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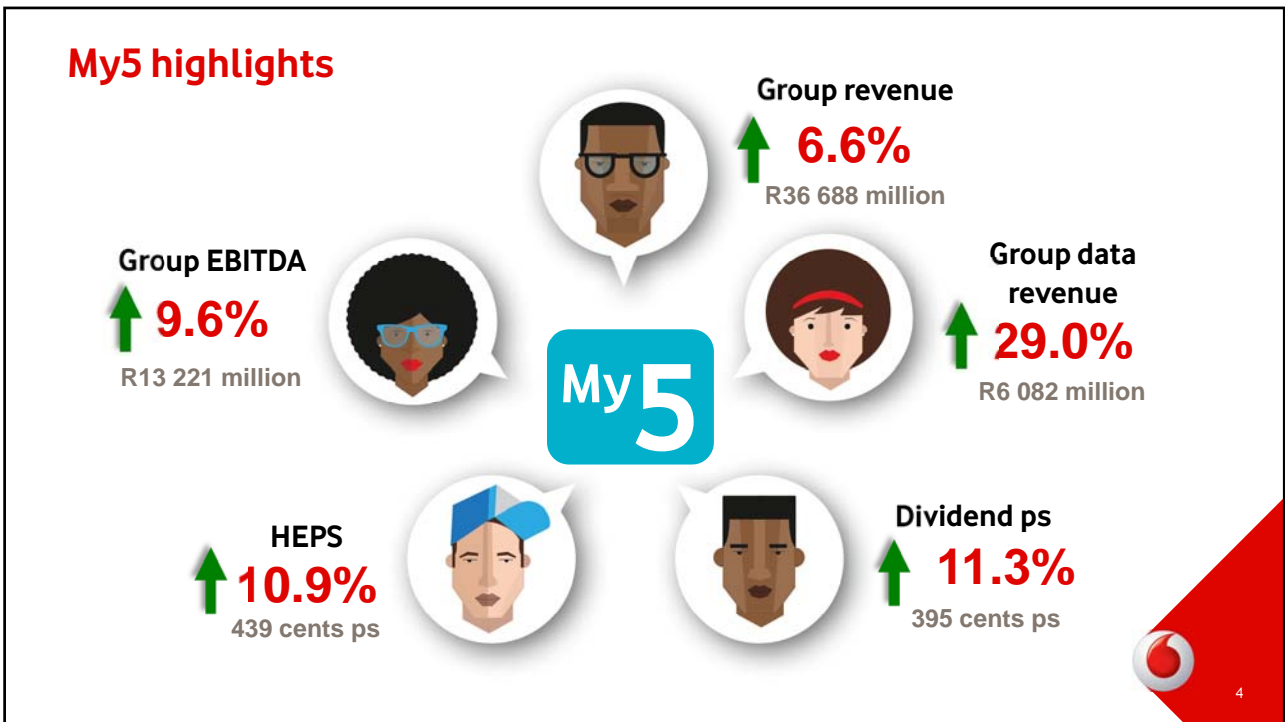
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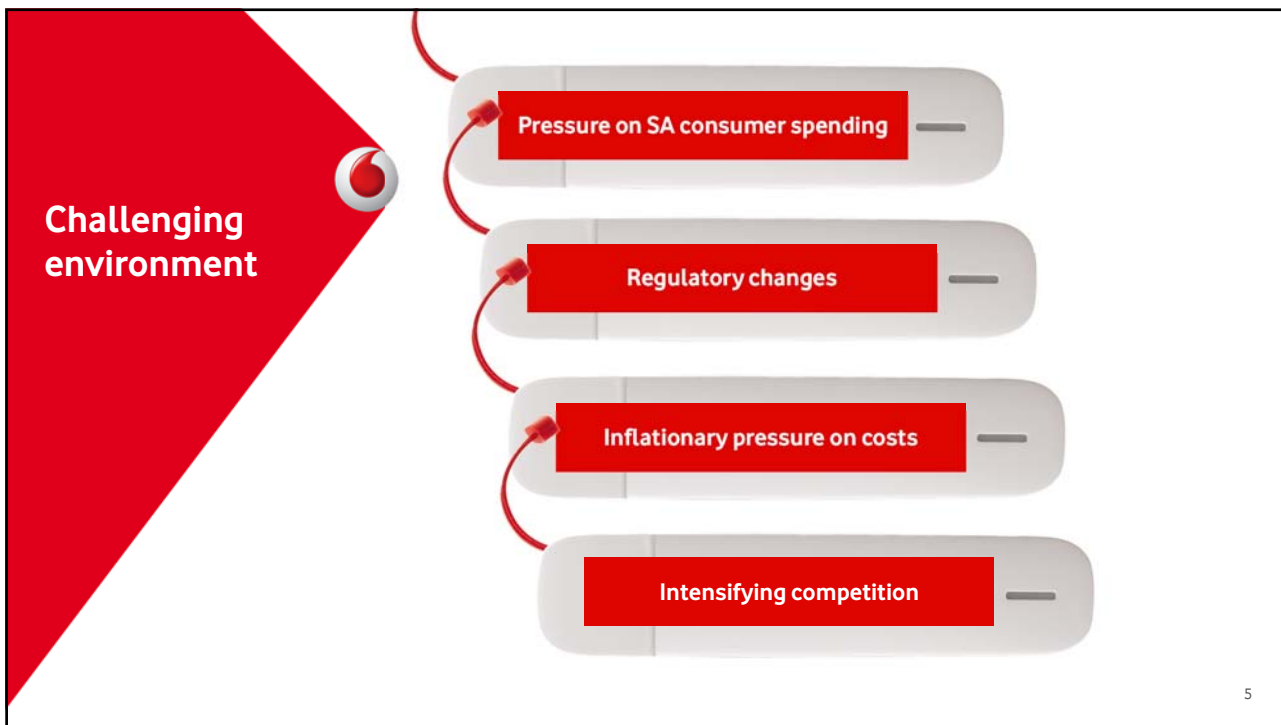
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# 2 Operating Review

## South Africa: Successful execution of strategy

- Improved service revenue trends to flat (**2.9%** excl MTR)
  - Revenue up **6.0%** boosted by **41.2%** increase in equipment sales
- **927k** increase in prepaid customers
- Data revenue growth of **20.6%**
  - Data as percentage of service revenue up to **21.5%** (2012: 17.8%)
- EBITDA grew **5.9%** year on year with margin of **37.9%**

Key indicators	H1 2014	% change
Service revenue (Rm)	23 747	0.0
Revenue (Rm)	30 134	6.0
EBITDA (Rm)	11 421	5.9
Active customers ('000)	30 139	1.4
Active data customers ('000)	15 058	13.4
Smartphones ('000)	6 568	24.0



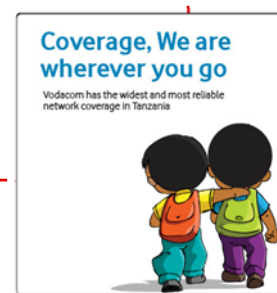
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## International: Solid performance despite intense competition

- Excellent commercial execution delivered **17.2%** underlying service revenue growth
  - **34.7%**<sup>1</sup> including foreign exchange benefit
- Data revenue up **100.6%**
- **26.5% (R1 781m)** of revenue in network expansion to deliver growth

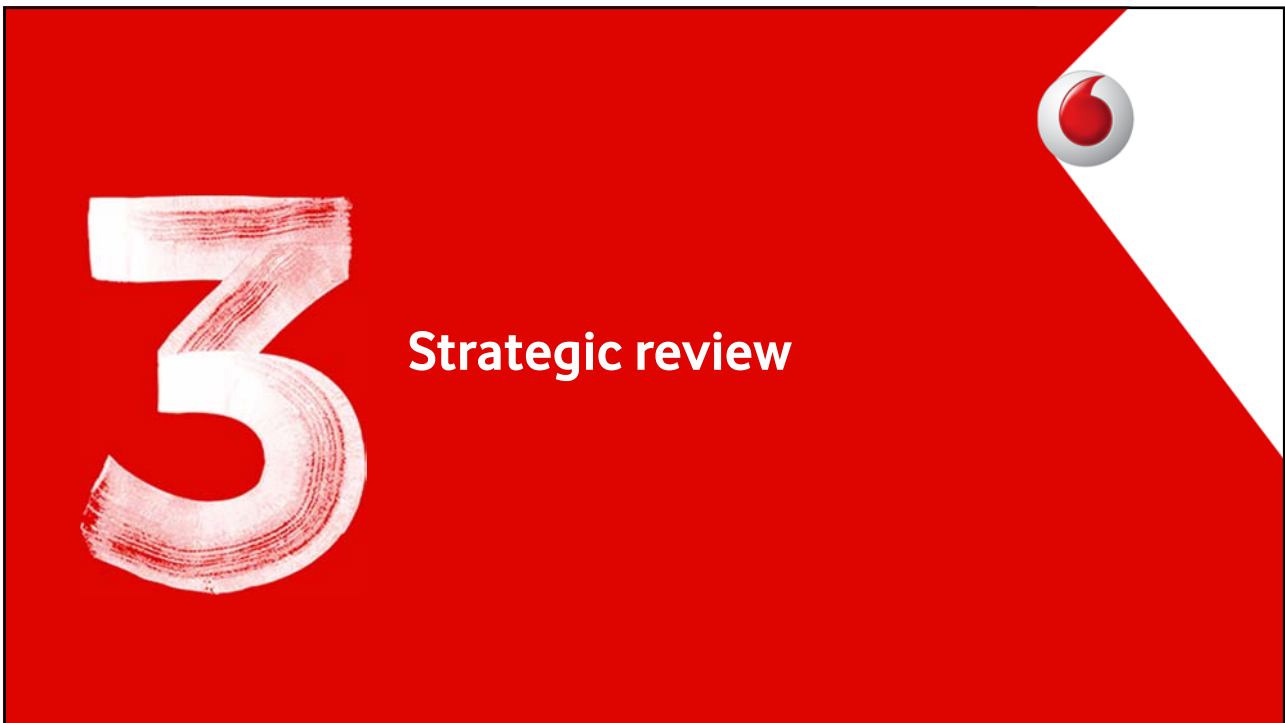
<sup>1</sup> Excluding Gateway Carrier Services only

Key indicators	H1 2014	% change
Service revenue (Rm)	6 516	8.7 (17.2*)
Revenue (Rm)	6 720	9.2 (16.5*)
EBITDA (Rm)	1 806	42.3 (24.8*)
Active customers ('000)	23 671	22.4
Active data customers ('000)	6 065	41.0
Outgoing voice traffic (m)	9 253	44.2



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\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations



### Snapshot of our strategic objectives

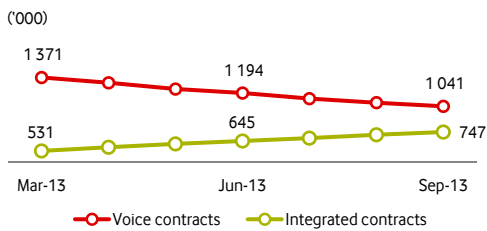
				
CUSTOMER	GROWTH	OPERATIONS	PEOPLE	REPUTATION
<ul style="list-style-type: none"> <li>• Best network</li> <li>• Best service</li> <li>• Best value</li> </ul>	<ul style="list-style-type: none"> <li>• Grow data</li> <li>• Grow internationally</li> <li>• Grow enterprise</li> <li>• Grow new services</li> </ul>	<ul style="list-style-type: none"> <li>• Process efficiencies</li> <li>• Cost efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>• Best talent</li> <li>• Best practices</li> </ul>	<ul style="list-style-type: none"> <li>• Transforming society</li> <li>• Building trust</li> </ul>



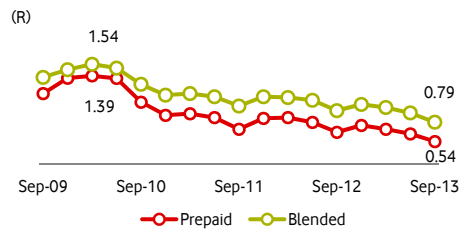
## SA Customer: Delivering best value to customers

...Worry free pricing through simplified offerings

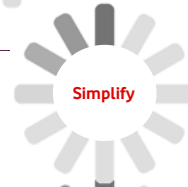
Contract: Migration to integrated plans



Prepaid: Simplified and bundled offers



- Usage based migration and upgrade to integrated plans
- **41.8%** of contracts changed to Smart and Red plans
- In bundle revenue of **63.8%**
- **16.9%** decrease in effective PPM
- MOU per month up **19.3%**
- **927k** new prepaid subscribers

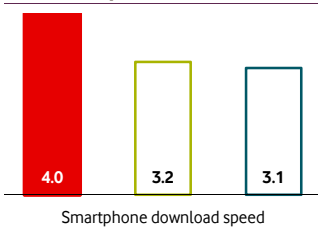


## SA Customer: Best network experience

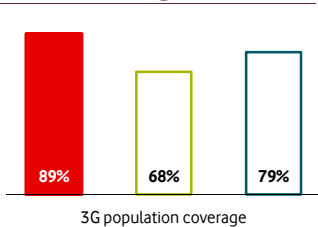
...we have taken a clear lead in SA

- **13.2% (R4.9bn)** of Group revenue invested in network, **R3.1bn** in SA
- LTE coverage increased to **727** sites in SA

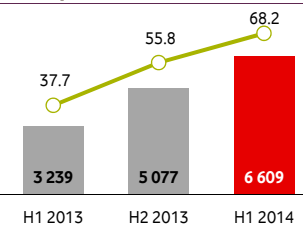
Fastest speeds



Widest coverage



Self provided transmission



■ Vodacom SA ■ Operator A ■ Operator B

■ Vodacom SA ■ Operator A ■ Operator B

■ Sites — % of sites



## SA Customer: Evolving to a smarter service

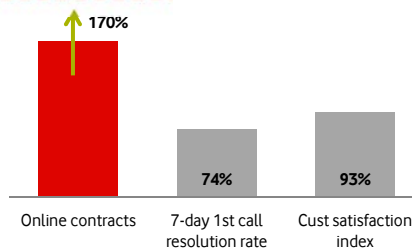


Unmatched customer experience

Best customer care

Best online and self service

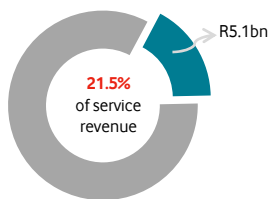
- #1 NPS, lead extended to 8 points
- New format retail stores; improving customer satisfaction and contract connections
- > 840k My Vodacom self-help App downloads
- >30% increase in customers using on line self-service from year end



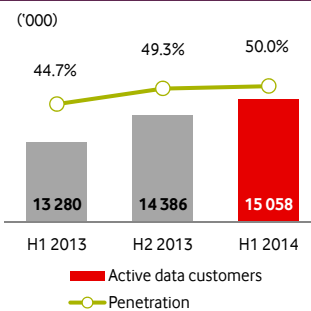
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## SA Growth: Accelerating take-up of mobile data

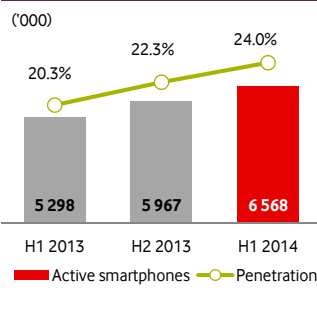
### Data contribution



### Active data customers



### Active smartphones



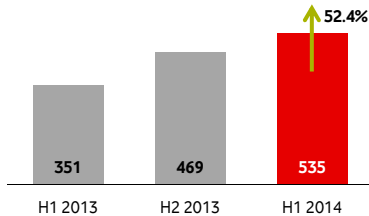
- 20.6% increase in data revenue
- 108.4% increase in bundles sold
- 13.4% growth in active data customers
- 50.0% base penetration
- Handset financing driving penetration to 24%
- Smartphone average usage up 78.9% to 220MB

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## SA Growth: Expanding new innovative services

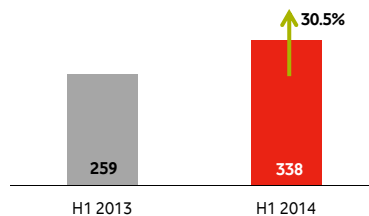
### Handset financing deals

('000)



### Device insurance policies

('000)



- No of handset deals up **52.4%**
- Supporting handset revenue up **41.2%**
- Driving smartphone penetration to **24.0%**

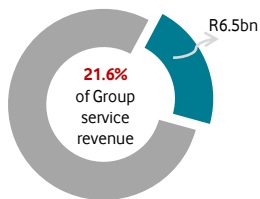
- **30.5%** increase in number of device insurance policies
- **44.5%** increase in monthly premiums revenue



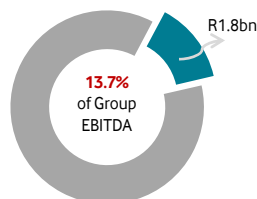
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## International growth: Increasing contribution

### International service revenue

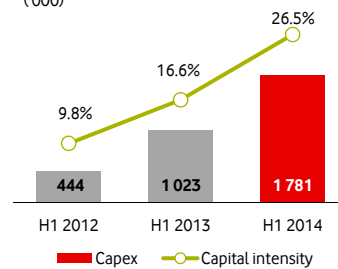


### International EBITDA



### International capex

('000)



- Service revenue contribution up from **19.0%\*** to **21.6%**

- EBITDA contribution up from **11.8%\*** to **13.7%**
- Mobile network operators' margin **31.3%**

- Accelerated investment in network and quality
- Capital intensity above **25%**, added **318** 3G and **438** 2G base stations in six months

\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations



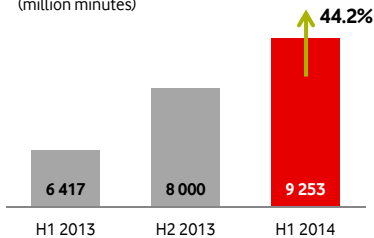
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## International Growth: Successful commercial execution

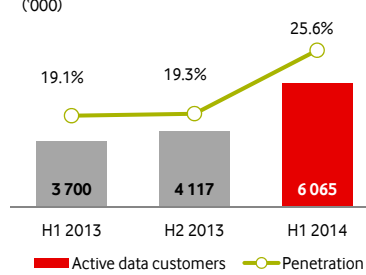
### Outgoing traffic

(million minutes)



### Active data customers

('000)



- **44.2%** increase in outgoing traffic
- Active customers up **22.4%**

- **41%** growth in data customers
- Accelerated penetration to **25.6%** from 19.3% in H2 2013

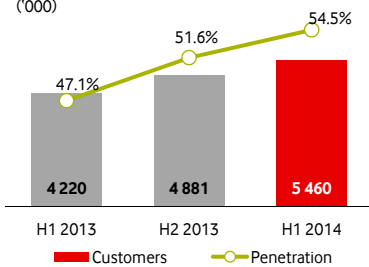


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## International Growth: M-Pesa surge

### TZN M-Pesa customers

('000)



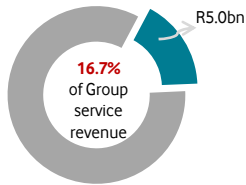
- Contributed **18.7%** (2012:12.6%) to Tanzania revenue
- **19%** (2012: **8.0%**) of all airtime purchased via M-Pesa
- **>\$1 billion** in total transactions per month
- Ecosystem includes banks to improve convenience
- M-Pesa launched in all our international markets



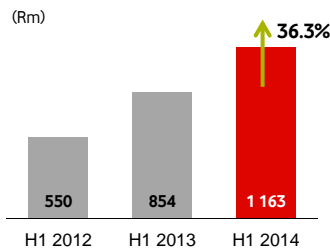
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## Enterprise: Gaining momentum as we expand offerings

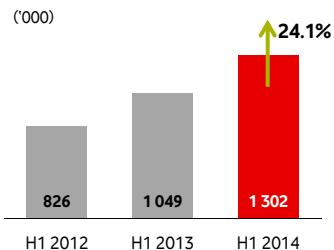
### Enterprise contribution



### Managed services revenue



### SA M2M connections

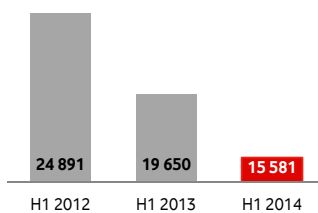


- **16.7%** contribution to Group service revenue vs. **14.1%** a year ago
  - Managed services revenue up **36.3%** y-o-y
- **23.4%** growth in machine-to-machine SIMs
- Encouraging take-up of OneNet express
- Fibre investment driving scale in converged offerings
  - Neotel transaction to accelerate fibre to the home and to corporates

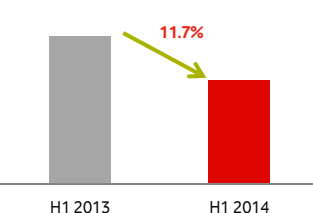


## Operations: Process and cost efficiency focus

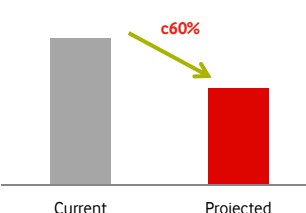
### SA – Number of leased links



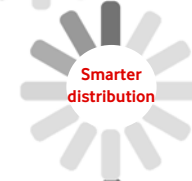
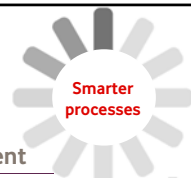
### SA – Customer care calls



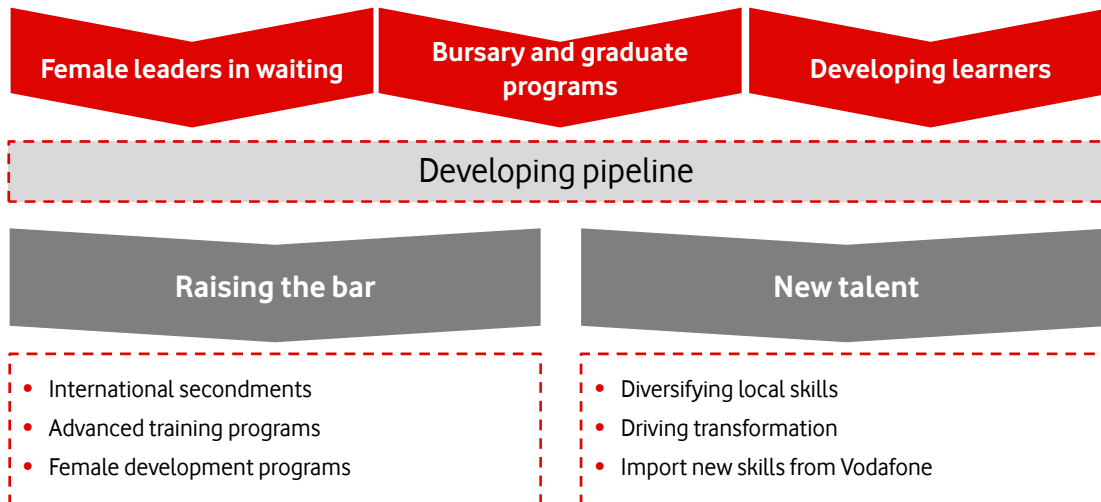
### Intl – low cost deployment



- **13.6%** reduction in leased lines expenses
- Flat opex as a percentage of service revenue
- On top of a **25%** reduction in the prior year
- **10 million** less calls in 12 months
- Low cost sites to bridge coverage gap (c.**60%** cost savings)
- **>30%** energy efficient single RAN



## People: Building a talented and diverse team



## Reputation: Mobiles for good

...R87 million committed through the Vodacom Foundation in SA

### Mobile education

- Connecting 990 schools
- 30 teacher centres
- 9 ICT resource centres

### Mobile health

- Integrated school health program
  - 11 National Health insurance districts



## Working with others to bring meaningful change to our communities



- **DRC:** Raising **R50m** through M-Pesa/SMS for humanitarian needs, reconnecting refugee families with **(7k)** free calls
- **LES:** mobile platform for national centre to treat **>40k** HIV+ children
- **MOZ:** **>1m** treatment reminders for HIV+ pregnant women over SMS
- **TZN:** raising over **R200m** to eradicate fistula by 2016, M-Pesa channeling of funds to beneficiaries



## Reputation: Trusted by our stakeholders



- Voted **#1** in Telecom's sector and in Cellular Networks
- Voted coolest Telecom's provider in South Africa by Sunday Times youth survey
- **1<sup>st</sup>** in 2013 RepTrak Pulse survey with the best reputation amongst SA top 20 listed companies
- **1<sup>st</sup>** telecoms company in Mail & Guardian's Top Companies Reputation Index (**3<sup>rd</sup>** company overall)
- Winner of African Solar Project of the Year by Africa Energy in SA
- Energy efficiency award



## Financial review



## Group income statement

R million	H1 2014	H1 2013	% change	% change*
<b>Service revenue</b>	<b>30 213</b>	<b>29 632</b>	<b>2.0</b>	<b>3.2</b>
<b>Revenue</b>	<b>36 688</b>	<b>34 426</b>	<b>6.6</b>	<b>7.5</b>
<b>EBITDA</b>	<b>13 221</b>	<b>12 060</b>	<b>9.6</b>	<b>7.3</b>
Depreciation and amortisation	(3 301)	(3 054)	8.1	
<b>Operating profit</b>	<b>9 998</b>	<b>8 970</b>	<b>11.5</b>	
Profit on sale of subsidiary	-	224	n/a	
Net finance charges	(454)	(355)	27.9	
<b>Profit before tax</b>	<b>9 544</b>	<b>8 839</b>	<b>8.0</b>	
Taxation	(2 913)	(2 722)	7.0	
<b>Net profit</b>	<b>6 631</b>	<b>6 117</b>	<b>8.4</b>	
<b>Attributable to:</b>				
Equity shareholders	6 487	5 996	8.2	
Non-controlling interests	144	121	19.0	
<b>HEPS (cents)</b>	<b>439</b>	<b>396</b>	<b>10.9</b>	
<b>Weighted average shares in issue (million)</b>	<b>1 466</b>	<b>1 462</b>	<b>0.3</b>	

\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations

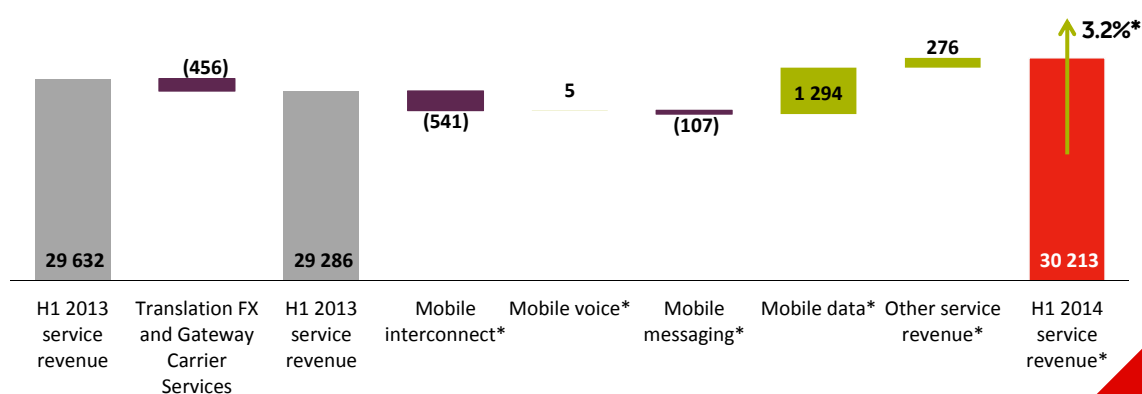


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## Service revenue growth boosted by data

### Group service revenue normalised growth by category

R million



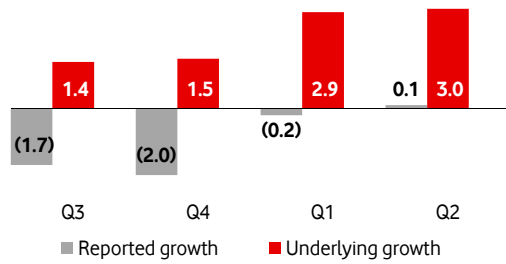
\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations



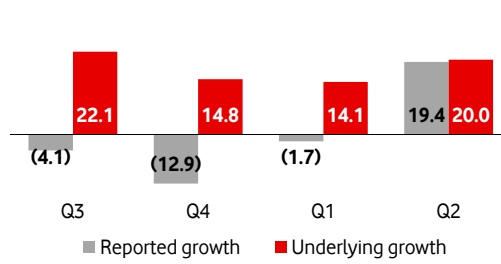
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## Quarterly service revenue growth trends

SA revenue growth



International service revenue growth



- Further MTR cut on 1 March 2013
- Trends improved during H1
- Accelerated network roll out
- Improved distribution

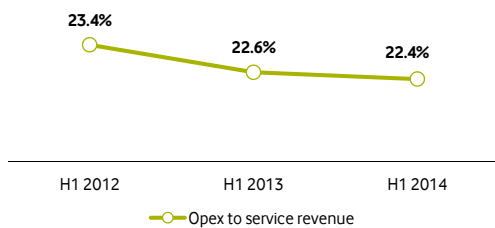
Underlying growth adjusted for MTRs impact and deferred revenue (International MNOs only) and foreign exchange



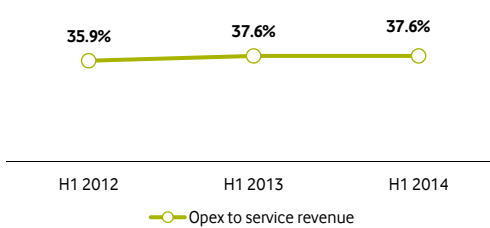
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## Focus on cost savings initiatives

SA Opex as % of service revenue



International Opex as % of service revenue \*



- Group operating expenses maintained as percentage of service revenue
- South African operating expenses reduced
  - Lower network running costs
  - Reduced call centre and logistic unit costs
- International operating expenses well contained as network expands

\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations

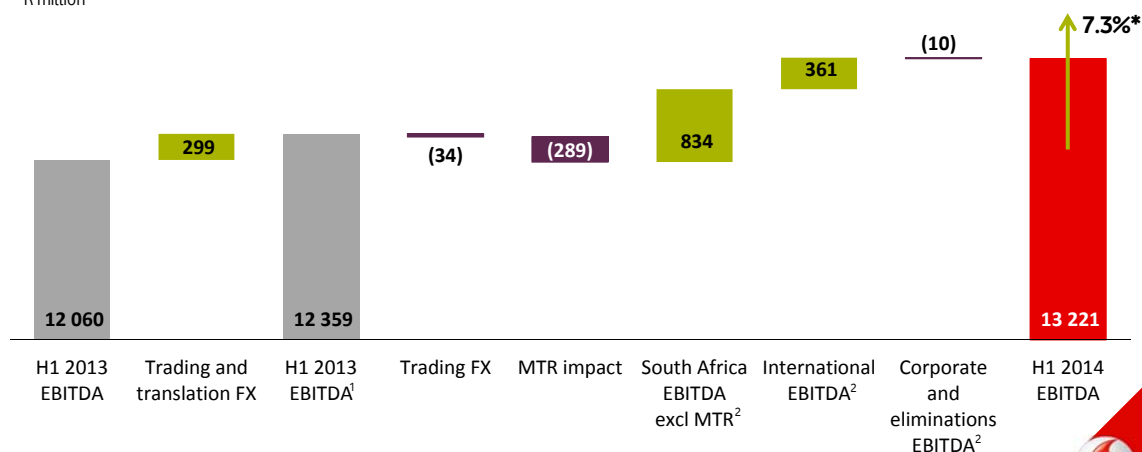


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## Group EBITDA growth of 9.6%; top end of guidance

### Group EBITDA

R million



1. Restated to H1 2014 foreign exchange rates and excludes Gateway Carrier Services
2. Excluding trading foreign exchange and at a constant currency

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## Adequate capacity for debt expansion

### Group net finance charges

R million	H1 2014	H1 2013
Net finance costs	(314)	(409)
Remeasurement of loans	(13)	(10)
Gain on remeasurement	44	21
(Loss)/Gain on derivatives <sup>1</sup>	(171)	43
<b>Net finance charges</b>	<b>(454)</b>	<b>(355)</b>
<b>Average cost of debt (%)</b>	<b>6.8%</b>	<b>7.2%</b>

### Group net debt

R million	H1 2014	H1 2013
Bank and cash balances	3 392	1 533
Bank overdrafts	(720)	(1 788)
Borrowings and derivative financial instruments	(14 635)	(11 317)
<b>Net debt</b>	<b>(11 963)</b>	<b>(11 572)</b>
<b>Net debt/EBITDA (times)</b>	<b>0.5</b>	<b>0.5</b>
<b>Average debt</b>	<b>(14 371)</b>	<b>(12 006)</b>

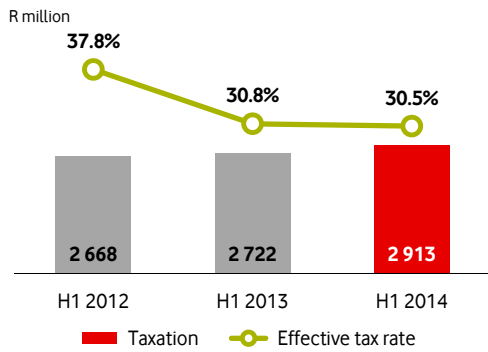
- Low net debt to EBITDA, adequate headroom to increase debt

1. Mainly revaluation of foreign currency exchange contracts

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## Taxation expense in line with prior year

### Group tax



### Group tax reconciliation

R million	H1 2014	Rate (%)
<b>Profit before tax</b>	<b>9 544</b>	
Normal tax	2 672	28.0
Non-deductible interest	57	0.6
Withholding tax	70	0.7
Prior year adjustments	169	1.8
Other	(55)	(0.6)
<b>Total tax expense/effective tax rate</b>	<b>2 913</b>	<b>30.5</b>

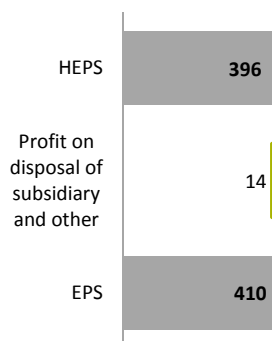


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## Headline earnings per share

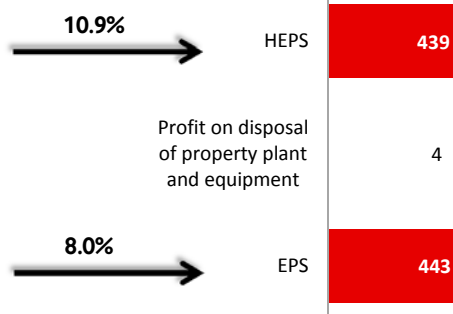
### H1 2013 headline earnings per share

Cents per share



### H1 2014 headline earnings per share

Cents per share



32

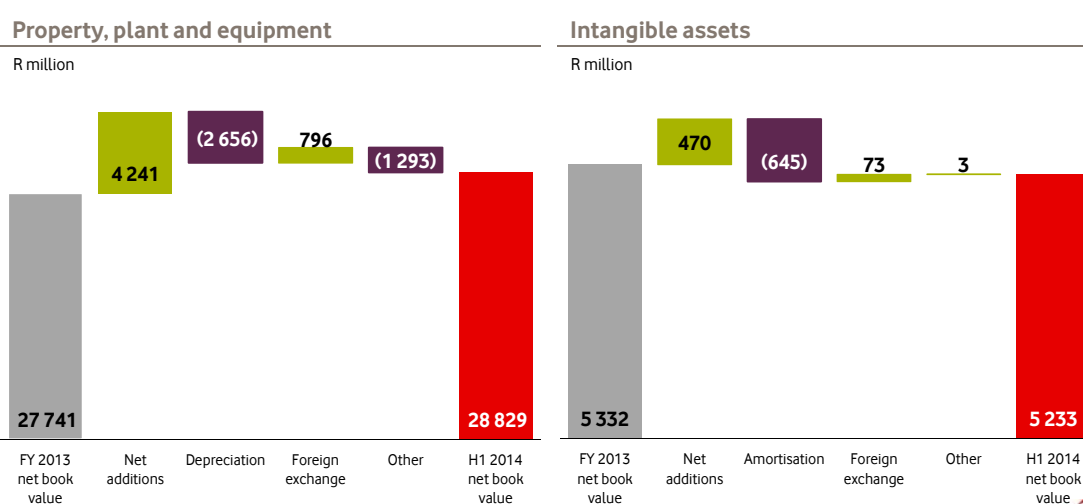


## Group statement of financial position

R million	H1 2014	FY 2013	Movement
<b>Assets</b>			
Property, plant and equipment	28 830	27 741	1 089
Intangible assets	5 233	5 332	(99)
Other non-current assets	1 028	1 361	(333)
Current assets	22 716	21 157	1 559
<b>Total assets</b>	<b>57 807</b>	<b>55 591</b>	<b>2 216</b>
<b>Equity and liabilities</b>			
Total equity	22 036	21 216	820
Borrowings	14 573	14 171	402
Other liabilities	21 198	20 204	994
<b>Total equity and liabilities</b>	<b>57 807</b>	<b>55 591</b>	<b>2 216</b>
<b>Net asset value</b>	<b>22 036</b>	<b>21 216</b>	<b>820</b>

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## Group PPE and intangible assets

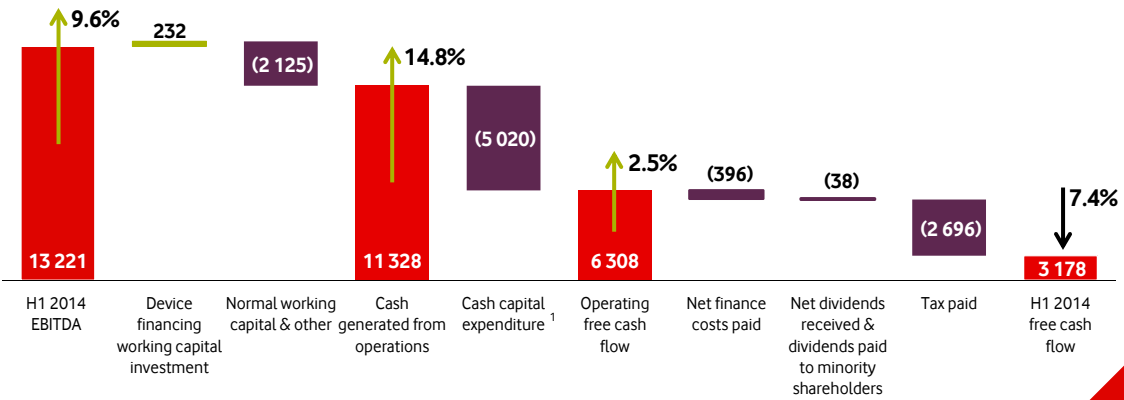


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## Free cash flow

### Group free cash flow

R million



1. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments, net of cash flow from disposals

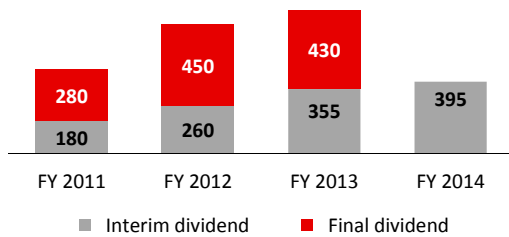


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## Track record of delivering shareholder returns

### Dividend per share

Cents per share



28%  
TSR CAGR  
3 years  
Bloomberg

- 11.3% growth in interim dividend for the year to 395 cents per share
- Payout ratio of 90% of HEPS



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**Group  
medium-term  
guidance**






Service Revenue	EBITDA	Capital Expenditure
Low single digit service revenue growth	Mid to high single digit EBITDA growth	Capital expenditure between 11% and 13% of Group revenue

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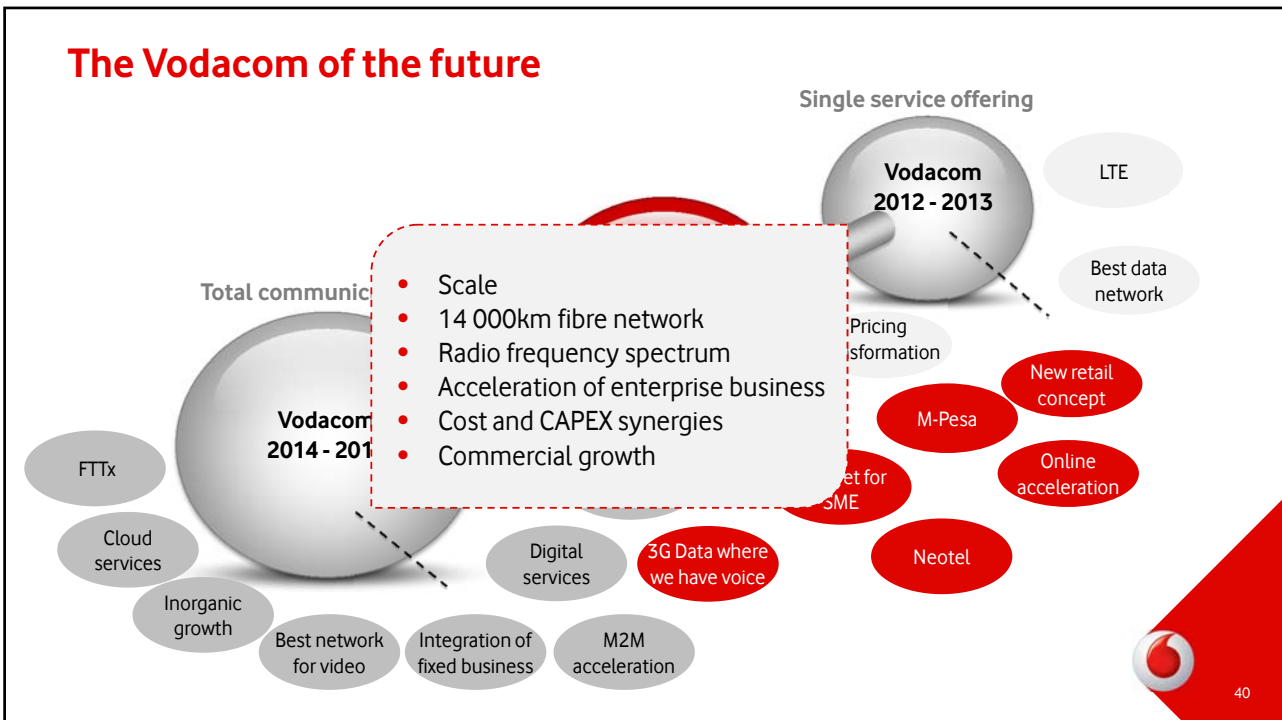
**So what's next?**

## Strategic focus areas for the remainder of the year

				
CUSTOMER	GROWTH	OPERATIONS	PEOPLE	REPUTATION
<ul style="list-style-type: none"> <li>• Pricing transformation</li> <li>• Best service in retail and Online</li> <li>• Best network experience</li> <li>• NPS leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Increase smartphones</li> <li>• OneNet expansion for SMMEs</li> <li>• Accelerate M-Pesa distribution</li> <li>• Pursue expansion opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Cost programmes to deliver flat opex</li> <li>• Customer facing system investment</li> <li>• Invest to save</li> <li>• Improved returns on commercial spend</li> </ul>	<ul style="list-style-type: none"> <li>• Continued investment in talent programmes</li> <li>• Deliver on diversity targets</li> <li>• Acquire talent in new growth areas</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver on targeted school rollout plan</li> <li>• Connect health providers to mHealth platform</li> <li>• Align broadband rollout plans with governments</li> </ul>

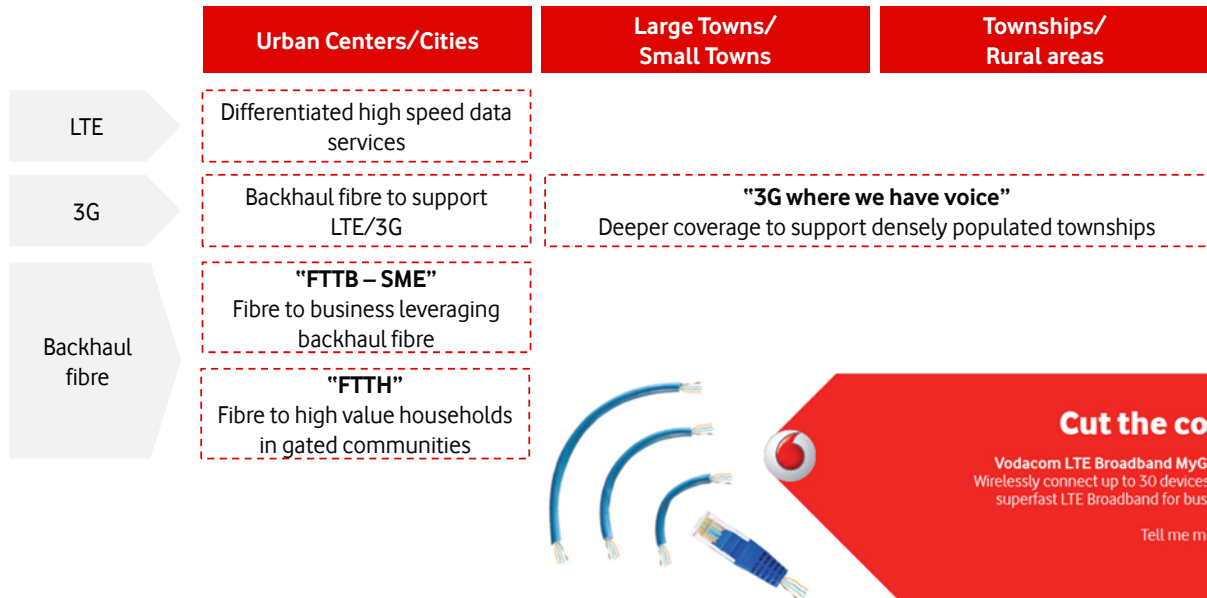
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## The Vodacom of the future



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## Accelerated capital investment initiatives will be led by mobile





## Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population (million)	53	49	69	26	2
GDP per capita* (USD)	6 470	656	305	578	1 070
GDP growth estimate* 2013 (%)	1.9	7.6	7.4	6.5	4.6
Estimated mobile penetration (%)	138	57	32	38	67
Ownership (%)	93.75	65	51	85	80
License expiry period	2029	2031	2018/2032#	2018/2026#	2016
Active customers (thousand)	30 139	10 023	8 790	3 688	1 171
ARPU (rand per month)	126	45	35	59	45
ARPU (local currency per month)	R126	TZS7 401	USD3.60	MZN183	LSL45
Minutes of use per month	118	119	37	94	31

\* The Economist Intelligence Unit

# 2018 relates to the 2G license and 2026 /2032 relates to the 3G license



## Impact of foreign exchange

### Revenue

YoY % growth

H1 2014	Reported	Normalised*
South Africa	6.0	6.0
International	9.2	16.5
Group	6.6	7.5

### EBITDA

YoY % growth

H1 2014	Reported	Normalised*
South Africa	5.9	5.0
International	42.3	24.8
Group	9.6	7.3

### Average exchange rates

	H1 2014	H1 2013	% change
USD/ZAR	9.74	8.20	18.8
ZAR/MZN	3.10	3.43	9.6
ZAR/TZS	167.00	192.90	13.4
EUR/ZAR	12.82	10.39	23.4



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## Definitions

<b>Active customers</b>	Active customers are based on the total number of mobile customers using any service during the three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
<b>Active data customers</b>	Number of unique customers who have generated revenue related to any data activities in relation to mobile data revenue (this excludes SMS and MMS messaging users) in the reported month. A user is defined as being active if they are paying for a contractual monthly fee for this service or have used the service during the reported period.
<b>ARPU</b>	Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
<b>Contribution margin</b>	Revenue less direct expenses as a percentage of revenue.
<b>EBITDA</b>	Earnings before interest, taxation, depreciation, amortisation, impairment losses, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets.
<b>Free cash flow</b>	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.
<b>HEPS</b>	Headline earnings per share.
<b>International</b>	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.
<b>MOU</b>	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
<b>Normalised (*)</b>	Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations.
<b>Operating free cash flow</b>	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.
<b>RAN</b>	Radio access network.
<b>South Africa</b>	Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPV's.
<b>TSR</b>	Total shareholder returns consist of the aggregate share price appreciation and dividend yield.
<b>Traffic</b>	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.



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## Forward-looking statements

This presentation which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2013 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.



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Interim results for the six months ended 30 September 2013



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