



Vodacom Group Chairman's roadshow

June 2015

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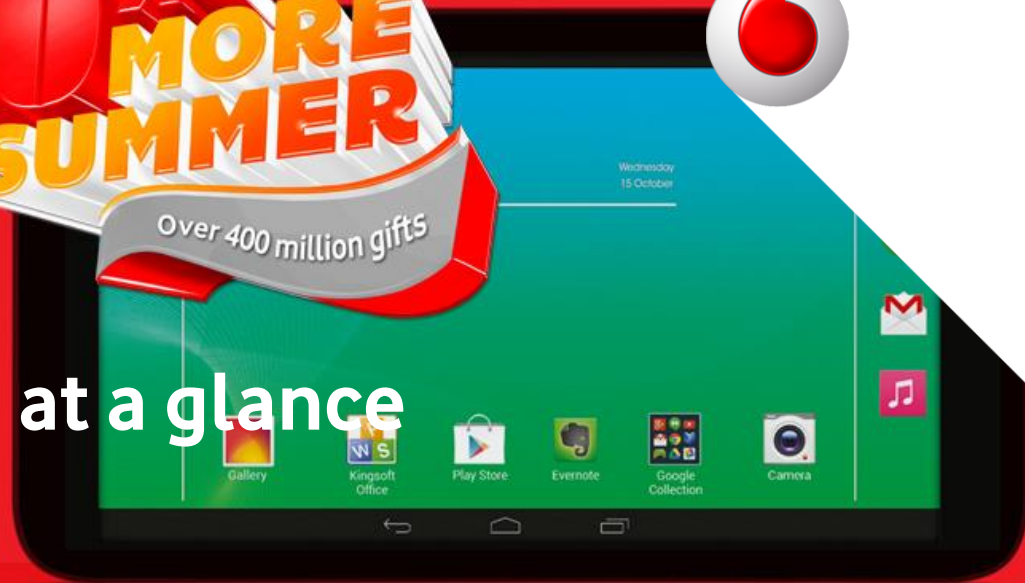
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Vodacom at a glance

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Over 400 million gifts



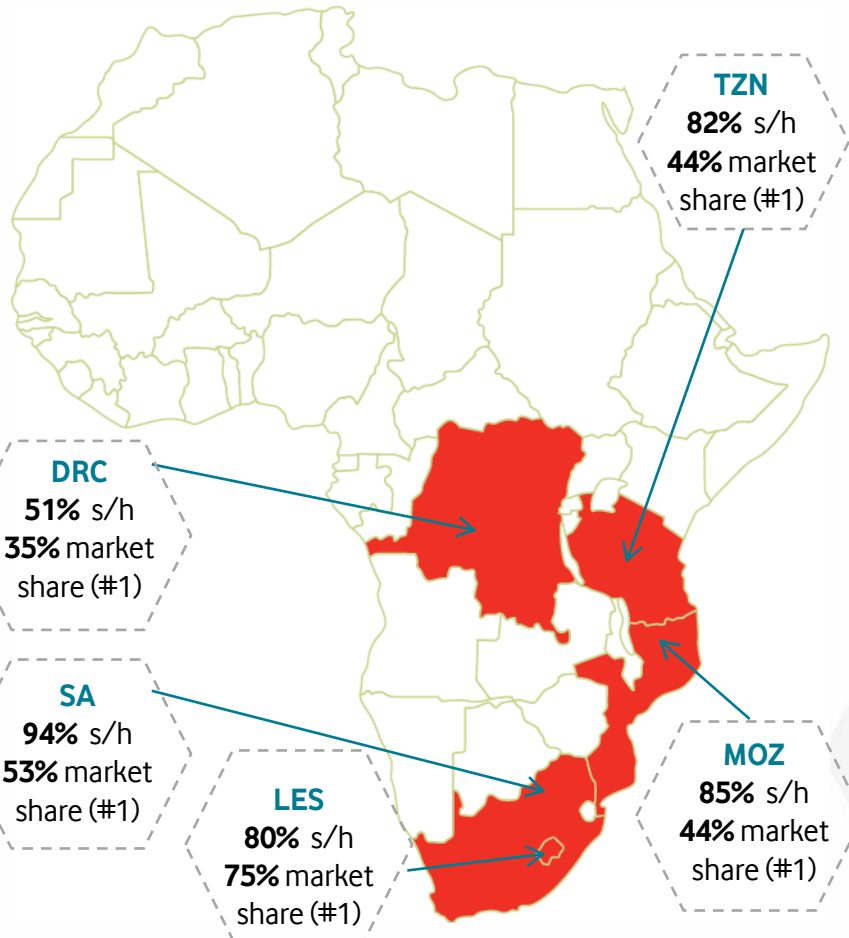
Vodacom Group shareholding

Vodacom shareholding	2015	% holding
Vodafone Investment SA (Pty) Ltd	967 170 100	65.00
Government of South Africa	207 038 059	13.91
Wheatfield Investments 276 (Pty) Ltd	15 421 231	1.04
Institutional investors	235 886 266	15.85
Retail positions	31 942 774	2.15
Other	30 495 570	2.05

- Potential disposal of government stake:
 - Shareholder issue, not involved in their decision making
 - Understand they may be considering warehousing the full stake within the PIC
- **Free float: 52%** owned by SA and **48%** owned by International investors mainly from the US



Vodacom Group at a glance



Benefits to Vodacom: being a subsidiary of Vodafone Group

- Sharing of knowledge in areas such as new product information
- Technology roadmap e.g. R&D benefits
- Cost savings achieved through:
 - Access to Vodafone Procurement Company
 - Benefits of achieving best practice through global benchmarking
- Brand strength and customer management insight
- Employee satisfaction through access to Vodafone Global career development and International assignments

Benefits to Vodafone: having Vodacom as a subsidiary

- Increased revenue and exposure to emerging markets
- Separate SA listing supports the Vodafone valuation
- Superior cash generation supports Vodafone dividend
- Vehicle for expansion into new African countries
- Adds scale to supply chain management negotiations
- Vodacom's return on equity of 56.2%

Challenging environment – South Africa

Challenging macro environment

- Low GDP growth prospects with power crisis
- Power crisis – Eskom load shedding
- Increased unemployment rate with labour unrest and retrenchments
- Consumer under pressure
- Volatility of rand

Regulatory challenges

- Approval of Neotel deal
- Spectrum allocation – migration to digital dividend and allocation of 2.6GHz
- Alignment of ICT sector and Black Economic Empowerment ("BEE") codes
- MTR reduction with large impact in FY2015

Competition

- Competition stabilised in Q4 with price increases by all operators
- Outlook- more stable competitive environment

Challenging environment – International

Challenging macro environment

- Cost pressures
- Volatility of currency
- Political unrest in Lesotho and DRC

Regulatory challenges

- Draft listing requirement in Tanzania – given an option to list 35% or pay 1% of annual gross service revenue for ICT sector development
- Lack of enforcement of floor price during the year

Intensifying competition

- Competition stabilised in Q4
- New price floor in DRC effective 1 March 2015 with 100% compliance by all operators
- Outlook- more stable competitive environment



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Governance

2015

Carbon disclosure project:
96% score retaining lead in telecoms sector



A strong and balanced Board

**Independent
non-
executive
directors**



MP Moyo (Chairman)



DH Brown



BP Mabelane



TM Mokgosi-Mwantembe



PJ Moleketi

**Non-
executive
directors**



S Timuray



HMG Dowidar



M Joseph



JWL Otty



RAW Schellekens

**Executive
directors**



MS Aziz Joosub (CEO)



IP Dittrich (CFO)



Board Committees

Audit, Risk and Compliance

- Monitor compliance with statutory and JSE listing requirements
- Monitor the risk management function and processes and assessing the significant risks facing the Group
- Monitor the technology governance framework and associated risks
- Recommends level of dividend to the Board

DH Brown (Chair)
BP Mabelane
PJ Moleketi

Remuneration

- Determine, agree and develop the Group's remuneration policy and philosophy
- Determine and agree the remuneration and overall compensation packages for the CEO, CFO and any other executive director on the Board
- Review and recommend to the Board the relevant criteria necessary to measure the performance of executives

TM Mokgosi-Mwantembe
(Chair)
DH Brown
RAW Schellekens
S Timuray

Nomination

- Identify and evaluate suitable potential candidates for the board
- Identify and evaluate candidates for position of CEO and CFO
- Review and approve executive succession
- Makes recommendations on the composition of the Board in terms of the mix of skills, size and the number of committees required

MP Moyo (Chair)
TM Mokgosi-Mwantembe
TJ Schellekens
S Timuray

Social and Ethics

- Social and economic development
- Good corporate citizenship
- Consumer relations
- Labour and employment including skills development
- Safety health and environmental issues

PJ Moleketi (Chair)
MP Moyo
RAW Schellekens
MS Aziz Joosub



Executive Remuneration

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Executive Remuneration – Reward framework



- 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 term and long term incentive
- Remco reviews peer group data from the JSE telecommunications and ICT sectors and other listed companies using a weighted combination of market capitalisation, turnover, capital assets and number of employees when setting the total remuneration and the guaranteed packages of executives
- The on-target pay mix for executive directors and prescribed officers is:
 - CEO = **34%** GTCE, **34%** STI and **31%** LTI
 - Executive directors and prescribed officers = **40%** GTCE, **30%** STI and **30%** LTI
- The average increase in GP paid to executive directors and prescribed officers in 2014/15 was **4.7%** compared to the rest of our employees which was **4.8%**

Executive Remuneration – Guaranteed packages

Executive directors	2015	2014	Increase (%)
MS Aziz Joosub	7 300 000	6 950 000	5.0
IP Dittrich	4 750 000	4 554 000	4.3
Prescribed Officers			
ADJ Delpont	4 100 000	3 865 000	6.1
R Kumalo	3 650 000	3 450 000	5.8
V Jarana	3 650 000	3 400 000	7.4
M Makanjee	2 800 000	2 652 000	5.6
NC Nyoka	3 600 000	3 434 130	4.8
M Nkeli <i>(resigned from 30 April 2014)</i>	2 675 033	2 675 033	-
G Hagel (€)	166 894	161 500	3.3
G Hagel	1 000 000	1 000 000	-
N Gough (€) <i>(stepped down on 31 October 2014)</i>	293 520	288 171	1.9
P Patel (HK\$) <i>(resigned 31 March 2015)</i>	2 950 000	2 856 000	3.3
M Mbungela <i>(appointed from 1 May 2014)</i>	2 600 000	-	-
YZ Cuba <i>(appointed from 1 November 2014)</i>	4 450 000	-	-
T Streichert (€) <i>(appointed from 1 April 2014)</i>	200 200	-	-

Executive Remuneration – Possible change in disclosure

Current disclosure

Executive directors	
Chief Executive Officer	MS Aziz Joosub
Chief Financial Officer	IP Dittrich
Prescribed Officers (Full Exco)	
Chief Technology Officer	ADJ Delport
Chief Operating Officer – International	R Kumalo
Chief Enterprise Business Unit	V Jarana
Chief Consumer Business Unit	G Motsa
Chief Corporate Affairs	M Makanjee
Chief Regulatory Officer	NC Nyoka
Chief Human Resources	M Mbungela
Chief Commercial Operations	G Hagel
Chief Strategy & Business Development	YZ Cuba
VSA Finance director	T Streichert

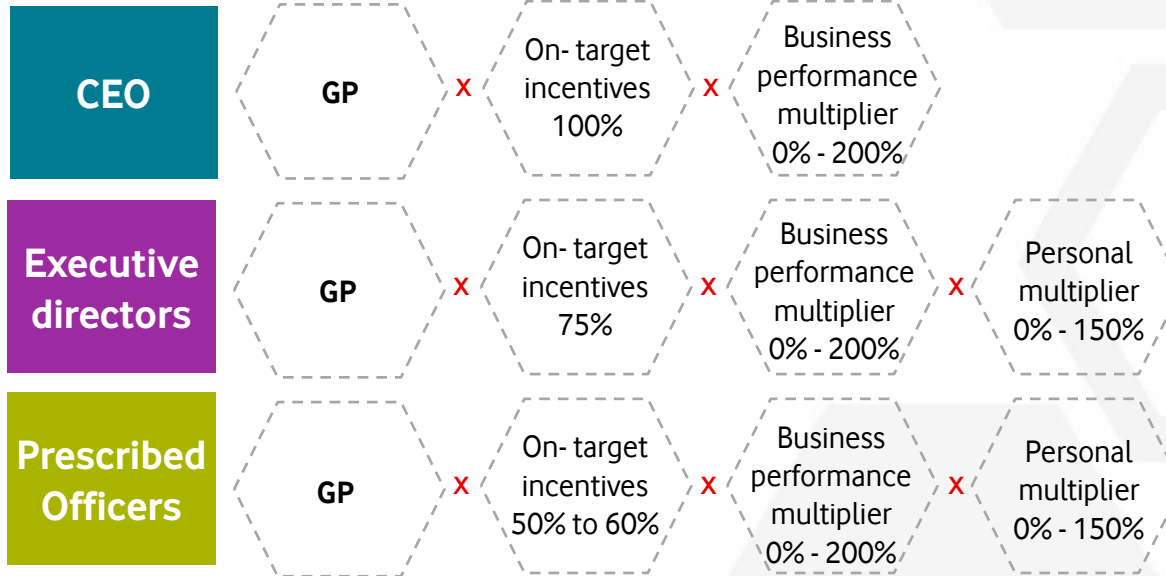
Proposed disclosure

Executive directors
Chief Executive Officer
Chief Financial Officer
Prescribed Officers
Chief Consumer Business Unit
Chief Enterprise Business Unit
Chief Operating Officer: International

- RemCo revisited the Vodacom approach of having all members of the Group Exco defined as Prescribed Officers and consequently requiring individual remuneration disclosure in the annual remuneration report
- Market analysis indicates that ≈ 50% benchmarked companies do not define all executives as Prescribed Officers
- Vodacom intends revising disclosure in future and would like to engage with shareholders prior to such a change

Executive Remuneration – Short-term incentives (STI)

Formula for determining cash bonuses



- Group business performance multiplier FY2015 was **50.9% (FY 2014: 87.6%)**
- The Group business performance multiplier is used for the CEO and executive directors
- For prescribed officers, the business performance multiplier is based on a weighted average of the multiplier for the relevant operating company and the Group

Executive Remuneration – Short-term incentive delivery

Executive directors	GP	STI	2015 STI (%)	2014 STI (%)
MS Aziz Joosub	7 300 000	3 715 700	50.9	87.6
IP Dittrich	4 750 000	1 541 316	32.4	66.4
Prescribed Officers				
ADJ Delport	4 100 000	1 919 169	46.8	64.3
R Kumalo	3 650 000	655 620	18.0	30.8
V Jarana	3 650 000	1 545 812	42.4	55.2
M Makanjee	2 800 000	1 040 200	37.2	46.7
NC Nyoka	3 600 000	1 685 124	46.8	59.6
M Nkeli <i>(resigned from 30 April 2014)</i>	2 675 033	-	n/a	58.4
G Hagel (€)	166 894	74 401	44.6	15.2
G Hagel	1 000 000	445 800	44.6	14.6
N Gough (€)	293 520	51 880	17.7	42.0
P Patel (HK\$)	2 950 000	1 117 844	37.9	58.4
M Mbungela <i>(appointed from 1 May 2014)</i>	2 600 000	1 062 490	40.9	n/a
YZ Cuba <i>(appointed from 1 November 2014)</i>	4 450 000	688 823	15.5	n/a
T Streichert (€) <i>(appointed from 1 April 2014)</i>	200 200	79 037	39.5	n/a

Executive Remuneration – Change in STI weighting

The weighting for each measure

% weighting	2015	2016
Service revenue	25%	20%
EBITDA	25%	20%
Operating free cash flows	25%	20%
Competitive performance	25%	n/a
Customer appreciation	n/a	40%

- FY2016 there will be significant focus on customer experience and customer obsession, the competitive performance measure in the STI framework will be replaced with customer appreciation
- The revised weightings to 60% on the financial metrics and 40% on customer appreciation are aligned to the increased focus on customer experience
- We will assess customer appreciation by looking at the following six metrics:
 - Net promoter score
 - Brand consideration (users and non-users)
 - Contract churn rate
 - Revenue market share
 - Customer market share
- The requirement is for financial metrics to be met in order for management to get rewarded for customer appreciation

Executive Remuneration – Long term incentives

- CEO receives **100%** FSP shares awarded as Vodacom performance shares
- Executives and Prescribed officers receive shares on the date of the award but those shares are subject to restrictions and a risk of forfeiture during a three year vesting period
- A portion of the forfeitable award is subject to the satisfaction of performance targets:
 - To the extent that the performance targets are not achieved, those shares subject to the targets will be forfeited
- The FSP shares award mix for FY2015 was determined as **33%** awarded as Vodacom Retention; **33%** awarded as Vodacom Performance and **33%** awarded as Vodafone Performance Shares

Performance period	Measures applied
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%)
2015-2018	Cumulative operating free cash flow (70%) Total shareholder return (30%)

Role	On-target value (%)
CEO	90
Executive directors	60
Prescribed Officers	45

Executive Remuneration – Shareholding guidelines

- The Board wishes to encourage individual shareholding in the Company by executives, as a tangible demonstration of their commitment to the Company and alignment with shareholder's interests
- The CEO, Executives and Prescribed officers are thus required to hold the minimum personal shareholdings

CEO

- Minimum holding of 1x GP – annually to qualify for co-investment shares as follows:
 - An award of Vodacom Performance shares with an On-target value of 50% of the CEO's GP, provided that the CEO invests in Vodacom shares to the value of 50% of his GP
 - An award of Vodafone Performance shares with an On-target value of 50% of the CEO's GP, provided that the CEO invests in Vodafone shares to the value of 50% of GP
- CEO may only take advantage of the additional Vodafone share award if the CEO has met the full Vodacom co-investment requirement

Prescribed Officers

- 1x GP for Executive director and 0.5x GP for Prescribed officers
- 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 3 year vesting cycle being 6 years
- The participants will be granted a performance share for every 3 additional shares held:
 - This award will be capped so that holding of no more than double the minimum requirement to be recognised

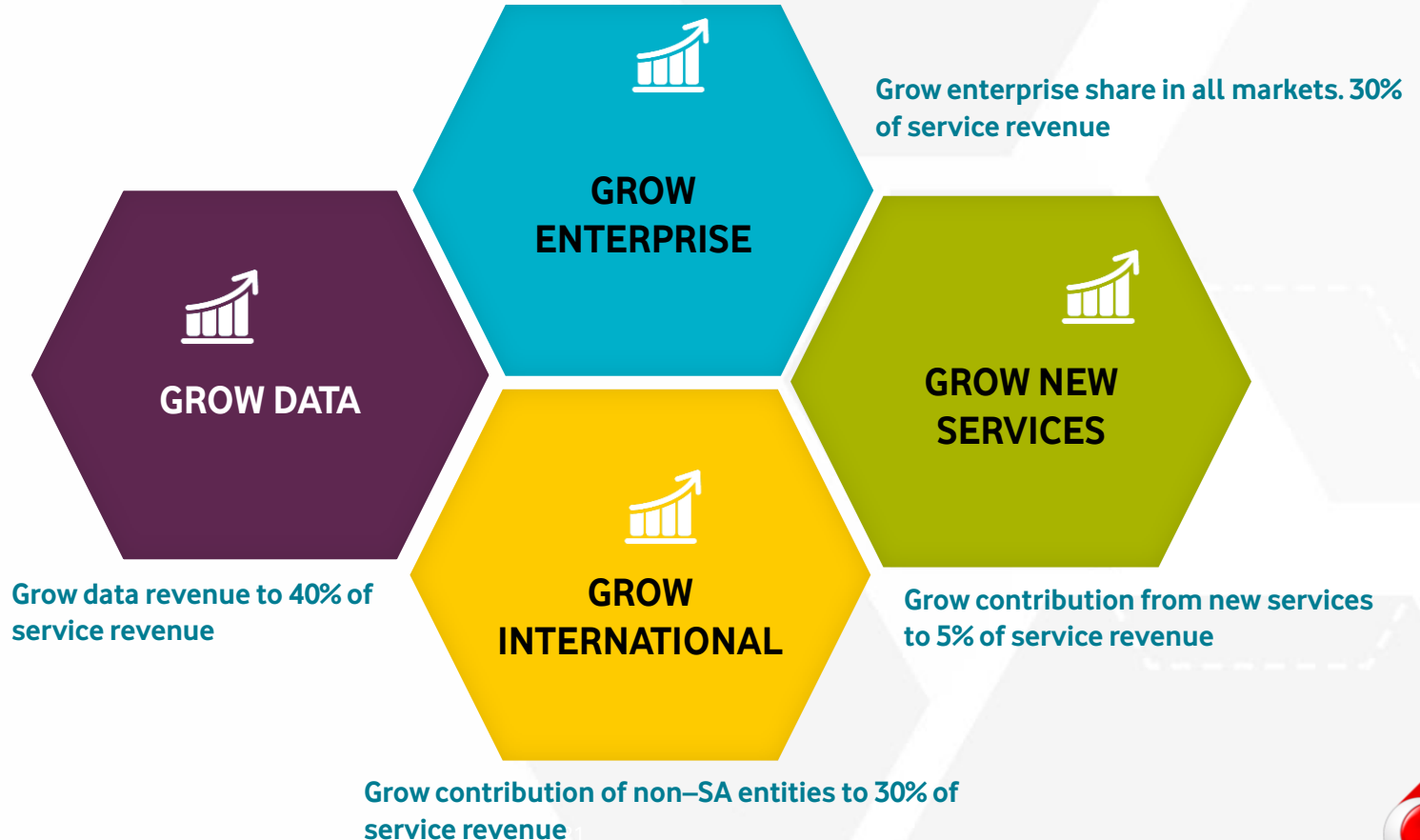


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Reconfirm the dividend policy



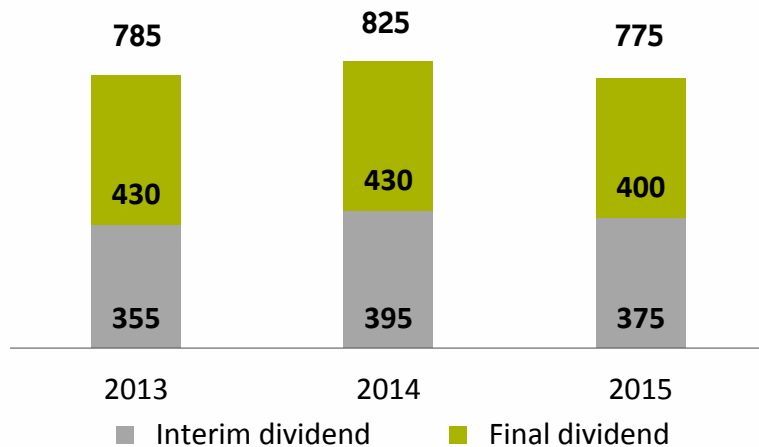
Investing in growth areas supported by accelerated capex program



Returning cash to shareholders

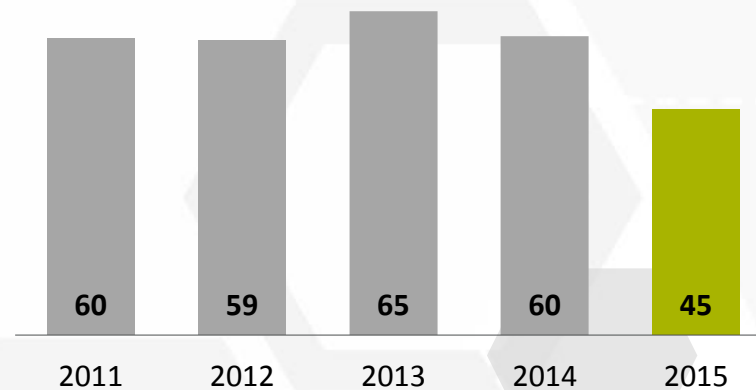
Dividend per share

Cents per share



Return on capital

(%)



- Pay-out ratio of at least **90%** of HEPS maintained





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Broad- Based Black Economic Empowerment

2015

Did you know?

Vodacom achieved best performer in the JSE's Socially Responsible Investment Index 3 times in 4 years



BEE scorecard – retained Level 2 rating until 28 April 2016

Element	Weighting (%)	2015	2014	Variance
Ownership	20	12.23	12.56	(0.33)
Management/Control	10	11.00	10.48	0.52
Employment Equity	10	6.67	6.27	0.40
Skills development	17	12.30	13.29	(0.99)
Preferential procurement	20	22.53	22.52	0.01
Enterprise Development	11	11.00	11.00	-
Socioeconomic Development	12	12.00	12.00	-
Total	100	87.73	88.11	(0.38)

Level 2
BBBEE rating



BEE shares trading over the counter (OTC)

- In July 2008, our BBEE deal of R7.5 billion saw the acquisition of 6.25% of VSA by Royal Bafokeng (1.97%), Thebe Investment (0.84%) and Yebo Yethu (3.44%)
- Approximately 100k black public shareholders effectively hold 1.55% of VSA issued shares:
 - These shareholders can now trade their shares with other black members of the public until 2018, thereafter all restrictions pertaining to the trading of shares are lifted
- On 3 Feb 2014, public shares commenced trading over the counter
- Of the 1.875 billion units available to the trust, 75% was allocated to employees in 1 September 2008:
 - The remaining 25% was set aside for future employees on a sliding scale over the next five years
- In October 2013 at the Yebo Yethu AGM the notional funding period was extended to October 2018:
 - The allocated units will be converted into Yebo Yethu shares in March 2019
- Over the past 14 months of OTC trading of Yebo Yethu shares resulted in the movement of 8.34% of the 14.3 million issued or 1 200 252 shares being traded in some 10 000 transactions:
 - The closing low for the period was **R40.26** with a closing high of **R78.95** against an acquisition value of **R25.00**



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Annual General Meeting

2015

Did you know?
Vodacom e-school initiative
won a Frost & Sullivan Award
for
SA e-Education Technology
Innovation Leadership



Resolutions to be voted on at annual general meeting

Save the date

Vodacom Group AGM

16 July 2015 at 11:00 AM

Resolution

Ordinary resolutions

- 1 Adoption of audited consolidated annual financial statements
- 2-5 Election and re-election of directors
- 6 Appointment of PricewaterhouseCoopers Inc. as auditors of the Company
- 7 Approval of the remuneration philosophy
- 8-10 Appointment of the members of the Audit, Risk and Compliance Committee

Special resolutions

- 11.1 General authority to repurchase shares in the Company
 - 11.2 Increase in non-executive directors' fees
 - 11.3 Section 45 Approval – financial assistance to related and inter-related companies
-



Benchmarking for non-executive directors' fee

Comparator Group

1	AngloGold Ashanti
2	Anglo Platinum
3	Bidvest
4	Exxaro
5	Gold Fields
6	Implats
7	Anglo American
8	MTN
9	Naspers
10	Remgro
11	Sasol
12	Shoprite

- Vasdex performed the analysis using the comparator group previously selected by Vodacom
- The comparator group comprises of companies with a similar profile to Vodacom
- The approach is consistent with the approach taken in the prior year by PwC
- The result from the exercise can be seen on the 66th percentile in the next page



Increase in non-executive directors' fees

Non-executive directors	Current fee (%)	Proposed fee (%)	66 th percentile
Chairman of the Board	2 000 000	2 100 000	2 552 742
Member of the Board	340 000	360 000	574 200
Chairman of the Audit, Risk and Compliance Committee	250 000	300 000	349 298
Member of the Audit, Risk and Compliance Committee	150 000	160 000	169 328
Chairman of the Remuneration Committee	220 000	230 000	256 652
Member of the Remuneration Committee	125 000	130 000	132 869
Chairman of the Nomination Committee	200 000	210 000	201 881
Member of the Nomination Committee	115 000	120 000	111 319
Chairman of the Social and Ethics Committee	190 000	200 000	208 763
Member of the Social and Ethics Committee	110 000	115 000	112 314
Other	100 000	100 000	-

Thank you



2015

Did you know?

Vodacom was rated 1st in telecoms sector and 3rd overall in 2014 Top Companies Reputation Index

