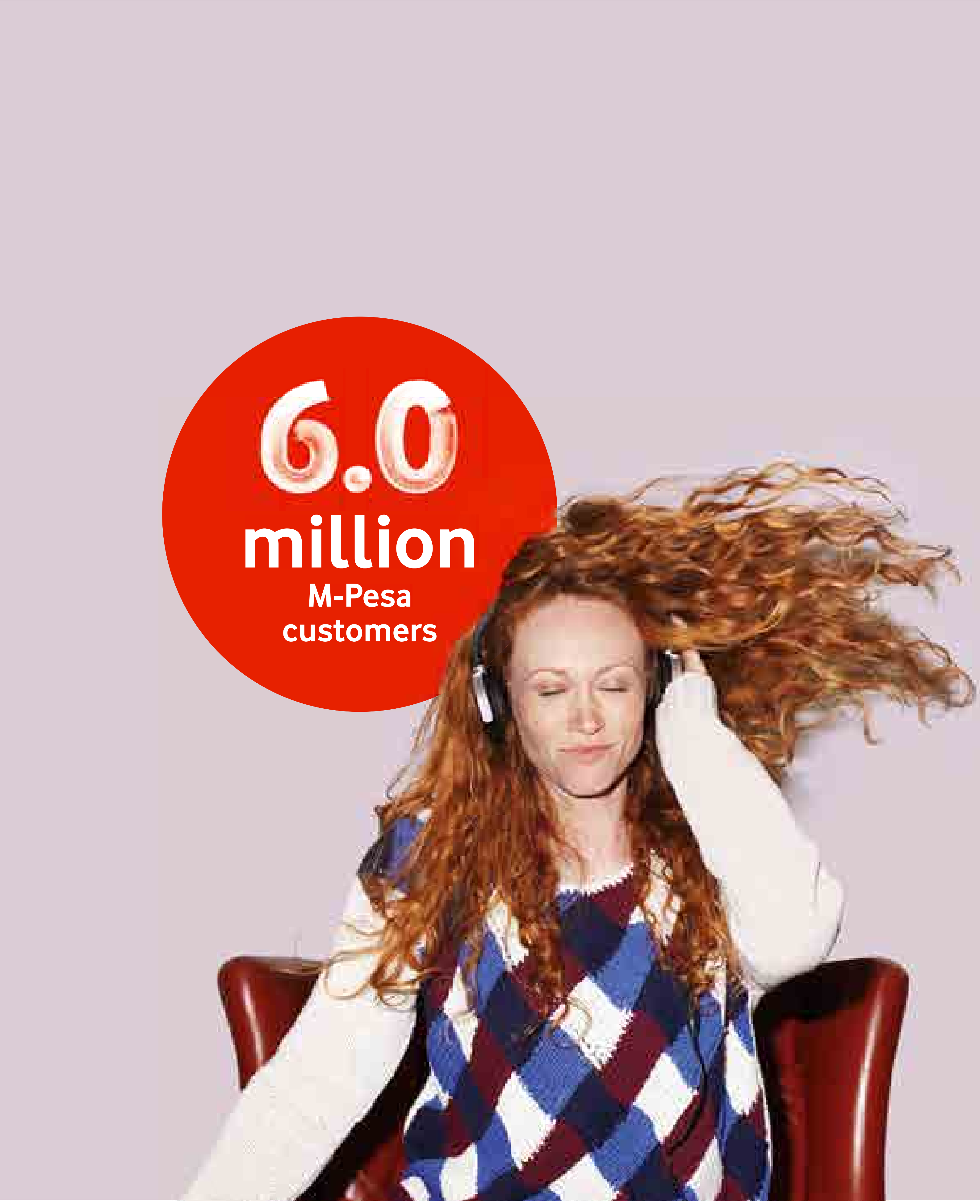
Remuneration

Our remuneration policy aims to attract and retain leaders of the highest calibre, while making sure that our executives are compensated according to their performance. This is measured not only in terms of financial and strategic delivery but also how they apply our business principles.

Key developments

- To align further with our parent, Vodafone, the share allocation methodology for our forfeitable share plan was changed during the year. Shares are now allocated from both the current Vodacom Forfeitable Share Plan ('FSP') and the Vodafone Performance Share Plan.
- The second allocation of FSP performance shares vested during the year. The portion of shares vesting was 90% of the total number granted as both performance targets were not fully met.
- All South African employees participate in the YeboYethu Employee Participation Trust. It was initially agreed that allocated units would be converted into YeboYethu shares in March 2016. This was, however, changed at the YeboYethu Limited annual general meeting in October 2013, where it was agreed to extend the notional funding period to October 2018.

Pg 80 | for our remuneration report.


6.0
million
M-Pesa
customers

Chairman's statement

"Mobile connectivity has already transformed daily life across the globe, and mobile is playing a particularly strong role in socio-economic development in many developing regions of the world. Mobile has brought voice services and Internet access to the previously unconnected, bridging the digital divide and empowering communities. Mobile has also benefited some of the most disadvantaged communities through the provision of mobile money services. This brings financial services within the reach of previously unbanked and underbanked populations, driving economic growth and promoting financial inclusion."

– GSMA, The Mobile Economy 2014

As the GSMA points out, the potential of mobile communication to drive economic growth and social development is profound. With the rise of social media, it is also enabling citizens and stakeholders to hold governments and businesses accountable for their responsibilities and undertakings like never before.

Mobile operators are the de facto providers of connectivity in Africa. The significant levels of investment that mobile operators have made in network infrastructure, technology and innovation, spurred on by increasingly competitive markets, have positioned them at the vanguard of extending access to the voice and data services that are driving growth and development, and promoting governance reform.

Peter Moyo

The extent to which the promise of mobile connectivity is converted into sustainable gains is contingent on all stakeholders in the industry playing their role vigorously and responsibly.

In sub-Saharan Africa, maturing democracies, greater stability and relatively impressive economic growth rates are no longer the exception to the rule. The pivotal role of mobile connectivity in these gains, and in the socioeconomic development that is required in the region, should not be underestimated. In this context it is pleasing to reflect on Vodacom's contribution to the countries in which we operate, and the increasing social relevance of our business.

Our role in democratising access to voice and data has been underpinned by consistent investment in our networks – to the tune of around R30 billion over the last three years – which we plan to accelerate over the next three years. This investment has been focused not only on extending our network infrastructure but also on keeping up with the latest technologies. Together

these enable us to increase capacity and lower prices while simultaneously improving quality, and to provide the services that make a real difference in the lives of our customers.

In South Africa, our 2G voice network covers almost the full population and our 3G data network covers 91.9% of the population. Our International operations have benefitted from major capital investment in our networks over the last two years. By way of example we put up more base stations in Mozambique last year than we had ever done in a single year. It is noteworthy that the level of our investment in the DRC has been restricted by the shareholder challenges we have faced in that country. Nonetheless we continue to find innovative ways to resolve infrastructural challenges and deploy base stations more cost effectively in remote areas to drive penetration and bridge the digital divide.

However, coverage is only a part of extending access to connectivity. Affordability is of equal importance and in this regard Vodacom is committed to lowering the cost to communicate – which encompasses the pricing of services and devices.

In respect of the reduction in MTRs, our position has been clear from the outset. We have been unequivocal in our support of the principle of reducing MTRs, as long as due process is followed and the rates are based on the cost of connecting calls. This is considered international best practice and is also set out in South African law. To this end we continue to engage in good faith with regulators, to find transparent and equitable resolutions that support the sustainability of the industry as a whole. In South Africa, where we were forced to mount a legal challenge, the court upheld our position that the correct process had not been followed and compelled the regulator to conduct a proper cost-based process. We are working with the regulator in this regard.

We continue to be concerned about how asymmetry is being applied to MTRs in South Africa. While limited asymmetry that takes into account the difference in costs between large and small operators makes sense, the unprecedentedly high levels proposed thus far are effectively an unwarranted subsidy of smaller operators by larger operators. This will ultimately impact negatively on our customers and is therefore something we will be paying close attention to in the coming months.

The wide-reaching work we have done on pricing transformation has enabled us to lower the effective prices of voice and data significantly. Our pricing plans cater for the needs and economic circumstances of different customer segments, and at the same time allow us to optimise network capacity. As such, they are an effective way to bring down the cost to communicate and make voice and data services more accessible to all.

While we recognise that pricing remains a key competitive risk and a burning issue for regulators, we believe it is our responsibility to manage it in a way that does not achieve price cuts at the expense of quality or further investment, or being able to meet the differing needs of all our customers.

Our strategic focus is on giving our customers what they want, which quite simply equates to worry-free products and services that enhance their lives and enable their businesses. This extends to our active management of the risks to customers that come with connectivity, specifically those that relate to Internet-based services. Whether it is the increasing incidence of cyber crime, guaranteeing information privacy or protecting children against inappropriate content, our customers can rest assured that the Group will continue to help them mitigate these risks.

Other key sustainability risks include the health and safety of our people and service providers, and reducing the environmental footprint of our base stations. The board is satisfied that the Group is managing these risks effectively, the details of which are covered elsewhere in this integrated report. We are particularly pleased with the progress that has been made in improving the Group's safety performance. However, zero fatalities remain a specific focus after the death of a service provider in Mozambique in the year. The Board extends its condolences to the family, friends and colleagues of the deceased.

Moving on to the strategic opportunities in our markets, the Board is convinced that the Group's strategy is focused on the right opportunities to sustain growth and, importantly, to diversify our revenues. As such, we have approved the acceleration of our capital expenditure programme to between 14% and 17% of revenue for the next three years.

This spending will be targeted at extending our lead in data, providing 3G where we have voice and broadening our LTE/4G coverage in South Africa, while also accelerating our provision of fibre to our enterprise customers.

Our intended acquisition of fixed telecommunications network, Neotel, is similarly focused on accelerating the delivery of our growth strategy. Specifically, this will enhance our next generation network capabilities, increase the size of our fibre footprint and allow us to pursue fibre to the home and fibre to the business opportunities. It will also give us access to additional spectrum, which we need to cope with data traffic growth, and make substantial cost and capex savings possible.

Our network build-out in our International operations will continue and we will assess acquisition opportunities in our growth areas and in new markets as they arise. We recognise that these opportunities are limited, given our stringent

Chairman's statement continued

investment criteria, but we will not consider any acquisition that does not have the potential to grow shareholder value.

At the risk of stating the obvious, it is our strong financial position and the competitive returns we generate for our shareholders that underpin our ability to invest in our networks, our people and our operations. In a highly capital intensive industry, creating value for all our stakeholders is a difficult balancing act. If we are not able to deliver sustainable returns to our shareholders, the levels of investment required to deliver more value to our customers and contribute to realising national development goals, such as broadband for all, will ultimately be threatened.

In relation to our transformation commitment in South Africa, we reached a milestone in the year with shareholders in our black ownership initiative able to realise value from their investment in YeboYethu Limited. Over the last five years, their investment has doubled in value. The commencement of trading in YeboYethu's shares will also give new members of the black public the opportunity to become shareholders in Vodacom South Africa. Furthermore, as a new expression of our commitment to the ideals of transformation the Board has approved the formation of an innovation fund to assist young black entrepreneurs in developing and growing their businesses.

The Board conducts regular reviews of its effectiveness, which in the year was facilitated by an external service provider. Overall consensus was that the Board is working well, has a good mix of directors and demonstrates a high commitment to work in the best interest of Vodacom and its stakeholders. The Board as a whole demonstrates a clear understanding of Vodacom's purpose and has sufficient grasp of the material trends in our operating environments. No significant weaknesses were identified, but areas for minor improvement were noted and we are addressing these.

I have spoken in general about the role that mobile operators are playing, and specifically about some aspects of Vodacom's contribution, in realising the promise of connectivity to deliver profound socioeconomic benefits for Africa. The underlying premise of this discussion has been that the extent to which this promise is converted into sustainable gains is contingent on all stakeholders in the industry playing their role vigorously and responsibly.

As the GSMA research report I quoted earlier points out: "Policymakers should ensure that the right conditions are in place for the full transformational potential of mobile services to be realised. As the mobile Internet gathers momentum, policy change is required to ensure that adequate investment and innovation comes from all ecosystem players. Operators and investors need stability and clarity in order to fund the significant investment needed over the coming years both to extend coverage to more remote areas and to meet the growing demand for higher speed connectivity."

Vodacom is cognisant of the responsibility that goes with our leading market positions, as well as the opportunity for our business in unlocking the enormous social and economic potential of connectivity. In this regard we will continue to engage robustly with the regulators and governments in all the countries in which we operate, to ensure that conditions remain conducive for sustainable investment and growth in the interests of all our stakeholders.

In closing, I extend our thanks to Nick Read, who has resigned from the Board to take up the role of CFO at Vodafone. Taking his detailed understanding of our business into his new role will stand us in good stead. Serpil Timuray, who joined our Board last year, replaces Nick as Vodafone CEO of the Africa, Middle East and Asia Pacific region. The benefit of having executives from elsewhere in the Vodafone Group on our board is invaluable, and Serpil brings a wealth of marketing expertise that is specifically relevant to our commercial strategy. I also thank Albertinah Kekana, who has been appointed CEO of Royal Bafokeng Holdings, one of our strategic Broad-based Black Economic Empowerment partners, for her valued contribution to the Group. We welcome to the Board Yolanda Cuba, executive director for strategy and business support at SAB, and Hatem Dowidar, CEO of Vodafone Egypt.

My thanks to my colleagues on the Board for their wise counsel over the last year, and to our CEO, Shameel Joosub, for his solid leadership over his full first year at the helm, as well as to his executive team.

Q&A

Interview with the CEO

What were the highlights in the year?

We grew our customer base by 13.8% to 57.5 million active customers, Group revenue by 8.3% and EBITDA by 8.2%. Data revenue grew by a staggering 32.7%. It's clear that data remains our biggest growth driver in all our operations and we aim to accelerate this growth.

In South Africa, our service revenue grew modestly at 0.3%, including the impact of lower MTRs. However, this was a strong performance given the 0.3% decline in the prior year. Also pleasing was that we took back market share from our competitors. Our International operations continued to grow strongly, with profit growth outpacing revenue growth. EBITDA was up 55.4%, and the EBITDA margin expanded six percentage points to 29.6%, which I'm really happy with.

We continued to invest heavily in our networks, despite the tough economic and competitive environment. Network investment is the foundation of our strategy, enabling us to differentiate the customer experience and reduce the cost to communicate. At the same time, we're building network capacity and flexibility for the future, in the face of the tremendous growth in data and an ever-changing telecommunications environment.

In South Africa, we spent R6.9 billion on our network, directed mostly at expanding our 3G coverage. We added more than 1 000 new 3G sites, and our 3G network now covers 91.9% of the population. We also continued our LTE roll out in South Africa to just short of 1 000 sites. Similarly, in our International operations we continued to expand the coverage and capacity of our voice and data networks. We increased our capital investment by 36.8%, investing a further R3.9 billion to increase our 2G sites by 25.5% and 3G sites by more than 53.4%.

Mobile financial services continued to grow. In Tanzania M-Pesa contributed 18.8% to service revenue with more than half of our customers in Tanzania now using M-Pesa. Following the successful roll out of M-Pesa in our other International operations, we're seeing similar successes as the power of the M-Pesa ecosystem increases with higher numbers of registered users and transactional activity.

Shameel Joosub

We continued to invest heavily in our networks, despite the tough economic and competitive environment. Network investment is the foundation of our strategy, enabling us to differentiate the customer experience and reduce the cost to communicate.

Interview with the CEO continued

Vodacom's people are the secret to our success, so I was happy to see an improvement in our People Survey scores across all our operations and particularly in our Engagement Index. That said, the scores are not yet where I'd like them to be. We've identified clear steps to improve our scores further, and one of these will be to give our most talented people more access to the leadership team.

Please give us more detail on how you're lowering prices?

We're committed to reducing the cost to communicate in all our markets through our pricing transformation. In line with our strategic pillar of best value for our customers, we offered all of our customers more value through simple, worry-free products and pricing. These include low-cost micro bundles, time-based bundles and bundles that integrate voice, messaging and data.

The migration of our contract customers to our integrated Smart and Red packages continued successfully. These packages offer voice, messaging and data bundles at fixed price points. We launched our new Top Up (hybrid) integrated plans, uChoose Smart and uChoose Flexi. Again, these new packages contain voice, messaging and data bundles but also allow our hybrid customers to enjoy the benefits of our prepaid promotions. For our prepaid customers, we launched numerous promotions including Power Hour, Everyday Extra and our new time-based Power bundles, which include very competitively priced voice and data offers. Our very popular Power Hour bundles, for example, have an effective price as low as 8 cents per minute in South Africa. We have successfully reduced overall pricing in South Africa by 21.0% offset by strong growth in minutes of use and customers.

Our pricing transformation extends beyond South Africa with integrated plans and bundled offerings in all our International operating companies. These bundled offers are showing good elasticity, resulting in a 39.2% increase in outgoing traffic which is offsetting the reduction in our effective price per minute.

It is important to point out that our pricing transformation isn't coming at the expense of network quality. As part of our customer strategy to offer the best network, we continue to build capacity to support the strong data growth we are experiencing in balance with driving pricing down. The acceleration in our capital investment over the medium term will be focused on expanding the reach of our data services to where we have voice, and enhancing our customers' data experience. We will also be accelerating our roll out of fibre to the business to support the growth in our enterprise services, as well as expanding coverage and capacity in our International operations.

What were the lowlights in the year?

An employee of one of our suppliers in Mozambique was killed in a road accident in January. Following an investigation, disciplinary action was taken against the driver, and the lessons learnt from this incident have been incorporated into our driver assessment processes. I again extend my condolences to the family, friends and colleagues of the deceased. More positively, our Lost Time Injury Frequency Rate ('LTIFR') for the year was 0.14, well below our target of 0.5, a testament to our focus on health and safety. This significant improvement was achieved despite an increase in working hours due to us expanding and modernising our network.

Another lowlight was managing the difficult regulatory process in relation to MTRs in South Africa. We support the rational reduction in MTRs, as long as due process is followed. It was therefore unfortunate that we had to resort to challenging the regulator in court. We've put this behind us and we are working with the regulator in applying a cost-based model considered to be best practice elsewhere in the world.

We would liked to have relaunched M-Pesa in South Africa during the year, but have experienced some delays. We've dedicated a lot of management focus to sorting out the issues and building a solid platform. We will be launching a revised product with a new banking partner in the near future. I believe this will make a difference and hopefully we'll be able to match the success we've had in our International operations.

In terms of our growth strategy to expand geographically, we've not been able to find any attractive assets that will yield the kind of growth we're looking for. Our investment criteria are pretty stringent and finding suitable assets is slow and arduous, but we'll continue to assess any promising opportunities we come across. We have instead focused our energy on Neotel, increasing our stake in Tanzania and acquiring our Nashua Mobile customer base.

The publicity around the MTR issue hasn't done Vodacom any favours. What's your side of the story?

It certainly hasn't been good for us, or the industry as a whole. The issue has been reduced to a story of the big networks, typecast as anti-consumer, against MTR reductions, and the small networks, the consumer champions, for reductions. This is inaccurate and, as is often the case, the truth is far more complicated. In fact, from the outset of the process, we've been vocal in our support of lower MTRs and proposed an immediate cut in these rates.

But let's take a step back. MTRs are the fees that mobile networks pay each other to connect calls. The international norm is to base this connection fee on how much it costs the receiving network to carry a call. These costs naturally come down over time with advances in technology and growing economies of scale. To determine the fee level, best practice is to conduct a detailed cost study. South African law requires this.

The regulator imposed an MTR reduction of 50% without doing a proper cost study. To add to this, it introduced an unprecedented level of asymmetry of 120% with the intent to increase it to 300% by 2016. This meant that Vodacom would pay four times more to connect a call to the smaller networks than they pay to connect to our network. This was withdrawn during the court proceedings. The telecommunications business is highly capital intensive and, in our view, the smaller networks have been short-sighted in their underinvestment in their infrastructure to support price cuts. We are being asked to correct this by paying, in effect, a subsidy of 24 cents which would have increased to 30 cents per minute. Our customers will bear the brunt of this and so we had to take steps to protect their interests.

Legal action was a last resort for us, justified by our concern that the regulator had not followed due process as set down by the law, and that the rates ultimately imposed were not objectively and fairly determined. For us, the issue isn't about fighting over lower rates, its about making sure that the right process is followed. The judgement in the case satisfied and disappointed us. The Judge found that the regulator had not followed due process and the regulations were therefore unlawful and invalid. But in exercising her judicial discretion and suspending the court order for six months to September 2014, we have to comply with the regulations anyway.

As difficult as this has been, our duty is to demonstrate leadership in putting this episode behind us and working closely with the regulator to complete a proper cost study within the six-month timeframe. We'll continue to act in the best interests of our stakeholders and the sustainability of the local industry as a whole.

In relation to your acquisition strategy, why Neotel?

Combining the assets of the two businesses will make the provision of a wider range of consumer and business services like fibre-to-the-business and fibre-to-the-home a concrete reality – it will be good for the consumer, good for business and good for the country. And for our investors, the transaction fits perfectly within the priorities of our growth strategy to invest in data and in our enterprise business.

Neotel has over 15 000 kilometres of fibre optic cable, including 8 000 kilometres of metro fibre. Spectrum is also an important consideration as the combined entity would be in a position to use this resource more efficiently to keep pace with South Africa's rapidly growing demand for mobile data.

You are passionate about Vodacom's broader contribution to society. What's been happening in that regard?

Our products and services play an important role in improving quality of life and driving economic growth. But besides that I'm proud of the difference we make in people's lives by employing our expertise and technology in meaningful ways. Our social agenda includes the amazing work done by the Vodacom Foundation in education, health and safety.

Our focus on education to ensure a better future for the next generation is progressing well. We have built 893, fully connected school computer centres which incorporate connectivity as well as computers and tablets, and maintenance. In addition, we now have 40 ICT centres across South Africa that we've built and manage in partnership with the Department of Basic Education that assist teachers to improve the standard of education. Our health projects, particularly in our International markets, are revolutionary and are enabling better health outcomes especially in rural areas. Similarly in safety, our Alert Rouge programme for the victims of war in the east of the DRC is making a difference to people's lives in this very difficult part of the world.

It has also been very gratifying to see our Black Economic Empowerment ownership programme commence over the counter share trading for the black public. Some 100 000 South Africans now have the opportunity to realise value from the YeboYethu scheme through restricted trading with other black members of the public. Our transformation efforts have culminated in us improving our BEE score rating from level 3 to level 2.

And lastly, I'm excited about the potential of our soon to be launched Innovator Trust to support small business owners by means of grants in assisting them to grow their business, thereby making a meaningful contribution to job creation and economic growth.

Strategy 1

Customer

Investing in the best customer experience.

Giving our customers the best experience keeps them on our networks and attracts new customers. The three pillars of our customer strategy – best value, best service and best network – are the building blocks of delivering a truly differentiated customer experience.

We measure how we're doing against these pillars in many different ways, but ultimately we ask one simple question: "Would you recommend Vodacom to your family, friends or colleagues?" This measure is known as the Net Promoter Score ('NPS').

In the year, the action we took to improve the customer experience saw us taking back first position in NPS in South Africa, DRC and Lesotho. In Tanzania, where we were placed second, we rebased our pricing towards the end of the year which negatively impacted our score. Since then we've taken steps to improve our value proposition which should see our score improve during the coming year.

Best value

To give our customers best value for their money we're transforming our pricing models, a wide-reaching initiative that kicked off in South Africa in 2013.

How we've done in our net promotor score

%	2014	2013	Relative to competitors
South Africa: prepaid	46^	55	#1
South Africa: contract	23^	31	#1
South Africa: total	35^	42	#1
Tanzania	49	58	#2
DRC	57	51	#1
Mozambique	71	78	#1
Lesotho	36	28	#1

^ These items were included as part of our assurance process this year.

> Net promoter score ('NPS') measures customer happiness by how likely they are to recommend us to people they know versus our competitors.

We've introduced integrated price plans for our contract customers that give generous voice minutes, SMSs and data, effectively lowering the per-unit cost for each service. While these plans offer customers worry-free in-bundle usage, we benefit too by lowering the risk of volatile out-of-bundle spend. We've successfully migrated 56.3% of our contract customers to these new integrated plans.

For our prepaid customers in South Africa we reduced our effective price per minute by 23.6% to 55 cents through segmented offers. Our 'more for more' bundles, for example, integrate bigger allocations of voice minutes, SMSs and data in ordinary bundles, micro bundles and time-based plans. Our prepaid customers can now choose a price plan and bundle that best suits their needs and pockets. We've also changed our hybrid Top Up plans to allow our customers to choose any of our new integrated smart or flexi plans, while at the same time being able to access our prepaid promotions.

In our International operations we introduced higher-value integrated prepaid bundles. These include a sizeable allocation of data to introduce customers to the possibilities of using data. These bundles now make up a significant portion of prepaid sales in our International operations.

Investing in new generation network technology allows us to lower operating costs while improving our capacity to handle increased traffic volumes. This means we can pass more savings on to our customers and give them the high levels of service they demand, even as volumes increase.

Best service

Engaging with our customers gives us insight into where and how to improve our services. In general, our customers want a great experience that is worry free – they don't want to be exposed to the complex internal processes that make that experience happen. For example, when a customer interacts with us, they want to move seamlessly between different channels without having to provide the same information every time. We're also seeing a preference for self-service channels which allow our customers to resolve their own queries.

We'll be making a number of improvements in all our operations over the next few years in response to these customer insights, and measure them through our touchpoint NPS systems where we ask customers for feedback directly after interacting with us.

We're in the process of improving our retail stores to focus on the overall experience they provide to our customers rather than just the specific transactions. For example, we've made devices available in-store for customers to try out before they commit to one, and we're rolling out tech centres to help customers set up their devices before leaving the store. All our stores in South Africa will be refurbished over the next two years. Our customer satisfaction scores are already improving in our new stores, with an improvement in touchpoint NPS and a 15.4% increase in contract connections.

We're also investing in giving our customers easier online access to the information they need and another channel for resolving their queries. By enhancing the user experience on the Vodacom portal, we're transforming the way customers interact with us. They can now upgrade their services or buy additional services or accessories and get these delivered directly to them. We've also introduced web chat, which allows customers looking for support to interact with an agent online. To make sure these improvements are finding favour with our customers, we're also actively tracking our customers' feedback through touchpoint NPS.

In the year, we launched the MyVodacom app for smartphones, giving customers access to a range of self-service capabilities. Our new app offers a simplified customer experience and allows customers to view their account balances or top up on data and airtime. We'll be launching MyVodacom for feature phones in due course.

We've also revitalised our in-store experience in our International operations and will be rolling out additional stores over the next two years. However, formal channels are less of a feature in our International markets and so we have a network of street vendors in all our operations. Our street vendors educate customers about the services we offer and help to resolve customer queries through a dedicated service line. They earn commission on the airtime they sell, which creates employment opportunities and supports the sustainability of this distribution channel. We're proud that we've been able to create close to 2 000 jobs in Tanzania, mainly for women.

Best network

We aim to offer our customers the widest coverage, fastest speeds and best network quality. We invest consistently in our networks to achieve this, and to make our services more affordable – a key factor in driving access to connectivity. In South Africa our radio access network ('RAN') renewal project is nearing completion, with the final region to be completed in 2015. This project will help to 'future-proof' our network by installing the most modern equipment in our base stations. We've added 1 786 more 3G sites and 1 472 2G sites across our operations, and expanded our LTE network to 916 sites.

Over the next three years, we'll accelerate our capital expenditure by almost 20% to around R13 billion, with the majority to be invested in our network. This will reinforce our best network advantage and provide new revenue opportunities in the fixed line and enterprise markets. In South Africa we're ahead of the competition in network coverage, with 99.9% of the population covered by our 2G voice network and 91.9% covered by our 3G data network. Part of our capital expenditure plan is to provide data coverage wherever we have voice. This will meet customers' increasing demand for data services, particularly in underserviced areas. We'll also be accelerating our LTE roll out to offer a viable alternative to ADSL.

Investing in our network infrastructure also supports the objectives of governments to widen coverage and lower the cost of communication, which drives access to the benefits of connectivity.

We're always improving the quality of our network and monitor a number of internal and external metrics to identify where we're falling short or where things are going wrong. The uptake of our value bundles has put strain on our network in some areas. Monitoring this impact has shown us where we need to install additional capacity, and we've taken action to resolve the capacity constraints. We also track the network experience of our top 200 000 customers (based on revenue) to identify areas for improvement and ensure that all our customers are getting the best possible network experience.

We recently conducted a series of 'drive tests', where a specially equipped vehicle tests for various network quality metrics in real-world conditions. This was done in 14 major towns and cities in South Africa. The results showed that we're either the best or joint best in all voice metrics, with an outright lead in least number of dropped calls. In data, we outperform our competitors on benchmark tests such as speed. Expanding our 3G network and using spectrum more efficiently for our LTE network will help us improve even further.

MyVodacom app

Our new app offers a simplified customer experience and allows customers to view their account balances or top up on data and airtime.

Strategy 2

Growth

Investing in the **best** growth opportunities.

To diversify our revenue base, and support growth as our markets mature and become more competitive, we're focused on driving the mobile data opportunity and developing new services. We're also actively looking for opportunities to expand into new countries.

Grow data

Three years ago we set a target of growing our data customers to 25 million across our footprint. We're nearing that target with 23.8 million customers now actively using data. We've made our data services more affordable and accessible over the last three years, which has seen us more than double the number of data customers in this time. Our consistent investment in modernising our network has underpinned the success of this coverage and pricing strategy.

We believe data is still our biggest growth opportunity and our accelerated investment plan will support our efforts to drive data growth further. In South Africa we're widening the reach of our 3G network to more than 95% of the population over

How we've done in growing active data customers

'000	2014	2013	% change
South Africa	**16 102^**	14 386	11.9%
International	**7 675**	4 117	86.4%
Group	**23 777**	18 503	28.5%

^ These items were included as part of our assurance process this year.

> Growth in active data customers is our key indicator to measure our success in increasing the penetration of data services.

the next two years, making data available wherever we have voice. We're also investing in being the leader in LTE by doubling our sites in the year ahead. This will enable us to offer a wide range of data services that cover all our customers' needs.

The affordability of devices is one of the barriers to widening access to data services. Smartphones are becoming more sophisticated, extending the benefits of data connectivity, but with higher price tags. Operators need to be innovative in getting these devices into more people's hands. We've been giving our customers the option of financing a handset over the period of their service contracts, giving them access to the latest devices. At the other end of the spectrum, is the need for affordable devices at the lower end of the market. We've introduced an Android smartphone at the lowest price yet (under US$50). Together with Vodafone we'll continue to find new ways to bring down prices, not just on smartphones but also on tablets.

Grow internationally

Our International operations continue to grow strongly in both revenue and EBITDA. They now contribute 22.4% of Group service revenue and 15.6% of EBITDA.

We upped our capital expenditure in Mozambique in the year to support this growth through increased network coverage and capacity. In the year ahead we will also be investing heavily in our network in the DRC to widen our coverage, given that penetration is still very low at around 35%.

In Mozambique our aim is to catch up and compete on an equal basis with our competitors on geographical and population coverage within the next 18 months.

We continue to look for acquisition opportunities to grow our International portfolio. However, we will only look at opportunities that have the potential to realise shareholder value and meet our investment criteria of population size, market position, market maturity and price; but these opportunities are limited. The few opportunities we've pursued have been highly competitive and we've not managed to close any deals. We'll continue to assess any suitable opportunities that come along.

Subsequent to year end we increased our effective ownership in Vodacom Tanzania from 65.0% to 82.2%.

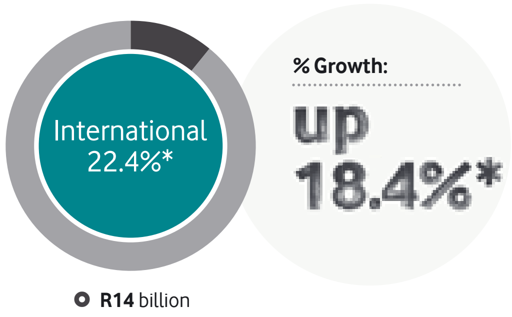
Grow enterprise

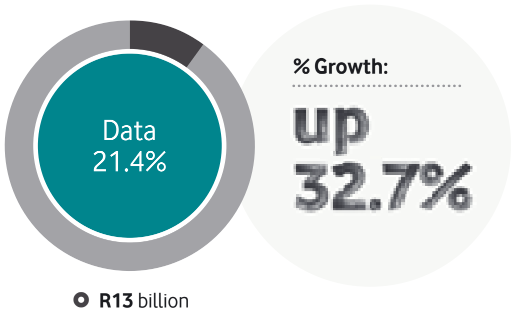
We've grown our enterprise businesses to the point where they now have the scale to compete effectively. The enterprise business in South Africa is now a R1 billion business in terms of service revenue, and our enterprise business outside of South Africa is growing service revenue at around 20% a year.

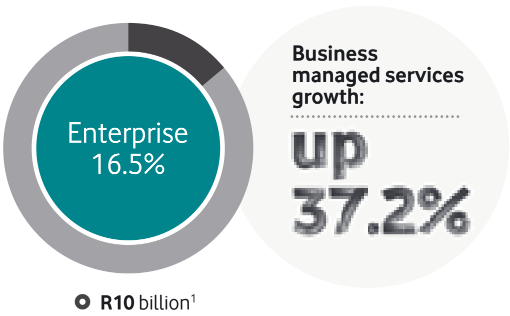
During the year, we launched OneNet in South Africa, an innovative PABX replacement option focused on small to medium enterprises ('SMEs'). The uptake of the product has been limited by the demand for prepaid and top up options to be included in this solution. We've taken this on board and will be improving this proposition in the next few months.

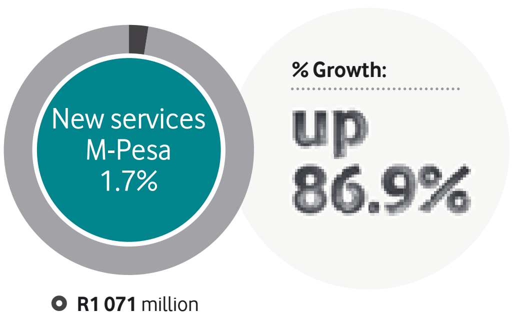
Rolling out fibre to our business customers in South Africa will be a major focus for our enterprise business in the year ahead. Our aim is to reach more enterprise customers by the end of the financial year, which will unlock further opportunities for growth in the products and services we are able to offer them. Besides connectivity, these will also include additional services such as cloud-based

Contribution to Group service revenue









1. Includes revenue from mobile services and business managed services.

hosting. Our new data centre on our Midrand campus is nearing completion and will provide additional cloud and hosting capacity.

Grow new services

M-Pesa, our mobile money transfer service, is growing strongly in our International operations. This is particularly the case in Tanzania where the number of transactions continues to increase. This has been a result of growing the entire mobile money ecosystem across utilities, retailers and employers, and entering into partnerships with more banks. This has enabled simpler movement of money in and out of the system. Following the launch of M-Pesa in our other operations we are now expanding our agent network and improving customer education to drive the number of transactions. We will also relaunch M-Pesa in South Africa, once regulatory and other operational requirements have been resolved.

We're also putting the necessary systems and processes in place to expand into other financial services such as short-term insurance. In our handset insurance offering, we've already seen an increase of 25.5% in the number of policies with revenue growing by 32.6% to R324 million.

Strategy 3

Operations

Investing in the **best** processes and in delivering **efficiencies.**

To provide our customers with the best experience we invest in systems that improve efficiency and make our services simpler and easier to use. Over the years we have built many class-leading information platforms to control different areas of our business, including billing, customer interactions and call centres.

Although these systems have served us well, we need to upgrade many of them to take advantage of new technologies. Newer systems will allow us to respond better as our customers' needs evolve, whether it's introducing new products faster or providing a seamless experience across the channels our customers use to interact with us. As part of a three-year plan, we're aiming to improve the customer experience by investing in new systems, changing our culture to be more proactive than reactive, and refining our processes. We'll be focusing on the prepaid segment in year one.

Improving our processes

Improving our systems and tracking various metrics enabled us to reduce call volumes to our call centres by

How we've done in our operating efficiencies

%	2014	2013	% change
Group Opex[1] to service revenue	25.0^	23.7	1.3 ppts
Opex[1] to service revenue, excluding Gateway Carrier Services[2]	25.0	24.0	1.0 ppts
Speed score (People Survey)	62^	57	5 ppts
Simplicity score (People Survey)	60^	54	6 ppts
Reduction in carbon emissions per site[3]	10.0	6.2	3.8 ppts

^ These items were included as part of our assurance process this year.
1. Operating expenses, excluding direct expenses, depreciation, amortisation and trading foreign exchange.
2. Gateway Carrier Services was sold in August 2012.
3. Based on comparative emission figures for each year.

We measure our success by keeping operating expenses in line with service revenue growth, the ease of doing business with us and our reduction in carbon emissions per site.

almost 7.7% in the year. By focusing on fixing areas that frustrate our customers the most, we improved our first call resolution rate by 3.2%. This included fixing the root cause of the problems in our business processes, which led to almost three million fewer repeat calls to our call centres. Monitoring various metrics is also allowing us to address inefficiencies, which ultimately lowers the cost of servicing our customers by reducing the number of calls to our call centres.

In our drive to widen coverage, especially in underserviced areas, we're taking an innovative approach in rolling out new base stations to lower equipment, site set-up and operating costs. By way of example, in the DRC a typical site set-up costs as much as US$300 000 due to challenges such as poor road infrastructure and high import duties on equipment. Having to provide our own energy and transmission infrastructure also pushes operating costs higher. To meet the challenge, we've developed a low-cost 2G base station that only costs around US$50 000 to set up and can be deployed in three days. The sites are connected through satellite technology and powered by solar energy. We are aiming to deploy 500 new low-cost sites in the year ahead.

Managing our operating costs

To measure how we're doing in managing our operating costs we look at our ratio of operational expenditure to service revenue, which increased slightly during the year. We had lower network operating expenses which were offset by higher costs of fuel, electricity, wage inflation and expenses billed in foreign currency. The devaluation of the rand hit us particularly hard this year, causing us to marginally miss our target ratio for operating expenses to service revenue in South Africa.

We'll continue to focus on containing costs in the year ahead and leveraging global purchasing power through Vodafone procurement company. Specifically, we aim to reduce our sales cost to acquire and retain customers by using the most efficient channels to secure customers. We'll also focus on retaining our most active and profitable customers to reduce churn further.

Our aim is to keep growth in operating expenditure flat by reassessing expenditure, continuing to invest in our own transmission capacity to drive down leased-infrastructure costs, and keeping payroll cost increases low through managing our employee numbers.

Managing our environmental impact

As we continue to roll out more base stations and data centres to cater for the growing demand for our services, we need to ensure that we're able to operate as efficiently as possible to minimise both our costs and our impact on the environment. We'll be investing over R32 million over the next three years to conserve energy and thereby lower operating costs at some of our core network facilities.

In our network of base stations, we continue to deploy more energy efficient equipment. Our RAN swap initiative is estimated to have saved 1.4 GWh of electricity in the year, besides the savings achieved through our other initiatives such as free cooling, deep cycle batteries and solar power.

Energy efficiency and other environmental impacts were taken into consideration in building our new data centre on our Midrand campus. Some of the features of the data centre include energy efficient HVAC systems, solar powered geysers and intelligent lighting, in addition to waste minimisation and dedicated waste recycling areas.

Strategy 4

People

Investing in being the

best employer

to work for.

Our annual People Survey, which tracks how engaged, well managed and included our employees feel, showed good results across all our operations.

We achieved a score of 76% on our Engagement Index, up 1 ppt on the previous year and ahead of our peers, but still short of our target of 80%. We are clear on the steps we need to take to achieve our target. These include simple fixes such as improving the on-boarding process for new employees, providing training materials on new products in our stores and giving our most talented people access to our leadership team through Group breakfasts with Board and Executive Committee team members.

Innovation is key to sustainable competitive advantage. It allows us to identify new opportunities for growth and greater operational efficiency. We recently launched a new programme to encourage our people to innovate, along with an innovation incubator that will reward the employee, with the best idea to improve our business, with R1 million.

We conduct an annual People Survey that tracks how engaged, well managed and included our employees feel. Independent consultants do the survey and compare the score to a high-performing peer group and to other Vodafone Group companies.

How we've done on employee engagement

%	2014	2013	% change
Engagement Index	76^	75	1 point

^ These items were included as part of our assurance process this year.

Investing in talent and driving diversity

One of the most important ways in which we invest in our people is through our talent programmes. We manage talent through our Performance Dialogue programme, which involves monitoring performance against yearly goals and setting training and development objectives. The programme also forms the basis for nurturing high-potential employees and identifying candidates for our succession programmes. To develop new industry talent, we offer tertiary-level bursaries and development training to new graduates.

Although meeting employment equity targets is a specific requirement in South Africa, diversity extends beyond race and gender to all aspects of diversity. Driving diversity gives us the benefit of different life experiences, perspectives and ideas that help us serve our customers better. We're focused on improving the representation of women throughout our operations, and introducing new talent to achieve our diversity objectives.

The telecommunications industry still falls short on developing women, who represent less than 50% of our employee base. The shortfall is particularly evident at higher management levels. To deepen the pool of talented black women in the industry, we launched a one-year leadership programme to mentor females in waiting. The programme is targeted at developing black female talent from which we can recruit and is run by the Gordon Institute of Business Science. Our Executive Committee team members interact with and mentor participants in the programme. Of the 12 participants who joined the programme this year, we've employed two on a full-time basis at a senior level.

We set up a Women's Network forum of women from diverse backgrounds and employment levels. The forum helps us identify gender-based issues in the workplace and career advancement opportunities for women, which help us to retain talented women. The forum also considers the appeal of our products and services to women.

To drive the equitable representation of women at all levels of our business, we have developed a statement of intent that sets out our employment equity targets and how we plan to meet them.

Acquire talent in new growth areas

To unlock new opportunities for growth we need to attract skills from outside our traditional business areas. Two years ago we set out to bring new talent into our International operations which has helped encourage greater focus on growth opportunities such as M-Pesa and data. Recently, we have also recruited leading specialists in the areas of fast-moving consumer goods, financial services, e-Commerce and business managed services, which is enabling us to be more proactive in identifying new opportunities for customer acquisition, outside but complementary to our traditional mobile telecommunications expertise.

Maintain the highest safety standards

We had no fatalities among our employees in any of our markets during the year under review. However, an employee of one of our suppliers in Mozambique was killed in January, which following an investigation was found to be the result of driver distraction. The necessary disciplinary action was taken against the driver, and we provided the deceased's next of kin with our full condolences and support. The lessons learnt from this incident have been incorporated into our driver assessment processes.

Our Lost Time Injury Frequency Rate ('LTIFR') for the year stood at 0.14, well ahead of our target of 0.50. This significant improvement was achieved despite an increase in working hours due to us expanding and modernising our network.

Strategy 5

Reputation

Investing our best in creating value for our communities.

Our reputation is determined by our interactions with all our stakeholders. Besides meeting the needs of our customers, employees and shareholders, the communities in which we operate look to us to work in such a way that benefits broader society.

We partner with stakeholders in all our operations, including governments, non-governmental organisations ('NGOs') and community groups, to identify opportunities to make a positive impact.

Transform society

This year, we achieved a major milestone in our BBBEE ownership programme. Over the counter trading commenced for black members of the public who hold YeboYethu shares. YeboYethu Limited was formed in 2008 with the acquisition of 3.44% of Vodacom South Africa shares. The black public holds 55% interest in the company with the balance held by Vodacom employees. Some 100 000 South Africans now have the opportunity to realise value from the scheme through restricted trading with other black members of the public.

For more on YeboYethu and trading in these shares visit **www.yeboyethu.co.za**

As part of our ongoing commitment to principles contained within the BBBEE Codes of Good Practice we have taken steps to set up a development trust for new black entrepreneurs in the ICT sector, set to launch in the 2015 financial year. The Innovator Trust will assist entrepreneurs in improving their businesses and equip them to implement the necessary controls and processes to do business with the corporate sector.

As a testament to our commitment to transformation, our BBBEE score improved from level 3 to level 2.

Smart partnerships

The Vodacom Foundation has been refocused on three key areas: education, health and safety. We partner with governments and NGOs in delivering key projects in these areas, based on our technology and expertise.

Refer to our communities report online for more detail on our projects.

Education

In South Africa our mobile education programme, in partnership with the Department of Basic Education, has to date created 40 ICT centres across all nine provinces, giving more teachers access to ICT resources. In total, we have now connected 893 schools to the ICT centres by supplying them with the necessary technology and resources.

During the year, our employees took part in a number of education initiatives, including packing food parcels for schools and collecting stationery. Together with school principals, we identified the need for food support during school holidays, as children generally do not receive food parcels during these periods. A number of learners at schools in the Gauteng region were assisted with food parcels during their holidays. During the year, we also distributed stationery packs to learners. We will continue to support holistic initiatives that promote children's ability to learn.

Health

We employ our expertise in ICT to drive better health outcomes. In Lesotho we're researching a project to improve maternal and child healthcare in villages and strengthen the system for referring people to clinics through mobile technology and a mobile money service. The ultimate goal of this programme will be to get more HIV-positive children onto care and treatment programmes as soon as possible, to get more pregnant women onto Prevention of Mother to Child Transmission programmes, and to promote giving birth at clinics which will help to reduce mother to child transmission. We have undertaken similar projects in Mozambique. Together with Absolute Return for Kids ('ARK'), we implemented an SMS-based system that reminds patients about their appointments and when to take their treatment. The programmes also assist with helping clinics monitor their stock levels of anti-retroviral medication.

How we've done in our annual Reputation Survey

Index score	2014	2013	Relative to competitors
South Africa	**7.70**^	7.54	#1
Tanzania	**7.54**	8.14	#1
DRC	**8.09**	8.02	#1
Mozambique	**8.41**	8.16	#1
Lesotho	**7.82**	7.43	#1

^ These items were included as part of our assurance process this year.

We use our annual Reputation Survey, conducted across key internal and external stakeholders to track our progress and benchmark our reputation against our competitors and other leading brands. The survey is conducted by an independent company Globescan on our behalf.

We have trained nurses at 686 clinics in KwaZulu-Natal to manage stock levels of chronic medication using their mobile phones. The stock information they capture is uploaded to a central information system which feeds into a supply management system. The immediate and accurate reporting of stock levels is greatly contributing to avoiding shortages of chronic medication at clinics.

Safety

In the east of the DRC many people have been affected by unrest. In an effort to address some of the social and physical impacts, we started Alert Rouge to assist with reconnecting families, providing access to surgery, supporting humanitarian efforts and developing an entrepreneurial spirit. We will also be offering free calls at camps to reconnect families, and are aiming to raise over US$5 million to assist in related efforts.

Help for victims of gender-based violence is a key focus area for the Vodacom Foundation in South Africa. We allocated R4.2 million to an integrated call centre in partnership with the Department of Social Development. The main objective of the project is to help the Department be more responsive in providing services and support to victims of gender-based violence.

Q&A with the CFO

Ivan Dittrich

What stood out for you in the results?

We recorded a very pleasing financial performance in the year. It's good to see that the strategies we implemented to drive revenue growth are delivering across all our growth pillars of data, enterprise, International and new services.

In South Africa, we grew data revenue by 23.6%, supporting a return to growth in service revenue, despite the impact of lower MTRs. Our International operations did well, contributing more than half of the absolute growth in the Group's service revenue and EBITDA. M-Pesa continued to grow in Tanzania, representing 18.8% of service revenue, and we're seeing good uptake in our other International operations. Our focus in the year ahead will be to relaunch the service in South Africa and to expand the agent network and M-Pesa ecosystem in all our operations.

Our enterprise business as a whole is growing strongly at 21.7%, with South Africa and International contributing more than a billion rand each in revenue. We've been able to deliver this through increased scale in our South African operations as we widen our fibre network, expand our Multiprotocol Label Switching ('MPLS') network across more African countries and leverage our access to Vodafone Global Enterprise customers.

Financial highlights

Revenue (Rm)	Up 8.3%
2014	75 711
2013	69 917
2012	66 929

Operating free cash flow (Rm)	Up 6.9%
2014	19 410
2013	18 158
2012	16 934

EBITDA (Rm)	Up 8.2%
2014	27 314
2013	25 253
2012	22 763

EPS (Cents)	Up 1.8%
2014	903
2013	887
2012	694

We saw a marginal increase in our operating cost to service revenue ratio. We managed this despite rising inflation, higher energy costs and increases in other costs not denominated in rand.

On the downside, the results were negatively impacted by the devaluation of the rand as well as a once off non-cash charge relating to an extension of the funding period and a reduction in the notional interest rate of our 2008 BBBEE deal.

Even with these impacts, we managed to maintain our EBITDA margin at 36.1%. Adjusted HEPS grew at 5.1% to 917 cents if we exclude the non-cash BBBEE charge. In calculating the dividend, we added back the BBBEE charge. This resulted in total dividend declared growth of 5.1%, adding to the total shareholder return of 23% for the past financial year.

Will your accelerated capital expenditure programme reduce your free cash and affect your dividend policy of paying out at least 90% of headline earnings?

We're confident that the growth areas in which we'll be investing additional capital expenditure over the next three years will enable us to deliver value to shareholders. For the most part, the potential of these growth areas has already been proven.

We're planning to finance the acceleration in capital expenditure through long-term debt. We still have our domestic medium-term note programme in place, which gives us access to an additional R10 billion in funding. Being part of the Vodafone Group also gives us access to international funding at the most competitive rates.

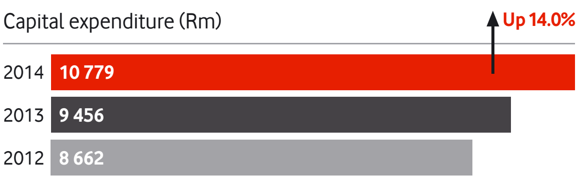
We have a very low net debt to EBITDA ratio of 0.3 times and we have the opportunity to match the investment timeframe of our expansion plans to long-term funding. We're also in the fortunate position that we can increase our gearing significantly, without the risk of a downgrade in our zaAA+ long-term credit rating.

Given the size of your investment in growth, why haven't you upgraded your guidance?

Network leadership is the foundation of our strategy. This presupposes consistent investment in our networks to increase capacity so we can offset lower prices with higher volumes. The success of this approach has returned our South African business to service revenue growth and lifted the contribution of our International operations to Group revenue and EBITDA significantly.

Our acceleration in capital investment over the medium term to between 14% and 17% of Group revenue will support these growth trends. The investment plan will focus on expanding the reach and quality of our data and voice networks across the Group, and on expanding our suite of enterprise services such as fibre to the business. These capital projects answer our strategic objective to accelerate and diversify revenue growth.

It is important to state that our planned capital investment allocation will ultimately be informed by the outcome of the MTR process in South Africa. And given the uncertainty that remains in respect of MTRs in South Africa, we're maintaining our medium-term guidance at low single-digit growth in service revenue and mid to high single-digit EBITDA growth.



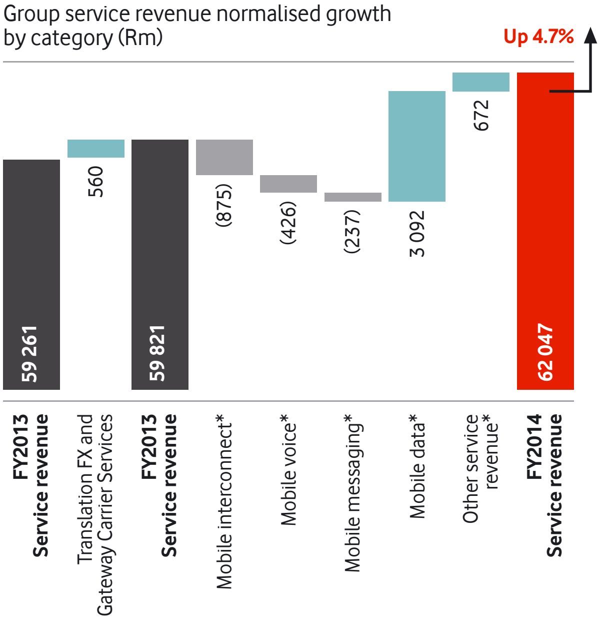
1. Total dividend declared for the year.

Operating results

Revenue

Group revenue increased by 8.3% (7.3%*) to R75 711 million and service revenue by 4.7% (3.7%*) to R62 047 million. The growth in revenue is mainly attributable to increased volumes from handset financing deals in South Africa, which resulted in equipment revenue growth of 28.6%. Equipment revenue now contributes 16.7% of Group revenue compared to 14.1% a year ago. The growth in Group service revenue reflects a strong focus on operational execution. In South Africa service revenue improved from a decline in the previous financial year to growth of 0.3%. The return to growth was driven by a 23.6% rise in data revenue growth and an increase in other service revenue of 23.0%, contributed by growth in business managed services and visitor roaming revenue. The growth of these segments offset a 21.7% decline in interconnect revenue coupled with a robust performance in the contract segment. The strong growth in our International operations' active customers, which has been made possible by our accelerated network investment resulted in service revenue growth of 23.4% (18.4%*). Excluding the deferred revenue adjustment in the prior year, service revenue grew 15.1%[1]. These operations now contribute 22.4% of service revenue, up from 19.0% (19.6%*) a year ago.

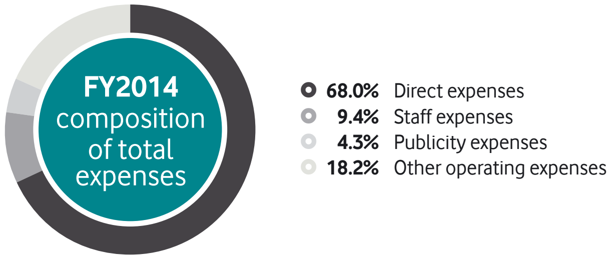
Group service revenue normalised growth by category (Rm)

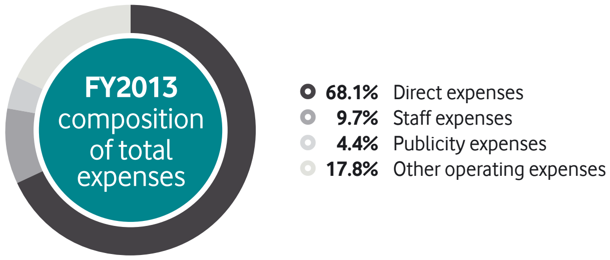


1. During the prior year, we reviewed our internal controls in the International operations around revenue reporting, and ensured alignment across the Group to policy. Service revenue was reduced by approximately R300 million and recognised as deferred revenue as a result of this process.

Total expenses[1]

Group total expenses increased by 8.2% to R48 303 million, in line with revenue growth. Managing the increase in expenses to this level, given inflation in wages, fuel, electricity and other costs not denominated in South African rand, demonstrates the positive contribution from our cost containment programmes.





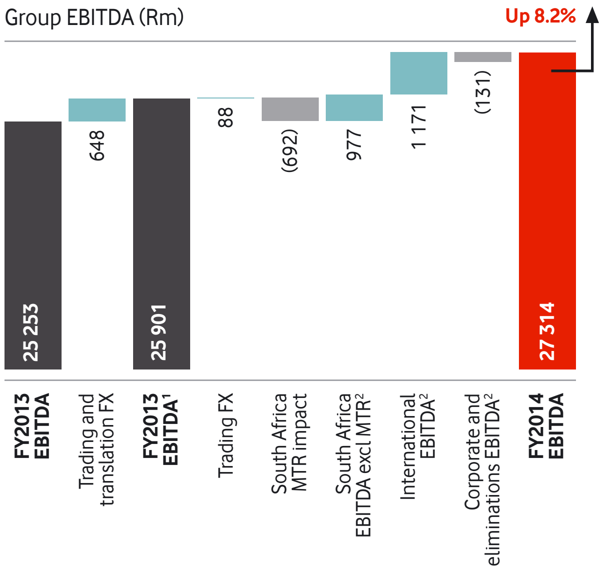
Note:
1. Excluding depreciation, amortisation, impairment losses and BBBEE charge.

Total expenses includes a net foreign exchange gain on the revaluation of foreign currency denominated trading items of R88 million (2013: loss of R195 million). In South Africa the 6.6% increase in total expenses was driven by higher direct costs directly linked to the increase in handset financing deals, from marginal higher customer acquisition costs as a result of heightened competition, and from increases in other operating costs not denominated in South African rand. International operations expenses increased by 14.8% (12.0%*), which is well below revenue growth of 23.9% (18.1%*).

EBITDA

Group EBITDA increased 8.2% (5.1%*) with the Group's EBITDA margin stable at 36.1% (2013: 36.1%). South Africa's margin of 37.4% (2013: 38.2%) came down slightly as a result of a higher contribution to revenue from low margin equipment sales and an increase in customer acquisition costs linked to the competitive environment. The International operations delivered strong EBITDA growth of 55.4% (37.0%*), with the EBITDA margin expanding 6.0 ppts (4.2 ppts*) to 29.6% (30.2%*). International operations' contribution to Group EBITDA improved to 15.6% (15.9%*) from 10.8% (12.2%*) a year ago.

Group EBITDA (Rm)



Notes:
1. Restated to 2014 foreign exchange rates and excludes Gateway Carrier Services.
2. Excluding trading foreign exchange and at a constant currency.

Operating profit

	Year ended 31 March			% change	
Rm	2014	2013	2012	13/14	12/13
South Africa	**18 246**	17 640	16 671	**3.4**	5.8
International	**2 171**	1 177	(75)	**84.5**	> 200.0
Corporate and eliminations	**(23)**	80	21	**(128.8)**	> 200.0
Operating profit	**20 394**	18 897	16 617	**7.9**	13.7

Group operating profit increased 7.9% to R20 394 million. We extended the funding period and reduced the notional interest rate of our 2008 BBBEE deal resulting in a charge of R310 million, including a staff component. Operating profit in South Africa increased 3.4%. Excluding the BBBEE charge, this growth was 5.2%, ahead of EBITDA growth as a result of a lower increase in depreciation and amortisation of 0.3%. International operations' operating profit grew 84.5% to R2 171 million.

Net finance charges

	Year ended 31 March			% change	
Rm	2014	2013	2012	13/14	12/13
Finance income	**333**	117	109	**184.6**	7.3
Finance costs	**(1 051)**	(927)	(748)	**(13.4)**	(23.9)
Remeasurement of loans	**169**	(30)	(51)	**> 200.0**	41.2
Gain/(loss) on remeasurement	**29**	40	(14)	**(27.5)**	> 200.0
(Loss)/gain on derivatives	**(289)**	113	20	**< (200.0)**	> 200.0
Net finance charges	**(809)**	(687)	(684)	**(17.8)**	(0.4)

Operating results continued

Net finance charges increased 17.8% to R809 million mainly due to a loss on the revaluation of derivatives of R289 million (2013: gain of R113 million) and increased finance cost due to higher average debt for the period. This was partially offset by a gain recognised on the remeasurement of a foreign loan previously considered irrecoverable and increased finance income relating to M-Pesa deposits and higher cash on hand. During the year, we implemented hedge accounting treatment of foreign exchange movements. The resulting effect is that for hedged expenses, both the foreign exchange on the exposure on the gain and the loss on the associated hedging instrument are included within operating profit. Gains and losses from derivatives not effectively hedged continue to be included in gains/(loss) on derivatives in net finance charges.

Taxation

The tax expense of R5 918 million is 13.6% higher than in the prior year (R5 210 million). The Group's effective tax rate increased from 28.3% to 30.2%. The increase is mainly due to increased profitability in Tanzania and Mozambique, an increase in non-deductible expenditure (including BBBEE costs) and the utilisation of tax losses in the prior year for which no deferred tax asset was recognised in the past.

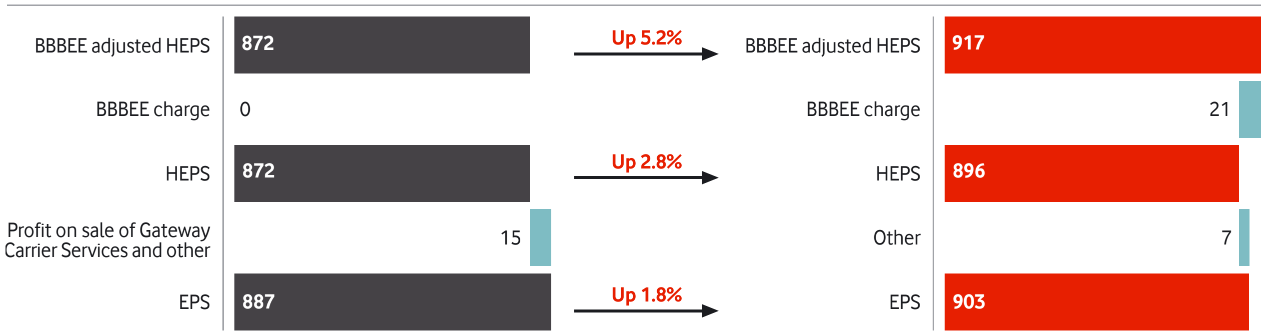
Group tax reconciliation

	2014 Rm	2014 Rate %	2013 Rm	2013 Rate %
Profit before tax	**19 585**		18 434	
Expected income tax expense	**5 484**	**28.0**	5 162	28.0
Non-deductible expenditure	**376**	**1.9**	264	1.4
Withholding tax	**161**	**0.8**	133	0.7
Other	**(40)**	**(0.2)**	(98)	(0.5)
	5 981	**30.5**	5 461	29.6
Unrecognised tax assets	**(14)**	**–**	130	0.7
Deferred tax asset recognition	**–**	**–**	(183)	(0.9)
Utilisation of tax losses	**(58)**	**(0.3)**	(216)	(1.1)
Impairment losses	**9**	**–**	18	–
Total income tax expense/effective tax rate	**5 918**	**30.2**	5 210	28.3

Earnings

HEPS increased 2.8% to 896 cents; 5.2% excluding BBBEE charges (including a staff component) to 917 cents. Both HEPS and EPS were affected by the BBBEE charge of R310 million. EPS increased by 1.8% to 903 cents. EPS growth in the previous year was supported by the profit on disposal of Gateway Carrier Services of R224 million.

Headline earnings per share (Cents per share)



Segment performance

South Africa

	Year ended 31 March			% change	
Rm	2014	2013	2012	13/14	12/13
Mobile voice	**28 135**	29 151	29 395	**(3.5)**	(0.8)
Mobile interconnect	**3 848**	4 916	6 062	**(21.7)**	(18.9)
Mobile messaging	**2 675**	3 027	3 143	**(11.6)**	(3.7)
Mobile data	**10 974**	8 882	7 639	**23.6**	16.3
Other service revenue	**2 684**	2 183	2 069	**23.0**	5.5
Service revenue	**48 316**	48 159	48 308	**0.3**	(0.3)
Equipment revenue	**12 526**	9 740	7 817	**28.6**	24.6
Non-service revenue	**964**	708	807	**36.2**	(12.3)
Revenue	**61 806**	58 607	56 932	**5.5**	2.9
Direct expenses	**(27 975)**	(25 433)	(24 917)	**10.0**	2.1
Staff expenses	**(3 047)**	(3 062)	(3 088)	**(0.5)**	(0.8)
Publicity expenses	**(1 418)**	(1 438)	(1 349)	**(1.4)**	6.6
Other operating expenses	**(6 126)**	(6 249)	(6 383)	**(2.0)**	(2.1)
BBBEE charge	**(232)**	–	–	**–**	–
Depreciation and amortisation	**(4 765)**	(4 750)	(4 524)	**0.3**	5.0
Profit from joint venture	**3**	–	–	**–**	–
Impairment losses	**–**	(35)	–	**(100.0)**	100.0
Operating profit	**18 246**	17 640	16 671	**3.4**	5.8
EBITDA	**23 087**	22 408	21 254	**3.0**	5.4
EBITDA margin (%)	**37.4**	38.2	37.3		
Operating profit margin (%)	**29.5**	30.1	29.3		

New disclosure

Mobile contract revenue	**21 105**	21 119	n/a	**(0.1)**	n/a
In bundle	**13 644**	13 333	n/a	**2.3**	n/a
Out of bundle	**7 461**	7 786	n/a	**(4.2)**	n/a
Mobile prepaid revenue	**20 229**	19 272	n/a	**5.0**	n/a
In bundle	**2 296**	1 125	n/a	**104.1**	n/a
Out of bundle	**17 933**	18 147	n/a	**(1.2)**	n/a
Customer service revenue	**41 334**	40 391	n/a	**2.3**	n/a
Mobile interconnect	**3 848**	4 916	n/a	**(21.7)**	n/a
Other service revenue	**3 134**	2 852	n/a	**9.9**	n/a
Service revenue	**48 316**	48 159	n/a	**0.3**	n/a

Note:
Effective from 1 April 2013, Vodacom and Vodafone changed the classification within service revenue from voice, messaging and data revenue to mobile customer revenue, separating in and out of bundle customer revenue for both prepaid and contract customers, mobile incoming revenue and other service revenue. This information is presented on this new basis for the 2013 and 2014 financial year.

As a result of the above changes certain reclassification have been made between service revenue and revenue, prior periods have been restated.

Operating results continued

Revenue increased 5.5% to R61 806 million driven by a 28.6% growth in equipment revenue which represents 20.3% (2013: 16.6%) of total revenue. The strong growth in equipment revenue was supported by our device financing programme which underpins our strategy of making data capable devices affordable for more of our customers.

Service revenue grew 0.3% (2013: (0.3%)) to R48 316 million. Excluding the impact of lower MTRs which resulted in a 21.7% decline in interconnect revenue, service revenue increased 3.0%. The return to service revenue growth is mainly due to higher data revenue growth of 23.6% which offset a 3.5% decline in voice revenue. Other service revenue grew 23.0% to R2 684 million. This increase was primarily due to growth in business managed service revenue of 45.0% which underscores the growing significance of the enterprise segment.

Data revenue increased 23.6% to R10 974 million and now represents 22.7% (2013: 18.4%) of service revenue. The continued reduction in our effective price per megabyte of 24.8% attracted new users and increased usage across the base. We achieved 11.9% growth in active data customers to 16.1 million customers and data traffic increased 80.4%. Data revenue growth was further supported by a 23.5% increase in the number of active smartphones and tablets to 7.8 million devices. The average monthly data usage on smartphones increased 81.7% to 253 MB per device and increased 25.2% to 743 MB on tablets.

Customer service revenue grew 2.3% to R41 334 million driven by a 5.0% increase in prepaid customer revenue. Contract customer revenue remained stable year on year.

Active prepaid customers grew 9.5% adding 2.3 million net connections, to 26.7 million customers reflecting the appeal of our new price plans and micro bundles. Our new price plans and targeted promotions led to a 23.6% decline in our effective prepaid price per minute to 55 cents and a 29.2% increase in prepaid outgoing traffic.

Active contract customers were flat at 4.8 million mainly due to proactive steps taken by management to reduce the prevalence of non-revenue generating customers, lower voucher deals in national chains and intensified competition. Contract customer ARPU declined 3.5% to R389 per month as we successfully migrated customers from voice centric plans to better value integrated price plans which include voice, messaging and data allocations. 56.3% (2013: 28.1%) of our contract customers (excluding Top Up) are now on the integrated plans, with in-bundle spend of 64.6% (2013: 63.1%). For the Top Up segment we launched the uChoose plan which gives customers access to integrated plans and an option to have access to prepaid promotions on an ad hoc basis. The initial take up has been strong, 59.2% of new Top Up connections were uChoose packages since launching in the second half of the year.

EBITDA grew 3.0% to R23 087 million with an EBITDA margin of 37.4% (2013: 38.2%). The EBITDA margin contracted by 0.8 ppts primarily as a result of the higher contribution from low margin equipment sales. We maintained a flat operating expenditure to service revenue ratio despite increased costs from expenses not billed in South African rand and inflation increase in wages, fuel and electricity.

Capital investment of R6 858 million was mainly directed toward expanding the reach of our data network and to increase network capacity and resilience. We rolled out 1 081 3G sites increasing data coverage to 91.9% of the population. We also added 598 2G sites to improve voice capacity. We now have 916 LTE sites and 73.6% of all our sites are now connected to self-provided high-speed transmission.

Segment performance continued

Key performance indicators

	Year ended 31 March			% change	
	2014	**2013**	**2012**	**13/14**	**12/13**
Active customers (thousand)[1]	**31 520**	29 190	28 009	**8.0**	4.2
Prepaid	**26 726**	24 404	23 312	**9.5**	4.7
Contract	**4 794**	4 786	4 697	**0.2**	1.9
Machine to machine customers (thousand)	**1 443**	1 159	931	**24.5**	24.5
Churn (%)[2]	**53.8**	51.2	37.8		
Prepaid	**59.9**	57.1	43.0		
Contract	**11.8**	11.1	10.3		
Traffic (millions of minutes)[3]	**43 537**	37 480	35 029	**16.2**	7.0
Outgoing	**34 250**	28 349	26 341	**20.8**	7.6
Incoming	**9 287**	9 131	8 688	**1.7**	5.1
MOU per month[4]	**121**	106	118	**14.2**	(10.2)
Prepaid	**109**	90	97	**21.1**	(7.2)
Contract	**182**	189	209	**(3.7)**	(9.6)
Total ARPU (rand per month)[5]	**125**	128	153	**(2.3)**	(16.3)
Prepaid	**75**	76	91	**(1.3)**	(16.5)
Contract	**389**	403	429	**(3.5)**	(6.1)
Messaging (million)	**5 768**	6 071	6 650	**(5.0)**	(8.7)
Estimated mobile penetration (%)	**146**	140	128		
Number of employees[6]	**4 829**	5 006	5 065	**(3.5)**	(1.2)

Notes:

1. Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming. As of 30 June 2013, this excludes M2M connections, prior periods have been restated.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period. Churn has been restated as a result of M2M connections excluded from active customers.
3. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
4. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period. MOU has been restated as a result of M2M connections excluded from active customers.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. ARPU has been restated as a result of M2M connections excluded from active customers.
6. Number of employees have been restated to exclude learners.

Operating results continued

International

Rm	Year ended 31 March 2014	2013	2012	% change 13/14	12/13
Mobile voice	**7 849**	6 259	4 870	**25.4**	28.5
Mobile interconnect	**1 517**	1 067	776	**42.2**	37.5
Mobile messaging	**615**	433	279	**42.0**	55.2
Mobile data	**2 292**	1 117	540	**105.2**	106.9
Other service revenue	**1 622**	2 382	3 676	**(31.9)**	(35.2)
Service revenue	**13 895**	11 258	10 141	**23.4**	11.0
Equipment revenue	**214**	137	138	**56.2**	(0.7)
Non-service revenue	**247**	188	147	**31.4**	27.9
Revenue	**14 356**	11 583	10 426	**23.9**	11.1
Direct expenses	**(5 157)**	(5 161)	(5 693)	**(0.1)**	(9.3)
Staff expenses	**(1 264)**	(1 034)	(969)	**22.2**	6.7
Publicity expenses	**(664)**	(513)	(446)	**29.4**	15.0
Other operating expenses	**(3 061)**	(2 129)	(1 862)	**43.8**	14.3
Depreciation and amortisation	**(2 039)**	(1 590)	(1 332)	**28.2**	19.4
Impairment losses	**–**	21	(199)	**(100)**	(110.6)
Operating profit/(loss)	**2 171**	1 177	(75)	**84.5**	> 200.0
EBITDA	**4 256**	2 739	1 461	**55.4**	87.5
EBITDA margin (%)	**29.6**	23.6	14.0		
Operating loss margin (%)	**15.1**	10.2	(0.7)		

New disclosure

Rm	2014	2013	2012	13/14	12/13
Mobile contract revenue	**883**	555	n/a	**59.1**	n/a
In bundle	**248**	89	n/a	**178.7**	n/a
Out of bundle	**635**	466	n/a	**36.3**	n/a
Mobile prepaid revenue	**9 869**	7 243	n/a	**36.3**	n/a
In bundle	**1 118**	124	n/a	**> 200.0**	n/a
Out of bundle	**8 751**	7 119	n/a	**22.9**	n/a
Customer service revenue	**10 752**	7 798	n/a	**37.9**	n/a
Mobile interconnect	**1 517**	1 067	n/a	**42.2**	n/a
Other service revenue	**1 626**	2 393	n/a	**(32.1)**	n/a
Service revenue	**13 895**	11 258	n/a	**23.4**	n/a

Service revenue grew 23.4% (18.4%*) to R13 895 million despite intensified competition in our key markets and macroeconomic weakness in Tanzania. Excluding the deferred revenue adjustment in the prior year, service revenue grew 15.1%[1]. Service revenue growth was supported by a 21.8% increase in customers to 26.0 million, this represents 45.2% of overall Group active customers. Our bundle offers continue to show good elasticity resulting in a 39.2% increase in outgoing traffic to offset the reduction in our effective price per minute. Business managed services grew 35.7% (14.1%*) as we expand the MPLS network and leverage from Vodafone Global Enterprise business. International operations now represent 22.4% (2013:19.0%) of Group service revenue.

Data revenue grew 105.2% driven by an 86.4% growth in active data customers to 7.7 million; 29.6% (2013: 19.3%)

1. During the prior year, we reviewed our internal controls in the International operations around revenue reporting, and ensured alignment across the Group to policy. Service revenue was reduced by approximately R300 million and recognised as deferred revenue as a result of this process, in the prior year.

Effective from 1 April 2013, Vodacom and Vodafone changed the classification within service revenue from voice, messaging and data revenue to mobile customer revenue, separating in and out of bundle customer revenue for both prepaid and contract customers, mobile incoming revenue and other service revenue. This information is presented on this new basis for the 2013 and 2014 financial year.

of the active customer base is now using data. Our data bundle propositions stimulated further demand resulting in a threefold increase in our data traffic. Mobile financial services continue to grow well with M-Pesa customers increasing 21.6% to 6.0 million. In Tanzania M-Pesa contributed 18.8% (2013: 14.1%) to service revenue. M-Pesa has been launched in all our International markets and our priority has been to increase the number of registered users and to drive activity levels by widening distribution and expanding the ecosystem in each market.

Our International operations' EBITDA is up 55.4% (37.0%*) to R4 256 million and EBITDA margin expanded 6.0 ppts (4.2 ppts*) to 29.6% (2013: 23.6%) as a result of our continued focus on costs. International operations, contribution to Group EBITDA increased to 15.6% (2013: 10.8%).

Capital investment increased by 36.8% to R3 919 million (27.3% of revenue) as we continue to extend our network leadership by expanding our voice and data network coverage and capacity. We increased the number of 2G sites by 25.5% and 3G sites by 53.4%.

Key performance indicators

	Year ended 31 March			% change	
	2014	**2013**	**2012**	**13/14**	**12/13**
Active customers (thousand)[1]	**25 969**	21 327	18 894	**21.8**	12.9
Tanzania	**10 284**	9 468	9 665	**8.6**	(2.0)
DRC	**10 008**	7 706	5 643	**29.9**	36.6
Mozambique	**4 333**	3 045	2 784	**42.3**	9.4
Lesotho	**1 344**	1 108	802	**21.3**	38.2
Churn (%)[2]					
Tanzania	**51.1**	69.0	39.6		
DRC	**85.1**	79.7	69.5		
Mozambique	**76.4**	63.9	60.5		
Lesotho	**42.2**	35.4	22.7		
MOU per month[3]					
Tanzania	**125**	85	63	**47.1**	34.9
DRC	**35**	45	43	**(22.2)**	4.7
Mozambique	**103**	77	55	**33.8**	40.0
Lesotho	**41**	31	38	**32.3**	(18.4)
Total ARPU (rand per month)[4]					
Tanzania	**45**	35	24	**28.6**	45.8
DRC	**35**	33	35	**6.1**	(5.7)
Mozambique	**58**	55	49	**5.5**	12.2
Lesotho	**46**	53	68	**(13.2)**	(22.1)
Total ARPU (local currency per month)[4]					
Tanzania (TZS)	**7 213**	6 516	5 251	**10.7**	24.1
DRC (USD)	**3.4**	3.8	4.7	**(10.5)**	(19.1)
Mozambique (MZN)	**172**	186	180	**(7.5)**	3.3
Estimated mobile penetration (%)					
Tanzania	**57**	55	49		
DRC	**35**	28	21		
Mozambique	**39**	32	32		
Lesotho	**82**	65	57		
Number of employees	**2 210**	2 115	2 076	**4.5**	1.9

Notes:
1. Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
3. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
4. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. ARPU has been restated to only include service revenue generated from Vodacom mobile customers.

Operating results continued

Reconciliation of normalised growth

	Reported[1] % change	Gateway Carrier Services[4] ppt	Reported excluding GCS % change	Trading foreign exchange[2] ppt	Translation foreign exchange[3] ppt	Normalised % change
	2014					2014
Service revenue						
Group	**4.7**	1.9	6.6	–	(2.9)	**3.7**
International	**23.4**	14.1	37.5	–	(19.1)	**18.4**
Revenue						
Group	**8.3**	1.7	10.0	–	(2.7)	**7.3**
International	**23.9**	13.8	37.7	–	(19.6)	**18.1**
Business managed revenue						
International	**35.7**	–	35.7	–	(21.6)	**14.1**
EBITDA						
Group	**8.2**	(0.2)	8.0	(1.2)	(1.7)	**5.1**
South Africa	**3.0**	–	3.0	(1.7)	–	**1.3**
International	**55.4**	(1.6)	53.8	4.0	(20.8)	**37.0**
EBITDA margin						
International	**29.6**	–	29.6	0.6	–	**30.2**
Operating profit						
Group	**7.9**	(0.2)	7.7	(1.6)	(0.9)	**5.2**
South Africa	**3.4**	–	3.4	(2.2)	–	**1.2**
International	**84.5**	(6.8)	77.7	9.4	(21.4)	**65.7**

The reconciliation represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base) from on-going operations. The presentation of the proforma constant currency information from ongoing operations is the responsibility of the directors of Vodacom Group Limited. The purpose to 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 proforma information has been reviewed and reported on by the Group's auditors, being Deloitte & Touche. Their unqualified accountant's report thereon is available for inspection at the Company's registered address.

Notes:

1. The reported percentage change relates to the year on year percentage growth from 31 March 2013 to 31 March 2014. The Group's presentation currency is the South African rand. Our International operations include functional currencies mainly in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange for the current and comparative periods is disclosed above.
2. Trading foreign exchange 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 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 current period's average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) to prior year numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange for the current and comparative periods are disclosed below.
4. The Group disposed of its subsidiary, Gateway Carrier Services, during the previous reporting period, effective 31 August 2012. We have excluded Gateway Carrier Services from the above calculation to give the user insight into the underlying performance of our ongoing operations.

Exchange rates

	Average					Closing				
	31 March			% change		31 March			% change	
	2014	2013	2012	13/14	12/13	2014	2013	2012	13/14	12/13
USD/ZAR	**10.13**	8.51	7.45	**19.0**	14.2	**10.52**	9.25	7.65	**13.7**	20.9
ZAR/MZN	**3.01**	3.42	3.78	**(12.0)**	(9.5)	**2.98**	3.33	3.68	**(10.5)**	(9.5)
ZAR/TZS	**160.44**	187.30	216.73	**(14.3)**	(13.6)	**155.69**	174.90	208.34	**(11.0)**	(16.1)
EUR/ZAR	**13.59**	10.97	10.24	**23.9**	7.1	**14.49**	11.86	10.19	**22.2**	16.4

Financial position and resources

Statement of financial position

Rm	As at 31 March 2014	2013	Movement 13/14
Property, plant and equipment	**30 802**	27 741	**3 061**
Intangible assets	**5 369**	5 332	**37**
Other non-current assets	**1 783**	1 361	**422**
Current assets	**22 787**	21 157	**1 630**
Total assets	**60 741**	55 591	**5 150**
Equity attributable to owners of the parent	**23 057**	20 800	**2 257**
Non-controlling interests	**686**	416	**270**
Total equity	**23 743**	21 216	**2 527**
Borrowings	**13 750**	14 171	**(421)**
Non-current	**9 683**	7 881	**1 802**
Current	**4 067**	6 290	**(2 223)**
Tax liabilities	**1 630**	1 027	**603**
Other non-current liabilities	**735**	758	**(23)**
Other current liabilities	**20 883**	18 419	**2 464**
Total liabilities	**36 998**	34 375	**2 623**
Total equity and liabilities	**60 741**	55 591	**5 150**

Non-current assets

Property, plant and equipment

Property, plant and equipment increased by 11.0% to R30 802 million, due to net additions of R8 980 million and foreign currency translation adjustments totalling R995 million, partially offset by a depreciation charge of R5 494 million and the reclassification of non-current assets held for sale of R1 386 million to current assets, relating to the sale and leaseback agreement entered into with HTT Infraco Limited.

Intangible assets

At 31 March 2014, our intangible assets were R5 369 million (2013: R5 332 million) with software comprising the largest element at R2 913 million (2013: R2 828 million) followed by goodwill at R1 856 million (2013: R1 855 million). During the year, the Group capitalised R1 219 million additions, comprising mainly computer software and recognised amortisation of R1 291 million in profit and loss. There were no net impairment losses recognised on intangible assets during the year.

Other non-current assets

Other non-current assets include financial assets, investments in associates and joint ventures, trade and other receivables, finance lease receivables and deferred tax. The increase in other non-current assets from R1 361 million at 31 March 2013 to R1 783 million in the current year was mainly due to the acquisition of an 18.24% equity interest for R367 million in Helios Towers Tanzania Limited ('HTT') coupled with a loan granted of R63 million, which formed part of the consideration for the sale and leaseback transaction of Vodacom Tanzania's towers. The deferred tax asset decreased by R219 million due to increased utilisation of tax losses in Vodacom Mozambique, while the re-financing of a portion of our handset financing book resulted in a decrease of R135 million in the finance lease receivable.

Capital expenditure

The Group's capital expenditure increased by 14.0% to R10 779 million or 14.2% of revenue. In South Africa capital expenditure was directed to expanding our 3G coverage, adding 1 081 sites in the year, and increasing sites connected to self-provided high-speed transmission. Our RAN renewal programme is now also nearing completion with a final region remaining. In our International operations the focus has been mainly on increasing both coverage and capacity, while also extending our data network to cater for the continued growth in demand.

Financial position and resources continued

Rm	Year ended 31 March 2014	2013	2012	% change 13/14	12/13
South Africa	**6 858**	6 967	6 976	**(1.6)**	(0.1)
International	**3 919**	2 864	1 679	**36.8**	70.6
Corporate and eliminations	**2**	(375)	7	**100.5**	< (200.0)
Capital expenditure	**10 779**	9 456	8 662	**14.0**	9.2
Capital intensity[1] (%)	**14.2**	13.5	12.9		

Note:
1. Capital expenditure as a percentage of revenue.

Current assets

Current assets consist of financial assets, inventory, trade and other receivables, finance lease receivables, tax receivable and cash and cash equivalents. At 31 March 2014, current assets increased by R1 630 million to R22 787 million compared to the prior year. Financial assets increased by R652 million due to a transfer from non-current assets and the reversal of a previously irrecoverable loan which became due and collectable after year end, coupled with an increase in deposits from M-Pesa customers and an increase in investments held for insurance purposes. Included in this variance is non-current assets held for sale of R569 million that will transfer to HTT in the new year as part of the tower deal. Trade and other receivables were impacted by foreign translation, increased trading and capex receivables due to the RAN swap in South Africa. The inventory holding at year end was higher compared to the prior year driven by acquisitions of high-end handsets. Cash and cash equivalents declined by R401 million on the prior year.

Total equity

Total equity increased from R21 216 million at 31 March 2013 to R23 743 million at 31 March 2014, mainly as a result of the R13 667 million net profit for the year, a R794 million favourable foreign currency translation movement and an increase in the share-based payment reserve of R386 million being offset by dividends of R12 146 million and the repurchase, sale and vesting of shares of R200 million. Included in the favourable foreign exchange movement is a R380 million loss (2013: R456 million loss), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

Liabilities

Borrowings

Total borrowings decreased from R14 171 million at 31 March 2013 to R13 750 million at 31 March 2014. The decrease is attributable to repayments on syndicated facilities of R4.6 billion and the settlement of outstanding commercial paper under the DMTN programme of R750 million, partially offset by an increase in the facility with Vodafone Investments Luxemburg s.a.r.l. of R4.5 billion.

Tax liabilities

Tax liabilities increased from R1 027 million in the prior year to R1 630 million at 31 March 2014. Deferred tax liabilities increased by R611 million primarily due to a decrease in provisions and deferred income in South Africa and Tanzania as well as an increase in unrealised foreign exchange gains in the holding entity.

Other non-current liabilities

Other non-current liabilities comprising trade and other payables and provisions of R735 million at 31 March 2014 remained in line with last year as the increase in the non-current portion of the operating lease liability was offset by the conversion of a portion of the employee benefit provisions to shares in the share ownership scheme.

Other current liabilities

Other current liabilities consist of trade payables, capital expenditure payable, value-added tax, accruals, deferred revenue and derivative financial liabilities. At 31 March 2014, other current liabilities increased to R20 883 million from R18 419 million in the prior year. The increase in trade payables and accruals of R2 526 million can be attributed to increased trading, the impact of foreign translation as well as increased creditors' days. Capital expenditure creditors increased by R643 million in line with investment roll out while deferred revenue declined by R860 million mostly due to the introduction of integrated tariffs in South Africa where the carry-over rules of unused bundles changed from six months to 30 days.

Liquidity and capital resources

Net debt increased slightly to R8 052 million and our gearing remained stable with net debt to EBITDA of 0.3 times. Compared to the same period last year 93.7% (2013: 91.7%) of the debt[1] is denominated in rand. R4 402 million (2013: R6 630 million) of debt[1] matures in the next 12 months and 77.5% (2013: 62.6%) of interest-bearing debt (including bank overdrafts) is at floating rates.

During the year, two loans with nominal values of R3 000 million and R1 500 million respectively were raised from Vodafone to finance capital expenditure and working capital requirements and were also used to repay maturing long-term debt. The loans bear interest payable quarterly at three-month JIBAR plus 1.15% and 1.35% and are unsecured. The loans are repayable on 27 September 2018 and 28 September 2020.

Net debt

	Year ended 31 March			Movement	
Rm	2014	2013	2012	13/14	12/13
Bank and cash balances	**6 127**	6 528	3 781	**(401)**	2 747
Bank overdrafts	**(335)**	(340)	(409)	**5**	69
Borrowings and net derivative financial instruments	**(13 844)**	(14 195)	(11 039)	**351**	(3 156)
Net debt	**(8 052)**	(8 007)	(7 667)	**(45)**	(340)
Net debt/EBITDA (times)	**0.3**	0.3	0.3		

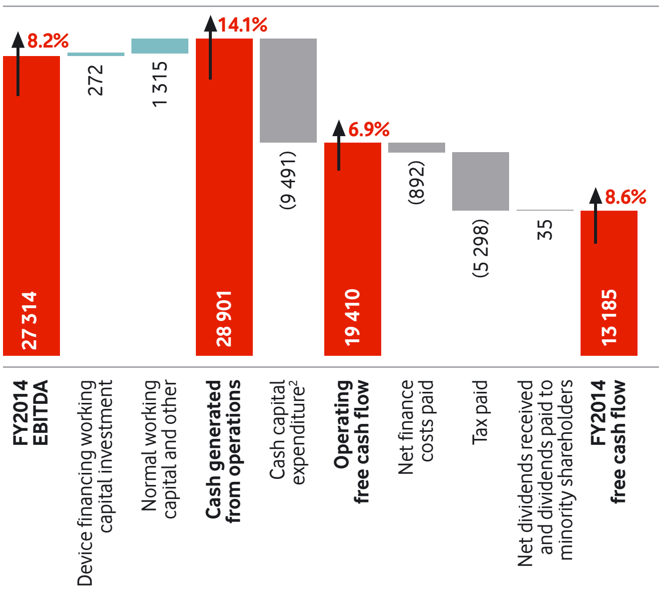
Cash flow

Free cash flow

	Year ended 31 March			Movement	
Rm	2014	2013	2012	13/14	12/13
Cash generated from operations	**28 901**	25 320	24 502	**14.1**	3.3
Cash capital expenditure[2]	**(9 491)**	(7 162)	(7 568)	**32.5**	(5.4)
Operating free cash flow	**19 410**	18 158	16 934	**6.9**	7.2
Tax paid	**(5 298)**	(5 323)	(5 192)	**(0.5)**	2.5
Net finance costs paid	**(892)**	(667)	(771)	**33.7**	(13.5)
Net dividends paid to minority shareholders	**(35)**	(32)	(50)	**9.4**	(36.0)
Free cash flow	**13 185**	12 136	10 921	**8.6**	11.1

Operating free cash flow grew by 6.9% to R19 410 million supported by EBITDA growth of 8.2% and working capital improvement, offset by higher cash capital expenditure. The improvement in working capital was mainly due to a sale of cash flows associated with the handset financing book. Free cash flow increased by 8.6% as a result of the improvement in operating free cash flow.

Group free cash flow (Rm)



Notes:
1. Debt includes interest-bearing debt, non-interest bearing debt, bank overdrafts and commercial paper.
2. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, net of cash from disposals.

Five-year historic review

	2014	2013	2012	2011	2010	Compound growth %
Summarised income statement (Rm)						
Revenue	**75 711**	69 917	66 929	61 197	58 535	6.6
Operating profit	**20 394**	18 897	16 617	13 696	11 238	16.1
Net finance charges	**(809)**	(687)	(684)	(1 058)	(2 272)	(22.8)
Profit before tax	**19 585**	18 434	15 933	12 638	8 945	21.6
Taxation	**(5 918)**	(5 210)	(5 730)	(4 659)	(4 745)	5.7
Net profit	**13 667**	13 224	10 203	7 979	4 200	34.3
Non-controlling interest	**424**	233	47	(266)	4	220.9
EBITDA	**27 314**	25 253	22 763	20 594	19 782	8.4
Summarised statement of financial position (Rm)						
Non-current assets	**37 954**	34 434	30 678	27 982	29 131	6.8
Current assets	**22 787**	21 157	17 552	13 453	12 560	16.1
Equity and reserves	**23 743**	21 216	18 930	16 180	14 636	12.9
Non-current liabilities	**12 010**	9 620	10 932	8 743	11 590	0.9
Current liabilities	**24 988**	24 755	18 368	16 512	15 465	12.7
Net debt	**8 052**	8 007	7 667	9 458	12 161	(9.8)
Capital expenditure	**10 779**	9 456	8 662	6 311	6 636	12.9
Summarised statement of cash flows (Rm)						
Cash generated from operations	**28 901**	25 320	24 502	21 385	19 711	10.0
Tax paid	**(5 298)**	(5 323)	(5 192)	(4 982)	(4 764)	2.7
Net cash flows from operating activities	**23 603**	19 997	19 310	16 403	14 947	12.1
Net cash flows utilised in investing activities	**(9 375)**	(7 154)	(8 002)	(6 581)	(6 329)	10.3
Net cash flows (utilised in)/from financing activities	**(14 719)**	(10 096)	(8 556)	(10 119)	(8 548)	14.6
Net (decrease)/increase in cash and cash equivalents	**(491)**	2 747	2 752	(297)	70	n/a
Cash and cash equivalents at end of the year	**5 792**	6 188	3 372	539	951	57.1
Performance per ordinary share (cents)						
Basic earnings per share	**903**	887	694	561	282	33.8
Headline earnings per share	**896**	872	709	656	510	15.1
Diluted headline earnings per share	**902**	870	706	654	509	15.4
Net asset value per share	**1 612**	1 441	1 286	1 099	985	(100.0)
Dividends per share	**825**	805	540	355	110	65.5
Profitability and returns (%)						
EBITDA margin	**36.1**	36.1	34.0	33.7	33.8	
Operating profit margin	**26.9**	27.0	24.8	22.4	19.2	
Effective tax rate	**30.2**	28.3	36.0	36.9	53.0	
Net profit margin	**18.1**	18.9	15.2	13.0	7.2	
Return on equity[1]	**60.4**	66.1	59.5	56.2	30.2	
Return on capital employed[2]	**60.2**	65.2	59.3	59.7	48.3	
Liquidity and debt leverage (times)						
Interest cover[3]	**19.3**	20.4	22.2	15.9	7.0	
Net debt to EBITDA	**0.3**	0.3	0.3	0.5	0.6	
Current ratio[4]	**0.9**	0.9	1.0	0.8	0.8	
Quick ratio[5]	**0.9**	0.8	0.9	0.8	0.8	

Notes:
1. Return on equity is calculated by dividing net profit attributable to equity shareholders by average shareholders' equity.
2. Return on capital employed is calculated by dividing net profit by average net assets less goodwill.
3. Interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year.
4. The current ratio is calculated by dividing current assets by current liabilities.
5. The quick ratio is calculated by dividing current assets, excluding inventory, by current liabilities.

Five-year historic review per segment

	2014	2013	2012	2011	2010	Compound growth %
South Africa						
Revenue	**61 806**	58 607	56 932	53 371	50 431	5.2
EBITDA	**23 087**	22 408	21 254	19 653	18 578	5.6
Capital expenditure	**6 858**	6 967	6 976	5 100	4 573	10.7
EBITDA margin (%)	**37.4**	38.2	37.3	36.8	36.8	
Capex intensity (%)	**11.1**	11.9	12.3	9.6	9.1	
Active customers[1]	**31 520**	29 190	28 009	n/m	n/m	n/a
Number of employees	**4 829**	5 006	5 065	n/m	n/m	n/a
Total ARPU (rand per month)[2]	**125**	128	153	n/m	n/m	n/a
Estimated SIM penetration	**146**	140	128	n/m	n/m	
International						
Revenue	**14 356**	11 583	10 426	8 196	8 420	14.3
EBITDA	**4 256**	2 739	1 461	840	1 176	37.9
Capital expenditure	**3 919**	2 864	1 679	1 208	2 067	17.3
EBITDA margin (%)	**29.6**	23.6	14.0	10.2	14.0	
Capex intensity (%)	**27.3**	24.7	16.1	14.7	24.5	
Active customers[1]	**25 969**	21 327	18 894	13 939	11 316	23.1
Number of employees	**2 210**	2 115	2 076	1 997	2 083	1.5
Total ARPU (rand per month)[2]						
Tanzania	**45**	35	24	n/m	n/m	n/a
DRC	**35**	33	35	n/m	n/m	n/a
Mozambique	**58**	55	49	n/m	n/m	n/a
Lesotho	**46**	53	68	n/m	n/m	n/a
Total ARPU (local currency per month)[2]						
Tanzania (TZS)	**7 213**	6 516	5 251	n/m	n/m	n/a
DRC (USD)	**3.4**	3.8	4.7	n/m	n/m	n/a
Mozambique (MZN)	**172**	186	180	n/m	n/m	n/a
Estimated SIM penetration (%)						
Tanzania	**57**	55	49	37	34	
DRC	**35**	28	21	16	13	
Mozambique	**39**	32	32	29	23	
Lesotho	**82**	65	57	49	41	

Notes:
1. Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming. As of 30 June 2013, this excludes M2M connections, prior periods have been restated.
2. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. ARPU has been restated as a result of M2M connections excluded from active customers.

Summarised consolidated financial statements

These summarised consolidated financial statements comprise a summary of the audited consolidated annual financial statements of the Group for the year ended 31 March 2014 that were approved by the Board on 30 May 2014. The preparation of the summarised financial statements was supervised by the Chief Financial Officer, IP Dittrich CA(SA) and they have been audited by the independent auditors, Deloitte & Touche, whose unmodified audit report is presented on the next page.

The summarised consolidated financial statements are not the Group's statutory accounts and do not contain all the disclosures required by International Financial Reporting Standards ('IFRS'). Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of the Group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the Group. The audited consolidated annual financial statements are available online at **www.vodacom.com**, or can be obtained from the Company Secretary.

Basis of preparation

These summarised consolidated financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and the information required by 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, 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 and methods of computation are consistent in all material respects with those applied in the previous year, except as disclosed below. The significant accounting policies are available for inspection at the Group's registered office.

There have been no material changes in judgements or estimates of amounts reported in prior reporting periods.

Changes in accounting policies

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 2013, 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 ended 31 March 2014, which will be available online by 13 June 2014.

Independent auditor's report on the summarised consolidated financial statements

for the year ended 31 March 2014

To the shareholders of Vodacom Group Limited

The accompanying summarised consolidated financial statements, which comprise the summarised consolidated statement of financial position as at 31 March 2014, the summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 30 May 2014. Our auditor's report on the audited consolidated financial statements contained an 'other matter' paragraph 'Other reports required by the Companies Act', included below.

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Vodacom Group Limited.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summarised consolidated financial statements derived from the audited consolidated financial statements of Vodacom Group Limited for the year ended 31 March 2014 are consistent, in all material respects, with those consolidated financial statements and in accordance with the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The 'other reports required by the Companies Act' paragraph in our audit report dated 30 May 2014 states that as part of our audit of the consolidated financial statements for the year ended 31 March 2014, we have read the directors' report, the report of the Audit, Risk and Compliance Committee and the certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

Deloitte & Touche

Deloitte & Touche
Per: Bester Greyling
Partner
Pretoria, South Africa
30 May 2014
Riverwalk Office Park, Block B
41 Matroosberg Road, Ashley gardens, X6
Pretoria, 0081, South Africa

Summarised consolidated income statement

for the year ended 31 March

Rm	Notes	2014	2013	2012
Revenue	1	**75 711**	69 917	66 929
Direct expenses		**(32 866)**	(30 385)	(30 265)
Staff expenses		**(4 563)**	(4 349)	(4 318)
Publicity expenses		**(2 095)**	(1 960)	(1 804)
Other operating expenses		**(8 779)**	(7 948)	(7 844)
Broad-Based Black Economic Empowerment charge		**(232)**	–	–
Depreciation and amortisation		**(6 785)**	(6 364)	(5 882)
Impairment losses	2	**–**	(14)	(199)
Profit from joint venture		**3**	–	–
Operating profit		**20 394**	18 897	16 617
Profit on sale of subsidiary		**–**	224	–
Finance income		**333**	117	109
Finance costs		**(1 051)**	(927)	(748)
Net (loss)/profit on remeasurement and disposal of financial instruments		**(91)**	123	(45)
Profit before tax		**19 585**	18 434	15 933
Taxation		**(5 918)**	(5 210)	(5 730)
Net profit		**13 667**	13 224	10 203
Attributable to:				
Equity shareholders		**13 243**	12 991	10 156
Non-controlling interests		**424**	233	47
		13 667	13 224	10 203

Cents	Notes	2014	2013	2012
Basic earnings per share	3	**903.3**	887.4	694.0
Diluted earnings per share	3	**901.9**	885.3	691.2

Summarised consolidated statement of comprehensive income

for the year ended 31 March

Rm	2014	2013	2012
Net profit	**13 667**	13 224	10 203
Other comprehensive income	**820**	815	315
Foreign currency translation differences, net of tax	**794**	823	389
Gain/(loss) on hedging instruments in cash flow hedges, net of tax	**26**	(8)	(74)
Total comprehensive income	**14 487**	14 039	10 518
Attributable to:			
Equity shareholders	**14 165**	13 982	10 583
Non-controlling interests	**322**	57	(65)
	14 487	14 039	10 518

Summarised consolidated statement of financial position

as at 31 March

Rm	Notes	2014	2013	2012
Assets				
Non-current assets		**37 954**	34 434	30 678
Property, plant and equipment		**30 802**	27 741	24 367
Intangible assets		**5 369**	5 332	5 123
Financial assets		**141**	198	201
Investment in associate	10	**367**	–	–
Investment in joint venture		**3**	–	–
Trade and other receivables		**659**	196	227
Finance lease receivables		**591**	726	447
Deferred tax		**22**	241	313
Current assets		**22 787**	21 157	17 552
Financial assets		**1 822**	1 170	695
Inventory		**1 069**	861	832
Trade and other receivables		**11 557**	10 971	11 379
Non-current assets held for sale	10	**569**	–	–
Finance lease receivables		**1 284**	1 437	691
Tax receivable		**359**	190	174
Cash and cash equivalents		**6 127**	6 528	3 781
Total assets		**60 741**	55 591	48 230
Equity and liabilities				
Fully paid share capital		*****	*	*
Treasury shares		**(1 589)**	(1 389)	(1 530)
Retained earnings		**22 506**	21 342	20 121
Other reserves		**2 140**	847	(61)
Equity attributable to owners of the parent		**23 057**	20 800	18 530
Non-controlling interests		**686**	416	400
Total equity		**23 743**	21 216	18 930
Non-current liabilities		**12 010**	9 620	10 932
Borrowings	8	**9 683**	7 881	9 012
Trade and other payables		**472**	222	352
Provisions		**263**	536	551
Deferred tax		**1 592**	981	1 017
Current liabilities		**24 988**	24 755	18 368
Borrowings	8	**4 067**	6 290	2 004
Trade and other payables		**20 357**	17 780	15 406
Provisions		**169**	283	355
Tax payable		**38**	46	172
Dividends payable		**22**	16	22
Bank overdrafts		**335**	340	409
Total equity and liabilities		**60 741**	55 591	48 230

* Fully paid share capital of R100.

Summarised 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
1 April 2011	15 622	558	16 180
Total comprehensive income	10 583	(65)	10 518
Dividends declared	(7 900)	(61)	(7 961)
Shareholders' loan conversion to equity	–	140	140
Partial disposal of interest in subsidiaries	191	(172)	19
Repurchase, vesting and sale of shares	(139)	–	(139)
Share-based payments	173	–	173
31 March 2012	18 530	400	18 930
Total comprehensive income	13 982	57	14 039
Dividends declared	(11 770)	(41)	(11 811)
Repurchase, vesting and sale of shares	(88)	–	(88)
Share-based payments	146	–	146
31 March 2013	**20 800**	**416**	**21 216**
Total comprehensive income	**14 165**	**322**	**14 487**
Dividends declared	**(12 098)**	**(48)**	**(12 146)**
Repurchase, vesting and sale of shares	**(338)**	**–**	**(338)**
Share-based payments	**544**	**–**	**544**
Acquisition of additional interest in subsidiary	**(16)**	**(4)**	**(20)**
31 March 2014	**23 057**	**686**	**23 743**

Summarised consolidated statement of cash flows

for the year ended 31 March

Rm	2014	2013	2012
Cash flows from operating activities			
Cash generated from operations	**28 901**	25 320	24 502
Tax paid	**(5 298)**	(5 323)	(5 192)
Net cash flows from operating activities	**23 603**	19 997	19 310
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	**(9 535)**	(7 286)	(7 569)
Disposal of subsidiaries and business combinations	**–**	357	(23)
Other investing activities	**160**	(225)	(410)
Net cash flows utilised in investing activities	**(9 375)**	(7 154)	(8 002)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	**(2 235)**	1 809	(480)
Dividends paid	**(12 142)**	(11 817)	(7 947)
Repurchase and sale of shares	**(342)**	(88)	(148)
Partial disposal of interests in subsidiaries, net of cash disposed	**–**	–	19
Net cash flows utilised in financing activities	**(14 719)**	(10 096)	(8 556)
Net (decrease)/increase in cash and cash equivalents	**(491)**	2 747	2 752
Cash and cash equivalents at the beginning of the year	**6 188**	3 372	539
Effect of foreign exchange rate changes	**95**	69	81
Cash and cash equivalents at the end of the year	**5 792**	6 188	3 372

Notes to the summarised consolidated financial statements

for the year ended 31 March

Rm	2014	2013	2012
1. Segment analysis			
External customers' segment revenue	**75 711**	69 917	66 929
South Africa	**61 484**	58 464	56 716
International	**14 227**	11 423	10 187
Corporate	**–**	30	26
EBITDA	**27 314**	25 253	22 763
South Africa	**23 087**	22 408	21 254
International	**4 256**	2 739	1 461
Corporate and eliminations	**(29)**	106	48
Reconciliation of segment results			
EBITDA	**27 314**	25 253	22 763
Depreciation, amortisation and impairment losses	**(6 785)**	(6 378)	(6 081)
Other	**94**	22	(65)
Broad-Based Black Economic Empowerment charge	**(232)**	–	–
Profit from joint venture	**3**	–	–
Operating profit	**20 394**	18 897	16 617
Profit on sale of subsidiary	**–**	224	–
Net finance charges	**(809)**	(687)	(684)
Finance income	**333**	117	109
Finance costs	**(1 051)**	(927)	(748)
Net (loss)/profit on remeasurement and disposal of financial instruments	**(91)**	123	(45)
Profit before tax	**19 585**	18 434	15 933
Taxation	**(5 918)**	(5 210)	(5 730)
Net profit	**13 667**	13 224	10 203
Total assets	**60 741**	55 591	48 230
South Africa	**37 930**	35 360	33 960
International	**18 786**	15 035	11 818
Corporate and eliminations	**4 025**	5 196	2 452
2. Impairment losses			
Net impairment recognised is as follows:			
Intangible assets	**–**	–	(250)
Property, plant and equipment	**–**	21	51
Available-for-sale financial assets carried at cost	**–**	(35)	–
Impairment losses	**–**	(14)	(199)

Cents	2014	2013	2012
3. Per share calculations			
3.1 Earnings and dividends per share			
Basic earnings per share	**903.3**	887.4	694.0
Diluted earnings per share	**901.9**	885.3	691.2
Headline earnings per share	**895.8**	872.4	708.9
Diluted headline earnings per share	**894.4**	870.2	706.0
Dividends per share	**825.0**	805.0	540.0

Million	2014	2013	2012
3.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	**1 466**	1 464	1 463
Diluted earnings and diluted headline earnings per share	**1 468**	1 468	1 469
3.3 Ordinary shares for the purpose of calculating:			
Dividends per share	**1 488**	1 488	1 488

Vodacom Group Limited acquired 3 709 419 shares in the market during the year at an average price of R112.48 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 R12 275 million (2013: R11 978 million; 2012: R8 035 million) of which R46 million (2013: R78 million; 2012: R50 million) was offset against the forfeitable share plan reserve, R4 million (2013: R6 million; 2012: R2 million) expensed as staff expenses and R127 million (2013: R124 million; 2012: R83 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Rm	2014	2013	2012
3.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	**13 243**	12 991	10 156
Adjusted for:			
Profit on sale of subsidiary	**–**	(224)	–
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	**(147)**	(22)	65
Impairment losses (Note 2)	**–**	14	199
	13 096	12 759	10 420
Tax impact of adjustments	**41**	7	(62)
Non-controlling interests in adjustments	**(4)**	4	16
Headline earnings for headline and diluted headline earnings per share	**13 133**	12 770	10 374

Notes to the summarised consolidated financial statements continued

4. Forfeitable share plan ('FSP')

During the current year, the Group allocated 1 861 447 (2013: 1 680 373; 2012: 2 033 655) shares to eligible employees under its FSP, an equity-settled share-based payment scheme in terms of IFRS 2: Share-based Payment.

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	2014	2013	2012
5.1 Balances with related parties			
Borrowings	**10 532**	6 024	3 022
5.2 Transactions with related parties			
Dividends declared	**(7 979)**	(7 786)	(5 223)
Finance costs	**(536)**	(207)	(75)

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 ended 31 March 2014, which will be available online by 13 June 2014. Ms YZ Cuba was appointed as an independent non-executive director on 18 July 2013, while Ms A Kekana resigned on the same day. Mr HMG Dowidar was appointed to the Board on 5 February 2014, while Mr NJ Read resigned on the same day.

Rm	2014	2013	2012
6. Capital commitments			
Capital expenditure contracted for but not yet incurred	**2 390**	3 254	2 043
7. Capital expenditure incurred			
Capital expenditure additions, including software	**10 779**	9 456	8 662

8. Borrowings

During the current year, the Group obtained two additional loans from Vodafone Investments Luxembourg s.a.r.l. with nominal values of R3 000 million and R1 500 million respectively to finance capital expenditure and working capital requirements and to repay maturing syndicated debt with a nominal value of R4 200 million. The loans bear interest payable quarterly at three-month JIBAR plus 1.15% and 1.35%, are unsecured, have a five-year and seven-year term and are ultimately repayable on 27 September 2018 and 28 September 2020.

The Group repaid its Citibank syndicated loans in December 2013. These loans with nominal values of US$23 million (2013: US$47 million; 2012: US$60 million) and TZS28 872 million (2013: TZS57 745 million; 2012: TZS86 628 million) were repayable in equal bi-annual instalments with the last instalment paid on 16 December 2013.

An unsecured three-month commercial paper with a nominal value of R750 million, bearing interest at three-month JIBAR plus 0.10%, was fully settled on 8 October 2013.

9. Contingent liabilities

9.1 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R93 million (2013: R65 million; 2012: R57 million).

Vodacom (Pty) Limited provides an unlimited guarantee for borrowings entered into by Vodacom Group Limited. There were no related outstanding borrowings on the statement of financial position at the end of the year (2013: RNil; 2012: RNil).

9.2 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.

9.3 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 no provision is required in respect of these legal proceedings as at 31 March 2014. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

10. Other significant matters

10.1 Vodacom Congo (RDC) s.p.r.l. ('Vodacom Congo')

The Group obtained a favourable outcome in the final hearing with regards to the International Chamber of Commerce arbitration with Congolese Wireless Network s.p.r.l., the other shareholder in Vodacom Congo. At this stage the Group is still pursuing a settlement with that shareholder.

10.2 Vodacom Tanzania Limited ('VTL')

During the year, VTL finalised a sale and leaseback arrangement with HTT Infraco Limited ('HTT'), a subsidiary of Helios Towers Tanzania Limited ('Helios') whereby VTL sold its tower infrastructure to HTT and HTT will lease tower infrastructure to VTL. As part of the arrangement, VTL obtained an equity stake in Helios that is reflected as an investment in associate. As at 31 March 2014, ownership of the majority of the sites sold had been transferred to HTT, with the balance expected to change ownership in the next financial year. The assets have been reclassified as 'non-current assets held for sale'.

10.3 Fair value hedge accounting

During the current year, the Group designated certain foreign exchange forward contracts as fair value hedges to hedge its exposure to variability in the fair value that is attributable to changes in foreign exchange rates.

10.4 Competition Commission complaint lodged by Cell C

The Group received a complaint from the Competition Commission in which it is alleged that Vodacom South Africa have abused their market dominance in contravention of Section 8(a), 8(c) and 8(d)(i) of the Competition Act. Vodacom South Africa has received further communication that the screening phase has been completed and the Competition Commission shall further investigate the complaint.

10.5 Mobile termination rates ('MTRs')

On 4 February 2014, the Independent Communications Authority of South African ('Icasa') gazetted final regulations on MTRs in South Africa. Vodacom launched a High Court application for challenging the legal validity of the MTRs on the basis that Icasa had not followed the required due process for determining the rates. The High Court upheld the challenge and ruled that the MTRs were invalid and unlawful; however, it suspended its order for a period of six months from 1 April 2014 to 30 September 2014. From 1 April 2014, MTRs declined from R0.40 to R0.20 per minute with Vodacom and MTN paying an asymmetrical rate of R0.44 for calls terminating on Cell C and Telkom Mobile networks. During this six months' period, Icasa is required to, in consultation with the industry, develop an appropriate cost model that will be used to determine the new MTRs that will come into effect on 1 October 2014.

Notes to the summarised consolidated financial statements continued

11. 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:

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

A final dividend of R6 398 million (430 cents per ordinary share) for the year ended 31 March 2014, was declared on 16 May 2014, payable on 30 June 2014 to shareholders recorded in the register at the close of business on 27 June 2014. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 365.50000 cents per share.

11.2 Acquisition of a further 17.2% interest in Vodacom Tanzania Limited ('VTL')

The Group entered into an agreement in terms of which it has acquired an additional indirect 17.2% interest in VTL, resulting in the Group increasing its total economic interest in VTL from 65% to 82.2%. The effective date of the transaction was 29 April 2014, the date on which all conditions precedent were met.

11.3 Proposed acquisition of Neotel (Pty) Limited ('Neotel')

Further to the announcement on 30 September 2013, the Group has entered into an agreement with the shareholders of Neotel to acquire a 100% equity interest in and related claims against Neotel for a cash consideration equivalent to an enterprise value of R7 billion. The transaction remains subject to the fulfilment of a number of conditions precedent, foremost of which, are the regulatory approvals.

11.4 Nashua Mobile (Pty) Limited ('Nashua Mobile')

On 11 April 2014, the Group entered into a sale agreement in terms of which Nashua Mobile will dispose of its Vodacom customer base to the Group. Various conditions precedent, amongst others, competition commission approval, need to be fulfilled before the agreement will become effective.

12. Financial instruments' fair value

The Group holds money market investments, foreign forward exchange contracts, interest rate swaps and unit trusts at fair value, none of which have a material fair value as at 31 March 2014. Fair value related disclosure will be made in the Group's consolidated annual financial statements for the year ended March 2014. As the investments in unit trusts are actively traded in an exchange market, they are classified as level one in the fair value hierarchy. All other mentioned financial assets and liabilities are classified as level two.

Our contribution to public finances

Our contribution to public finances represents a major part of our positive impact within the societies where we operate.

Given the many forms that these contributions can take and often-complex tax laws, this section provides a simplified overview of how we contribute, the principles that guide our approach and our engagement in the development of tax policy.

In what ways do Vodacom contribute to public finances?

Vodacom's contributions to public finances are both direct and indirect, through a wide range of taxes, as well as non-taxation revenue mechanisms. Corporate tax payments often only account for a small proportion of our total tax and other contributions. We also contribute to value creation in the countries we operate in through capital expenditure and the provision of income, incentives and benefits to our employees.

Refer to our online communities report.

Direct tax contribution

Taxes borne by the Company

- Corporate tax
- Withholding tax
- Minimum alternative tax
- Customs and import duties
- Excise duties
- Education tax
- Environmental taxes
- Rentals tax
- Levy contributions
- Gaming tax
- Advertising tax
- Municipal and city taxes

Total contribution to public finances

Direct non-tax contributions

Other forms of government revenue

- Licence fees
- Spectrum fees
- Numbering tax
- Interconnect tax
- Frequency fees

Indirect tax contributions

Taxes collected on behalf of government

- Employment taxes
- Expatriate tax
- Social security tax
- VAT
- Fringe benefit tax

Our operating businesses are subject to more than 30 different types of taxes and fees every year.

Rm	2014	2013	2012
Revenue contributions to public finance			
Direct tax contribution	**6 952**	6 649	6 094
Direct non-tax contribution	**872**	626	408
Indirect tax contribution	**5 634**	5 313	4 362
Total tax contribution	**13 458**	12 588	10 864

For a breakdown of contributions per country, see our online public finance report.

Our contribution to public finances continued

In 2014, the Group's effective tax rate was 30.2% compared to 68.7% of profit before tax contributed to public finances. The difference primarily relates to telecoms specific taxes and other indirect taxes such as value-added tax and employment taxes. 6.4% (2013: 5.0%; 2012: 3.8%) of the Group's contribution to public finances constitutes telecommunication specific taxes. This excludes telecommunication specific excise duties borne in certain of our operating companies.

% of profit before tax	2014	2013	2012
Effective tax rate	**30.2**	28.3	36.0
Total tax contribution rate	**68.7**	68.3	68.2

For a detailed analysis of the Group's statutory tax positions, see our full annual financial statements and Note 9, available online.

What is Vodacom's approach to tax?

It is our obligation to pay the amount of tax legally due in any territory, in accordance with rules set by those governments. All major tax positions taken are subject to review by executive management and the Vodacom Audit, Risk and Compliance Committee.

Our Tax Risk Management Framework sets the standard against which we assess our tax positions.

Tax Risk Management Framework

Tax Code of Conduct:	Tax strategy:	Tax principles:
Guides the role of tax and finance professionals within the Group, their key responsibilities, professional conduct and their relationships with external parties	Sets the Group's position on tax and key tax objectives to guide us in ensuring adequate control of the tax environment	Sets out our principles with regard to risk appetite, risk assessments, decision-making, governance and compliance

Our Tax Risk Management Framework is supported by robust internal controls and monitoring procedure.

In line with our Tax Code of Conduct we are committed to acting with honesty, integrity and fairness in all tax matters and we seek to operate under a policy of full transparency with the tax authorities in all countries in which we operate, disclosing all relevant facts in full, while seeking to build open and honest relationships with those authorities.

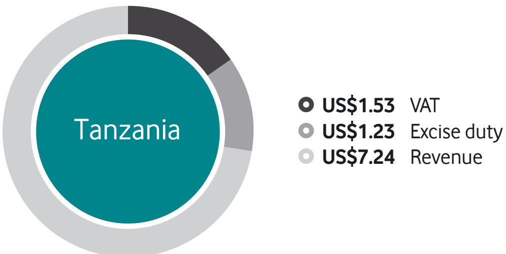
Being a relevant corporate citizen

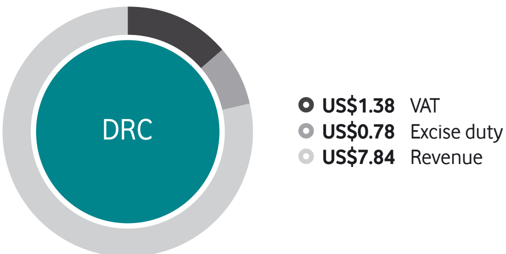
In 2013, Vodacom Tanzania was awarded the top Tanzania Revenue Authority 2012/2013 national compliant taxpayer award in the telecommunications sector and placed third in the overall compliant taxpayer category, demonstrating our commitment to contributing our fair share to public finances.

How does Vodacom contribute to the development of tax policy and legislation?

Taxation of mobile services remains high on the policy agenda. Taxes and fees levied on mobile services are rapidly increasing across our International footprint. High taxes and fees can hold back the growth of mobile services and the economic benefits they offer. Tax policy should both encourage domestic resource mobilisation and promote foreign direct investment, and avoid favouring one approach over the other.

To illustrate the effect of telecommunication specific taxes on the cost of mobile services in certain countries we considered what taxes and fees are triggered by the sale of a prepaid airtime voucher in Tanzania and the DRC. For this example, we've used $10 worth of airtime:





In addition to the VAT and telecommunication specific excise duties demonstrated in the figures above, other taxes and fees such as corporate income tax, minimum alternative tax, universal services levies, licence fees and other services levies are calculated on the revenue earned from the sale of the prepaid voucher. The telecommunications industry is also targeted for the collection of additional government revenue through excise duties and withholding taxes related to mobile transfers, numbering taxes, international and local interconnect fees and spectrum fees.

We regularly engage with governments, typically through specific Vodacom initiatives or public consultation processes, to give our perspective on how best to balance the need for government revenues from taxation against the need to ensure sustainable investment. Our approach to stakeholder engagement is proactive and we are committed to building strong relationships that allow us to contribute positively to tax policy and tax reform.

For more on our public sector engagements, see our online stakeholder report.

Engaging on tax reform

Vodacom Tanzania, together with other industry role-players, participated in discussions with external stakeholders relating to the application, practicality and implementation of certain amendments to the Finance Act 2013. The objective of the discussions was to demonstrate the impact these amendments would have on the telecommunications sector in Tanzania as well as the socioeconomic and financial impact on the country. In addition, Vodacom participated in discussions at the South Africa/DRC Business Forum, where it committed to make a concerted effort on tax reform engagement with President Kabila and key government stakeholders.


R115
million
committed
to foundation
projects

Business principles

The 11 business principles underlying the Vodacom Code of Conduct are:

1

Complying with all relevant laws, standards and principles;

How we should act to achieve compliance with all relevant laws.

2

Basing business decisions on economic, social and environmental criteria and maintaining financial integrity;

How we spend Company money, keep accurate records, manage contracts, consider health and safety when contracting suppliers and minimise our impact on the environment.

3

Voicing our opinions on industry issues while taking an apolitical stance;

How we are proactive and are thought leaders in our engagement with governments and other stakeholders, but do not make political party contributions.

4

Communicating openly with stakeholders while maintaining commercial confidentiality;

How we communicate clearly and promptly, with guidelines on protecting and sharing confidential information, dealings with competitors and receiving unsolicited business information.

5

Valuing our customers' trust and safeguarding their personal information;

How we respect and protect customer privacy and guard against inappropriate or unwanted communication or spam.

6

Basing employee relationships on respect for individuals and their human rights;

How we provide equal opportunities, forbid harassment and bullying, prohibit alcohol and drugs in the workplace, and protect employee privacy.

7

Protecting the environment and improving the environmental and social benefits of products and services;

How we require employees to be familiar with environmental laws, look for opportunities to reduce waste and dispose of materials carefully, limit travelling and make the most of online options.

8

Building trust within communities and investing in social upliftment;

How we are sensitive to the needs of communities, listen to and actively communicate with them and get involved in social development through the Vodacom Foundation in each country we operate in.

9

Protecting the health and safety of our customers, employees, partners and communities;

How we require all employees to comply with the Vodacom Absolute Rules, report all infringements and act quickly to investigate and recommend improvements.

10

Acting with honesty, integrity and fairness in all our dealings; and

How we avoid conflicts of interest, manage gifts and hospitality and extend our business principles to our business partners and suppliers.

11

Ensuring adherence to the Vodacom Way and Code of Conduct.

How employees make sure their own and others' actions are in accordance with our values and business principles and report violations of the Code of Conduct.

Risk management report

"Balancing risk and reward is an everyday thing for you and I as individuals, exactly as it must be for well-managed companies that aim to survive and succeed no matter the challenges and changes in their environment."

Johan van Graan
Chief Risk Officer

Risk and control procedures are enhanced on an ongoing basis. Directors consider our strategic risks when they formulate strategy, approve budgets and monitor progress against business plans.

Line management throughout the Group are responsible for managing risk. They are guided and assisted by the Risk Group, which reports to the Chief Risk Officer. The process is overseen by the Risk Management Committees in each operation, which were established in the 2011 financial year. The respective Managing Directors chair the local committees and include the Executive Committee members in each country.

The Group Risk Management Committee ('GRMC'), chaired by the Chief Financial Officer, convenes four times a year. This committee was established nine years ago and membership comprises the Group Executive Committee members, the Chief Risk Officer and the Managing Directors of each operating company. The GRMC also acts as the Risk Management Committee for Vodacom South Africa.

How we manage risk

Oversight and governance structure

Board

- Audit, Risk and Compliance Committee
- Group Risk Management Committee
- Subsidiary Risk Management Committee

Management structure

Strategic risk

Chief Officers, Executive Committee

- **Tactical risk:** Managing executives and Group executives
- **Operational risk:** Executive heads
- **Process risk:** Line management
- **Project risk:** Project manager

The two main functions of the GRMC are:

- To filter and approve the list of strategic, high and critical risks presented yearly to the Board and Audit, Risk and Compliance Committee for the Group and local markets.
- To oversee and monitor the various projects and structures designed to manage specific identified risks such as, business continuity management.

Certain specialised risks, such as health and safety, technology security and electromagnetic frequency ('EMF'), have separate structures that monitor and manage the processes and projects related to managing these risks. These structures are responsible for reporting to the GRMC.

An exercise was undertaken this year to review and update more than 4 000 operational, tactical and strategic risks. This was done through group sessions, one-on-one interviews and written requests with all executive management (heads of departments and higher). The risk management dashboards for companies were updated after the review.

The Group Board reviews the strategic and critical risks regularly and approves the Group's risk tolerance yearly.

The process we follow:

Our process of defining, assessing, classifying and monitoring risks is set out below.

1 Defining the risks

Various levels of management in each operating company define risks at project, process, operational, tactical and strategic levels according to risk tolerance.

2 Assessing the impact of the risks on the organisation should they happen

Risks are assessed based on their potential impact on the business (customers, business systems, employees), financial position and reputation. A level 1 risk is seen as insignificant and level 5 is catastrophic. For example, if more than half of our customers would be impacted by the risk, it would be classified as level 5.

3 Assessing the likelihood of the risks happening

Risks are assessed based on the likelihood of them happening after taking into account controls in place to mitigate them. Again we use a scale from 1 to 5, where 1 is 'never' and 5 is 'almost certain'. When we rate a risk '5', it means the controls in place will not prevent the risk from happening due to factors outside our control.

4 Classifying the risks

We classify risks as critical, high, medium and low based on their impact and likelihood of them occurring. So where a risk has a high likelihood of occurring and the impact on our business, financial position or reputation is high it would be considered critical.

5 Monitoring and reporting the risks

We capture well over 4 000 operational, tactical and strategic risks across the Group in our risk system, Cura. We manage risks continually and review them quarterly. We also involve internal audit and report back to the Group's Audit, Risk and Compliance Committee and the Board quarterly.

Risk management report continued

Risk	Regulatory decisions and changes in regulation	Increased competition	Unpredictable political, economic and legal risks
Context	We comply with a wide range of requirements that regulate the licensing, construction and operation of our networks in the countries we operate in. In particular, the decisions of regulators on granting spectrum licences as well as wholesale and retail tariffs may affect us negatively.	We are facing intense competition in all our markets. Our ability to compete effectively depends on network quality, capacity and coverage, pricing of services and devices, quality of customer services, developing new and improved products and services in response to customer demands, new technologies, reach and quality of sales and distribution channels, and capital resources. In particular, driving down prices to stay competitive, along with increased capital investment to support growth in traffic, may negatively impact our financial performance.	Political, economic and legal risks in some of our markets may be less predictable than in countries with more developed institutional structures. The value of our investments in these markets may be negatively affected by political, economic, tax and legal developments beyond our control or due to public corruption. In particular, the mobile communications industry can often be subject to unpredictable, higher direct and indirect taxes in these countries.
Mitigating factors	• We have specialist regulatory and government relations teams. • We participate actively through written submissions and formal hearings on legislative and regulatory changes. • We have access to best practice and international debate through Vodafone. • We conduct detailed scenario planning on an ongoing basis.	• We continue to invest in network coverage and quality. • We continue to expand distribution. • We're focused on dramatically improving the customer experience across all customer touchpoints. • We offer a wide range of devices at competitive prices. • We continue to offer more value to customers through promotions and discounts.	• We have a comprehensive stakeholder relations strategy in place in all the countries we operate in. • Vodacom has implemented an anti-corruption, anti-money laundering and anti-terrorist financing programme to prevent the giving and receiving of bribes and other corrupt acts. • We have a specialised tax management capability and seek expert tax advice as needed. • We will consider litigation to enforce compliance with legislation among competitors.

Major network and billing infrastructure failures	Complying with competition legislation	Customer privacy	Consumer protection
We operate complex mobile networks that rely on third parties to provide power or transmission. In certain countries, like Mozambique , we have limited redundancy in our master switching centres. Network and billing infrastructure may also be damaged by natural disasters or terrorism. In particular, network outages may negatively impact customer usage, revenue and our reputation.	The South African competition authorities have been actively targeting different industry sectors, with the Competition Commission launching full-scale enquiries into non-competitive practices. We may face penalties, reputational damage, or lose stakeholder and shareholder confidence if we do not comply with the requirements of the South African Competition Act.	Our ability to protect sensitive customer information is material to building trust with our customers and to our reputation. The Protection of Personal Information Act, signed into law in South Africa in December 2013, provides for a one-year implementation period. The Act impacts almost all business areas and requires significant changes in the way in which electronic and paper records are collected and processed. We may be subject to regulatory intervention and reputational harm if we fail to comply with the Act within the stipulated timeframe.	The National Consumer Commission ('NCC') has focused on the interpretation of specific provisions of the Consumer Protection Act ('CPA'), relating to prohibiting the forfeit of unused minutes and data, handset subsidies, international roaming costs and subscriber fixed-term contractual terms. Adverse interpretation of certain provisions and non-compliance with the CPA may result in regulatory intervention with associated financial losses and reputational harm.
• We have comprehensive business continuity and disaster recovery plans in place. • We invest in maintaining and upgrading our networks on an ongoing basis. • We are self-providing transmission links on critical routes in our networks to reduce reliance on external parties. • We are making investments to ensure adequate redundancy capabilities where feasible. • We have comprehensive insurance in place. • We continue to consider dual generator and alternative energy supply solutions where feasible.	• All new products and services are reviewed for compliance with all applicable laws, including the Competition Act, before being approved for launch. • Detailed evaluations of the impact of new products and services, promotions, campaigns and tariff enhancements are done in terms of the Electronic Communications Act. • All distribution channel agreements have been updated to comply with legislative changes.	• We are responding to the requirements through an enterprise project across all areas of the business. Awareness and training form part of the project. • Phase one of the project was to implement the adapted Vodafone Global framework and toolkit, which deals with privacy risk. • Regulatory Affairs is engaging with key stakeholders. A project plan for implementation has been drawn up.	• We have made changes to our customer agreements to ensure they are compliant with the CPA. • Engagement continues with the NCC on other provisions of the CPA that are unclear. • We participate in industry bodies that aim to resolve such issues for the benefit of the industry.

Abridged corporate governance statement

"The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of all our stakeholders."

Sandi Linford
Company Secretary

Statement of compliance

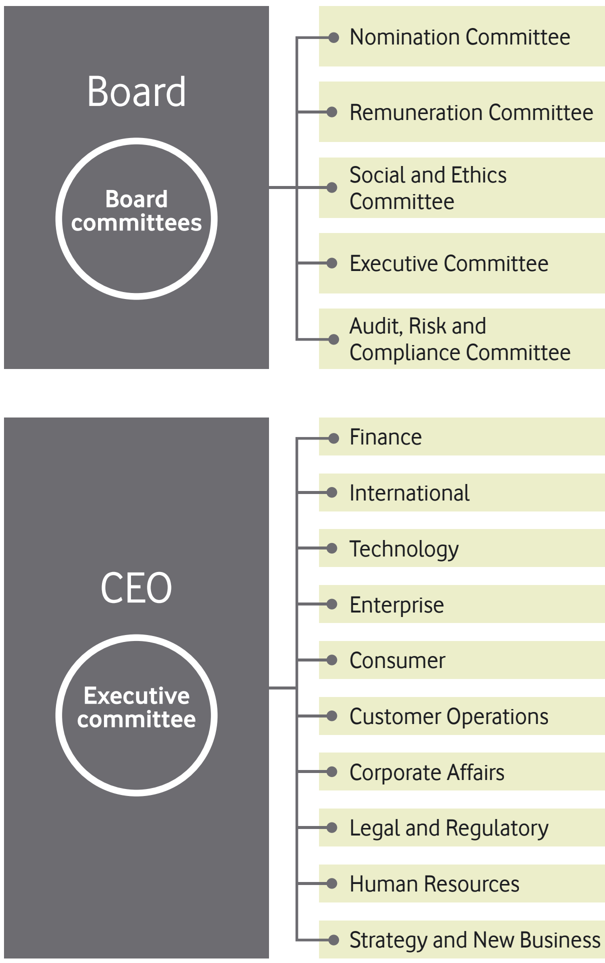
Vodacom is committed to the highest standards of business integrity, ethics and professionalism. The Board recognises the need to conduct the business in accordance with the principles of the King Code of Corporate Practices and Conduct ('King III'). These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of directors to all stakeholders.

A number of these principles are entrenched in the Group's internal controls and policy procedures governing corporate conduct.

The Board is satisfied that every effort has been made in the financial year to 31 March 2014 ('the year') to comply in all material aspects with King III. Where we do not comply, this is stated and explained.

Corporate governance structure

The following diagram shows the Group's governance structures as at 31 March 2014:



Board leadership and committees

Board

Vodacom has a unitary Board of 12 directors. Five directors, including the Chairman, are independent non-executive directors. Five are non-executive directors and two are executive directors. Although the majority are non-executive directors, half of our non-executive directors are not independent as recommended by King III as they represent Vodafone. However, the Board is satisfied that the balance of power and objectivity on the Board is sufficient and does not require additional independent voices.

Accountability

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of shareholders.

In line with best practice, the roles of Chairman and Chief Executive Officer are separate. The Chairman is responsible for leading the Board and the Chief Executive Officer for the operational management of the Group.

A Board charter has been adopted which details the responsibilities of the Board. These include:

- Oversight of the Group's strategic direction
- Reviewing and evaluating the Group's risks
- Approving major capital projects, acquisitions or divestments
- Approving the annual budget and operating plan
- Exercising objective judgement on the Group's business affairs independent from management
- Approving the annual and interim financial results and shareholder communications
- Ensuring that appropriate governance structures, policies and procedures are in place
- Approving the senior management structure, responsibilities and succession plans
- Ensuring the effectiveness of the Group's internal controls
- Technology governance

Directors

Vodacom's memorandum of incorporation specifies that non-executive directors have no fixed term of appointment. Executive directors are subject to standard terms and conditions of employment and a six-month notice period. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a temporary vacancy must retire at the first annual general meeting following their appointment.

Chairman

The memorandum of incorporation requires the Board to re-elect the Chairman yearly, in line with King III. Peter Moyo was re-elected on the anniversary of his appointment in May 2014.

Independent advice

The Board recognises that there may be occasions where directors consider it necessary to take independent professional advice. This is done at the Company's expense according to agreed procedure.

Abridged corporate governance statement continued

Board meetings

The Board holds a minimum of four meetings, two teleconferences and a strategy session every year. Special Board meetings are convened when necessary. No special Board meetings were convened during the year.

The table below records the attendance of directors at Board meetings for the year.

Name of director	16 May 2013	17 Jul 2013 Telecon	20 Sep 2013	7 Nov 2013	4 Feb 2014 Telecon	27 Mar 2014
MP Moyo	✓	✓	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓	✓
YZ Cuba[2]	–	–	✓	✓	✓	✓
IP Dittrich	✓	✓	✓	✓	✓	✓
M Joseph	✓	✓	✓	✓	✓	✓
A Kekana[1]	✓	✓	–	–	–	–
TM Mokgosi-Mwantembe	✓	X	✓	✓	✓	✓
PJ Moleketi	✓	X	✓	✓	✓	X*
NJ Read[3]	✓	X	✓	✓	✓	–
RAW Schellekens	✓	✓	✓	✓	✓	✓
JWL Otty	✓	✓	✓	✓	✓	✓
S Timuray	✓	X	✓	✓	✓	✓
HMG Dowidar[4]	–	–	–	–	–	✓

Notes:
1. A Kekana resigned 18 July 2013.
2. YZ Cuba appointed 18 July 2013.
3. NJ Read resigned 5 February 2014.
4. HMG Dowidar appointed 5 February 2014.

* Mr Moleketi was absent due to illness.

Board committees

The non-executive directors play a pivotal role on the Board's committees. All committees operate under Board-approved terms of reference, which are updated from time to time to stay abreast of developments in corporate law and governance best practice.

Executive Committee

During the year, the Executive Committee included the Chief Executive Officer (Chairman), Chief Financial Officer, Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Executive Officer: International Business, Chief Operating Officer: International Business, Chief Technology Officer, Chief Officer: Legal and Regulatory, Chief Officer: Strategy and New Business, Chief Officer: Consumer Business Unit, Chief Officer: Customer Operations and Chief Officer: Enterprise Business Unit.

The committee is responsible for managing the Group's operations, developing strategy and policy proposals for the Board's consideration and implementing the Board's directives. It has a properly constituted mandate and terms of reference.

The committee's other responsibilities include:

- leading executives, management and employees;
- developing the annual budget and business plans for the Board's approval; and
- developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit, Risk and Compliance Committee

Current members: DH Brown (Chairman), YZ Cuba, PJ Moleketi.

Further details of the activities of the Audit, Risk and Compliance Committee can be found in its standalone report in the audited annual financial statements. Refer to the audited annual financial statements online.

Remuneration Committee

Current members:: TM Mokgosi-Mwantembe (Chairman), DH Brown, RAW Schellekens, S Timuray.

Serpil Timuray was appointed to the Remuneration Committee following the resignation of Nick Read on 5 February 2014. The membership of the Remuneration Committee does not comply fully with King III or the JSE Listings Requirements, which advocate a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent. Thoko Mokgosi-Mwantembe, the Chairman of the committee, and David Brown are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors. Serpil Timuray, who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific, has oversight over Vodacom, and Ronald Schellekens is the Vodafone Human Resources Director. To address non-compliance with the JSE Listings Requirements, it was agreed with the JSE that the Chairman of the committee would have a casting vote in the event of any deadlock or dispute that could arise. The mandate of the committee was revised accordingly.

The Remuneration Committee, in consultation with executive management, ensures that the Group's directors and senior executives are fairly rewarded for their individual contributions to overall performance and in line with Vodacom's remuneration policy.

In the year, the Remuneration Committee met four times with attendance as follows:

Name of director	7 May 2013	14 Jun 2013	6 Nov 2013	26 Mar 2014
		Telecon		
TM Mokgosi-Mwantembe	✓	✓	✓	✓
NJ Read[1]	X	X	X	–
RAW Schellekens	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓
S Timuray[2]	–	–	–	✓

Notes:
1. NJ Read resigned 5 February 2014.
2. S Timuray appointed 5 February 2014.

Pg 80 | more detail on the activities of the Remuneration Committee can be found in the remuneration report for the year.

Nomination Committee

Current members: MP Moyo (Chairman), TM Mokgosi-Mwantembe, RAW Schellekens, S Timuray.

Serpil Timuray was appointed to the Nomination Committee following the resignation of Nick Read on 5 February 2014. The membership of the Nomination Committee does not comply fully with King III or the JSE Listings Requirements, which advocate a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent. Peter Moyo, the Chairman of the committee, and Thoko Mokgosi-Mwantembe are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors. Serpil Timuray, who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific, has oversight over Vodacom, and Ronald Schellekens is the Vodafone Human Resources Director. To address non-compliance with the JSE Listings Requirements, it was agreed with the JSE that the Chairman of the committee would have a casting vote in the event of any deadlock or dispute that could arise. The mandate of the committee was revised accordingly.

The committee's duties include:

- identifying and evaluating suitable potential candidates for appointment to the Board. The authority to appoint directors remains a function of the Board;
- identifying and evaluating candidates for the position of Chief Executive Officer and Chief Financial Officer;
- making recommendations on the composition of the Board in terms of the mix of skills, size of the Board and the number of committees required; and
- reviewing and approving executive succession.

In the year, the Nomination Committee met four times with attendance as follows:

Name of director	7 May 2013	5 Sep 2013	6 Nov 2013	26 Mar 2014
		Telecon		
MP Moyo	✓	✓	✓	✓
TM Mokgosi-Mwantembe	✓	✓	✓	✓
NJ Read[1]	X	✓	X	–
RAW Schellekens	✓	✓	✓	✓
S Timuray[2]	–	–	–	✓

Notes:
1. NJ Read resigned 5 February 2014.
2. S Timuray appointed 5 February 2014.

Abridged corporate governance statement continued

Social and Ethics Committee

Current members: PJ Moleketi (Chairman), MP Moyo, RAW Schellekens, MS Aziz Joosub.

There were no changes to the composition of the Social and Ethics Committee during the year. Key executives attend meetings by invitation but have no vote, including the Chief Risk Officer, Group Company Secretary (Ethics Officer), Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Officer: Legal and Regulatory and Chief Officer: Consumer Business Unit.

As required by the Companies Act, No 71 of 2008 (as amended) and King III, this committee oversees and monitors Vodacom's activities in relation to:

- social and economic development, including the principles of the United Nations Global Compact, Broad-Based Black Economic Empowerment, Employment Equity and the Organisation for Economic Cooperation and Development's ('OECD') recommendations on corruption;
- good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts;
- consumer relations;
- labour and employment, including skills development; and
- safety, health and environmental issues.

The Social and Ethics Committee met five times during the year with attendance as follows:

Name of director	8 May 2013	15 Jul 2013 Telecon	4 Sep 2013	6 Nov 2013	26 Mar 2014
PJ Moleketi	✓	✓	✓	✓	✓
MP Moyo	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓
MS Aziz-Joosub	✓	✓	✓	✓	✓

Board evaluation

A Board evaluation was conducted during the year, led by the Chairman and facilitated by an external service provider. Overall consensus was that the Board is working well, has a good mix of directors and that there is a high commitment to work in the best interest of Vodacom. The Board as a whole demonstrates uniform clarity over the purpose of Vodacom and the ability to be satisfied to the external environment. While the Board had better clarity of the strategic objectives, the Board was mindful that the strategy was yet to be tested. No significant weaknesses were identified, but areas for improvement such as reporting more regularly on progress against strategy were noted.

Company Secretary

All directors have access to the advice and services of the Group Company Secretary, Sandi Linford, who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. For the Board to function effectively, all directors have full and timely access to information that helps them do their duties properly. This includes corporate announcements, investor communications and information about developments that may affect Vodacom and its operations. Directors have full access to management as required.

The Group Company Secretary is responsible for director training. The Group Company Secretary and Chief Executive Officer induct new directors, which includes briefings on their fiduciary and statutory responsibilities as well as on the Group's operations as required.

Shareholder relations

Vodacom maintains a proactive dialogue with shareholders to communicate our strategy and activities. This is done through a planned investor relations programme which includes:

- formal presentations of annual and interim results;
- briefing meetings with major institutional shareholders after the release of results; and
- hosting investor and analyst sessions.

Risk management

Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment and monitoring. The directors consider business risks when setting strategies, approving budgets and monitoring progress against budgets.

A division reporting to the Chief Risk Officer assists in identifying, assessing and recording the strategic risks facing the Group and, where appropriate, monitors mitigating actions.

Pg 70 | risks are managed at three distinct levels: Risk Management Committees ('RMCs'), the Risk Group and line management.

Internal control

Management adopts internal controls, including policies, procedures and processes to provide reasonable assurance in safeguarding assets, preventing and detecting errors, the accuracy and completeness of accounting records, and the reliability of financial statements. Internal audit provides independent, objective assurance of the system of internal controls within the Group.

Share dealings

Vodacom has a share dealing policy requiring all directors, senior executives and the Group Company Secretary to obtain prior written consent from either the Chairman or Chief Executive Officer to deal in Vodacom Group shares. The Chairman has to obtain prior written clearance from the Chairman of the Audit, Risk and Compliance Committee. Closed periods are implemented as per JSE Listings Requirements. During these periods, the Group's directors, executives and employees are not allowed to deal in Vodacom Group shares. Additional closed periods are enforced should Vodacom be subject to any corporate activity requiring a cautionary announcement.

Stakeholder engagement

The Board has delegated to management the responsibility to deal with stakeholder relationships in a proactive and constructive manner.

An approved stakeholder policy is in place and the initiatives and activities for the year are more fully reported in the Social and Ethics Committee report. Refer to our stakeholder report online.

Technology governance

As an ICT company, technology is core to our business. Technology governance is vital to striking the right balance between maintaining our technology lead and managing our costs. In line with King III, technology governance forms part of our governance structures, policies and procedures. It also forms part of the Group's strategic and business processes and is managed by the Chief Technology Officer.

A well-defined technology governance framework and charter has been adopted, which is clearly mapped to the IT governance principles of King III. Each framework element is supported by evidence, including aligning technology strategy and business needs, delivering value and managing performance, information security, information management, risk management, business continuity management and compliance. An area that requires further work is independent assurance of outsourced providers. On this basis, a baseline will be agreed and form part of the contract with outsourced providers. Finalisation is expected during the 2015 financial year.

Remuneration report

> It is critical to our long-term success and growth that our businesses are led by extremely capable leaders who have the knowledge, skills and commitment essential to guide the Group through an ever-changing telecommunications landscape. With this in mind, we need to ensure that our remuneration packages are designed to support our long-term business growth plans.

Thoko Mokgosi-Mwatembe
Chairman of the Remuneration Committee

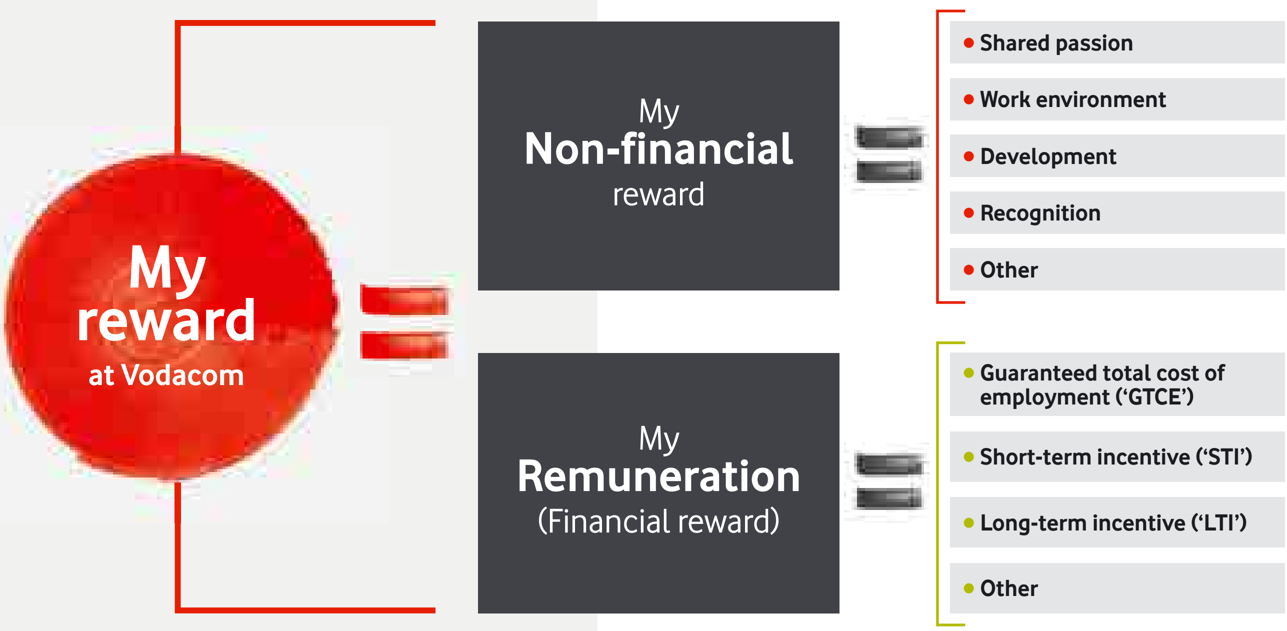
Introduction

This report sets out Vodacom's remuneration policy for non-executive directors, executive directors and prescribed officers. It describes how the policy has been implemented and discloses payments made to non-executive and executive directors and prescribed officers during the year under review.

The Board reviews the fees for non-executive directors annually and recommends these fees to shareholders for approval at the annual general meeting ('AGM').

The Group's Remuneration Committee ('RemCo') determines the policy for remunerating executive directors and prescribed officers.

Vodacom reward framework



Vodacom's reward framework comprises financial and non-financial elements and is applied to all employees, including the Group's executive directors and prescribed officers.

The objectives of Vodacom's reward programme are to support the Group in:

- competing for talent in increasingly competitive labour markets;
- retaining capable employees who enhance business performance;
- motivating individual and team performance that drives stakeholder value;
- managing the total cost of employment;
- achieving the most effective return (employee productivity) on total employee cost; and
- addressing diverse employee needs across differing cultures and age groups.

This report is divided into two sections:

Section one	Provides an overview of the remuneration policy for executive directors and prescribed officers.
Section two	Discloses actual payments, accruals and awards for the year ended 31 March 2014.

Remuneration policy

We aim to attract, retain and motivate executives of the highest calibre, while giving careful consideration to aligning remuneration with shareholders' interests and market and industry best practice.

Our executives are rewarded for their contribution to our strategic, operating and financial performance and ensure that our remuneration is conducive to developing and retaining top talent, critical skills and intellectual capital.

A holistic approach is adopted to reward and our employee value proposition is balanced across the following elements:

- a guaranteed package;
- short- and long-term incentives;
- non-financial reward and recognition;
- individual growth and development;
- a stimulating work environment; and
- a well-designed executive wellness programme.

Our overall reward philosophy ensures that executive directors and other executives are fairly rewarded for their individual contribution to the Group's operating and financial performance. Individual performance is determined through our talent and performance management processes, the outcome of which influences the award of short- and long-term incentives.

Each element of our remuneration structure is aligned to shareholder value and appropriately linked to our business strategy.

Summary of executive remuneration structure

GP — Guaranteed package

Type: Fixed

Objectives:
- Designed to attract and retain talented employees.
- Reflects the scope and nature of the role.
- Provides competitive pay and rewards performance.

STI — Short-term incentive

Type: Variable

Objectives:
- Motivates and rewards achievement of business and individual performance.
- Keeps employees focused on the defined business imperatives.

LTI — Long-term incentive

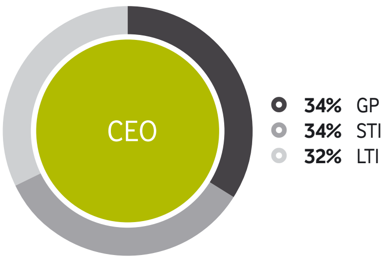
Type: Variable

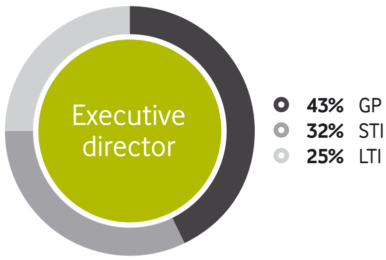
Objectives:
- Drives sustainable longer term performance.
- Retention of key skills by linking performance to long-term value creation.
- Encourages loyalty and ownership, by aligning the interests of executives to those of the Group and its shareholders.
- Wealth creation.

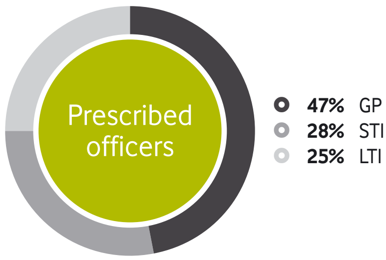
Remuneration report continued

RemCo reviews the total pay mix of executives every year and decides on the proportion of total remuneration paid as part of the guaranteed package, or as short- and long-term incentives. Each element is linked to creating shareholder value and the strategic progress made in the year.

The pay mix for executive directors and prescribed officers is shown below:







Reward benchmarking

Fair and competitive reward is vital to being an employer of choice. RemCo reviews peer group data from the JSE telecommunications and ICT sectors and other listed companies of similar market capitalisation and revenue when setting the total remuneration and the guaranteed packages of executives. The peer group excludes financial services and foreign companies, which apply a different pay mix.

Drawing comparisons with these sectors mitigates the risk of losing skilled executives to competitors and is useful in setting Vodacom's attraction and retention strategy.

Guaranteed package ('GP')

All employees, including executive directors, receive a GP based on their roles, individual performance and Group performance. Contributions to retirement and insured benefits are included in the GP.

All permanent employees, including executive directors and prescribed officers, have to join the Vodacom Group Pension Fund, which is a defined contribution pension scheme. Executives also participate in the Vodacom Group Executive Provident Fund, a defined contribution provident scheme. Besides the retirement fund contributions, lump sum contributions may also be made as part of the short-term incentive payment.

Normal retirement age for executive directors and other executives is 60 years. For all other employees it is 65 years.

Employees can choose to participate in a nominated medical aid scheme. We do not offer post-retirement medical benefits and have no such liabilities.

Increases in GP for employees are based on a review of market data, consideration of their individual performance and potential, and the business priorities of the Group.

Short-term incentives ('STIs')

All employees, including executive directors and prescribed officers, but with the exception of those employees who are on a commission, quarterly or bi-annual bonus structure, participate in an annual short-term incentive plan. Bonus payments are discretionary and payments made under the plan dependent on both financial and individual performance. Payments are delivered in cash in June each year after finalisation of Vodacom's consolidated annual financial results and no deferral is applied.

Where annual targets are achieved in full, 100% of the on-target bonus will be paid. In instances where target goals are exceeded, more than 100% of the on-target bonus is paid, but in all cases the cash bonus is capped at a percentage of the GP. Where the bonus targets are not achieved in full, a pro rata bonus is paid only if the threshold performance level has been achieved.

The on-target and bonus cap percentages are set out below:

Role	On-target %	Maximum %
CEO	100%	200%
Executive directors	75%	200%
Prescribed officers	50% – 60%	150% – 180%

The formula for determining the CEO's cash bonus[1] is:

GP	×	Target incentive	×	Business performance multiplier
		100%		0% to 200%

1. It was agreed in 2013 that the CEO will no longer have an individual performance multiplier.

The formula for determining cash bonus for executive directors[2] is:

GP	×	Target incentive	×	Business performance multiplier	×	Personal performance multiplier
		75%		0% to 200%		0% to 150%

2. Bonus for executive directors is capped at 200%.

The formula for determining cash bonus for prescribed officers is:

GP	×	Target incentive	×	Business performance multiplier	×	Personal performance multiplier
		50% to 60%		0% to 200%		0% to 150%

The business performance multiplier ranges from 0% to 200% and the personal multiplier from 0% to 150%. The personal performance multipliers are based on the performance of executives relative to their objectives. The following financial targets, as set by RemCo, are used for the calculation of the business multiplier:

% weighting	2014	2015
Service revenue	**25**	25
EBITDA	**25**	25
Operating free cash flow	**25**	25
Competitive performance	**25**	25

These weightings align short-term incentives to our strategic focus on revenue growth and market performance. The Group business multiplier is used for the CEO and executive directors, and for prescribed officers the business performance multiplier is based on a weighted average of the multipliers for the relevant operating company and the Group. No changes are proposed for the 2015 financial year.

Long-term incentives ('LTIs')

It is critical for the Company to retain skills, motivate and incentivise executive directors and other employees over the longer term. LTIs support the Company to meet these objectives, which are crucial to sustainable performance.

Vodacom Forfeitable Share Plan ('FSP')

The FSP was introduced in 2009 and this is our main long-term incentive plan. Although it is focused on executives and senior management, other employees may be selected to participate. Non-executive directors are not eligible to participate.

The purpose of the FSP is to provide executives and other selected employees with the opportunity to acquire shares in Vodacom Group Limited, by way of a forfeitable share award. This means that participants receive shares (including dividend and voting rights) on the date of award but those shares are subject to restrictions and risk of forfeiture during a three-year vesting period. FSP awards are granted annually.

A portion of the forfeitable award is subject to meeting the following performance targets:

Performance period	Measures applied
2010 – 2013	Cumulative EBITDA less capital expenditure (50% weight)
	SA revenue market share (50% weight)
2011 – 2014	Cumulative operating free cash flow
2012 – 2015	Cumulative operating free cash flow
2013 – 2016	Cumulative operating free cash flow (70%)
	Total shareholder return (30%)
2014 – 2017	Cumulative operating free cash flow (70%)
	Total shareholder return (30%)

The vesting of awards with performance conditions up to 2012 – 2015 was on a sliding scale of 20% at threshold, 60% at target, and up to 100% at maximum performance. This changed in 2013 to 20% at threshold, 50% at target, and up to 100% at maximum performance.

For the CEO, executive director and prescribed officers, the standard on-target value of FSP awards (as a percentage of GP at target level) is shown in the next table. For executive directors and prescribed officers the standard awards may be multiplied by 0% to 200% to set an annual award, based on the performance and potential of the individual.

Remuneration report continued

Role	On-target value % 2014	On-target value % 2013
CEO*	90%	90%
Executive directors**	60%	48%
Prescribed officers**	45% – 60%	33%

Notes:

* Further long-term incentives, in addition to the standard annual award above are offered to Mr Aziz Joosub provided that he meets an annual co-investment requirement, which are all subject to performance conditions. The additional incentives offered and associated conditions are:

- an additional award of Vodacom performance shares with an on-target value of 50% of his GP, provided that he invests in Vodacom shares to the value of 50% of his GP; and
- an additional award of Vodafone performance shares with an on-target value of 50% of his GP, provided that he invests in Vodafone shares to the value of 50% of his GP. Mr Aziz Joosub may only take advantage of the additional Vodafone share award if he has met the full Vodacom co-investment requirement. His investment in both Vodacom and Vodafone shares must be on an ever-increasing basis to qualify for the additional awards.

** Following and in-depth market analysis in May 2013, the on-target value was increased to ensure alignment between our reward offering to our executives and the external market.

Vodafone Performance Share Plan

The CEO and the prescribed officers who have been seconded from Vodafone (Mr Gough and Mr Patel) participate in the Vodafone Performance Share Plan. This plan has two performance conditions: free cash flow and relative total shareholder return ('TSR') performance. Vesting is based on meeting these conditions after a three-year performance period.

Executive directors and other prescribed officers

In June 2013, a change was implemented to the share allocation methodology for our executive directors and prescribed officers. It was agreed that 70% of the award is made using the current Vodacom share plan and 30% using the Vodafone share plan, with an equal weighting between performance and retention shares.

The reason for the change was to provide alignment and synergy with the Group's parent Company Vodafone Plc, which RemCo believes is also in the interests of the Vodacom Group's shareholders. The portion of total variable pay (STI and LTI) related to Vodafone performance is not excessive (11% to 15%) for the prescribed officers and the Group's own performance remains the critical driver of variable pay.

A further change was approved in March 2014 for implementation in the 2015 financial year. The award mix for 2015 will be determined as:

- 33% awarded as Vodacom Retention FSP shares;
- 33% awarded as Vodacom Performance FSP shares; and
- 33% awarded as Vodafone Performance FSP shares.

This change represents a minor increase in the portion of Vodafone shares (an increase from 30% to 33%) and a significant increase in the portion of the awards subject to performance conditions (an increase from 50% to 67%).

Deferred bonus incentive scheme ('the scheme')

This is a legacy scheme that was in use until 2009, and was replaced by the FSP. All permanent employees were eligible for the scheme. The allocations were subject to a three-year vesting period with a further three years in which to exercise them. The exercise price is based on the Group's consolidated operating profit after adjusting for certain items.

No allocations have been granted under the scheme since 1 April 2009. Unvested and unexercised allocations remain in effect and will be settled in cash during the 2015 financial year.

The YeboYethu Employee Participation Trust ('YeboYethu')

In July 2008, YeboYethu acquired 3.44% of Vodacom South Africa in our R7.5 billion BBBEE transaction. All permanent South African employees were able to participate in the trust. Of the 1.875 billion units available to the trust, 75% was allocated to employees on 1 September 2008. The remaining 25% was set aside for future employees on a sliding scale over the next five years.

The allocation is weighted 70/30 in favour of black employees. The trust's seven-year maturity period ends in August 2015.

It was initially agreed that the allocated units will be converted into YeboYethu shares in March 2016, after taking into account the notional vendor financing provided by Vodacom South Africa. This was, however, changed at the YeboYethu Limited AGM in October 2013, where it was agreed to extend the notional funding period to October 2018. The units will therefore only be converted into YeboYethu shares in March 2019.

Following this date, we will aim to facilitate the sale of these shares to qualifying members of the South African public through the online YeboYethu Limited trading platform, which was launched for black South Africans in February 2014.

Shareholding guidelines

The Board wishes to encourage individual shareholding in the Company by executives, as a tangible demonstration of their commitment to the Group and to align with shareholder interests. Executives are thus required to hold the following minimum personal shareholdings:

Role	Minimum holding
Executive director	1 x GP
Prescribed officers	0.5 x GP

The CEO is required to make substantial investments in Company shares to qualify for his co-investment share awards, as described previously, and as a result he is not covered by these shareholding guidelines.

As an incentive to exceed the minimum requirements, additional awards of FSP performance shares will be made to executives who exceed the minimum requirements over a three-year vesting cycle, being six years. The participants will be granted a performance share for every three additional shares held. This award will be capped so that holdings of no more than double the minimum requirements will be recognised. The time period over which the executives are permitted to build up this shareholding is based on the vesting of three cycles of the annual awards under the FSP plan.

Executive contracts and policies

Executives have permanent employment contracts with six-month notice periods, which came into effect in November 2009. Prior to this, executives had a two-year rolling contract, entitling them to one year's guaranteed pay for every four years of service up to a maximum of 16 years on termination of employment (conditional benefit). This benefit was subject to a 12-month notice period.

The benefit that accrued up to 26 November 2009 was based on the number of years of service payable on termination of employment. Apart from money market interest, no further termination benefits accrued after this date.

Executives who have a conditional benefit in terms of their previous service contract have the option to convert a portion or all of their benefit to shares for the purpose of meeting the shareholding guidelines. These shares ('restricted shares') are subject to the same conditions as those of the underlying conditional benefit.

Non-executive directors

Our business benefits from active non-executive directors who do a lot more than attend meetings. Non-executive directors therefore receive a yearly fee for their services on the Board and committees rather than a fee for meetings attended.

The Board considered the King III recommendation that fees for non-executive directors comprise a base fee as well as an attendance fee per meeting. In light of the current non-executives' attendance record it has been decided not to change the current policy of a set annual fee. This policy will be reviewed annually with due consideration of attendance records.

If non-executive directors are requested to leave there is no contractual compensation for loss of office. Non-executive directors do not receive short- or long-term incentives.

A sub-committee of the Nomination Committee, comprising the directors from Vodafone who do not benefit personally from the fees, reviews directors' fees against market benchmarks and recommends fee levels to the Board.

Our memorandum of incorporation states that shareholders must approve these fees at the AGM.

The annual fee paid to the Chairman of the Board includes all committee fees. No additional fees are paid for any special Board meetings held.

Shareholdings

Details of the beneficial interests of directors and prescribed officers in the Company's ordinary shares excluding interests in the long-term incentive plans are set out in the directors' report online on **vodacom.com**.

Funding of share plans and dilution

Details of the shares used for the FSP and the related dilution are set out in the consolidated annual financial statements and the directors' report, which is available on **vodacom.com**. All awards granted under the FSP are settled through the purchase of treasury shares or shares purchased in the market and not by newly issued shares.

Remuneration Committee

Role of RemCo

The Board is ultimately responsible for the Group's remuneration philosophy and applies it with the assistance of RemCo that operates under a Board-approved charter, the most recent version of which was adopted in February 2009, and is subject to review from time to time.

In terms of its charter, the key responsibilities and role of RemCo are to:

- determine, agree and develop the Group's remuneration policy and philosophy;
- determine and agree the remuneration and overall compensation package for the CEO, CFO and any other executive director on the Board;
- ensure that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high-performance staff at all levels in support of realising corporate objectives and to safeguard stakeholder interests;
- review and recommend to the Board the relevant criteria necessary to measure the performance of executives;
- consider other special benefits or arrangements of a substantive financial nature;
- review employment policies; and
- ensure compliance with applicable laws and codes.

The RemCo chairperson formally reports to the Board after each RemCo meeting and, in line with King III, attends the AGM of Vodacom Group Limited to respond to any questions from shareholders regarding RemCo's areas of responsibility.

External advisers

During the past year, PricewaterhouseCoopers advised RemCo on remuneration and benefit-related matters.

Remuneration report continued

Key developments

In 2014, RemCo:

- reviewed developments in local and global best practice;
- approved increases and adjustments for executives and senior management, as well as all other employees;
- approved short-term incentives for executives and senior management, as well as all other employees;
- set performance conditions for short- and long-term incentives for 2015;
- approved regular annual grants of long-term incentives (including award levels and performance targets);
- approved changes to the share awards for executive directors and prescribed officers; and
- approved fee levels for non-executive directors.

Section 2

Annual guaranteed packages and increases

The annual GPs for executive directors in the year are set out in the table below. These amounts are based on the annualised value of the monthly package in March 2014.

Executive directors	2014	2013	% Increase
MS Aziz Joosub	**6 950 000**	6 700 000	3.7
IP Dittrich	**4 554 000**	4 400 000	3.5
PJ Uys[1]	–	7 157 500	–
SN Maseko[2]	–	4 980 000	–

Notes:
1. Service ended on 31 March 2013.
2. Service ended on 30 June 2012.

The annual GPs for our prescribed officers in the year are set out in the table below:

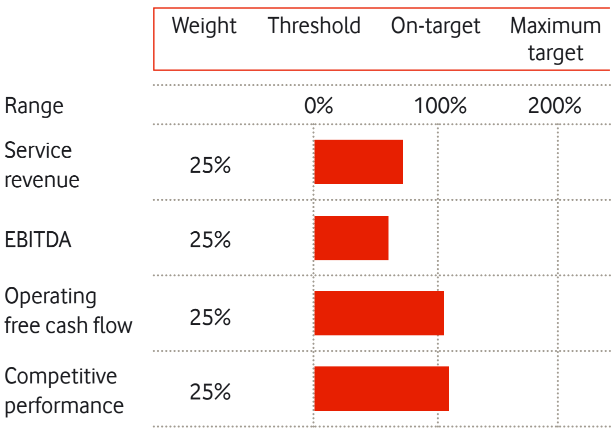
Prescribed officers	2014	2013	% Increase
ADJ Delport	**3 865 000**	3 717 000	4.0
R Kumalo	**3 450 000**	3 224 000	7.0
V Jarana	**3 400 000**	3 149 545	8.0
M Makanjee	**2 652 000**	2 550 000	4.0
NC Nyoka	**3 434 130**	3 318 000	3.5
M Nkeli	**2 675 033**	2 635 000	1.5
G Hagel[1] (EUR)	**161 500**	–	–
G Hagel[1] (ZAR)	**1 000 000**	–	–
N Gough (GBP)	**288 171**	282 732	1.9
P Patel (HKD)	**2 856 000**	2 800 000	2.0
J Dennelind[2] (ZAR)	**1 326 590**	1 326 590	–
J Dennelind[2] (EUR)	**357 136**	357 136	–

Notes:
1. Appointed on 1 January 2014.
2. Resigned 30 June 2013 and as a result did not qualify for an increase.

The average increase in GPs paid to executive directors and prescribed officers in 2014 was 3.6%, compared to 5% paid to the rest of our employees.

Business multiplier for short-term incentives for 2014

The graphic below indicates the extent to which Group targets were met for the year ended 31 March 2014. This resulted in an overall Group business multiplier of 87.6%. This is used for determining the short-term incentive for the CEO. In addition, the personal multipliers for the other executive directors and the prescribed officers, as well as the business multipliers for the appropriate operating companies, are used to determine their respective short-term incentives.



Vesting of performance shares during the year

The second allocation of FSP performance shares vested during the course of the year. Performance was measured against the two measures for the period 2010 to 2013 detailed under the long-term incentives section. The portion of shares vesting was 90% of the total number granted as both targets were not fully met.

Remuneration tables

The remuneration of executive directors and prescribed officers is disclosed below:

Remuneration (actual and benefits[1])

R	GP	Other[2]	Short-term incentive[3]	Total
2014				
Executive directors				
MS Aziz Joosub	**6 887 500**	**4 800**	**6 088 200**	**12 980 500**
IP Dittrich	**4 515 500**	**4 800**	**3 021 898**	**7 542 198**
Prescribed officers				
ADJ Delport	**3 828 000**	**–**	**2 484 577**	**6 312 577**
R Kumalo	**3 393 500**	**4 800**	**1 063 483**	**4 461 783**
V Jarana	**3 337 386**	**4 800**	**1 877 677**	**5 219 863**
M Makanjee	**2 626 500**	**2 137**	**1 239 863**	**3 868 500**
NC Nyoka	**3 405 098**	**4 536**	**2 047 044**	**5 456 678**
M Nkeli	**2 665 150**	**–**	**1 563 289**	**4 228 439**
G Hagel (EUR)[4]	**40 375**	**200 375**	**24 480**	**265 230**
G Hagel (ZAR)[4]	**250 000**	**50 000**	**146 100**	**446 100**
N Gough (GBP)	**286 811**	**49 555**	**120 918**	**457 284**
N Gough (ZAR)	**–**	**831 358**	**–**	**831 358**
P Patel (HKD)	**2 842 000**	**207 169**	**1 669 046**	**4 718 215**
P Patel (ZAR)	**–**	**613 890**	**–**	**613 890**
J Dennelind (ZAR)[5]	**331 648**	**–**	**–**	**331 648**
J Dennelind (EUR)[5]	**89 284**	**–**	**–**	**89 284**
2013				
Executive directors				
MS Aziz Joosub	3 831 026	320 267	5 125 500	9 276 793
IP Dittrich	3 486 154	1 009 979	1 905 429	6 401 562
PJ Uys	3 147 648	7 167 549	5 457 487	15 772 684
SN Maseko	1 021 539	9 548 585	–	10 570 124
Prescribed officers				
ADJ Delport	3 672 750	6 557	1 364 882	5 044 189
R Kumalo	3 193 000	36 962	2 577 072	5 807 034
V Jarana	3 098 034	12 797	1 156 513	4 267 344
M Makanjee	2 125 000	786 725	858 330	3 770 055
NC Nyoka	3 278 500	11 716	1 279 288	4 569 504
M Nkeli	2 604 125	9 879	774 204	3 388 208
N Gough (GBP)	281 399	37 553	77 172	396 124
N Gough (ZAR)	–	902 720	–	902 720
P Patel (HKD)	2 100 000	129 638	1 028 160	3 257 798
P Patel (ZAR)	–	577 423	–	577 423
J Dennelind (ZAR)	1 307 818	52 619	1 586 232	2 946 669
J Dennelind (EUR)	353 702	–	427 035	780 737

Notes:

1. This table excludes settlement of long-term incentives and accruals.
2. This includes mobile phone benefit, subsistence allowance and sign-on bonuses.
3. These amounts relate to the bonus payable in June, for the year ending 31 March.
4. Appointed 1 January 2014.
5. Resigned 30 June 2013.

Remuneration report continued

Long-term incentives and benefits

Details of the accrued termination benefits and long-term incentives granted under the FSP, the deferred bonus incentive scheme and YeboYethu units held by executive directors and prescribed officers at 31 March 2014 are disclosed below:

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
MS Aziz Joosub											
Conditional benefit – restricted shares											
2014	–	208 610	–	–	208 610	113.46	–		–	129.99	27 117 214
Deferred bonus incentive scheme											
2007	4 790	–	4 790	–	–	1 096.01	1 901.51	July 2013	3 858 345	–	–
2008	4 591	–	–	–	4 591	1 257.85	–		–	795.13	3 650 442
FSP – no Company performance conditions											
2011	53 503	–	53 503	–	–	62.45	104.25	July 2013	5 577 688	–	–
FSP – with Company performance conditions											
2011	48 005	–	33 320	14 685	–	34.55	104.25	July 2013	3 473 610	–	–
2014	–	193 182	–	–	193 182	70.83	–		–	79.29	15 317 401
YeboYethu units											
2008	2 628 498	–	–	–	2 628 498	1.00	–		–	0.195	512 557
Total									**12 909 643**	**–**	**46 597 614**

Note:
While CEO of Vodafone Spain, Mr Joosub was allocated Vodafone shares with a current predicted vesting value of approximately R33 million.

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
ADJ Delport											
Conditional benefit – restricted shares											
2014	–	112 321	–	–	112 321	114.04	–		–	129.99	14 600 607
Deferred bonus incentive scheme											
2007	2 281	–	2 281	–	–	1 096.01	1 901.51	July 2013	1 837 346	–	–
2008	2 226	–	–	–	2 226	1 257.85			–	795.13	1 769 959
FSP – no Company performance conditions											
2011	22 351	–	22 351	–	–	62.45	104.25	July 2013	2 330 092	–	–
2012	8 481	–	–	–	8 481	85.07	–		–	129.99	1 102 445
2013	5 438	–	–	–	5 438	102.03	–		–	129.99	706 886
2014	–	4 907	–	–	4 907	111.82	–		–	129.99	637 861
FSP – with Company performance conditions											
2011	16 061	–	11 148	4 913	–	34.55	104.25	July 2013	1 162 179	–	–
2012	17 523	–	–	–	17 523	41.17	–		–	118.81	2 081 908
2013	10 213	–	–	–	10 213	54.33	–		–	63.55	649 036
2014	–	16 257	–	–	16 257	72.01	–		–	79.29	1 289 018
YeboYethu units											
2008	1 287 774	–	–	–	1 287 774	1.00	–		–	0.195	251 116
Total									**5 329 617**		**23 088 836**

Notes:
1. Adjusted for expected vesting percentage for performance shares.
2. The current unit value for the deferred bonus incentive scheme represents the difference between grant price and the price as at 31 March 2014.

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
V Jarana											
Conditional benefit											7 039 378
Conditional benefit – restricted shares											
2014	–	26 208	–	–	26 208	113.94	–		–	129.99	3 406 778
Deferred bonus incentive scheme											
2007	1 129	–	1 129	–	–	1 096.01	1 901.51	July 2013	909 410	–	–
2008	1 659	–	–	–	1 659	1 257.85	–		–	795.13	1 319 121
FSP – no Company performance conditions											
2011	18 774	–	18 774	–	–	62.45	104.25	July 2013	1 957 190	–	–
2012	39 715	–	–	–	39 715	85.07	–		–	129.99	5 162 553
2013	5 236	–	–	–	5 236	102.03	–		–	129.99	680 628
2014	–	6 534	–	–	6 534	111.82	–		–	129.99	849 355
FSP – with Company performance conditions											
2011	5 450	–	3 783	1 667	–	34.55	104.25	July 2013	394 378	–	–
2012	11 622	–	–	–	11 622	41.17	–		–	118.81	1 380 810
2013	9 833	–	–	–	9 833	54.33	–		–	63.55	624 887
2014	–	18 736	–	–	18 736	71.11	–		–	79.29	1 485 577
YeboYethu units											
2008	1 567 336	–	–	–	1 567 336	1.00	–		–	0.195	305 631
Total									**3 260 978**		**22 254 718**

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
R Kumalo											
Conditional benefit – restricted shares											
2013	26 166	–	–	–	26 166	117.93	–		–	129.99	3 401 318
2014	–	6 435	–	–	6 435	115.60	–		–	129.99	836 486
Deferred bonus incentive scheme											
2007	1 779	–	1 779	–	–	1 096.01	1 901.51	July 2013	1 432 985	–	–
2008	1 659	–	–	–	1 659	1 257.85	–		–	795.13	1 319 121
FSP – no Company performance conditions											
2011	28 809	–	28 809	–	–	62.45	104.25	July 2013	3 003 338	–	–
2012	41 278	–	–	–	41 278	85.07	–		–	129.99	5 365 727
2013	4 010	–	–	–	4 010	102.03	–		–	129.99	521 260
2014	–	6 081	–	–	6 081	111.82	–		–	129.99	790 469
FSP – with Company performance conditions											
2011	13 867	–	9 625	4 242	–	34.55	104.25	July 2013	1 003 406	–	–
2012	12 423	–	–	–	12 423	41.17	–		–	118.81	1 475 977
2013	7 531	–	–	–	7 531	54.33	–		–	63.55	478 595
2014	–	17 912	–	–	17 912	71.29	–		–	79.29	1 420 242
YeboYethu units											
2008	1 567 336	–	–	–	1 567 336	1.00	–		–	0.195	305 631
Total									**5 439 729**		**15 914 826**

Notes:

1. Adjusted for expected vesting percentage for performance shares.
2. The current unit value for the deferred bonus incentive scheme represents the difference between grant price and the price as at 31 March 2014.

Remuneration report continued

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
NC Nyoka											
Conditional benefit – restricted shares											
2014	–	15 852	–	–	15 852	113.46	–		–	129.99	2 060 601
Deferred bonus incentive scheme											
2007	2 190	–	2 190	–	–	1 096.01	1 901.51	July 2013	1 764 045	–	–
2008	2 042	–	–	–	2 042	1 257.85	–		–	795.13	1 623 655
FSP – no Company performance conditions											
2011	35 012	–	35 012	–	–	62.45	104.25	July 2013	3 650 001	–	–
2012	8 974	–	–	–	8 974	85.07	–		–	129.99	1 166 530
2013	3 322	–	–	–	3 322	102.03	–		–	129.99	431 827
2014	–	3 755	–	–	3 755	111.82	–		–	129.99	488 112
FSP – with Company performance conditions											
2011	6 695	–	4 647	2 048	–	34.55	104.25	July 2013	484 450	–	–
2012	18 541	–	–	–	18 541	41.17	–		–	118.81	2 202 856
2013	6 238	–	–	–	6 238	54.33	–		–	63.55	396 425
2014	–	13 234	–	–	13 234	72.36	–		–	79.29	1 049 324
YeboYethu units											
2008	1 928 567	–	–	–	1 928 567	1.00	–		–	0.195	376 071
Total									**5 898 496**		**9 795 401**

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1,2]	Estimated value
IP Dittrich											
FSP – no Company performance conditions											
2013	52 493	–	–	–	52 493	102.03	–		–	129.99	6 823 565
2014	–	5 809	–	–	5 809	111.82	–		–	129.99	755 112
FSP – with Company performance conditions											
2013	19 436	–	–	–	19 436	54.33	–		–	63.55	1 235 158
2014	–	11 618	–	–	11 618	55.91	–		–	79.29	921 191
YeboYethu units											
2012	788 229	–	–	–	788 229	1.00	–		–	0.195	153 705
Total											**9 888 731**

Notes:
1. Adjusted for expected vesting percentage for performance shares.
2. The current unit value for the deferred bonus incentive scheme represents the difference between grant price and the price as at 31 March 2014.

Year awarded	Number allocated in previous years	Number allocated in current year	Number settled in current year	Number forfeited in current year	Closing number	Grant price[1]	Settled price	Settlement date	Settlement value	Current unit value[1]	Estimated value
M Makanjee											
FSP – no Company performance conditions											
2013	5 811	–	–	–	5 811	102.03	–		–	129.99	755 372
2014	–	2 525	–	–	2 525	111.82	–		–	129.99	328 225
FSP – with Company performance conditions											
2013	3 637	–	–	–	3 637	54.33	–		–	63.55	231 131
2014	–	5 050	–	–	5 050	55.91	–		–	79.29	400 415
YeboYethu units											
2012	944 229	–	–	–	944 229	1.00	–		–	0.195	184 125
Total											**1 899 268**
M Nkeli											
FSP – no Company performance conditions											
2011	9 614	–	9 614	–	–	74.80	124.44	March 2014	1 196 366	–	–
2012	4 655	–	–	–	4 655	85.07	–		–	129.99	605 103
2013	3 856	–	–	–	3 856	102.03	–		–	129.99	501 241
2014	–	2 485	–	–	2 485	111.82	–		–	129.99	323 025
FSP – with Company performance conditions											
2012	9 618	–	–	–	9 618	41.17	–		–	118.81	1 142 715
2013	7 241	–	–	–	7 241	54.33	–		–	63.55	460 166
2014	–	4 971	–	–	4 971	55.91	–		–	79.29	394 151
YeboYethu units											
2011	1 238 940	–	–	–	1 238 940	1.00	–		–	0.195	241 593
Total									1 196 366		**3 667 994**

Note:

1. Adjusted for expected vesting percentage for performance shares.

Remuneration report continued

Payments to non-executive directors

Fees paid to non-executive directors for 2013 and 2014 were as follows:

Name	Director fee	Audit Committee Chairman	Audit Committee member	RemCo Chairman	RemCo member	Nomination Committee member	Social and Ethics Chairman	Social and Ethics Committee member	Other committees	Total
2014										
MP Moyo^	**1 666 667**	–	–	–	–	–	–	–	–	**1 666 667**
DH Brown	**306 667**	**161 371**	**40 283**	–	**108 334**	–	–	–	**91 667**	**708 322**
YZ Cuba[2]†	**217 957**	–	**98 414**	–	–	–	–	–	–	**316 371**
HMG Dowidar[4]†*	**47 054**	–	–	–	–	–	–	–	–	**47 054**
M Joseph*	**306 667**	–	–	–	–	–	–	–	**66 667**	**373 334**
A Kekana[1]	**89 517**	**68 630**	–	–	–	–	–	–	–	**158 147**
TM Mokgosi-Mwantembe	**306 667**	–	–	**188 334**	–	**93 334**	–	–	–	**588 335**
PJ Moleketi	**306 667**	–	**138 334**	–	–	–	**166 667**	–	**25 000**	**636 668**
JWL Otty*	**306 667**	–	–	–	–	–	–	–	**91 667**	**398 334**
NJ Read[3]†*	**259 613**	–	–	–	**91 638**	**78 155**	–	–	**51 488**	**480 894**
RAW Schellekens*	**306 667**	–	–	–	**108 334**	**93 334**	–	**100 000**	**25 000**	**633 335**
S Timuray*	**306 667**	–	–	**16 696**	–	**15 179**	–	–	**15 179**	**353 721**

Notes:

* Fees paid to Vodafone and not the individual director.
† Fees for a portion of the year.
^ All inclusive fee.

1. A Kekana resigned 18 July 2013.
2. YZ Cuba appointed 18 July 2013.
3. NJ Read resigned 5 February 2014.
4. HMG Dowidar appointed 5 February 2014.

Name	Director fee	Audit Committee Chairman	Audit Committee member	RemCo Chairman	RemCo member	Nomination Committee member	Social and Ethics Chairman	Social and Ethics Committee member	Other committees	Total
2013										
MP Moyo	1 566 667	–	–	–	–	–	–	–	–	1 566 667
P Bertoluzzo[1,2]	122 500	–	–	–	–	–	–	–	–	122 500
DH Brown	293 333	–	133 333	–	105 000	–	–	–	–	531 666
M Joseph[2]	293 333	–	–	–	–	–	–	–	–	293 333
A Kekana	293 333	223 333	–	–	–	–	–	–	–	516 666
TM Mokgosi-Mwantembe	293 333	–	–	184 584	–	80 000	–	–	–	557 917
PJ Moleketi	293 333	–	133 333	–	–	–	153 333	–	–	579 999
JWL Otty[1,2]	170 883	–	–	–	–	–	–	–	–	170 883
NJ Read[2]	293 333	–	–	–	105 000	80 000	–	–	–	478 333
RAW Schellekens[2]	293 333	–	–	–	105 000	80 000	–	–	93 333	571 666
S Timuray[1,2]	170 883	–	–	–	–	–	–	–	–	170 883
K Witts[1,2]	122 500	–	–	–	–	–	–	–	–	122 500

Notes:

1. Fees for a portion of the year.
2. Fees paid to Vodafone and not the individual director.

Assurance

Combined assurance

The Group has adopted a combined assurance model which identifies the risk areas affecting the Group and maps the level of assurance being provided by the different lines of defence. This assessment has been compiled with input from the compliance and ethics, risk management and internal audit functions. This model is being rolled out into the business to improve the assessments regarding the levels of assurance provided.

Extent of assurance in this report

Financial information

Our consolidated annual financial statements were audited by our external auditors, Deloitte & Touche. The scope of their audit was limited to the information in the consolidated annual financial statements and did not include any financial or operating indicators in the integrated report. Their report can be found online as part of the consolidated annual financial statements.

Non-financial information: Integrated performance indicators

We identified five key strategies to ensure the organisation is sustained well into the future, for our shareholders, customers, employees, communities and the countries that we operate in. As part of each strategy we determined a measurable index and associated goal detailed in this report.

We have engaged with Ernst & Young to provide 'limited assurance' on the key measures for each strategy for the year ended 31 March 2014 with a view of identifying any deficiencies or management controls that need to be in place to ensure a 'reasonable assurance' opinion from auditors.

Non-financial information: BBBEE

The South African Broad-Based Black Economic Empowerment information was verified by Empowerlogic.

Non-financial information: ISO

Our South African operations are ISO 9001 and ISO 14001 accredited by the independent certification agency PricewaterhouseCoopers. Our Gateway Nigeria business is ISO 9001 certified.

Directors' responsibility statement

The Board acknowledges its responsibility to ensure the integrity of the integrated report. The Board has applied its mind to the integrated report and believes that it addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice and the recommendations of King III (Principle 9.1).

The integrated report was approved by the Board on 30 May 2014 and signed on its behalf:

MP Moyo Chairman	**MS Aziz Joosub** Chief Executive Officer	**IP Dittrich** Chief Financial Officer

Independent assurance report to the directors of Vodacom Group Limited

for the year ended 31 March 2014

We have completed our independent assurance engagement to enable us to express our limited assurance conclusions on whether specified Key Performance Indicators ('KPIs') contained in the Vodacom Group Limited Integrated Report ('the Report') for the year ended 31 March 2014, has been prepared, in all material respects, in accordance with managements' criteria as described separately in the glossary section of the Report:

1. Tonnes of CO_2 arising from South African diesel usage at the office buildings, generators and company owned vehicles (including petrol usage for Company owned vehicles) (scope 1 emissions), for the 12 months ended 31 March 2014 as disclosed in the online version of the 2014 integrated report.
2. Tonnes of CO_2 arising from South African electricity consumption of access and core network, data centres and buildings nationwide (scope 2 emissions) as disclosed in the online version of the 2014 integrated report.
3. Tonnes of CO_2 arising from South Africa business travel which includes air travel, hotel accommodation and car rental (scope 3 emissions) as disclosed in the online version of the 2014 integrated report.
4. The percentage achieved in the Net Promoter Score for Vodacom (SA only) as at 31 March 2014 as disclosed on page 27 of the Report.
5. The percentage achieved in the Engagement Index as disclosed on page 35 of the Report.
6. The percentage achieved in the Speed and Simplicity Score and the Operating Expenses to Service Revenue percentage as disclosed on page 33 of the Report.
7. The Number of Active Data Customers reported as disclosed on page 30 of the Report.
8. The Reputation Index achieved in the reputational survey as disclosed on page 37 of the Report.

The specified KPIs noted above have been highlighted for identification purposes in the Report through the symbol '^'.

Our responsibility in performing our independent limited assurance engagement is to Vodacom Limited only and in accordance with the terms of reference for this engagement as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Vodacom Group Limited, for our work, for this report, or for the conclusions we have reached.

Directors' responsibility

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the Report and the information and assessments contained in the Report in accordance with the relevant criteria. This responsibility includes: designing, implementing and maintaining appropriate performance management and systems to record, monitor and improve the accuracy, completeness and reliability of the sustainability data and to ensure that the information and data reported meet the requirements of the relevant criteria, and contain all relevant disclosures that could materially affect any of the conclusions drawn.

Assurance provider's responsibility

Our responsibility is to express our limited assurance conclusions on the specified KPIs in the Report based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the *International Framework for Assurance Engagements and International Standards on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000)* developed by the *International Auditing and Assurance Standards Board* and in accordance with *The International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements* under the auspices of the *International Federation of Accountants ('IFAC')*. This standard requires us to comply with ethical requirements and to plan and perform our engagements to obtain limited assurance regarding the specified KPIs contained in the Report.

Basis of work and limitations

We have complied with the IFAC Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the Report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the Report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusions pertaining to the Report and the specified KPIs, expressed below.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Summary of work performed

Set out below is a summary of the procedures performed pertaining to the specified KPIs which were included in the scope of our limited assurance engagement.

- We obtained an understanding of:
  - the entity and its environment;
  - entity-level controls;
  - the selection and application of sustainability reporting policies; and
  - the significant reporting processes, including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- We made such enquiries of management, employees and those responsible for the preparation of the Report and the specified KPIs, as we considered necessary.
- We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and appropriate to provide a basis for our limited assurance conclusions expressed below.

Conclusions

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

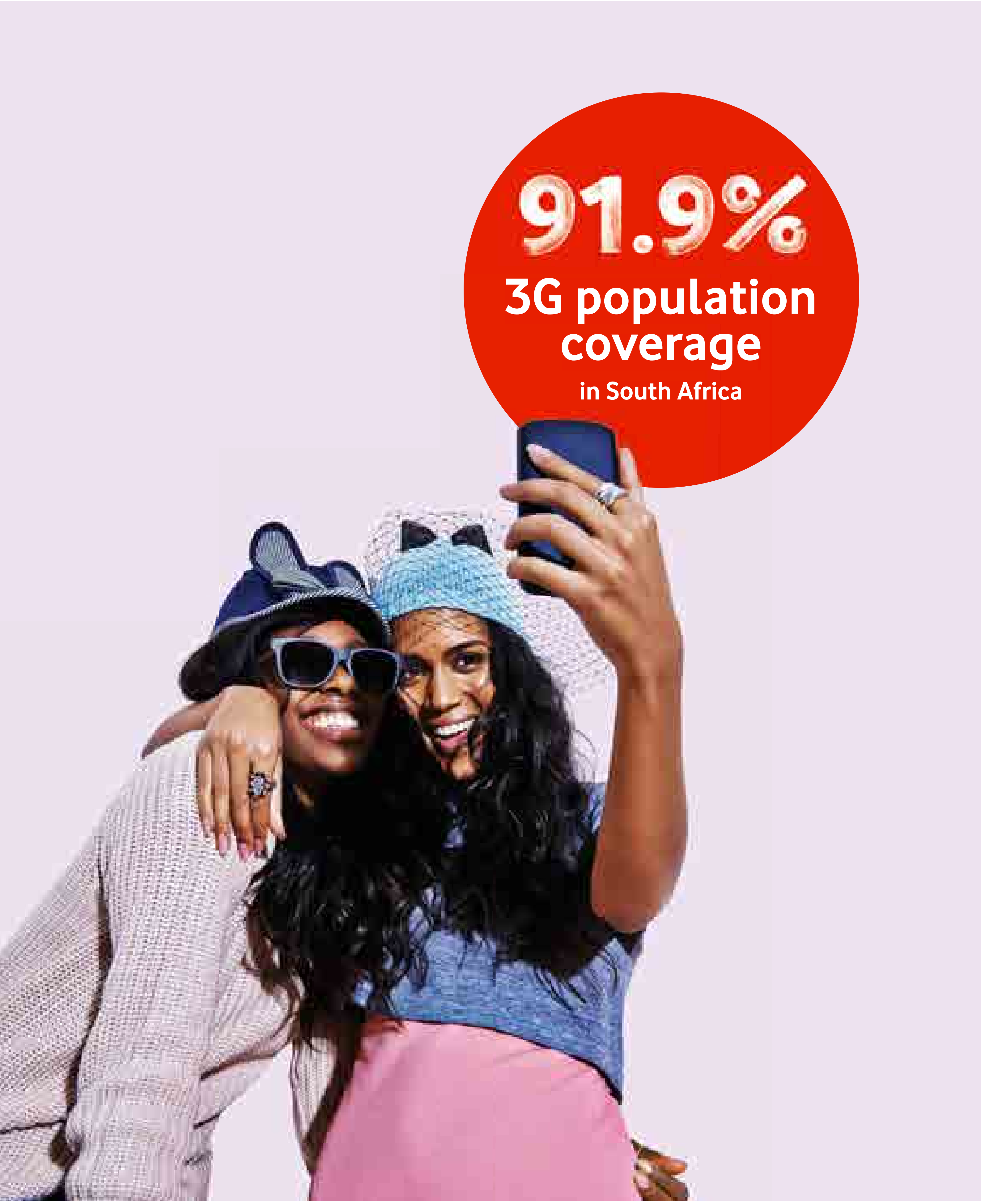
- The specified KPIs have not been prepared, in all material respects, in accordance with management's criteria as described in the glossary section in the Report for the period ending 31 March 2014.

Other matters

The maintenance and integrity of the Vodacom website is the responsibility of Vodacom management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to the information in the Vodacom Group Limited Integrated Report.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Jeremy Grist
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road, Sandton, 2196
31 May 2014


91.9%
3G population coverage
in South Africa

Non-GAAP information

The auditor's report does not necessarily cover all of the information contained in this report. 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 report contains certain non-GAAP financial information 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 GAAP measures.

Pg 60 | for the reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided in Note 1 of the condensed consolidated annual financial statements.

Pg 61 | for the reconciliations of headline earnings per share and adjusted headline earnings per share to the respective closest equivalent GAAP measure, basic earnings per share.

Pg 51 | for the reconciliation of cash generated by operations, the closest equivalent GAAP measure, to operating free cash flow and free cash flow.

Normalised growth

All amounts in this report marked with an '*' represents normalised growth, excluding trading foreign exchange gains/losses and at a constant currency (using current year as base) from ongoing operations. We believe that normalised growth, which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies, although the term normalised is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Pg 48 | for the reconciliation of reported normalised growth.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: ZAG000106063 JSE code: VOD008)
(ISIN: 0592858D2009 ADR code: VDMCY)
('Vodacom')

Secretary and registered office of Vodacom Group Limited

Sandi Linford
Vodacom Corporate Park
082 Vodacom Boulevard
Midrand 1685
South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Email: companysecretary@vodacom.co.za

Sponsor

UBS South Africa (Pty) Limited
(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley, Johannesburg 2196
South Africa
(PO Box 652863, Benmore 2010, South Africa)

Debt sponsor

Absa Bank Limited
(acting through its Corporate and
Investment Banking Division)
15 Alice Lane
Sandton 2196
South Africa

Auditors

Deloitte & Touche
Buildings 1 and 2 Deloitte Place, The Woodlands
Woodlands Drive, Woodmead
Sandton 2196
South Africa
(Private Bag X6, Gallo Manor 2052, South Africa)

ADR depository bank

Deutsche Bank Trust Company Americas
c/o Ast and Trust Co
Peck Slip Station
(PO Box 2050, New York NY, 10272 – 2050)

Commercial bankers

First National Bank (a division of FirstRand Bank Limited)
(Registration number 1966/010753/06)
Corporate Banking
4 First Place, Corner of Pritchard and Simmonds Streets
Johannesburg 2001
South Africa
(PO Box 7791, Johannesburg 2000, South Africa)

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
Corporate and Investment Banking
3 Simmonds Street
Johannesburg 2001
South Africa
(PO Box 61344, Marshalltown 2107, South Africa)

Citibank, N.A.
(Registration number 1995/007396/10 Registered Bank)
(Incorporated under the National Banking Act
of the United States of America)
145 West Street
Sandown
Sandton 2196
(PO Box 1800, Saxonwold 2132, South Africa)

Transfer secretaries

Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg 2001
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Group investor relations

Telephone: +27 11 653 5000
Email: investorrelations@vodacom.co.za
Website: www.vodacom.com/main_ir.php

Group media relations

Telephone: +27 11 653 5000
Email: mediarelations@vodacom.co.za
Website: www.vodacom.com/main_press.php

Disclaimer

Trademarks

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom M-Pesa, Vodacom Millionaires, Vodacom4Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product names mentioned herein may be trademarks of Vodacom (Pty) Limited, Vodafone Group Plc or their respective owners (or have applications pending).

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Forward-looking statements

This report, which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2014, 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.

All subsequent oral or written forward-looking statements attributable to the Group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Vodacom expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based.

Glossary

***** All amounts in this report marked with an '*' represent normalised growth, excluding foreign exchange gains/losses and at a constant currency (using current year as base) from ongoing operations. Also refer to the normalised growth reconciliation on page ••.

Information pertaining to South Africa only.

† These items were included as part of our assurance process for the current year.

2G 2G networks are operated using global system for mobile ('GSM') technology which offer services such as voice, text messaging and basic data. In addition, the entire Group's controlled networks support general packet radio services ('GPRS'), often referred to as 2.5G. GPRS allows mobile devices to access internet protocol ('IP') based data services such as the internet and email.

3G A cellular technology based on wideband code division multiple access ('CDMA') delivering voice and data services.

4G/LTE 4G or long-term evolution ('LTE') technology offers even faster data transfer speeds than 3G/HSPA.

A

Active customers‡
Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.

Active data customers‡
They are a number of unique users who have generated revenue related to any data activities in the reported month (this excludes SMS and MMS messaging users). A unique user is a customer who needs to be counted once regardless of what data services they have utilised. A user is defined as a count of all active customers that have generated data revenue for a contractual monthly fee for this service or have used the service during the reported month.

ARPU
Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

B

BBBEE
Broad-Based Black Economic Empowerment is a programme launched by the South African government to redress the inequalities by giving previously disadvantaged groups opportunities previously not available to them. It includes measures such as employment equity, skills development, ownership, management, socioeconomic development and preferential procurement.

Black
Black has the meaning for present purposes being Africans, Coloureds, Indians and Chinese who are natural persons and who are South African citizens by, (i) birth or descent, or (ii) naturalisation occurring (a) prior to 27 April 1994, being the commencement date of the Constitution of the Republic of South Africa of 1993, or (b) after that date but who would have qualified for naturalisation prior to that date if it were not for the apartheid policies in place in South Africa.

Broadband
Broadband is a method of measuring the capacity of different types of transmission. Digital bandwidth is measured in the rate of bits transmitted per second ('bps'). For example, an individual ISDN channel has a bandwidth of 64 kilobits per second ('kbps'), meaning that it transmits 64 000 bits (digital signals) every second.

Business travel emissions (scope 3)‡
Tonnes of CO_2 arising from business travel which includes air travel, hotel accommodation and car rental (scope 3 business travel emissions) for the 12 months ended 31 March 2013. Scope 3 emissions are indirect emissions, other than purchased electricity, which can be described as relevant to the activities of the reporting Company such as air travel, hotel accommodation and car rental. The measurement basis is based on the actual number of:

1. kilometres travelled for car hire;
2. air miles travelled (air travel); and
3. hotel nights.

C

Churn
Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.

F

Fuel emissions (scope 1)‡
Tonnes of CO_2 arising from diesel usage at the office buildings, generators and Company owned vehicles (including petrol usage for Company owned vehicles) (scope 1 fuel emissions), for the 12 months ended 31 March 2013. Scope 1 emissions are from sources owned or controlled by the reporting Company in relation to diesel consumption relating to generators used and Company owned vehicles (including petrol usage).

‡ Measurement criteria for assured KPIs.

E

EBITDA
Earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charge, profit/loss on disposal of property, plant and equipment, intangible assets and investment properties.

EDGE
In most of our networks we also provide an advanced version of GPRS called enhanced data rates for GSM evolution ('EDGE'). This provides download speeds of over 200 kilobits per second ('kbps') to customers.

Electricity emissions (scope 2)‡
Tonnes of CO_2 arising from electricity consumption of access and core network, data centres and buildings nationwide (scope 2 electricity emissions) for the 12 months ended 31 March 2013. Scope 2 emissions are associated with the consumption of purchased electricity from a source that is not owned or controlled by the reporting Company. Under the GHG Protocol, 'Indirect' sources are those emissions related to the Company's activities that are emitted from sources owned or controlled by another Company.

Engagement Index‡
The Engagement Index is based on the percentage of people who responded to seven questions included in the People Survey:
1. Overall, how do you rate Vodacom as a place to work compared to other organisations you know about?
2. I'm proud to work for Vodacom.
3. I'm proud to work for my local market/Group function.
4. Considering everything, how satisfied are you at Vodacom at the present time?
5. I feel motivated to do more than is expected of me to get the job done.
6. Would you recommend Vodacom to family or friends as a place to work?
7. Given my choice, I plan to continue working for Vodacom for .... years.

The measurement basis for calculating the Engagement Index is based on a geometric mean of the seven questions. On a scale from 1 to 5 a rating is attached by translating each score to a specific weighting which is then divided by the total number of respondents.

F

Fibre rings
The fibre rings have come to be used in many fibre networks as they provide more network resiliency; if there is a failure along a route and a ring is broken, the direction of the traffic can be reversed and the traffic will still reach its final destination.

Free cash flow
Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid, net finance charges paid and net dividends received/paid to minority shareholders.

H

HEPS
Headline earnings per share. Refer to page •• for HEPS reconciliation.

HSPA
High-speed packet access or third generation ('3G') is a wireless technology operating wideband code division multiple access ('W-CDMA') technology, providing customers with voice, video telephony, multimedia messaging and high-speed data services.

I

ICT
Information and communications technology includes any communication device or application, encompassing: radio, television, mobile phones, computer and network hardware and software, satellite systems and so on, as well as the various services and applications associated with them, such as video conferencing and distance learning.

IFRS
International Financial Reporting Standards.

Interconnect
Refers to the joining of two or more telecommunications networks. Networks need to interconnect to enable traffic to be transmitted to and from destinations. The amounts paid and received by the operators vary according to distance, time, the direction of traffic, and the type of networks involved.

International
International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho as well as the operations of Vodacom International Limited, Vodacom Business Africa and Gateway Carrier Services.

J

JIBAR
Johannesburg Interbank Agreed Rate.

JSE
Johannesburg Stock Exchange.

‡ Measurement criteria for assured KPIs.

K

King III
King Report on Governance in South Africa 2009.

L

LTE
Long-term evolution technology is a 4G technology which offers even faster data transfer speeds than 3G/HSPA, increases network capacity and is able to deliver sustained customer throughputs of between 6 – 12 mbps in real network conditions.

M

Microwave
Radio transmission using very short wavelengths.

Mobile broadband devices
All broadband connection devices, including data cards, dongles and embedded modems.

Mobile internet
Browser based access to the internet or web applications using a mobile device, such as a smartphone, connected to a wireless network.

Mobile termination rate ('MTR')
A per minute charge paid by a telecommunications network operator when a customer makes a call to another mobile or fixed line network operator.

Minutes of use ('MOU')
MOU per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.

M-Pesa
A mobile payment solution that enables customers to complete simple financial transactions by mobile phone.

MPLS
Multiprotocol label switching ('MPLS') is a standards-approved technology for speeding up network traffic flow and making it easier to manage.

M2M
Machine-to-machine. M2M communications, or telemetry, enable devices to communicate with one another via built-in mobile SIM cards.

N

n/a
Not applicable.

n/m
Not measured.

Net Promoter Score‡
Net Promoter Score is a measure of the relationship between customers and brand that is predictive of growth. The Net Promoter Score is based on customer recommendation in the form of the question: "Would you recommend your operator to family/friends/colleague?" The likelihood to recommend is measured on a 1 to 10 scale for which a median score is calculated and expressed as a percentage of customers who participated with '5' being introduced as a neutral point.

O

Operating expenses to service revenue‡
Operating expenses to service revenue is calculated using the total operating expenses for the year, excluding direct expenses, depreciation, amortisation and trading foreign exchange as percentage of service revenue as disclosed in the financial results for the year ended 31 March 2013.

Operating free cash flow
Cash generated from operations less additions to property, plant and equipment and intangible assets and proceeds on disposal of property, plant and equipment and intangible assets.

P

Penetration
Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.

‡ Measurement criteria for assured KPIs.

R

RAN
Radio access network is part of a mobile telecommunications system which conceptually sits between the mobile phone and the base station.

Reputation Index
The index reflects the definition of reputation which is a measure of the overall levels of reputation and trust. Stakeholders are asked to provide a score (i.e. feedback) on both overall reputation and trust. The measurement basis for calculating the Reputation Index is based on the average mean calculated per country based on a rating scale of 1 to 10 for which a median score is calculated and expressed as a percentage of stakeholders who participated in the survey. A total average is then calculated by totalling each country's individual average and dividing it by the total number of countries. The questions used in the survey relate to the overall impression and trust that stakeholders have for Vodacom.

Roaming
Allows our customers to make calls on other operators' mobile networks while travelling abroad.

S

Simplicity Score‡
Simplicity Score % is based on the percentage of people who have responded favourably to the People Survey question of: "My local market/group function operates with simplicity." The measurement basis for calculating the Simplicity score is based on an average mean calculated using the total favourable responses divided by the total number of respondents. Only scores that have been rated 'strongly agree' and 'agree' are used in this calculation.

SIM penetration
Number of SIMs in a country as a percentage of the country's population. Penetration can be in excess of 100% due to customers owning more than one SIM.

Smartphone
A smartphone is a mobile phone offering advanced capabilities, including access to email and the internet.

South Africa
Vodacom South Africa is commonly referred to as South Africa in the report. It relates to Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPVs.

Spectrum
The radio frequency bands and channels assigned for telecommunication Services.

Speed Score‡
Speed Score % is based on the percentage of people who have responded favourably to the People Survey question: "My local market/group function operates with speed." The measurement basis for calculating the Speed Score is based on an average mean calculated using the total favourable responses divided by the total number of respondents. Only scores that have been rated 'strongly agree' and 'agree' are used in this calculation.

Switch
A computer that acts as a conduit and director of traffic. It is a means of sharing resources on a network.

T

Tablet
A tablet is a slate shaped, mobile or portable, casual computing device equipped with a finger operated touchscreen or stylus, for example, the Apple iPad.

Traffic
Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.

V

Vodafone
Vodafone Group Plc ultimately controls the Vodacom Group and owns 65.0% of the issued shares through Vodafone Holdings SA (Pty) Limited and Vodafone Investments SA (Pty) Limited. Vodafone Group Plc is incorporated and domiciled in the United Kingdom.

‡ Measurement criteria for assured KPIs.

Notice of annual general meeting

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: ZAE000106063 JSE code: VOD008)
(ISIN: 0592858D2009 ADR code: VDMCY)
('Vodacom' or 'the Company')

Notice is hereby given that the 19th annual general meeting of the Company will be held on Thursday 17 July 2014, Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 11:00 to conduct the following business:

1. Adoption of audited consolidated annual financial statements

To receive and consider the audited consolidated annual financial statements for the year ended 31 March 2014.

Ordinary resolution number 1
"RESOLVED THAT the audited consolidated annual financial statements of the Company and its subsidiaries, together with the auditor's, Audit, Risk and Compliance Committee and directors' reports for the year ended 31 March 2014, be and are hereby received and adopted."

Copies of the full consolidated audited annual financial statements for the year ended 31 March 2014 are obtainable from the Company's website **www.vodacom.com**

2. Election of directors

To elect by way of separate resolutions:

2.1 Mr HMG Dowidar as a director, having been appointed since the last annual general meeting of the Company is in accordance with the provisions of the Company's memorandum of incorporation, obliged to retire at this annual general meeting.

Ordinary resolution number 2
"RESOLVED THAT Mr HMG Dowidar be and is hereby elected as a director of the Company."

2.2 Ms TM Mokgosi-Mwantembe and Messrs RAW Schellekens and MP Moyo are obliged to retire by rotation at this annual general meeting in accordance with the provisions of the Company's memorandum of incorporation. Having so retired, Ms Mokgosi-Mwantembe and Messrs Schellekens and Moyo are eligible for re-election as directors.

Ordinary resolution number 3
"RESOLVED THAT Ms TM Mokgosi-Mwantembe be and is hereby re-elected as a director of the Company."

Ordinary resolution number 4
"RESOLVED THAT Mr RAW Schellekens be and is hereby re-elected as a director of the Company."

Ordinary resolution number 5
"RESOLVED THAT Mr MP Moyo be and is hereby re-elected as a director of the Company."

The profiles of the directors up for election and re-election appear in this notice of annual general meeting:

Hatem Mohamed Galal Dowidar (44)
MBA, BSc Engineering Telecommunication & Electronics

Non-executive director
Hatem is the chief executive officer of Vodafone Egypt S.A.E having more than 22 years of experience in multinational companies, where he spent 17 years of them in the telecommunications business. He initially joined Vodafone in 1999 as the CMO of Vodafone Egypt. Hatem was then appointed as the Global Director of Consumer Voice Services in Vodafone Group in the HQ for 18 months. After this, he became the CEO of Vodafone Malta for two years and in 2007, he returned back to Vodafone Group in England, and was appointed as CEO of Partner Markets with partnerships covering over 45 markets in five continents. Before Vodafone, Hatem worked in various managerial roles in

Procter & Gamble as well as AEG (Daimler Benz Group) in Egypt. He sits on several corporate boards as well as being a member of the board of trustees of the Vodafone Group Foundation. Hatem was appointed to the Vodacom Group Board in February 2014.

Thoko Martha Mokgosi-Mwantembe (52)
Diploma in Teaching (Swaziland), BSc (Swaziland), MSc (Loughborough), SEP (Harvard), MCRP (IMD Switzerland)

Independent non-executive director
Chairman of the Remuneration Committee and member of the Nomination Committee

Thoko is CEO of Kutana Investment Group and a director at Knorr Bremse SA (Pty) Limited, Absa Bank, and Aveng Group. Thoko has held a number of senior executive positions at Telkom, was Marketing Director at Lucent Technologies, a Divisional Managing Director of Siemens Telecommunications, the CEO of Alcatel SA and, until November 2008, CEO of Hewlett Packard South Africa. Thoko was the recipient of the BWA Businesswoman of the Year Award in the corporate category in 2007. In 2005 she won the ICT Achiever of the Year Award, Top ICT Businesswoman in Africa Award and ICT Personality of the Year. She was appointed to the Vodacom Group Board in May 2009.

Ronald Adrianus Wilhelmus Schellekens (50)
BA (Human Resources Management), MA (Management & Organisation)

Non-executive director
Member of the Remuneration Committee, the Nomination Committee and the Social and Ethics Committee
Ronald is the Vodafone Group Human Resources Director and a member of the Vodafone Executive Committee. He is a former Executive Vice-President HR for Shell's Global downstream business. Before joining Shell, he spent nine years at PepsiCo and eight years at AT&T in various senior positions. He was appointed to the Vodacom Group Board in February 2009.

Mthandazo Peter Moyo (51)
BCompt (Hons) (UNISA), H. Dip Tax Law (Wits), AMP (Harvard Business School), CA(SA)

Independent non-executive chairman
Chairman of the Nomination Committee
Member of the Social and Ethics Committee

Peter is the Group CEO and shareholder of the Amabubesi Group. He holds directorships in various Amabubesi Group companies. Peter is also chairman of Willis South Africa, CSC South Africa and BACSA (Business Against Crime South Africa). In addition, he is non-executive director of Liberty Holdings, Liberty Group, Business Leadership SA and Right to Care & Right to Care Health Services. Peter is the chairman of the Audit Committee of the Auditor-General's office and serves on the Advisory Council of the Stellenbosch Business School. He was appointed Chairman of the Board in May 2009.

3. Appointment of PricewaterhouseCoopers Inc. as auditors of the Company

To appoint PricewaterhouseCoopers Inc., as nominated by the Company's Audit, Risk and Compliance Committee, as independent auditors of the Company, to hold office until the conclusion of the next annual general meeting of the Company. It is noted that the individual registered auditor who will undertake the audit during the financial year ending 31 March 2015 is Mr D von Hoesslin.

Ordinary resolution number 6
"RESOLVED THAT PricewaterhouseCoopers Inc. be and are hereby appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting."

Explanatory note:
Deloitte & Touche has acted as auditors to Vodacom for over 10 years. In terms of best practice, the Audit, Risk and Compliance ('ARC') Committee issued a Request for Proposals ('RFP') during the year in respect of external audit services. Following the conclusion of the RFP process, it is the recommendation of the ARC Committee, supported by the Board that, subject to shareholder approval at this annual general meeting, PricewaterhouseCoopers Inc. be appointed as auditor of Vodacom and as auditor of its subsidiaries in South Africa and certain of its African subsidiaries for the financial year ending 31 March 2015.

Notice of annual general meeting continued

4. Approval of the remuneration policy

To consider and approve the remuneration policy as contained in the remuneration report for the year ended 31 March 2014 as set on pages 81 to 86 of the integrated report.

Ordinary resolution number 7
"RESOLVED THAT the remuneration policy for the year ended 31 March 2014 be and is hereby approved."

Shareholders are reminded that in terms of King III, the passing of this ordinary resolution is by way of a non-binding vote.

5. Appointment of the members of the Audit, Risk and Compliance Committee

To elect, by way of separate resolutions, the following independent non-executive directors, as members of the Company's Audit, Risk and Compliance Committee:

Ordinary resolution number 8
"RESOLVED THAT Mr DH Brown be and is hereby re-elected as a member of the Company's Audit, Risk and Compliance Committee."

Ordinary resolution number 9
"RESOLVED THAT Mr PJ Moleketi be and is hereby re-elected as a member of the Company's Audit, Risk and Compliance Committee."

Ordinary resolution number 10
"RESOLVED THAT YZ Cuba be and is hereby elected as a member of the Company's Audit, Risk and Compliance Committee."

The profiles of the directors up for membership appear below:

David Hugh Brown (51)
BCom, CTA (UCT), CA(SA)

Independent non-executive director
Member of the Audit, Risk and Compliance Committee and the Remuneration Committee

David is CEO of Coal of Africa Limited and is a non-executive director and chairman of the Audit Committee of Edcon (Pty) Limited. He is the former CEO of Impala Platinum Holdings Limited ('Implats') and was chairman of Impala Platinum Limited and Zimplats Holdings Limited, the two major operating subsidiaries within the Implats Group. Prior to that, David worked in the Information Technology sector for four years and for the Exxon Mobil Corporation in Europe for five years. David was appointed to the Vodacom Group Board in January 2012.

Phillip Jabulani Moleketi (Jabu) (56)
Post Graduate Diploma in Economic Principles (London), AMP (Harvard), MSc (London)

Independent non-executive director
Chairman of the Social and Ethics Committee
Member of the Audit, Risk and Compliance Committee

Jabu is non-executive chairman of Brait SA and the Development Bank of South Africa. He is a former non-executive director of Nedbank and former member of the Local Organising Committee 2010 FIFA World Cup. He is a former Deputy Minister of Finance (2004 – 2008) and former MEC of Financial and Economic Affairs in the Gauteng Provincial Government (1994 – 2004). He is a director of several companies listed on the JSE Limited. Jabu was appointed to the Vodacom Group Board in November 2009.

Yolanda Zoleka Cuba (36)
BCom (Statistics) BCom Honours (Accounting) CA(SA)

Independent non-executive director
Member of the Audit, Risk and Compliance Committee

Yolanda is the Executive Director: Strategy & Business Support, at South African Breweries Limited ('SAB'), a position she has held since February 2012. She joined SAB in September 2011 as Executive Director: Development and

Decision Support. Prior to joining SAB she was the Group CEO of Mvelaphanda Group. Yolanda joined Mvelaphanda in 2003 in the Corporate Finance Division and became the Group CEO in 2007. She was recognised as the Top Empowered Businesswoman of the Year in 2006 by 'Top Companies' and was awarded a Youth Excellence Award in 2007 by the Black Management Forum. Yolanda was also selected as one of the Young Global Leaders in 2008, an initiative by the World Economic Forum. She was named as one of the '20 Youngest Power Women in Africa' by Forbes Magazine in 2011. Yolanda also serves on a number of boards including Barclays Africa Group Limited.

6. Special business

6.1 General authority to repurchase shares in the Company.

Special resolution number 1

"RESOLVED THAT the Company, or any of its subsidiaries, be and they are hereby authorised, by way of a general authority, to acquire ordinary shares in the Company, subject to the provisions of the Companies Act, No 71 of 2008, as amended ('the Act'), and the Listings Requirements of the JSE Limited ('the JSE'), provided that:

(a) the general authority in issue shall be valid only until the Company's next annual general meeting and shall not extend beyond 15 (fifteen) months from the date of this resolution;

(b) any general repurchase by the Company and/or any of its subsidiaries of the Company's ordinary shares in issue shall not in aggregate in one financial year exceed 5% (five percent) of the Company's issued ordinary share capital at the time that the authority is granted;

(c) no acquisition may be made at a price more than 10% (ten percent) above the weighted average of the market price of the ordinary shares for 5 (five) business days immediately preceding the date of such acquisition;

(d) the repurchase of the ordinary shares are effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

(e) the Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;

(f) the Company or its subsidiary may not repurchase ordinary shares during a prohibited period;

(g) the general authority may be varied or revoked by special resolution of the members prior to the next annual general meeting of the Company; and

(h) should the Company or any subsidiary cumulatively repurchase, redeem or cancel 3% (three percent) of the initial number of the Company's ordinary shares in terms of this general authority and for each 3% (three percent) in aggregate of the initial number of that class thereafter in terms of this general authority, an announcement shall be made in terms of the Listings Requirements of the JSE."

Having considered the effect on the Company of the maximum repurchase under this annual general authority, the directors are of the opinion that:

- the Company will meet a solvency and liquidity test as contemplated in the Act;
- the Company and the Group will be able to pay its debts for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 (twelve) months after the date of this notice of annual general meeting which assets and liabilities have been valued in accordance with the accounting policies used in the audited consolidated annual financial statements of the Group for the year ended 31 March 2014;
- the share capital and reserves of the Company and the Group will be adequate for the ordinary course of business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting;
- the working capital of the Company and Group are considered adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of annual general meeting; and
- The Board will ensure that the Company's sponsor provides the JSE with the necessary report on the adequacy of the working capital of the Company and its subsidiaries in terms of the JSE Listings Requirements prior to the commencement of any share repurchase in terms of this special resolution.

Notice of annual general meeting continued

Reason for and effect of special resolution number 1

The reason for the special resolution is to grant the Company a general authority or permit a subsidiary Company to acquire ordinary shares in the Company. The effect of this special resolution is to confer a general authority on the Company or a subsidiary to repurchase ordinary shares in the Company which are in issue from time to time.

The Board has considered the impact of a repurchase of up to 5% (five percent) of the Company's shares, being within the maximum permissible under a general authority in terms of the JSE Listings Requirements. Should the opportunity arise and should the directors deem it in all respects to be advantageous to the Company to repurchase such shares, it is deemed appropriate that the Company or a subsidiary be authorised to repurchase the Company's shares. Any shares that may be repurchased for the time being shall be in connection with awards made in the normal course in respect of the Company's Forfeitable Share Plan.

Disclosure in terms of Section 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosures, which are disclosed in the audited consolidated annual financial statements and this integrated report as set out below:

	Pages
Directors and management	10 – 11

Major shareholders:

Name of shareholder	Number of shares	%
Vodafone Investments SA (Pty) Limited	967 170 100	65.00
Government of South Africa	207 038 100	13.91
Public Investment Corporation	51 728 100	3.48

Share capital

Authorised

4 000 000 000 ordinary shares of no par value

Issued

1 487 954 000 ordinary shares of no par value

Directors' interest in securities

Directors of the Company hold direct and indirect beneficial interests of 595 043 ordinary shares (2013: 475 770), in the Company.

Directors' responsibility statement

The directors, whose names appear on page 10 collectively and individually accept full responsibility for the accuracy of the information pertained to this special resolution and certify to the best of the their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and this special resolution contains all the information required by the JSE Listings Requirements.

Litigation statement

The directors, whose names appear on page 10 are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the previous 12 (twelve) months a material effect on the Group's financial position.

Material change

There has been no material change in the affairs of or financial position of the Company and its subsidiaries since year end.

6.2 Increase in non-executive directors' fees

Special resolution number 2

"RESOLVED THAT the level of non-executive directors' fees be increased with effect from 01 August 2014 on the basis set out as follows:

R	Current	Proposed	% change
Chairman of the Board	1 700 000	2 000 000	17.6
Members of the Board	310 000	340 000	9.7
Chairman of the Audit, Risk and Compliance Committee	230 000	250 000	8.7
Members of the Audit, Risk and Compliance Committee	140 000	150 000	7.1
Chairman of the Remuneration Committee	190 000	220 000	15.8
Members of the Remuneration Committee	110 000	125 000	13.6
Chairman of the Nomination Committee	170 000	200 000	17.6
Members of the Nomination Committee	100 000	115 000	15.0
Chairman of the Social and Ethics Committee	170 000	190 000	11.8
Member of the Social and Ethics Committee	100 000	110 000	10.0

Reason for and effect of special resolution number 2

The reason for proposing special resolution number 2 is to ensure that the level of fees paid to non-executive directors remain competitive to enable the Company to attract and retain persons of the calibre required in order to make a meaningful contribution to the Company, having regard to the appropriate capability, skills and experience required. A benchmarking exercise was conducted by PwC in March 2014 which revealed certain fee levels were below market. The proposed fees thus brings Vodacom in line with market

The effect of special resolution number 2 is the level of fees as set out above is increased with effect from 1 August 2014.

Record date

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to attend, speak and vote at the 19th annual general meeting is Friday 11 July 2014.

In accordance with the Act, shareholders attending the annual general meeting will need to present reasonable satisfactory identification such as an identity book, passport or drivers' licence.

Participation by way of electronic means

Shareholders or their proxies may participate in the annual general meeting by way of electronic means. Such shareholder (or proxy) will need to contact Mr Lebogang Mogoane at Vodacom on +27 11 653 5922 by no later than 09:00 on Monday 14 July 2014 so that the Company can provide for a teleconference dial-in facility. Shareholders must ensure that, when such shareholder intends to participate via teleconference, that the voting proxies are sent through to the transfer secretaries, Computershare Investor Services (Pty) Limited by no later than 11:00 on Wednesday 16 July 2014. Participants must dial the following number, five (5) minutes prior to start of the annual general meeting, +27 11 535 3600.

Voting and proxies

Ordinary shareholders are entitled to attend, speak and vote at the annual general meeting.

Ordinary shareholders may appoint a proxy to attend, speak and vote in their stead. A proxy need not be a shareholder of the Company.

In accordance with the Company's memorandum of incorporation, voting shall be by ballot only.

Special resolutions to be adopted at this annual general meeting require approval from 75% of the shares represented in person or by proxy at this meeting. Ordinary resolutions to be adopted only require approval of a simple majority.

Shareholders holding dematerialised shares, but not in their own name must furnish their Central Securities Depositary Participant ('CSDP') or broker with their instructions for voting at the annual general meeting. If your CSDP or broker, as the case may be, does not obtain instructions from you, it will be obliged to act in accordance with your mandate furnished to it, or if the mandate is silent in this regard, complete the form of proxy enclosed.

Unless you advise your CSDP or broker, in terms of the agreement between you and your CSDP or broker by the cut off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you at this annual general meeting, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

If you wish to attend the annual general meeting or send a proxy, you must request your CSDP or broker to issue the necessary letter of authority to you. Shareholders holding dematerialised shares, and who are unable to attend the annual general meeting and wish to be represented thereat, must complete the form of proxy enclosed in accordance with the instructions therein and lodge it with or mail it to the transfer secretaries.

Forms of proxy (which form may be found enclosed) should be forwarded to reach the transfer secretaries, Computershare Investor Services (Pty) Limited by no later than 11:00 on Wednesday 16 July 2014.

The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

By order of the Board

Sandi

Sandi Linford
Group Company Secretary
13 June 2014

Form of proxy

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
(ISIN: ZAE000106063 JSE code: VOD008)
(ISIN: 0592858D2009 ADR code: VDMCY)
('Vodacom' or 'the Company')

For use by certified and dematerialised shareholders who have 'own name' registration of securities at the annual general meeting to be held at 11:00 at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa on Thursday 17 July 2014.

I/We (Please print full names) ....

being the holders of shares in the Company, hereby appoint (see Note 1) ....

1. .... or failing him /her,

2. .... or failing him/her,

the Chairman of the annual general meeting as my/our proxy to attend and speak and vote for me/us on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the ordinary and special resolutions to be proposed and at each adjournment of the meeting and to vote for or against the ordinary and special resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the following instructions (see Note 2).

Insert an 'X' or the number of shares (see Note 2)

		Number of ordinary shares		
		For	Against	Abstain
1.	**Ordinary resolution number 1** Adoption of annual financial statements			
2.	**Ordinary resolution number 2** Election of Mr HMG Dowidar as a director			
3.	**Ordinary resolution number 3** Re-election of Ms TM Mokgosi-Mwantembe as a director			
4.	**Ordinary resolution number 4** Re-election of Mr RAW Schellekens as a director			
5.	**Ordinary resolution number 5** Re-election of Mr MP Moyo as a director			
6.	**Ordinary resolution number 6** Appointment of PricewaterhouseCoopers Inc. as auditors of the Company			
7.	**Ordinary resolution number 7** Approval of the remuneration policy			
8.	**Ordinary resolution number 8** Appointment of Mr DH Brown as a member of the Audit, Risk and Compliance Committee of the Company			
9.	**Ordinary resolution number 9** Appointment of Mr PJ Moleketi as a member of the Audit, Risk and Compliance Committee of the Company			
10.	**Ordinary resolution number 10** Appointment of YZ Cuba as a member of the Audit, Risk and Compliance Committee of the Company			
11.	**Special resolution number 1** General authority to repurchase shares in the Company			
12.	**Special resolution number 2** Increase in non-executive directors' fees			

Indicate with an 'x' or the relevant number of shares, in the applicable space, how you wish your votes to cast. Unless otherwise directed, the proxy will vote as he/she thinks fit.

Signed at .... on 2014

Signature .... Assisted by me (where applicable) ....

Completed forms of proxy must be lodged with Computershare Investor Services (Pty) Limited by no later than 11:00 on Wednesday 16 July 2014.

Please read the notes on the reverse side of this proxy form.

Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the Chairman of the general meeting' but any such deletion must be initialed by the shareholder. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Please insert an 'X' in the relevant space according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable at the meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited ('Computershare'), 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) by no later than 11:00 on Wednesday 16 July 2014. You may also email a completed form of proxy to proxy@computershare.co.za.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the annual general meeting.

6. Any alterations or corrections made to this form of proxy must be initialed by the signatory/ies.

7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare.

8. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if he is satisfied as to the manner in which the shareholder wishes to vote.

Transfer secretaries:
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg 2011
PO Box 61051, Marshalltown 2107
Telephone: 011 370 5000
Call centre: 086 110 0918

Vodacom
Power to you