

## Preliminary results

for the year ended March 2013



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## Highlights



### Highlights

↑ **4.5%**

**Group revenue**

R69 917 million

↑ **22.2%**

**Group data revenue**

R9 998 million

↑ **10.9%**

**Group EBITDA**

R25 253 million

↑ **11.1%**

**Free cash flow**

R12 136 million

↑ **23.0%**

**Headline earnings**

872 cents per share

↑ **10.6%**

**Dividends per share**

785 cents per share

## Key challenges

Pressures on consumer spend in South Africa

Increased competitive environments

MTR and pricing regulations

OTT and instant messaging

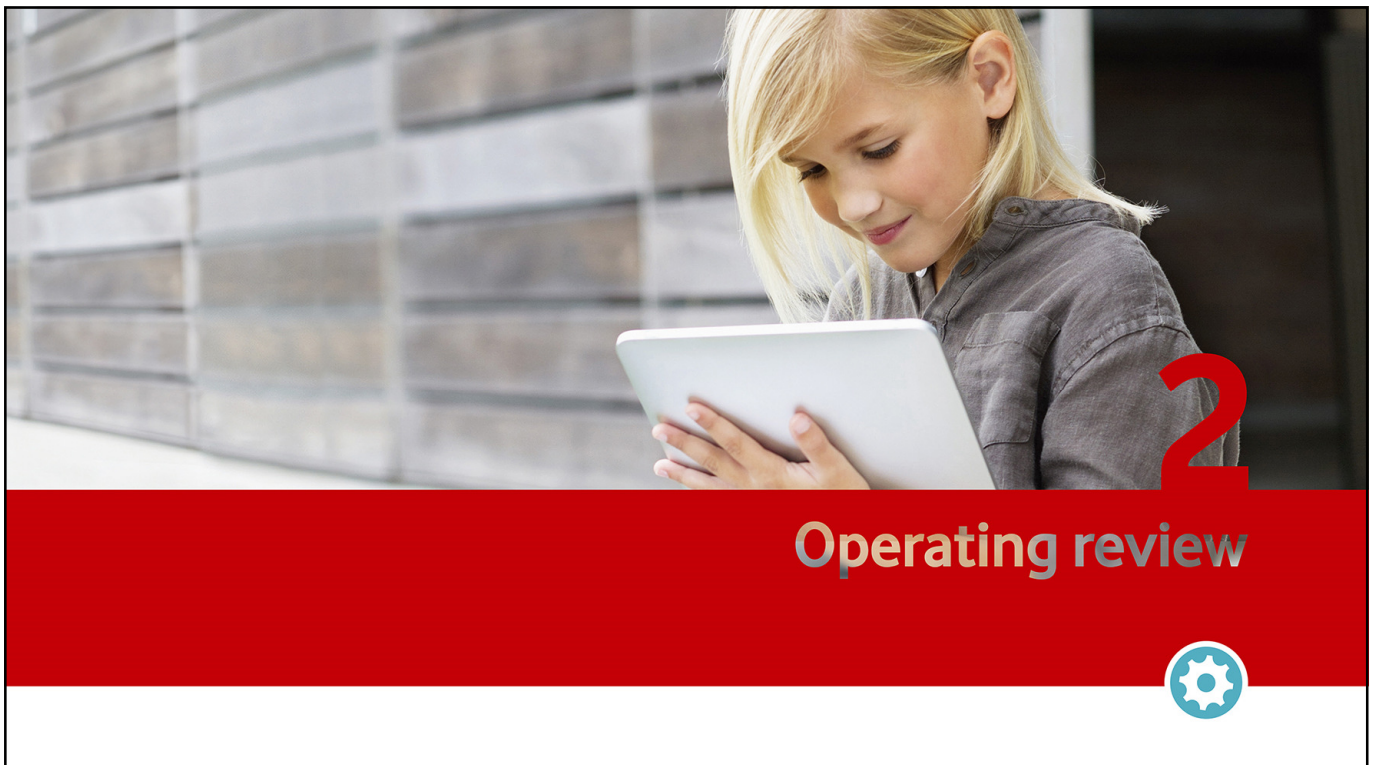
Access to spectrum for LTE

Inflationary pressures on costs

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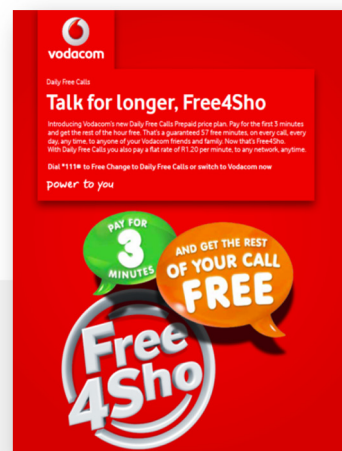
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## South Africa: Stepping up in a competitive market

- Launch of new contract and prepaid tariffs
  - Regained revenue market share in H2
- Data revenue growth accelerates
  - Up 16.3% for the year (Q4: 20.5%)
- Tight expense control lifts EBITDA margin by 0.9ppt to 38.2%
- R6 967 million capital expenditure, 11.9% of revenue



Key indicators	2013	% change
Service revenue (Rm)	48 234	(0.4)
Revenue (Rm)	58 607	2.9
EBITDA (Rm)	22 408	5.4
Active customers (m)	30.3	4.9
Active data customers (m)	14.4	18.1
Smartphones (m)	6.0	26.0

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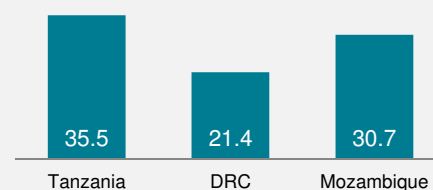


## International: Strong growth and margin improvement

- Excellent commercial execution underpins strong revenue growth
- Data adoption increasing with 4.1 million active data customers
  - Data revenue up 106.9%
- Scale boosts EBITDA margin by 9ppt
- Substantial network expansion to capture growth
  - Capex up 70.5% to R2 864 million

Key indicators	2013	% change
Service revenue (Rm)	11 258	11.0 (22.3*)
Revenue (Rm)	11 583	11.1 (21.1*)
EBITDA (Rm)	2 739	87.5 (67.8*)
Active customers (m)	21.3	12.9
Active data customers (m)	4.1	40.9
Outgoing voice traffic (bn)	14.4	50.6

Underlying service revenue growth (%)



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

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# Tanzania: Success driven by innovation

- Strengthened management team
- Market share gains underpinned by increased regional distribution
- Leading the market with M-Pesa offering and features
- Innovative pricing plans and customer value management
- Increased network sites by 41%



Key indicators	2013	% change
Revenue (TZS billion)	751	33.9
EBITDA (TZS billion)	289	68.7
EBITDA margin (%)	37.4	7.8ppt
Capex intensity (%)	30.0	10.5ppt
Customers (m)	9.5	(2.1)
ARPU (US \$)	4.2	23.5



## Strategic review



## Delivery on strategic focus areas



1

**Customer**  
Unmatched customer experience



2

**Growth**  
Leadership in data and new services



3

**Operations**  
Operating more efficiently



4

**People**  
Building a diverse and talented team



5

**Reputation**  
Work with others to transform societies



## Customer: Delivering on “worry-free” usage



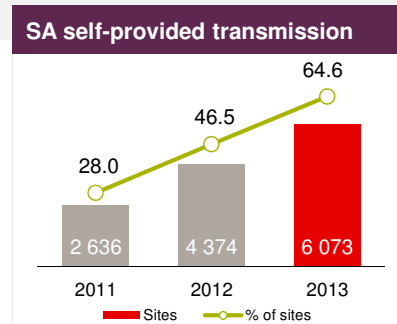
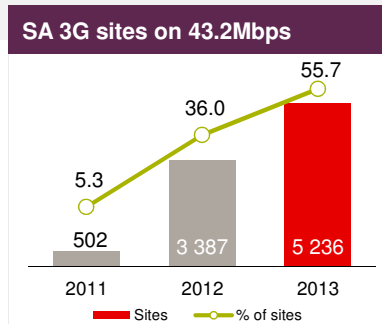
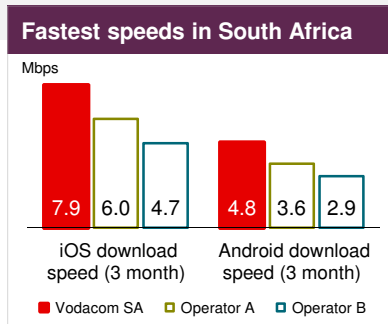
- Launched Free4Sho prepaid platform in South Africa – three simple offers providing better choice
- Launched Smart and Red in South Africa – new integrated plans offering customers “worry free” usage
- All data mobile internet and mobile broadband prices reduced
- New integrated plans and daily/weekly offers launched in International markets



## Customer: Network experience as a key differentiator



- Capital investment of R9 456 million, 13.5% of revenue
- 1 752 3G and 1 406 2G sites added across the Group
- Single RAN being deployed in all our operations, expected to complete all in 2014/2015
- First to launch LTE in South Africa, 601 sites operational



## Customer: Evolving to smarter service



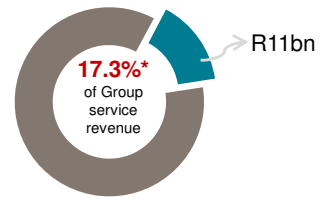
- Smart crews in retail stores to ensure perfect start up on smartphones
- New retail store format being rolled out – 25% of stores to be completed this year in South Africa
- Launched new Vodacom self-help App – 2 000 downloads a day
- Leveraging online and social media channels for service
- Improved first-time call resolution in South Africa, 25% less calls to customer care



## Growth: Increasing contribution from International



- Mobile penetration in our current footprint below 40%
- Strong GDP growth prospects
- Growing demand for data and mobile money services
- Accelerated investment to capture growth potential
- Actively looking for more expansion opportunities



International capital expenditure (Rm)



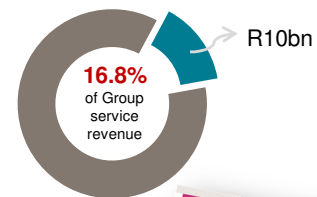
International service revenue (Rm)



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



- 3G now available in all markets and LTE in South Africa
  - 3G coverage at 85% in SA
- Driving smartphone and tablet penetration
  - Supported by increased financing provided by Vodacom
- Growing active data customers and data bundle penetration
  - 22.5% growth in Group active data customers, 35.8% penetration
- More affordable data plans



Group data revenue (Rm)

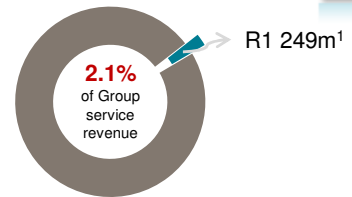




## Growth: Expanding new innovative services



- Increasing penetration of M-Pesa in Tanzania
  - M-Pesa revenue up 125.0%, 14.1% of service revenue
  - 4.9m active M-Pesa customers, more than 50% of active customers
  - US \$1.50 ARPU from M-Pesa service
- Launching M-Pesa in other markets
  - M-Pesa launched in DRC, launching soon in Mozambique and Lesotho
- Expanding our financial services and digital lifestyle portfolio



1. Revenue from M-Pesa, insurance services and digital lifestyle services

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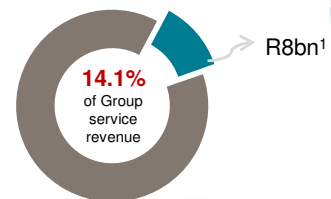
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## Growth: Expanding enterprise offerings



- Substantial fibre investment supporting converged offerings
- Hosted and cloud services partnerships with multiple vendors
- 23.4% growth in machine-to-machine SIMs
- Access to global Vodafone enterprise products and services
- Pan African network expanding



### Business managed services revenue (Rm)



1. Includes revenue from mobile services and business managed services



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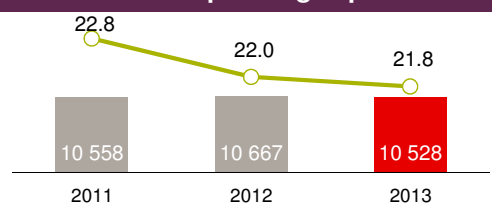


## Operations: Process and cost efficiency focus



- Reduced transmission spend through self-provisioning
- Investment in single RAN helped reduce network maintenance
- Improved return on commercial investment in customer acquisition
- Better pricing through Vodafone Procurement Company
- Tight expense control offset inflation pressures

### South African operating expenses<sup>1</sup>



1. Staff expenses, publicity and other operating expenses, excluding trading foreign exchange

### International operating expenses<sup>1</sup>

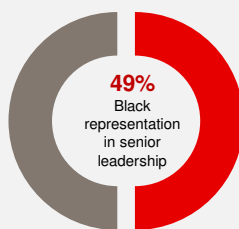
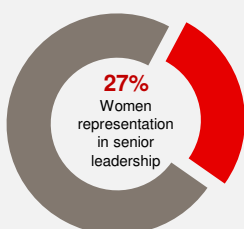


Operating expenses (excl FX) (R million) Opex as % of service revenue

## People: Building a talented and diverse team



- New executives join leadership from FMCG, Vodafone and banking backgrounds
- Stronger focus on performance management
- Talent development programmes in place
- 2ppt improvement in our annual Group Engagement index score



### Engagement index score



## Reputation: Work with others to transform societies

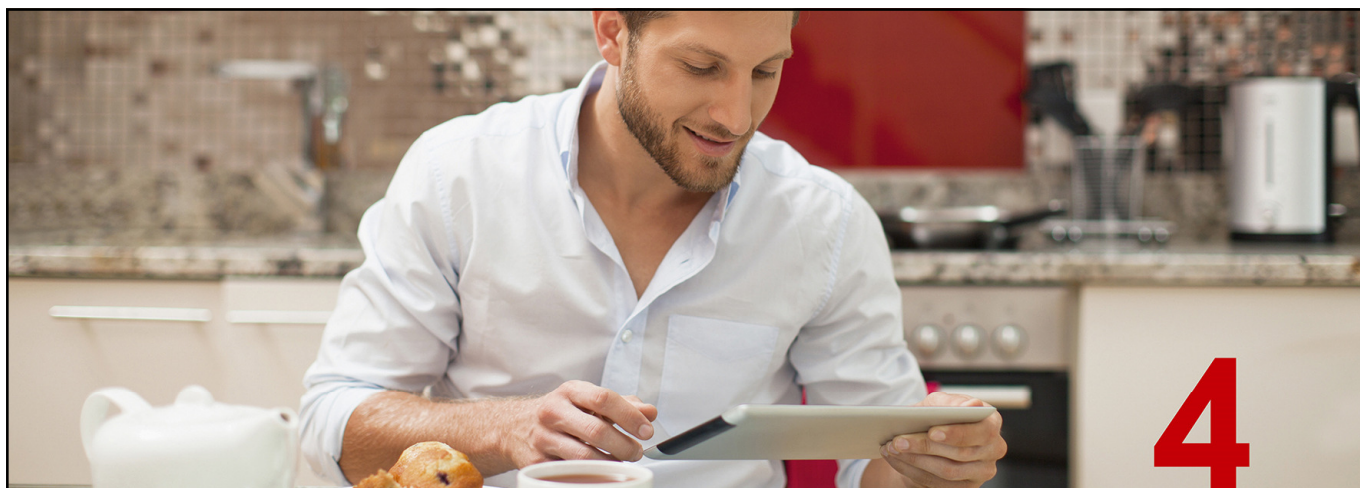


**#1**  
In all markets

Score in annual Reputation Survey	2013	2012
South Africa	7.54	7.36
Tanzania	8.14	7.63
DRC	8.02	7.09
Mozambique	8.16	8.33
Lesotho	7.43	7.87



- Connecting educators and learners
- Facilitating improved access to healthcare
- Reducing our carbon footprint
- Partnering with stakeholders on key projects



**4**

Financial review



## Group income statement

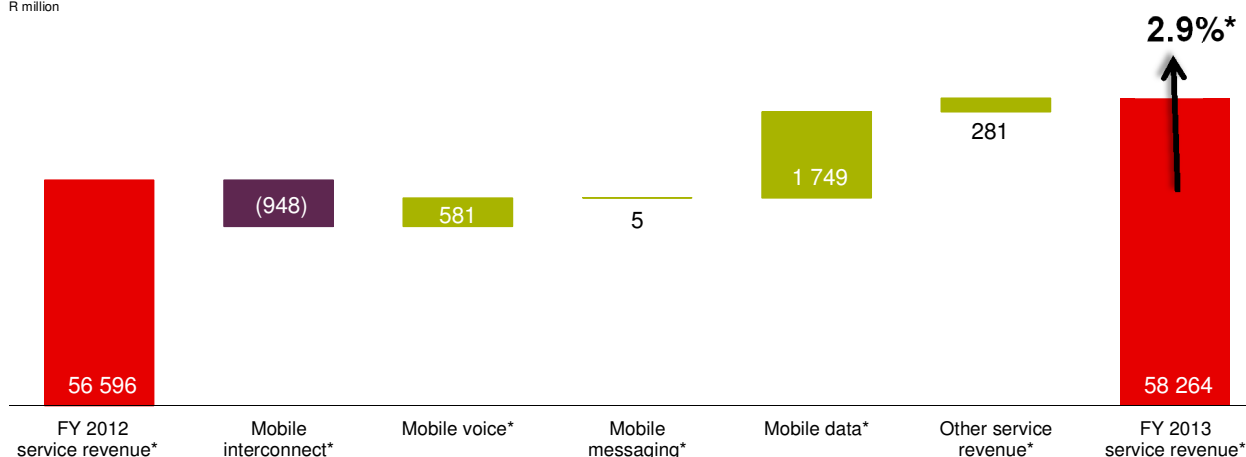
R million	2013	2012	% change	% change*
<b>Service revenue</b>	<b>59 336</b>	<b>58 245</b>	<b>1.9</b>	<b>2.9</b>
<b>Revenue</b>	<b>69 917</b>	<b>66 929</b>	<b>4.5</b>	<b>5.3</b>
<b>EBITDA</b>	<b>25 253</b>	<b>22 763</b>	<b>10.9</b>	<b>10.3</b>
Depreciation and amortisation	(6 364)	(5 882)	8.2	
Impairment losses	(14)	(199)	(93.0)	
<b>Operating profit</b>	<b>18 897</b>	<b>16 617</b>	<b>13.7</b>	<b>12.4</b>
Profit on sale of subsidiary	224	-		
Net finance charges	(687)	(684)	0.3	
<b>Profit before tax</b>	<b>18 434</b>	<b>15 933</b>	<b>15.7</b>	
Taxation	(5 210)	(5 730)	(9.1)	
<b>Net profit</b>	<b>13 224</b>	<b>10 203</b>	<b>29.6</b>	
<b>Attributable to:</b>				
Equity shareholders	12 990	10 156	27.9	
Non-controlling interests	234	47	> 200.0	
<b>HEPS (cents)</b>	<b>872</b>	<b>709</b>	<b>23.0</b>	
<b>Weighted average shares in issue (million)</b>	<b>1 463</b>	<b>1 463</b>	-	

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

## Service revenue growth boosted by data

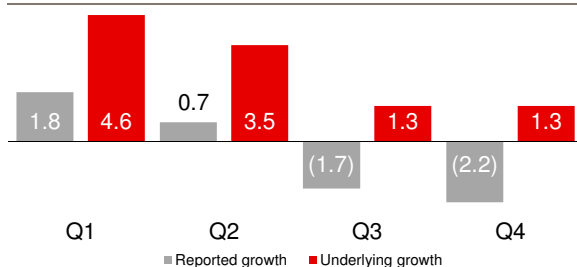
### Group service revenue normalised growth by category

R million

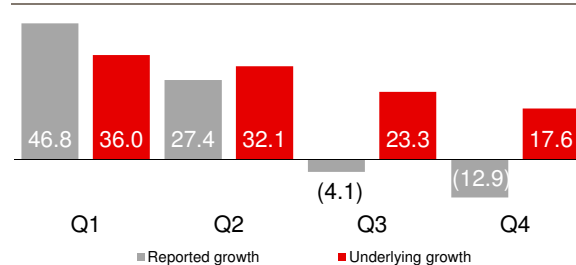


## Quarterly service revenue growth trends

South African revenue growth



International service revenue growth



- Further MTR cut on 1 March 2013
- Q4 leap year/Easter impact of ±R140m

- 69% cut in MTR in Tanzania in Q4
- Q4 deferred revenue adjustment of R209 million (Q3: R37 million)
- Q4 leap year impact of ±R20 million

Underlying growth adjusts for MTRs, leap year impact and deferred revenue (International MNOs only)

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## Delivered on cost saving programmes

- Lower Group operating expenses – reduced as percentage of service revenue from 24.4%\* to 24.0%\*
- South African operating expenses reduced
  - Lower network running costs
  - Reduced call centre and logistic unit costs
- International operating expenses well contained below revenue growth
  - Procurement synergies and scale benefits

R million	Group	% change*	South Africa	% change*	International	% change*
Staff expenses	4 349	(0.5)	3 062	(0.8)	1 034	1.2
Publicity expenses	1 960	5.6	1 438	6.6	513	3.1
Other operating expenses	7 948	(2.1)	6 249	(3.2)	2 129	3.0
<b>Operating expenses</b>	<b>14 257</b>	<b>(0.6)</b>	<b>10 749</b>	<b>(1.3)</b>	<b>3 676</b>	<b>2.5</b>

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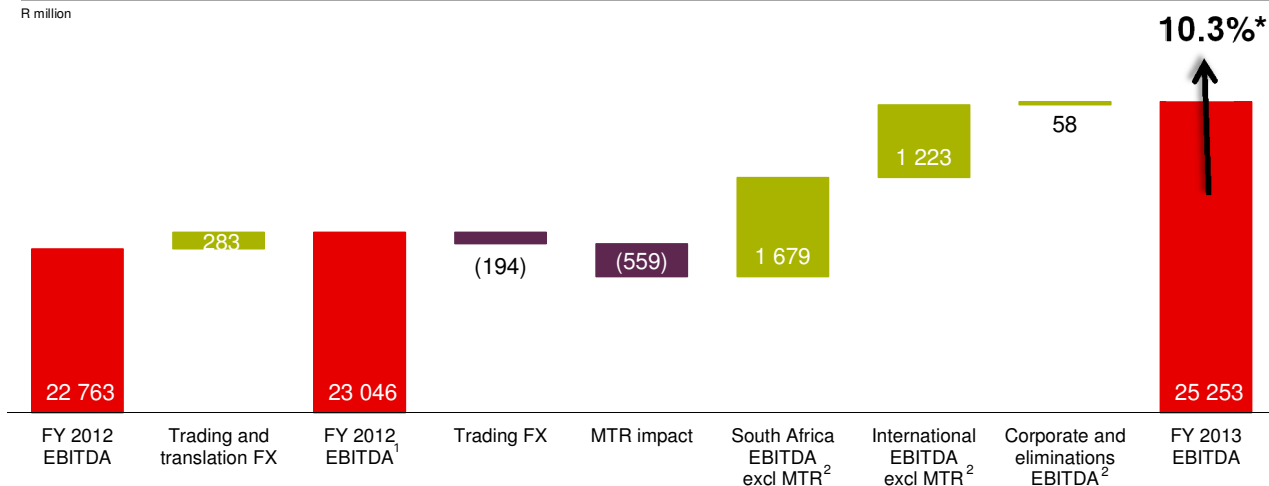
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## Group EBITDA margin expanded 2.1ppts to 36.1%

### Group EBITDA

R million



1. Restated to FY 2013 foreign exchange rates and excluding trading foreign exchange

2. Excluding trading foreign exchange and at a constant currency

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## Net debt supports zaAA+ national long-term credit rating

### Group net finance charges

R million	2013	2012
Net finance costs	(810)	(639)
Remeasurement of loans	(30)	(51)
Gain/(loss) on remeasurement	40	(14)
Gain on derivatives <sup>1</sup>	113	20
<b>Net finance charges</b>	<b>(687)</b>	<b>(684)</b>
<b>Average cost of debt (%)</b>	<b>7.0</b>	<b>7.3</b>

### Group net debt

R million	2013	2012
Bank and cash balances	6 528	3 781
Bank overdrafts	(340)	(409)
Borrowings and derivative financial instruments	(14 195)	(11 039)
<b>Net debt</b>	<b>(8 007)</b>	<b>(7 667)</b>
<b>Net debt/EBITDA (times)</b>	<b>0.3</b>	<b>0.3</b>
<b>Average debt</b>	<b>(12 114)</b>	<b>(10 786)</b>

1. Mainly revaluation of foreign currency exchange contracts

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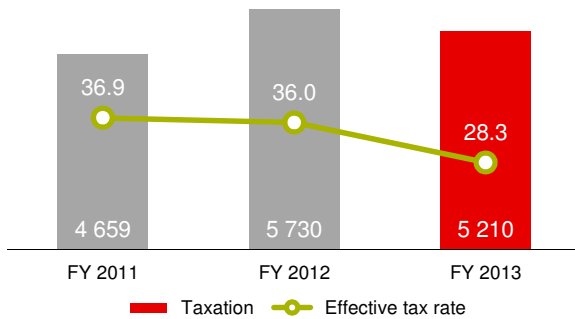
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## Taxation expense favourably impacted by change in STC

### Group tax

R million/%



### Group tax reconciliation

R million	2013	Rate (%)
Normal tax	5 162	28.0
Non-deductible interest	97	0.5
Withholding tax	133	0.7
Other disallowed expenditure	143	0.8
Tax losses utilised in the year	(216)	(1.2)
Deferred tax recognised	(183)	(1.0)
Other	75	0.5
<b>Total tax expense/effective tax rate</b>	<b>5 210</b>	<b>28.3</b>

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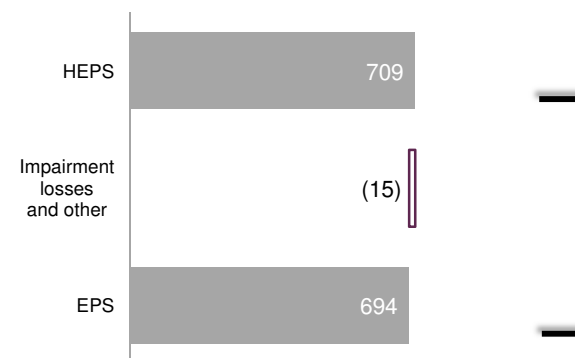
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## Headline earnings per share

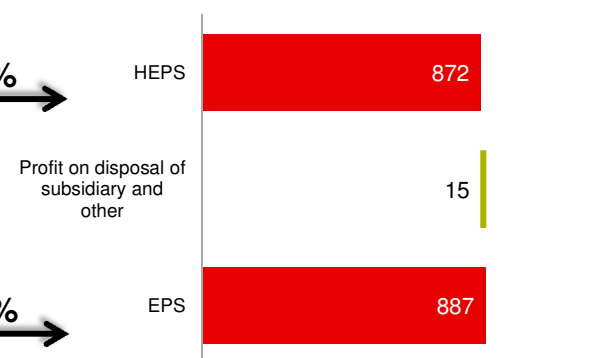
### FY 2012 headline earnings per share

Cents per share



### FY 2013 headline earnings per share

Cents per share



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## Group statement of financial position

R million	2013	2012	Movement
<b>Assets</b>			
Property, plant and equipment	27 741	24 367	3 374
Intangible assets	5 332	5 123	209
Other non-current assets	1 361	1 188	173
Current assets	21 157	17 552	3 605
<b>Total assets</b>	<b>55 591</b>	<b>48 230</b>	<b>7 361</b>
<b>Equity and liabilities</b>			
Total equity	21 216	18 930	2 286
Borrowings	14 171	11 016	3 155
Other liabilities	20 204	18 284	1 920
<b>Total equity and liabilities</b>	<b>55 591</b>	<b>48 230</b>	<b>7 361</b>
<b>Net asset value</b>	<b>21 216</b>	<b>18 930</b>	<b>2 286</b>

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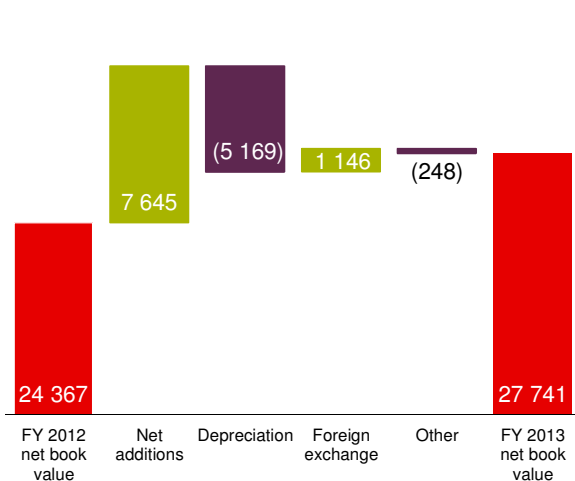
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## Group PPE and intangible assets

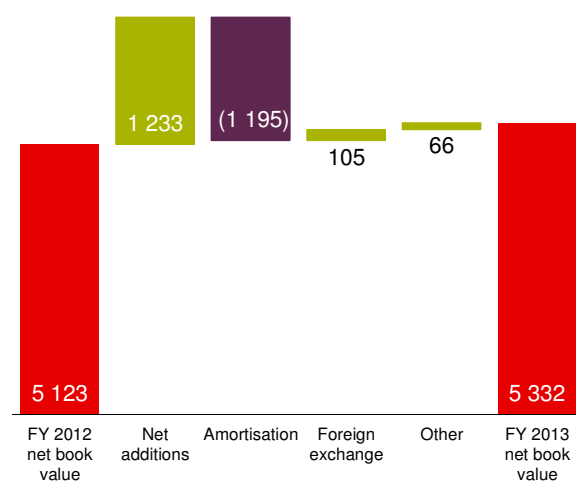
### Property, plant and equipment

R million



### Intangible assets

R million



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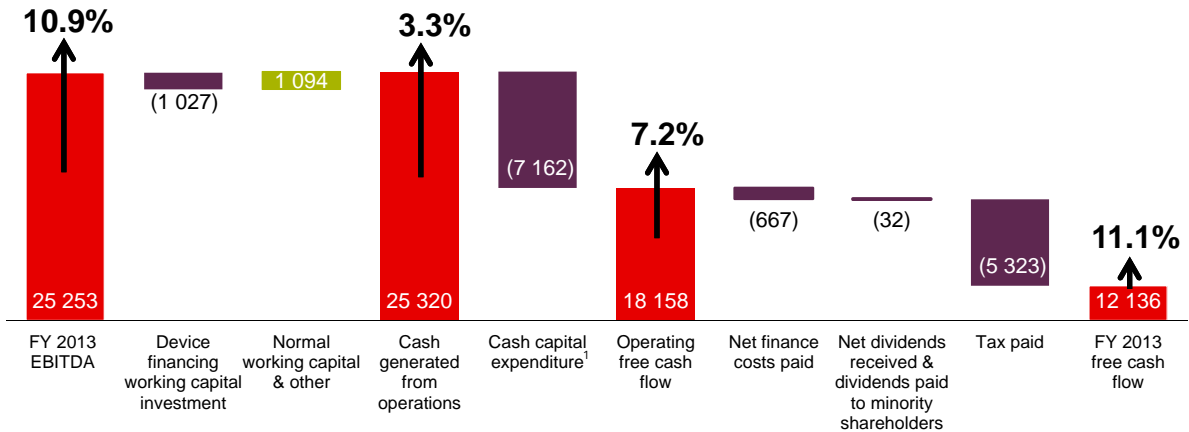




## Free cash flow

### 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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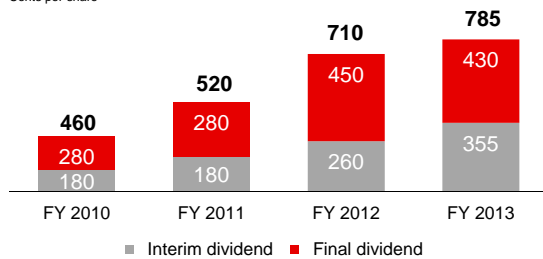
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## Track record of delivering shareholder returns

### Dividend per share

Cents per share



- 10.6% growth in total dividend for the year to 785 cents per share
- Payout ratio of 90% of HEPS supported by strong cash flow generation
- Dividend policy unchanged – “at least 90% of headline earnings per share”

23%  
TSR CAGR  
since listing  
(Bloomberg)

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## Group medium-term guidance

Service revenue

Low single digit service revenue growth

EBITDA

Mid to high single digit EBITDA growth

Capital expenditure

Capital expenditure between 11% and 13% of Group revenue

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## Key priorities



### Customer

- Pricing transformation
- Best service in retail and Online
- Best network experience
- NPS leadership



### Growth

- Increase smartphones
- OneNet launch for SMMEs
- M-Pesa launches in all countries
- Pursue expansion opportunities



### Operations

- Cost programmes to deliver flat opex
- Customer facing system investment
- Invest to save
- Improved returns on commercial spend



### People

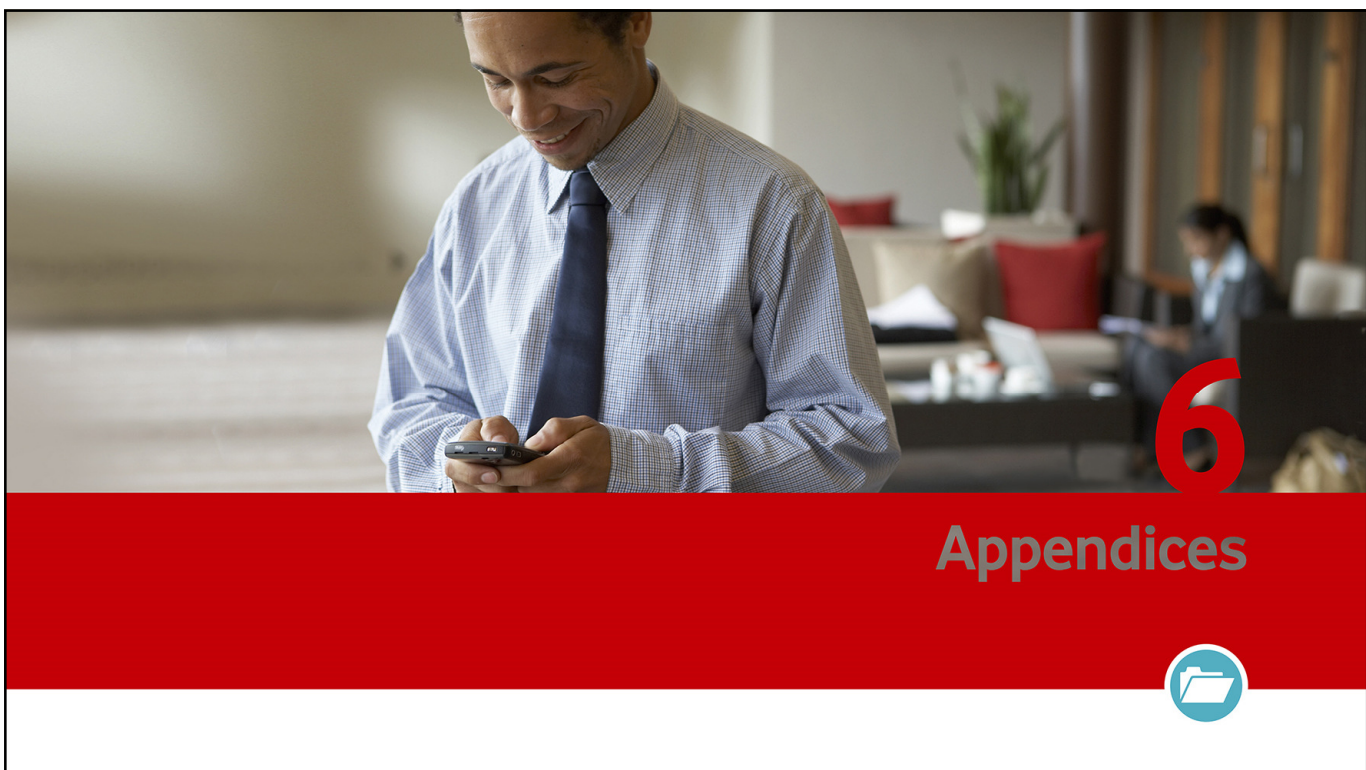
- Continued investment in talent programmes
- Deliver on diversity targets
- Acquire talent in new growth areas



### Reputation

- Deliver on targeted school rollout plan
- Connect health providers to mHealth platform
- Align broadband rollout plans with governments

power to you



## Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population (million)	52	49	72	25	2
GDP per capita* (USD)	7 970	726	295	599	1 160
GDP growth estimate* 2013 (%)	2.8	7.1	7.6	7.0	5.9
Estimated mobile penetration (%)	144	55	28	32	65
Ownership (%)	93.75	65	51	85	80
License expiry period	2029	2031	2018	2018/2026#	2016
Active customers (thousand)	30 348	9 468	7 706	3 045	1 108
ARPU (rand per month)	129	36	33	56	54
ARPU (local currency per month)	R129	TZS6 742	USD3.9	MZN190	LSL54
Minutes of use per month	102	85	45	77	31

\* The Economist Intelligence Unit

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

## Impact of foreign exchange

### Revenue

YoY % growth

FY 2013	Reported	Normalised*
South Africa	2.9	2.9
International	11.1	21.1
Group	4.5	5.3

### EBITDA

YoY % growth

FY 2013	Reported	Normalised*
South Africa	5.4	5.7
International	87.5	67.8
Group	10.9	10.3

### Average exchange rates

	FY 2013	FY 2012	% change
USD/ZAR	8.51	7.45	14.2
ZAR/MZN	3.42	3.78	(9.5)
ZAR/TZS	187.30	216.73	(13.6)
EUR/ZAR	10.97	10.24	7.1

## 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.

## 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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Annual results for the year ended 31 March 2013