Integrated report

For the year ended 31 March 2013

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www.vodacom.com

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About this report

Thanks for reading Vodacom Group Limited's integrated report for the year ended 31 March 2013. The Board approved this report on 31 May 2013.

'Vodacom', 'the Group', 'the Company', 'our' and 'we' all refer to Vodacom Group Limited and our operations. Also, 'last year' refers to the prior financial year ended 31 March 2012, 'the current year', 'the year' or 'this year' refers to the financial year under review, and 'next year' refers to the financial year ending 31 March 2014.

The scope of our report includes Vodacom Group and our operating subsidiaries, unless stated otherwise. Where we only have data for our South African operation, our largest subsidiary, we indicate this with (#). (*) indicates normalised growth excluding trading foreign exchange gains/losses and at constant currency (using the current year as a base) from ongoing operations.

20 for our operating subsidiaries.

We've changed the way we calculate our net promoter score ('NPS'). The change introduced a mid-point for respondents, which enables us to identify genuine promoters and detractors, and had the effect of lowering the score across all categories. Prior years have not been restated. Another change has been to disclose the number for prepaid and contract customers in South Africa separately, to reflect the different dynamics at play within these customer segments.

Improving our integrated reporting

The issues we report on in our integrated report are considered by leadership throughout the year. Our integrated reporting processes support "integrated thinking" which, in turn, provides the basis for our integrated report.

We track our NPS – our key measure of customer satisfaction – across all our operations monthly. Aside from ongoing engagement with our stakeholders, our People Survey and Reputation Survey are in their third year. These feedback mechanisms bring the views and concerns of our stakeholders to bear on strategic decision-making at the highest levels of the Group.

Every month our Executive Committee considers a report that assesses our five strategic priorities and related key performance indicators ('KPIs'). These monthly reports are also given to Board members.

Feedback on last year's report

This is our third integrated report. Our 2011 integrated report was placed in the top ten and retained first place in the telecommunications sector in the 2012 Nkonki Top 100 Integrated Reporting Awards.

Last year's report was placed in the top ten in Ernst & Young's Excellence in Integrated Reporting awards for 2012, with its brevity specifically commended. The judging panel said: "We enjoyed reading the Vodacom integrated report. The report is a very accessible one that demonstrates integrated thinking. The report is fresh, fun and innovative!"

This year we've tried to integrate the narrative more, especially in discussing our strategic priorities, providing relevant context and connecting information in relation to our ability to create value over time.

We also challenged ourselves to make our report even more concise by focusing on the issues most material to our stakeholders. Given that the legitimate concerns of our key stakeholders have defined the content boundary for our report, and that they inform strategic decision-making as a matter of course at Vodacom, we have decided not to include a stakeholder engagement table in our printed report. We still provide a stakeholders' report online.

4 for our material issues and the process followed to define them.

We've again provided summarised financials in our printed report, in line with the Companies Act, 2008, and prepared in terms of International Financial Reporting Standards ('IFRS') IAS 34: Interim Financial Reporting. The full set of consolidated annual financial statements ('AFS') are available online at **vodacom.com**.

Guided by the user feedback from last year's online report, we've simplified our online report for 2013. We've created four sections, within which users can access the different report sections as PDF downloads. Besides the full AFS, the online report once again includes additional reports and video interviews with our top executives on the most important aspects of our story for this year.

Towards full combined assurance

We did not achieve full assurance of our report as planned and again opted for limited assurance of certain key performance indicators ('KPIs') relating to each of our strategic priorities. The reason for this was that we're still refining the controls and governance around these measures to withstand the same level of scrutiny as financial information.

88 for the auditor's assurance report.

GRI self-assessment

We use the Global Reporting Initiative ('GRI') G3.1 guidelines to support global comparability. This year we have again reported at a GRI application Level B.

We have provided a response table to the relevant GRI indicators, at **vodacom.com**.

Forward-looking statements

92 for important information on the forward-looking statements used in our report.

91 for contact details on giving us feedback on the usefulness of our printed and online reports.

How we've performed

for the year ended 31 March

	2013	2012	2011
Financial			
Service revenue (Rm)	**59 336**	58 245	54 052
	1.9% change		
Revenue (Rm)	**69 917**	66 929	61 197
	4.5% change		
Data revenue as a % of service revenue (%)	**16.8**	14.0	11.9
EBITDA (Rm)	**25 253**	22 763	20 594
	10.9% change		
Opex[1] as a % of service revenue (%)	**23.7†**	23.7	24.1
Operating free cash flow (Rm)	**18 158**	16 934	14 837
	7.2% change		
Headline earnings per share (cents)	**872**	709	656
	23.0% change		
Dividend per share[2] (cents)	**805**	540	355
	49.1% change		
Economic			
Distributed to employees (Rm)	**4 427**	4 368	4 049
	1.4% change		
Distributed to governments through corporate taxation (Rm)	**5 337**	5 449	5 027
	(2.1)% change		
Distributed to providers of finance (Rm)	**12 697**	8 648	6 076
	46.8% change		
BBBEE score# (%)	**78.40**	75.77	70.84
Capital expenditure (Rm)	**9 456**	8 662	6 311
	9.2% change		
Social – Employees			
Number of employees[3]	**7 442**	7 503	7 513
	(0.8)% change		
Engagement Index – People Survey (%)	**75.0†**	73.0	73.0
Employee turnover[4] (%)	**7.0**	9.0	11.0
Women representation in senior management[4] (%)	**27.0**	26.4	22.6
Black representation in senior management# (%)	**49.1**	45.0	42.0
Ratio of average basic salary of men to women# (times)	**1.4**	1.5	1.4
Total training spend (Rm)	**56**	68	71
	(17.6)% change		
Social – Communities			
Active customers (thousand)	**51 676**	47 835	36 818
	8.0% change		
Active data customers (thousand)	**18 503**	15 107	10 168
	22.5% change		
Active M-Pesa customers (thousand)	**4 916**	3 139	1 317
	56.6% change		
Total foundation contributions (Rm)	**83**	77	95
	7.8% change		
Environment			
Number of base station sites	**12 835**	11 595	10 705
	10.7% change		
Number of shared sites#	**4 081**	3 646	n/m
	11.9% change		
M2M connections# (thousand)	**983**	793	694
	24.0% change		
Access network electricity# (GWh)	**206.6**	189.4	195.8
	9.1% change		
Core network electricity# (GWh)	**77.4**	65.7	n/m
	17.8% change		
Building electricity# (GWh)	**60.2**	81.2	101.8
	(25.9)% change		
Vehicle fuel (diesel and petrol)# (million litres)	**1.9**	1.9	2.1
	0.0% change		
Network equipment and handsets reused or recycled[5]# (tonnes)	**396**	254	611
	55.9% change		
Water consumption# (kl)	**243 509**	192 521	250 903
	26.5% change		
Paper utilised[6]# (kg)	**129 444**	102 956	138 260
	25.7% change		
CO_2 emissions[7] (tonnes)	**544 381**	526 837	410 471
	3.3% change		

Notes:
1. Staff expenses, publicity and other operating expenses, excluding trading foreign exchange.
2. This represents the sum of the final dividend declared from the previous financial year and the interim dividend declared at the interim period.
3. Number of employees in March 2011 has been restated.
4. Excluding Gateway.
5. In FY 2011 we replaced a large portion of our network with new equipment which substantially increased the waste we disposed of for recycling.
6. Paper utilised has been restated from 88 110kg to 102 956kg.
7. Total scope 1, 2 and 3 emissions (GHG protocol).

\# South Africa only.
† These items were included as part of our assurance process for the current year.

See glossary for explanation of terms used.

What's most material for us

We've tried to make our integrated report even more concise this year, focusing on the material issues our stakeholders most want to know about.

Network quality

Our networks underpin everything we do. All our services depend on our networks being up and working well, and any drop in quality impacts the customer experience. This is why improving and

maintaining the quality and resilience of **our networks** is the biggest and most important item of our capital expenditure.

Providing high quality networks is a key enabler of a truly differentiated customer experience, helping us retain existing customers and attract new customers. With governments and regulators starting to focus more on quality over tariffs alone, a drop in network quality can also result in action from regulators. Securing access to additional spectrum will become more and more critical to maintaining our network quality, given the capacity constraints we'll face as data usage climbs.

Reliance on the South African market

South Africa accounts for
89% of EBITDA and
81% of service revenue.

To unlock growth for the Group, we are focusing our investment on deepening penetration in existing markets, identifying opportunities outside of current markets and developing new profitable products and services. Growth in the domestic economy remains low, which is limiting consumer and enterprise spending. Inflation at around 6% remains a concern and challenges us further in keeping costs flat. These macroeconomic pressures make it critically important to focus on operational efficiencies.

With a mature local industry, penetration at some 140%, and growing pressure on traditional revenue streams, it is imperative that we diversify our product and service offering and our geographic reach.

Our senior management and our Audit, Risk and Compliance Committee consider the material issues below to be those that are most likely to affect our stakeholders' assessments of our ability to create value over time.

To define our material issues, we synthesised the issues that were top of mind for the Board and Executive Committee ('ExCo') during the year, with the key concerns of our stakeholders. We decided not to rank our material issues as they are interrelated and equally critical to our ability to create value. The material issues create the main storylines that run throughout our report, especially in the discussion of our strategic priorities.

Competition

Competition is intensifying across our markets, requiring that we continuously invest in building our competitive advantages. Established operators are all looking to grow market share, while new entrants are targeting our customers. Non-traditional players are increasingly branching into the telecommunications space and are able to cross-sell services to their existing customer bases.

Churn impacts revenue and drives up costs associated with acquiring new customers. Also, mobile applications such as instant messaging and voice over internet protocol ('VoIP') are impacting traditional revenue streams.

In responding to increasing competition, we focus on **delivering a differentiated experience,** new product and service offerings and better value to our customers.

Relationships with governments and regulators

Our relationships with governments and regulators are the basis for our licence to operate. To continue investing in our chosen markets we need a stable policy environment and favourable regulatory conditions.

In South Africa, the allocation of 2.6GHz and 800MHz spectrum has not been resolved. While finding new ways to utilise existing spectrum is a solution in the short term, the lack of spectrum will become a serious challenge in the near future. We believe with access to the requisite spectrum we can deliver broadband access as per government's 2020 goals.

Mobile termination rates ('MTRs') have been reduced in South Africa and are still being lowered in our International operations. Lower MTRs impact revenue in the short term, which we mitigate through new revenue streams such as data.

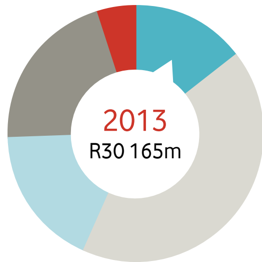
We continue to **align our strategies** with the national objectives of the countries in which we operate.

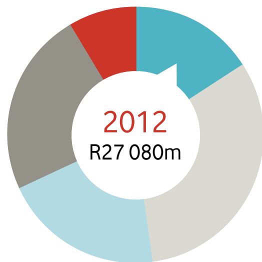
Talent and succession

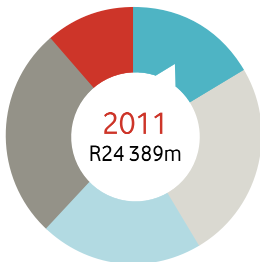
Having the right people with the right skills is essential for the delivery of our strategy. In line with our growth strategy, we're investing in the skills needed to resource our new market opportunities and diversify our service offering. We're also making sure that our people are **empowered and accountable to deliver their best.**

To be a leader in network quality and customer service requires that we attract, retain and develop technical skills in the countries we operate in, and build a diverse employee base that brings different perspectives and local knowledge to our business. Increasing competition means we have to work even harder to retain our best people and to mitigate the cost of replacing skilled employees. Our leaders are some of our most highly skilled people, in the industry and we ensure that we have succession plans in place for all key positions.

Value distributed:







%	2013	2012	2011
Employees	**14.7**	16.1	16.6
Finance providers	**42.1**	31.9	24.9
Government	**17.7**	20.1	20.6
Reinvested[1]	**20.7**	23.5	26.6
Retained	**4.8**	8.4	11.3

1. Depreciation, amortisation, impairment losses and deferred tax effects of R6 251 million (2012: R6 362 million).

The value we've created

We create value for all our stakeholders by keeping our customers happy.

Investing in our business

We invested

R9 456m

(2012: R8 662 million) in capital expenditure, mostly in deepening our network competitive advantage.

Investing in our people

We distributed

R4 427m

(2012: R4 368 million) to our employees in salaries, short- and long-term incentives and contributions to pension funds and medical aid schemes.

Contributing to our countries

Our corporate tax contributions amounted to

R5 337m

(2012: R5 449 million).

Returns for our providers of finance

Our providers of finance received

R12 697m

(2012: R8 648 million) of our total value created.

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

1

Our customers

Deliver an unmatched customer experience.

No. 1 corporate brand on social media in South Africa

26

2

Our growth

Drive data, new services and new opportunities.

Tanzanian active M-Pesa customers up 57.5% to 4.9 million

29

3

Our operations

Make our processes and businesses more efficient.

Leveraging scale from Vodafone Procurement Company

32

4

Our people

Build a diverse and talented team.

2ppts improvement in Engagement Index

34

5

Our reputation

Transform society and build stakeholder trust.

No. 1 in RepTrak™ pulse survey on reputation

36

Chairman's statement

Network investment is the unsung hero in the mobile connectivity revolution. Increased capacity is the mechanism through which we can sustainably offer more voice and data at lower and lower prices to customers.

Peter Moyo

R38 billion

invested in network infrastructure in the last five years.

Over the past few years much has been said about the boom in smart devices and how we're on the cusp of a revolution. It promises to put connectivity and internet access in the hands of every African and, in so doing, unlock the potential inherent in our economies.

Cheaper yet exponentially more powerful and more capable mobile devices are without question changing how we live, relate and transact.

Yet there's another, quieter revolution underway without which these devices would be impotent. In the past five years, Vodacom has invested R38 billion in network infrastructure, R9.5 billion in the past year alone. The scale of investment needed to support the smart device revolution is vast; it's not just a tweak and subtle upgrade of the networks we rolled out almost 20 years ago, it's more like the sea change between the Wright Flyer and an Airbus A380.

Indeed, the global industry association for mobile operators recently published research showing that the mobile industry is more capital intensive than mining, oil & gas, steel, and automobile manufacturing. This same study found that in 2012 alone, the global mobile industry invested US$200 billion; 35% more than the global mining industry.

For Vodacom, supporting this level of investment means we need to remain financially healthy and take the right commercial decisions to preserve our long-term viability. Competition in the markets in which Vodacom operates is intense and characterised by continued price deflation, making this a tough challenge. But Vodacom has done well to counter this competitive pressure through network and technology leadership, and overhauling its commercial model to drive increased usage and stable spend.

The challenge of increasing usage but without impacting network quality brings me back to my original premise that network investment is the unsung hero in the mobile connectivity revolution. Increased capacity is the mechanism through which we can sustainably offer more voice and data at lower and lower prices to customers. Spectrum plays a role here. There's a limit to how much voice and data traffic each base station can carry. As demand grows, mobile companies can either build additional sites or add additional radios to existing sites, but there's a limit to what the technology allows. The latter approach is more cost effective and supportive of further price reductions, but it also requires additional spectrum. The current situation in South Africa of refarming 2G spectrum to support LTE isn't ideal, and we're looking forward to additional spectrum being freed up by the digital dividend programme.

Mobile termination rates ('MTRs') have also been used by regulators to increase competition in the sector. Vodacom has been supportive of the reduction in MTRs over the past three years and continues to work with the Independent Communications Authority of South Africa ('Icasa'), on extending the downward glide path. The question is whether asymmetry, if granted, would be counterproductive and reduce the propensity to invest in networks. Asymmetry is typically applied to give new players a temporary boost, allowing them to become established. Once up and running, normal competitive rules resume. Asymmetry effectively means that the incumbent operators subsidise the new operator, which only makes sense in that early phase. We have a situation in South Africa where networks have been in operation for over ten years and we believe that these companies' shareholders, rather than our customers, should pay for their network investment.

Outside South Africa, Vodacom has accelerated network investment in the high growth International operations. Mozambique has demonstrated its growth potential with the number of data customers more than doubling, Lesotho has performed consistently, and Tanzania has excelled in building M-Pesa, so much so that we're rolling this model out to all of our other International operations. While we've not fully resolved the shareholder issues in the DRC, we have made significant progress operationally with the business becoming self-funding. We're also actively pursuing new opportunities across the continent and will carefully weigh up expansion opportunities to ensure they enhance rather than detract from this excellent growth story.

Stakeholder engagement remains a key theme for Vodacom. We have redoubled our efforts to communicate clearly and openly about electromagnetic frequency and health, and devoted much media time to explaining how this issue is intertwined with network quality.

We've embraced social media in particular as a highly effective channel to communicate one-on-one with our customers and other stakeholders, and have built one of the largest followings of any South African company. We have also refocused the Vodacom Foundation to concentrate on using mobile technology to make a tangible difference to society as a whole, particularly in the areas of education and health.

Moving from the external to the internal environment, the Nomination Committee has placed heavy emphasis on succession planning over the last few years. I'm pleased to say that these efforts have paid off in the smooth handover from Pieter Uys to Shameel Joosub in the position of CEO. Shameel hit the ground running when he returned from Vodafone Spain, and has immediately forged ahead. Pieter had been with Vodacom since its inception, and in his five years as CEO he laid the foundation for the network leadership that has placed Vodacom in such a strong competitive position today. The Board thanks Pieter Uys, Karen Witts and Paulo Bertoluzzo for their contributions. We welcome new members Serpil Timuray and John Otty, who have replaced Karen Witts and Paulo Bertoluzzo. We also welcome Ivan Dittrich who took up the role of CFO in June 2012.

During the year we conducted a thorough internal assessment of the Board and its five committees. I believe we are working effectively and look forward to the external review which will be conducted next year. We continue to benefit from the guidance of our colleagues at Vodafone and from the many advantages that come from being an increasingly significant part of one of the world's largest mobile communications companies. I would like to thank Vodafone, my colleagues on the Board, and Vodacom's management team for their dedication and tenacity, which is clearly evident in this year's solid financial and operational performance.

Looking forward, this industry is at a watershed. The benefits of connectivity are manifold and most definitely not limited to an elite few, as the runaway success of M-Pesa in Tanzania shows. We are fully supportive of the broadband rollout objectives of the governments we partner with. Spectrum and MTRs are two key areas that, if approached correctly, can foster lower prices and support continued network investment. If approached in the opposite manner, they run the risk of stalling the smart device revolution before it truly takes off.

On behalf of the Board I extend thanks to all our stakeholders for their support in the last year.

Outside South Africa, Vodacom has accelerated network investment in the high growth International operations.

Interview with the CEO

Increased competition, and pricing and cost pressures aren't temporary challenges. They're a fact of life that we need to embrace and adapt to.

Shameel Joosub

We radically transformed our

customer offerings

to provide simple worry-free products and pricing.

Did your time as CEO of Vodafone Spain change your perspective on Vodacom?

A: My time in Spain was extremely useful in that I was able to gain experience working in a new market and within a different regulatory environment. Perhaps more importantly, I was also able to learn from my European colleagues about managing businesses at different points in the growth cycle to South Africa.

How has Vodacom's commercial strategy changed?

A: We've got a clear strategy to differentiate our brand, based on three pillars: best network, best value and best service. The requisite network investment, and our efforts to strengthen our distribution particularly in rural areas, underpins this strategy.

From a commercial perspective, we've radically transformed our customer offerings to provide simple worry-free products and pricing. I know that sounds obvious, but I cannot overstate how much work has to go into systems and billing platforms to effect this level of change.

We launched the Free4Sho prepaid range, which gives customers three differentiated offers: per second billing for those who like to make quick calls, with the added benefit of free late night calling; pay for three minutes and get the rest of the hour free, for those who make longer calls; and Vodacom4Less with dynamic discounting for those customers who are especially price conscious. On the contract side we launched the Smart and Red products, which provide integrated voice/data/messaging packages at fixed price points. This is a move away from the more traditional packages built purely around voice, as a data centric world becomes more of a reality.

In South Africa we re-introduced a regional marketing model, giving us the flexibility to tackle competitors through targeted campaigns relevant to specific communities. This allowed us to regain market share lost earlier in the year.

We're also in the process of changing our customer service approach to provide a holistic experience. This involves mapping out all interactions with customers and systematically improving each of these.

More broadly we've extended our growth horizons, focusing on new services as well as opportunities for geographic expansion.

To support all of these changes we restructured our commercial teams and brought in new talent including expertise in FMCG from outside the Group and relevant experience from elsewhere in the Vodafone Group. Overall our focus was to get the right balance between local flair and global best practice.

Data is an important growth driver – is it showing signs of slowing yet?

A: Not at all – if anything data usage is accelerating. Not only are more people adopting smart devices as prices come down and capabilities increase, but multiple device ownership is a big trend. We've now got 18.5 million active data customers across the Group, 22.5% higher than last year. In South Africa, the number of smartphones has risen 26.0% to 6 million and the average amount of data used per device increased 51.1% to 139MB. In the International operations, data revenue was up 106.9% in comparison to last year.

Can your networks keep up with rapidly increasing voice and data volumes?

A: The scale, reach and sophistication of our networks is a crucial competitive advantage that we're guarding closely. By investing R38 billion over the past five years we've prepared well for the current data boom. In the past year our capital expenditure of R9.5 billion supported the building of another 1 752 3G and 1 406 2G base stations. In addition to building new base stations we've also focused on increasing the number of sites supplied by our own high-speed transmission infrastructure. By doing this we've both increased capacity and reduced costs.

What were the highs and lows this year?

A: Starting with the financial results, I'm proud of what the team achieved this year. Headline EPS grew 23.0% to 872 cents, we increased the dividend payout for the full year by 10.6% to 785 cents, and EBITDA was up 10.9% to R25 billion. Even more significant was the 2ppts increase in the EBITDA margin to 36.1%.

In South Africa the customer base increased 4.9% to 30 million, but service revenue declined slightly. We took deliberate steps this year that temporarily impacted service revenue growth but at the same time this has set us up for improved profitability and growth in the years ahead. The first action was to tighten up control of distribution and eliminate losses on low value calling cards, enabling us to redirect spending to more profitable customers and to be more competitive in retail. We also made a deliberate investment in increased handset financing to customers resulting in higher smartphone and tablet sales, which will in turn drive increased data uptake. MTR reductions, poor performance from service providers and strong price competition also impacted revenue.

Our International operations were again the star performers, driving 4.5% overall revenue growth for the Group. In the previous financial year, the International operations accounted for 14.6%* of revenue and 6.4% of EBITDA. That went up to 17.3%* of revenue and 10.8% of EBITDA, a really pleasing result.

From a cost perspective we controlled things well, reducing operating cost as a percentage of service revenue by 0.4ppts*.

Other key highlights for me were the launch of LTE in South Africa in record time, M-Pesa going from strength to strength in Tanzania, and being the first operator to launch 3G services in the DRC.

In terms of the lows, while we improved our safety performance we still had three contractor fatalities. This is unacceptable and we're redoubling our efforts to achieve zero fatalities in all our operations.

Also, we took a decision to exit the Gateway Carrier Services business and used this opportunity to amalgamate all of our enterprise businesses into one pan-African operation with strong growth potential.

What's keeping you awake at night?

A: I wouldn't say they're keeping me awake, but the importance of securing additional spectrum and the impact of MTRs are key factors that we need to manage carefully.

With additional spectrum we can increase the reach, speed and quality of our networks in support of national broadband rollout goals. We're working with the authorities in all our countries on this. On MTRs, we support continued reductions via a structured glide path in South Africa, but we don't feel that asymmetry for players that have been in the market for a long time is warranted. Getting the glide path right achieves the right balance between investment and pricing, and will help to avoid the inadvertent consequence of undermining the network quality we're able to deliver to our customers.

Another thing that's very important for me is to empower our employees to change what's not working, and to be accountable for doing what's necessary for us to deliver on our strategy. It's clear what we need to do to differentiate our brand and grow our businesses. We're going to need to be increasingly innovative in strengthening our competitive advantages and retaining our market leadership, both in the products and services we offer and in driving efficiencies.

I'm thankful for the warm welcome back I've had from the Board and the people of Vodacom, and I'm really excited about what we can achieve in the next few years.

The annual CEO awards is when we recognise those individuals singled out by their peers and managers as being the best. Roland Reddy won best volunteer, as he successfully implemented nine volunteer projects this year and has become a bit of a National Volunteer Champion.

Interview with the CFO

We've delivered solid growth against all key financial measures. Our focus on costs has helped deliver strong EBITDA and free cash flow growth, despite moderate revenue growth.

Ivan Dittrich

EBITDA grew well ahead of revenue at

10.9%,

with a two percentage point expansion in the Group EBITDA margin.

What stood out in this set of results?

A: I'm very pleased with the solid financial performance, with growth delivered across all of our key financial measures. Group revenue was up 4.5% to R70 billion and normalised service revenue up 2.9%*, in line with our guidance of low single digit growth. Group data revenue and normalised International service revenue were both up 22%, which supported Group revenue growth.

EBITDA grew well ahead of revenue at 10.9%, with a two percentage point expansion in the Group EBITDA margin. This was mainly due to our International operations achieving scale efficiencies and savings made in various areas across the Group, which offset inflationary pressures.

Despite our substantial investment in working capital, free cash flow increased 11% to a healthy R12 billion. HEPS rose 23% to 872 cents, benefiting from the change in secondary tax on companies ('STC'). Excluding STC, HEPS was up 14.1%, which I think is a solid result.

Is service revenue growth of low single digits achievable next year, given the negative growth in the fourth quarter?

A: I am confident that we can achieve our low single digit service revenue growth.

Certain commercial actions we took to improve overall profitability impacted on Group service revenue in the final quarter of this year. This involved taking steps in the distribution channel to stop the increase in prepaid customers showing once-off low usage, and improve the quality of our customer base in this segment. This depressed customer and service revenue growth, but realised savings that we managed to redirect into other areas with better returns. In the fourth quarter we also took the impact of the additional mobile termination rate ('MTR') cut in South Africa. If we adjust for this and the leap year/Easter holiday impact, South Africa service revenue grew 1.3% in line with the third quarter.

We also invested in handset financing to support higher smartphone sales. This resulted in a substantial increase in working capital cash outflows and lower service revenue growth but boosted equipment revenue growth. Service revenue growth was also impacted by a significant reduction in least cost routing ('LCR') traffic, particularly in the fourth quarter as a result of a substantial reduction in our LCR price plan.

Looking forward, we believe that service revenue growth will recover and we expect to deliver low single digit growth. Sustained growth in both data services and our International operations will support this.

What have you done to achieve EBITDA margin expansion this year?

A: Overall, we did very well to control operating expenses tightly in the year and expanded the Group EBITDA margin by 2ppts.

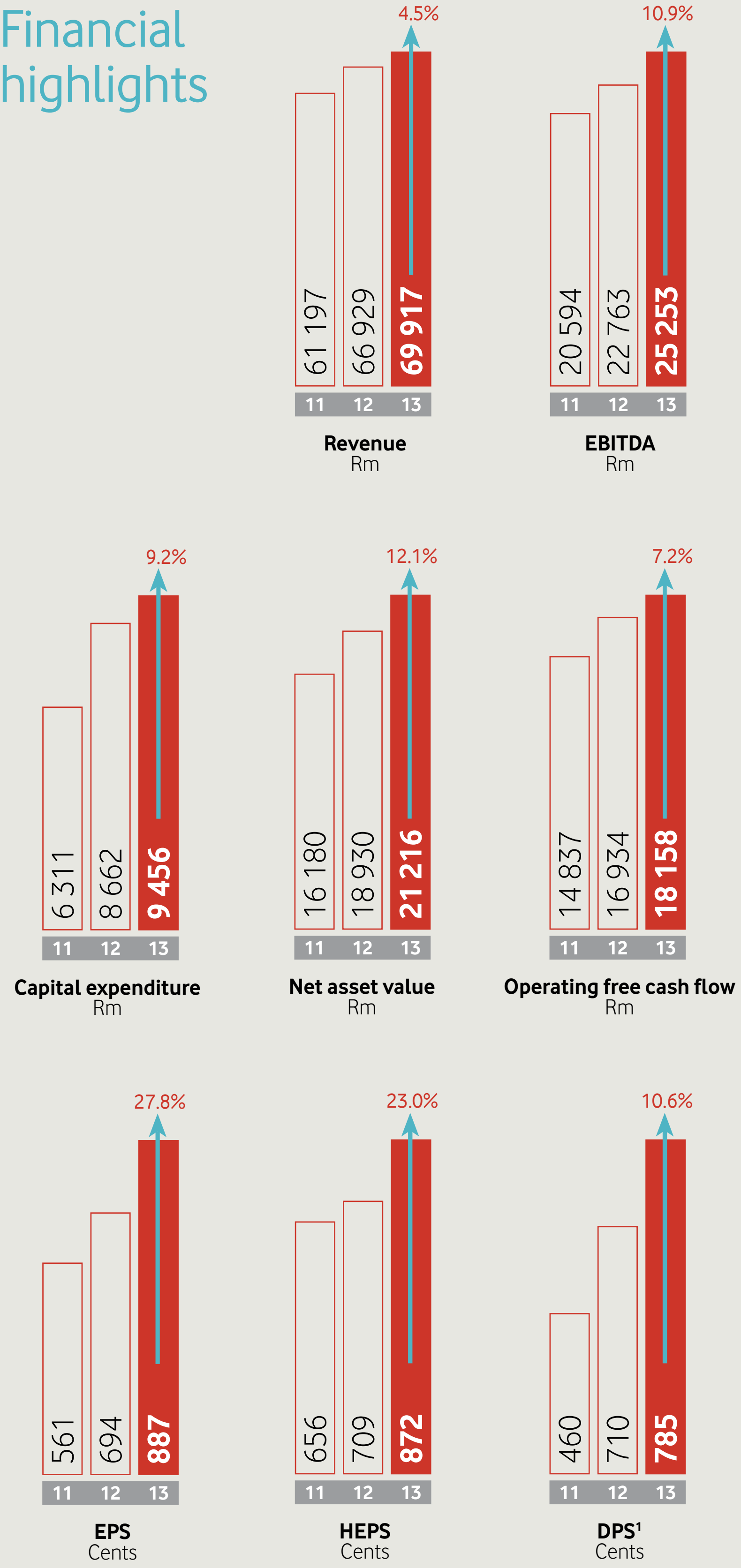
Our investment in renewing our radio access network and providing our own transmission is reducing our network running costs. We're also benefitting from leveraging Vodafone's scale benefits, moving more of our purchases to the Vodafone Procurement Company where it makes sense to do so. I believe there is still opportunity to reduce costs further in both these areas.

We're transforming our IT and billing systems and are in the process of mapping our customer journeys to extract additional process efficiencies. We're also enhancing and rebalancing customer acquisition costs by reducing the spend on unprofitable calling card customers, better device return management and greater efficiencies in distribution, particularly in Tanzania where an increasing amount of airtime is purchased directly through M-Pesa.

Underpinning the transformation in our processes and systems is Project EVO, which is focused on streamlining procurement, finance and HR processes. EVO is Vodafone's global SAP-based ERP system, replacing our previous Oracle system. This will make a huge difference in making it easier and more efficient to run the business.

Ultimately, standardising and simplifying our processes and extracting greater efficiencies not only supports our cost management objectives but supports our strategy to deliver a better service to customers and offer them competitive value.

Financial highlights

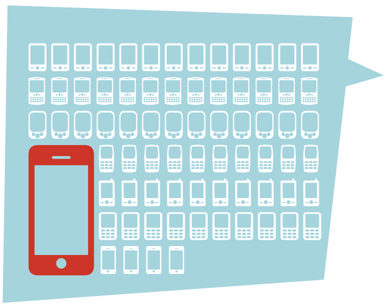


1. Total dividend declared for the financial year.

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. Looking ahead to the next five years, we are ready to manage and capitalise on the broader global industry trends discussed below[1].

1. Statistics and insights from "The Mobile Economy 2013" by the GSMA and AT Kearney, available at www.gsmamobileeconomy.com.



Between 2012 and 2017, it's expected that there will be some **3 billion new connections** globally, with Africa accounting for 20% of this growth.

for Vodafone studies and research affecting the mobile industry.

Growth in connections

New connections are continuing apace despite penetration reaching 100% in many countries. A big driver of this is that people are using more than one device, each requiring their own SIM, all of which are communicating with mobile networks. The proliferation in machine-to-machine communications using mobile networks is also driving new connections.

Between 2012 and 2017, it's expected that there will be some 3 billion new connections globally, with Africa accounting for 20% of this growth. It's up to mobile network operators to evolve in line with how their networks are used, with opportunities emerging in areas such as automotive, health, utilities, education and financial services.

Data growth

Growth in data is nothing short of explosive, with global mobile data traffic in 2012 alone exceeding all previous years combined. Global growth is expected at 66% a year for the next five years to 11.2 exabytes a month, equivalent to 5 billion hours of HD video. Smartphones are driving this growth in all markets, their uptake spurred on by more affordable devices and faster download speeds through new technologies such as 4G.

Limited spectrum

The availability of spectrum necessary for rolling out new technology and services is a concern for mobile operators around the world. Although new technologies are enabling more efficient use of existing spectrum already available to mobile operators, this is only a short-term solution. If networks are to keep pace with data growth, then spectrum, as a limited resource, needs to be carefully managed and any additional spectrum that is made available needs to be used smartly to ensure that future demand can be met.

Industry innovation

Device manufacturers and operating system developers are racing to differentiate themselves through smartphones that are faster and more intuitive. Network infrastructure vendors are responding to efficiency demands and content providers and developer communities are harnessing new hardware and software capabilities to deliver ever-more innovative services over mobile.

Increasing competitiveness

Mobile operators are moving into non-traditional areas such as financial services and finding new ways to leverage their existing relationships with customers. At the same time, players in other industries are moving into the mobile space, threatening revenue streams such as messaging and voice. The distinction between mobile operators and other sectors is becoming increasingly blurred, which means that operators must be proactive in offering new services, differentiating themselves and leveraging their strengths.

Regulatory

South Africa

Spectrum

The availability of additional spectrum remains one of the most pressing concerns for mobile operators. The Independent Communications Authority of South Africa ('Icasa') has postponed licensing new spectrum in the 2.6GHz and 800MHz bands until after the Department of Communications ('DoC') publishes its over-arching policy directive for spectrum licensing in the information and communication technology ('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 achieve broadband access for all and deliver on its 2020 broadband goals. In line with these national objectives the government recently published a draft National Broadband Policy for comment.

ICT Sector Code

During the year the Department of Trade and Industry ('dti') promulgated the ICT Sector Code (previously the ICT charter) for Broad-based Black Economic Empowerment ('BBBEE'). The code is legally binding and includes a sector-specific scorecard. Our BBBEE initiatives for the year were aligned to the sector code. The dti also proposed amendments to the BBBEE Act and the Generic Codes of Good Practice which are yet to be finalised by parliament. An assessment of the impact of these changes on Vodacom will be conducted once they are promulgated.

Mobile termination rates

On 1 March 2013, mobile termination rates ('MTRs') reduced to R0.40, resulting in a 28.6% and 23.1% reduction in peak and off-peak respectively. This was the last reduction of the four-year glide path agreed with Icasa, which has initiated a periodic market review process including the consideration for further MTR cuts.

Licence fees

The new licence fee regulation has changed the basis on which licence fees are determined from gross profit to revenue with effect from 1 April 2013. For Vodacom, this change has resulted in a small decrease in our annual licence fee.

International

Tanzania

In January 2013, the regulator issued draft regulations on telecommunication traffic monitoring for comment and has since formed a technical committee with representation from all local operators. It is proposed that the traffic monitoring system will be funded by a tax applied to the incoming international traffic call charge.

MTRs reduced by 68.8% on 1 March 2013 to TZS34.92 as part of the new glide path introduced by the regulator, following the conclusion of a five-year glide path in December 2012. This new glide path will conclude on 1 January 2017, bringing the rate down to TZS26.96.

The regulator announced in April 2013 that it will work with mobile network operators to ensure full compliance with customer registration requirements.

Consultations on mobile number portability and a new traffic monitoring system to combat fraud are also underway.

The East Africa Community, the regional intergovernmental organisation of a number of East African countries, announced in April 2013 that it had started consultations on introducing a common communications regulatory framework and an international roaming policy. We will monitor developments in this regard.

DRC

In the DRC, MTRs reduced by 25% to US$0.06 on 1 April 2012, in line with the published glide path. The final reduction under this glide path was on 1 April 2013, when MTRs were cut to US$0.04.

In June 2012, a 20-year 3G licence was issued to Vodacom DRC.

In February 2013, a new tax law was introduced which resulted in changes to tax dispute procedures. We are working with other major companies in the DRC to engage government on areas of concern regarding the new law. In March 2013, the DRC government informed mobile operators that tax on international inbound traffic would increase from US$0.05 to US$0.08 per minute.

The duration of the retail voice price floor of US$0.10 was extended to 30 June 2013. The regulator reaffirmed that all operators must comply with this price floor, and is consulting with industry on whether it should be retained.

Mozambique

Since August 2012, all operators are blocking unregistered SIMs as per the regulator's directive. On 1 January 2013, MTRs in Mozambique declined 20.4% to MZN1.99 as part of a new glide path ending 1 January 2015. The final reduction will bring MTRs down to MZN0.86.

In February 2013, the regulator announced that it would be conducting an auction of 800MHz spectrum, which is expected to be completed in the new financial year.

The licence required to offer M-Pesa services in Mozambique is expected to be granted in the first quarter of the new financial year.

Lesotho

The regulator in Lesotho introduced a new MTR glide path, with the first reduction on 15 October 2012 of 19.4% bringing MTRs down to R0.58. This glide path will conclude on 15 October 2014 when MTRs will reduce to R0.38.

The Communications Act 2012 came into force on 27 April 2012, replacing the Lesotho Telecommunications Act 2000. The Act introduces a competition-law based regulatory framework where regulation is imposed on licensees determined as holding a dominant position. The Act also increases regulatory powers in the areas of interconnection agreements and retail tariff approvals.

Southern African Development Community

In November 2012, the Ministers of Telecommunications issued decisions requiring the mobile industry to comply with international roaming transparency requirements by 1 June 2013 and "roam like a local" roaming requirements by 1 June 2014.

What we live for

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.

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

Our Purpose

Why we exist

Connecting you, creating possibilities, changing lives

Our Vision

Where we are going

Best network, best value, best service

vodacom

Our Way

How we need to do it

Speed, Simplicity and Trust

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

Our Strategies

What we need to do

Working smarter to:

- Deliver an unmatched customer experience.
- Drive data, new services and new opportunities.
- Make our processes and businesses more efficient.
- Build a diverse and talented team.
- Transform society and build stakeholder trust.

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

10 year

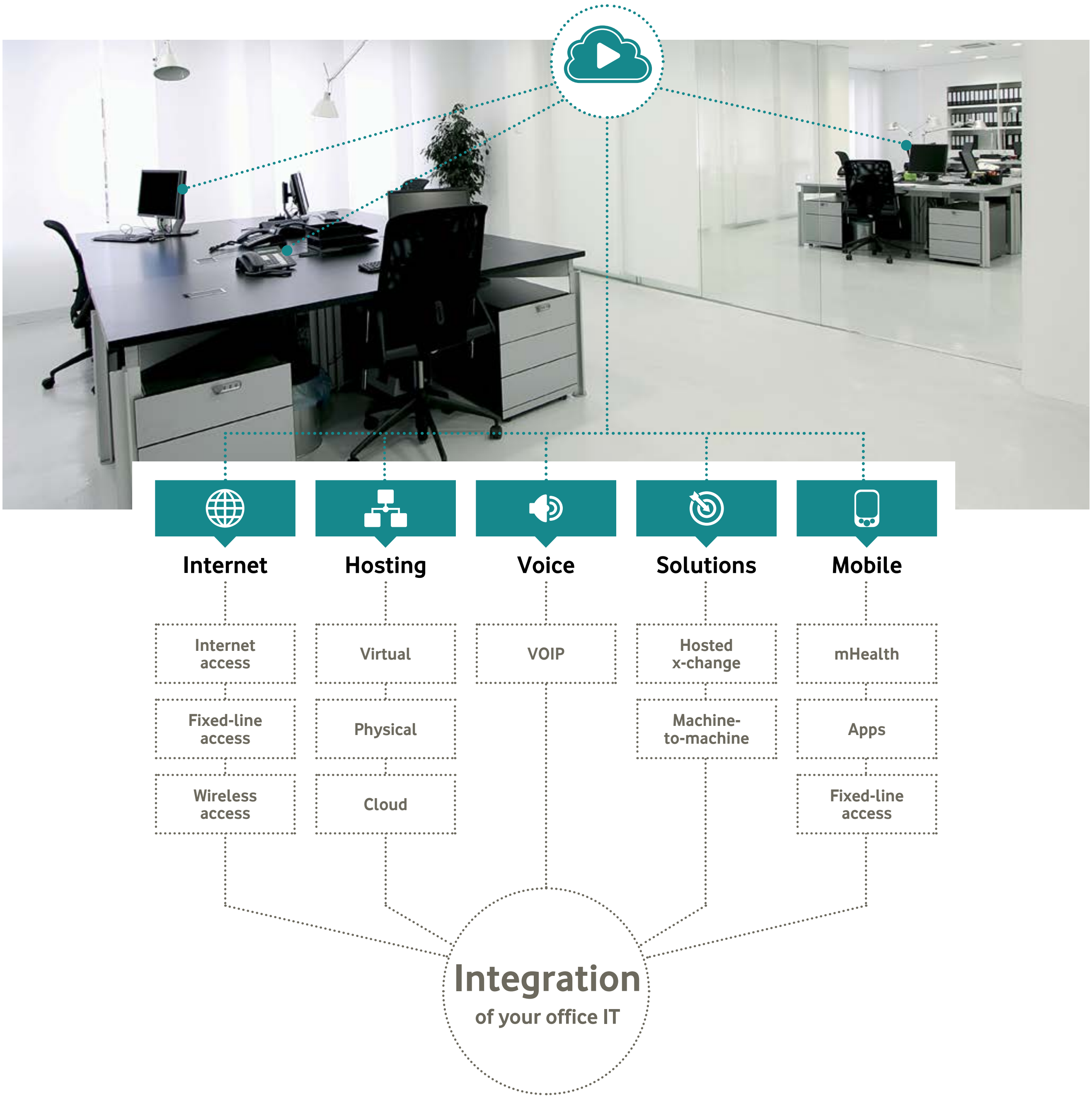
anniversary of Vodacom DRC.

What we do

Vodacom is an African information and communications technology company providing voice, messaging, data and converged services.

We have 51.7 million active customers on many different devices connected to our world-class networks, serviced through our various distribution and service partners. Our core services are voice, messaging and data, which are all available on either contract, top up or prepaid. Contract gives you the convenience of paying for services after you've used them via monthly debit order, whereas prepaid lets you control how much you spend upfront without being locked into a contract. Top up is a hybrid between our contract and prepaid packages. Our new integrated plans give you talk, text and loads of internet.

Vodacom Business helps our enterprise customers work smarter, whether it's a small or home office, a small to medium enterprise, a large corporate or a public sector entity. As a first-tier connectivity and network provider, and through our cloud facilities, we make it possible to manage bandwidth requirements seamlessly over guaranteed fixed-line and wireless connections. We can also work with customers to put together a combination of services that meet their needs and support the security and integrity of their business and help them become more efficient and save costs.



Where we operate

From our roots in South Africa, we've grown our 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.

DRC

Population	Active customers	Shareholding	Mobile penetration
72 million	7.7 million	51%	28%

South Africa

Population	Active customers	Shareholding	Mobile penetration
52 million	30.3 million	93.75%	144%

Central offices for Vodacom Business Africa.

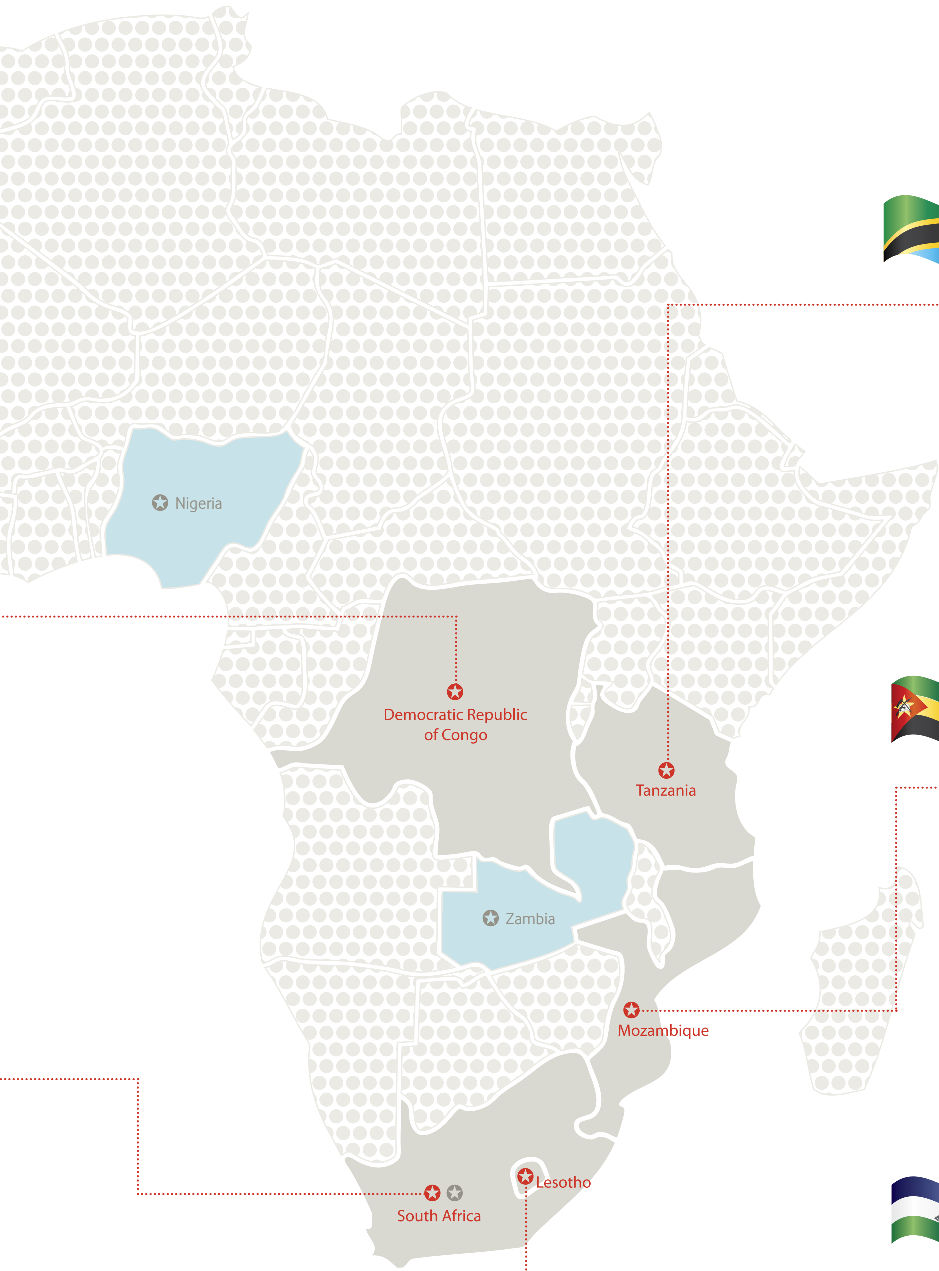
Points of presence

Formal

South Africa	11 200
Tanzania	98 000[1]
DRC	800
Mozambique	1 000
Lesotho	200

1. Includes unique M-Pesa agents.

The 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 that are unique to M-Pesa sales only.



Tanzania

Population	Active customers	Shareholding	Mobile penetration
49 million	9.5 million	65%	55%

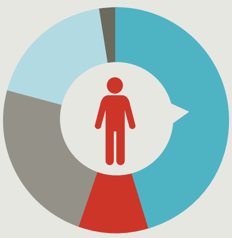
Mozambique

Population	Active customers	Shareholding	Mobile penetration
25 million	3.0 million	85%	32%

Lesotho

Population	Active customers	Shareholding	Mobile penetration
2 million	1.1 million	80%	65%

Informal



South Africa	29 700
Tanzania	6 500
DRC	15 600
Mozambique	12 100
Lesotho	1 500

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

How we're managed

Ethics

For our Social and Ethics Committee report go online

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, 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

- Our Social and Ethics Committee expanded its role in overseeing ethics and social responsibility in the Group.
- We conducted organisational culture, ethics and reputation surveys to assess and manage ethics risk.
- We continued rolling out our Purpose Based Organisation, Vodacom Way, ethics and anti-corruption programmes.
- We launched an updated code of conduct and a new, global "speak up" whistle-blowing line.
- We continued to get contractual commitments from our business partners and suppliers to comply with our ethical purchasing requirements, including health and safety and anti-corruption measures.

Governance

For our corporate governance report, go to page 68

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 completed a comprehensive internal Board evaluation during the year, which found that overall the Board was working well.
- We did a comprehensive review of our compliance with King III and have improved on our disclosure where applicable.
- We adopted a well-defined technology governance framework and charter in line with King III's IT governance principles.

Risk management

For our risk management report, go to page 64

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

- The Risk Management Committees in our International operations are now fully functional in line with Group standards.
- We improved and tested our internal crisis communication process for better responsiveness in managing crises and communicating effectively with customers at such times in all our operations.

Remuneration

For our remuneration report, go to page 73

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 faithfully they apply our business principles.

Key developments

- We changed our CEO's remuneration package, so the bonus is now determined by business performance only, and long-term incentives have a co-investment requirement based on performance.
- We fell short of our key financial performance targets resulting in an overall Group business multiplier of 76% out of a potential maximum of 200%.
- Our executive directors did not receive an annual increase, prescribed officers received 4.8% and all other employees received 6.0%.


6.3m
active smartphones and tablets in South Africa.

Who governs us

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- S Social and Ethics Committee

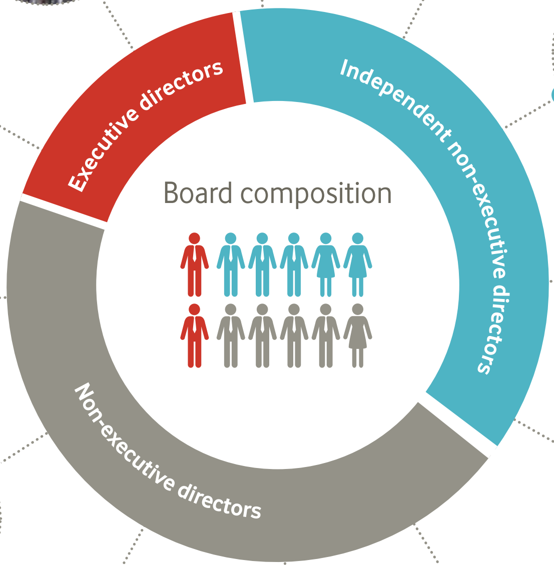
Mthandazo Peter Moyo (50)
Chairman of the Board
Appointed Chairman in May 2009
➤ Financial, corporate and governance expertise
➤ Entrepreneurial flair
➤ Government relations experience
N S

Mohamed Shameel Aziz Joosub (42)
Appointed in September 2012
➤ International operational experience
➤ Sound financial expertise
➤ Commercial strategist
S

Phillip Jabulani Moleketi (55)
Appointed in November 2009
➤ Corporate leadership
➤ Understands public sector relations
➤ Corporate and strategic leadership experience
A S

Ivan Philip Dittrich (40)
Appointed in June 2012
➤ Diverse financial experience
➤ Sound financial governance knowledge
➤ Executive leadership background

Thoko Martha Mokgosi-Mwantembe (51)
Appointed in May 2009
➤ Technical insight
➤ Strategic marketing focus
➤ Expertise in innovation
N R



N R
Nicholas Jonathan Read (48)
Appointed in September 2010
➤ Operational best practice
➤ Insight into diverse multinational organisations
➤ Financial focus

A
Albertinah Kekana (40)
Appointed in May 2011
➤ International financial and investment expertise
➤ Corporate leadership
➤ Knowledge of best practice in corporate governance

John William Lorimer Otty (49)
Appointed in September 2012
➤ Sound financial governance background
➤ Extensive telecoms knowledge
➤ Regional insight

David Hugh Brown (50)
Appointed in January 2012
➤ Corporate leadership experience
➤ Financial expertise
➤ Corporate governance expertise
A R

Ronald Adrianus Wilhelmus Schellekens (49)
Appointed in February 2009
➤ Expertise in human resources best practice
➤ Understands corporate best practice
➤ International operational experience
N R S

Michael Joseph (67)
Appointed in May 2009
➤ Understands innovation
➤ Strategy and business leadership experience
➤ Emerging markets expertise

Serpil Timuray (43)
Appointed in September 2012
➤ Business leader
➤ Brand and distribution knowledge
➤ Operational expertise

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.

1. SN Maseko resigned on 14 June 2012.
2. IP Dittrich was appointed on 15 June 2012.
3. The following members resigned on 6 September 2012: PJ Uys, P Bertoluzzo and K Witts.
4. The following members were appointed on 6 September 2012: MS Aziz Joosub, S Timuray and JWL Otty.
5. A Kekana will step down from the Board at the conclusion of the annual general meeting on 18 July 2013. The Board has nominated YZ Cuba to replace her.

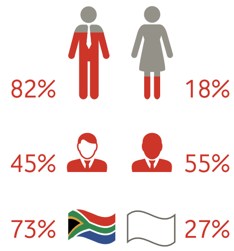
For detailed biographies of the Board go to vodacom.com.

Who leads us

Executive Committee

During the year we restructured our Executive Committee to streamline the delivery of our strategy.

CEO
Shameel Joosub (42)
Chief Executive Officer
Joined Vodacom in March 1994



Finance
Ivan Dittrich (40)
Chief Financial Officer
Joined Vodacom in June 2012

International
Johan Dennelind (43)
Chief Executive Officer: International
Joined Vodacom in December 2010

Technology
Andries Delport (48)
Chief Technology Officer
Joined Vodacom in June 1996

Enterprise
Vuyani Jarana (42)
Enterprise Business Unit
Joined Vodacom in December 1995

Consumer
Phil Patel (41)
Consumer Business Unit
Joined Vodacom in July 2012/ Vodafone in March 2004

International
Romeo Kumalo (41)
Chief Operating Officer: International
Joined Vodacom in August 2004

Corporate affairs
Maya Makanjee (51)
Chief Officer: Corporate Affairs
Joined Vodacom in June 2012

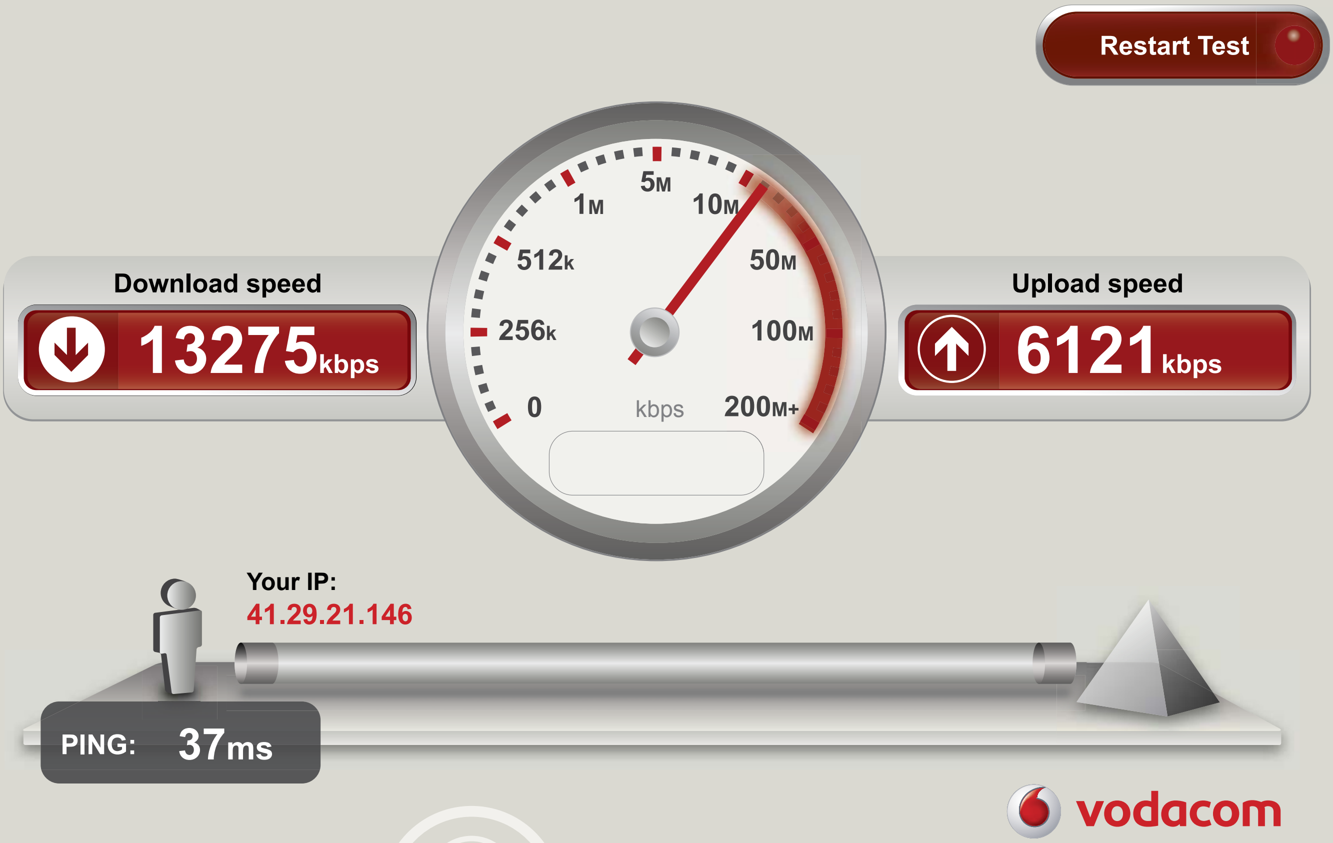
Legal and regulatory
Nkateko Nyoka (50)
Chief Officer: Legal and Regulatory
Joined Vodacom in October 2007

Human resources
Mpho Nkeli (48)
Chief Human Resources Officer
Joined Vodacom in February 2011

Strategy
Neil Gough (52)
Chief Officer: Strategy and New business
Joined Vodacom in August 2011/ Vodafone in March 2003

1. Johan Dennelind has resigned effective 30 June 2013 and the Chief Operating Officer: International, Romeo Kumalo will head up the International business.

For detailed biographies of the ExCo go to vodacom.com.



Our customers

Working smarter to deliver an unmatched customer experience.

Smart delivery

We're always looking for ways to give our customers the best network experience, and when it comes to data, speed is critical. Vodacom was the first to launch long-term evolution ('LTE') in South Africa on 10 October 2012. At launch, we had 70 sites live in Gauteng, and have since grown this to 601 sites at end March 2013. What makes this story really remarkable is that we only decided to launch LTE in September 2012, mainly because LTE handsets became available that work in the 1800MHz spectrum band, which we are licensed to use. We first had to open up capacity on the 1800MHz band to accommodate LTE, but we were able to do this quickly thanks to the investments we've made in our network over the last few years to get it ready for LTE.

How we've done in our net promoter score

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

%	2013	2012	Relative to competitors
South Africa: Prepaid[1]	55[†]	73	2nd
South Africa: Contract[1]	31[†]	59	1st
South Africa: Total[1]	42[†]	65	2nd
Tanzania[1]	58	68	1st
DRC[1]	51	35	2nd
Mozambique	78	78	1st
Lesotho	28	n/m	2nd

1. We changed our methodology in the current year to align to Vodafone Group policies, leading to a reduction in our score. We have stabilised the score by eliminating outliers.
† These items were included as part of our assurance process for the current year.

Giving our customers the best experience is vital to our profitability in an intensely competitive industry. While our success until now has mainly been founded on network leadership, we're working hard to improve our differentiation in service and value. Delivering an experience that truly sets us apart helps us retain our customers, reduces the cost and disruption of churn, and inspires them to recommend us to others, which grows our market share and our revenues. We will further increase focus on differentiation to improve from our second position in prepaid NPS in South Africa and overall NPS in DRC.

Best network

Our network strategy is to differentiate our brand by offering our customers the widest coverage, fastest speeds and best network quality. We invest significantly – R9.5 billion in the last year – in getting this right and supporting the rapid growth in data traffic. We expanded our network capacity, adding 1 752 3G and 1 406 2G sites across the Group, during the year.

We're also modernising our networks, making them far more efficient, more flexible (to support new products and services), and freeing up capacity. All this makes for a better customer experience. We have converted all our base stations in Mozambique and Lesotho to single RAN technology, with 77% converted in South Africa, 81% in Tanzania and 84% in DRC. We expect to complete the RAN programme in all our markets by the 2015 financial year.

We monitor our networks daily. We have empowered our regional teams to address local network issues directly, without the constraints of centralised bureaucracy. This is in keeping with our values of speed, simplicity and trust, which are enabled by direct accountability.

Best service

We've changed our customer service approach to providing a holistic experience, improving and introducing more channels to help our customers and enabling them to help themselves. Customers are able to switch between these channels with ease.

As a basis for delivering consistently excellent service across all touchpoints, we've focused on understanding customer journeys. Part of this is mapping all possible interactions through our stores, call centre, Twitter, Facebook and email. We are investing heavily in the IT systems that support our customers' interactions with us, specifically in gaining a single view of the customer across all points of contact. Making sure we have the necessary analysis ready should a customer choose to change a calling or pricing plan is also part of this new functionality.

We're also improving our store experience. Our new stores will offer more interaction, with live devices available for demonstrations and well-trained employees able to identify and fulfil a customer's needs right there

Forbes magazine:
No.1 brand
on social media in South Africa.

LTE firsts:

- First to launch in South Africa.
- First to offer circuit switched fallback ('CSFB') voice[1].
- First to offer the Samsung Galaxy SIII and iPhone 5 with LTE.

1. Offers our customers the ability to make and receive voice calls via our 2G/3G networks using the same LTE handset.

Prism awards:
Social media for public relations.

Top honours in the telecommunications category at the 2012 Times and Sowetan Retail Awards.

Strategy 1: Our customers continued

and then. Ensuring a customer leaves the store fully connected, especially with the right data will be a specific focus. This includes choosing the right bundle, setting up their email and downloading the most important apps.

We're also focused on realising the opportunity of the online retail channel. More consumers are doing their research online before they buy, and we've seen online hits increase from 1.6 million last year to 2.5 million this year. We've also seen online upgrades go from 500 to 1 500 a month. The potential for this type of online transacting is huge and we'll be investing in this channel next year to offer our customers a truly differentiated online experience.

We introduced a Vodacom app in the year, which gives customers access to a range of self-help options and allows them to monitor their usage and purchase bundles. The app displays bundle information, data usage, upgrade dates and other account information, and allows customers to buy additional bundles. In the first two weeks from the launch, there were close to 2 000 downloads of the app a day, making it one of the top apps on the South African iTunes store.

Other new services include Vodafone Protect, which allows customers to locate lost or stolen phones, wipe confidential information and protect against privacy violations, malware and software viruses. In addition, to promote safe and responsible use of digital technology by children, we launched Vodafone Guardian, which lets parents manage a child's smartphone usage, protecting them from inappropriate calls, SMSs and websites. Private companies can also use this service to control employee data costs.

We spent considerable time on customer care in the year. We reviewed the top issues our customers log with the call centre and looked at ways to resolve the root causes of these problems. Along with improved access to self-help portals, this has allowed us to reduce calls to customer care by nearly 25% in South Africa and has lowered the cost of servicing our customers.

Best value

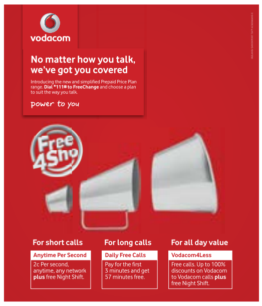
While we seek to stay competitive across all price points and product offerings, we compete on value. We aim to offer our customers more value for their money and provide simplified product offerings. We have transformed our approach to pricing in all our markets, to demonstrate clear value to customers. Our efforts to differentiate ourselves through network and service underpin our value strategy.

We're transforming our contract customer base from single-service voice to all-inclusive packages including voice, messaging and data. As part of offering a complete package, we're also making available the best and latest phones. In South Africa we introduced Vodacom Smart and Red integrated plans, with larger bundles of minutes, messaging and data.

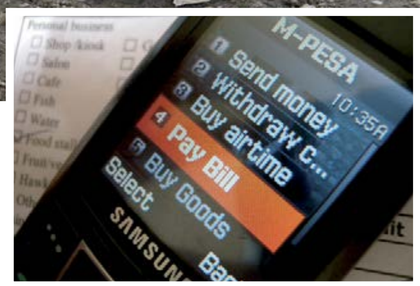
For our prepaid customers, we launched Free4Sho in South Africa. This platform offers three simplified price plans: more on-net offerings for those that spend more time on the phone; per second billing for those that make quick phone calls; and dynamic discounts of up to 99% throughout the day for those who are particularly cost conscious. The latter option gives us the opportunity to manage network capacity better by driving demand in under-utilised areas and reducing demand in areas where we're nearing capacity.

In our International operations, we introduced integrated bundles as well as daily and weekly price plans to drive the penetration of data services.

Our customers have responded positively to the actions we've taken during the year to differentiate our brand.



Strategy 2



Our growth

Working smarter to drive data, new services and new opportunities.

Smart services

Vodacom M-Pesa is a fast, safe and easy way to send and receive money with your mobile phone. Since being launched in Tanzania five years ago, more than half our customers in Tanzania now use M-Pesa and 20% of airtime recharges on our network are done through the service. At the same time, the service has grown from only person-to-person transactions to include services such as consumer-to-business transactions, airtime purchases, integration with banking systems and salary deposits. Since its launch in Tanzania, M-Pesa has created employment and new revenue streams for over 49 000 M-Pesa agents. M-Pesa is also available in South Africa and recently launched in the DRC. We expect to launch the service in Mozambique and Lesotho soon and it will be relaunched with a deeper proposition in South Africa.

Strategy 2: Our growth continued

How we've done in growing active data customers

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

'000	2013	2012	% change
South Africa	**14 386†**	12 185	**18.1%**
International	**4 117**	2 922	**40.9%**
Group	**18 503**	15 107	**22.5%**

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

Mobile voice, our traditional mainstay, has served us well. We've seen tremendous growth, especially in South Africa over the years. But our home market is maturing, with estimated SIM penetration rates of some 140%. Our revenue has come under pressure due to intensifying competition and lower mobile termination rates ('MTRs'). To build resilient revenue streams and secure future growth opportunities, we're investing in diversifying our business in a number of focused ways. Almost 40% of Group service revenue was generated from non-South African traditional services (voice, interconnect and messaging).

Grow internationally

Service revenue grew 11.0% in our International operations. Excluding the sale of Gateway Carrier Services and the impact of movements in foreign currency, service revenue was up 22.3%*. This was driven by a larger customer base and increased take-up of data services. The International operations now contribute 17.3%* to Group service revenue compared to 14.6%* a year ago.

Our International operations have grown strongly, led by Tanzania, DRC and Mozambique. We've increased our level of investment significantly in these markets, which has translated into market share gains, improved margins and stronger cash flow generation. These markets still offer attractive long-term opportunities with mobile penetration below 40% and good GDP growth prospects. Our focus remains on expanding coverage and driving the penetration of data bundle offers and financial services.

We're also actively looking to enter new markets elsewhere in Africa, to diversify our geographic reach and reduce our reliance on our South African business.

Grow data

Mobile data, which accounted for 16.8% of Group service revenue in the year, is a huge growth opportunity. Smartphone and tablet penetration is at low levels in all our markets. With more devices connected every day and more customers using data, the opportunity is immense. Although data growth remains strong, we fell behind on our target of adding 5 million active data customers per year in order to reach 25 million active data customers in the Group by March 2014.

Critical to our data growth strategy is to build enough network capacity to support lower per unit charges, leading to higher traffic volumes. In South Africa over two thirds of our base stations now have high capacity transmission, either fibre or IP microwave, and we have also started rolling out more high speed transmission capacity in our International operations. We have invested in fibre rings in all our metro areas, and are investing in rolling out fibre with our partners across the country and in capacity on various undersea cables.

One of our guiding principles in differentiating our networks is to ensure we have data wherever we have voice. EDGE now covers 95.9% (2012: 80.0%) of the South African population and 3G covers 84.9% (2012: 82.9%). We were the first operator to launch 3G in the DRC in the year, which means all our networks now offer 3G. We have accelerated our capital investment in our International operations to ensure we are competitive on both coverage and quality and capture future growth.

We're working hard to accelerate smartphone adoption to achieve our data growth targets. In South Africa we've invested heavily in providing financing so our customers can afford smartphones and tablets. We added 1.2 million active smartphones, taking the total to 6 million smartphones on our network, 20% of the South African customer base. However, these devices remain unaffordable to the majority of people in our markets. This is exacerbated by import duties on handheld goods, sometimes as high as 40% of the value of the device in markets outside South Africa. We are engaging tax authorities to reduce the import costs of these devices. We also continue to work with Vodafone in introducing lower-cost smartphones and partnering with handset manufacturers to drive down costs.

We're driving data usage by making data more affordable in all our markets through lower priced data bundles and daily or weekly access. We’ve also introduced new integrated price plans, which include data. Making sure our customers leave our stores connected and ready to benefit from the full data experience is another way we’re driving data uptake and usage.

Grow new services

We’re working to diversify our product offerings by launching non-traditional services, such as financial services. Given the high levels of financial exclusion and limited financial infrastructure in our markets, financial services are becoming a key revenue driver for us.

Since we launched M-Pesa in Tanzania in 2008, over half our customers in Tanzania now use the service for money transfer, airtime purchases and third-party payments. We launched the service in DRC in the year and will be extending it to our other International operations next year.

Besides diversifying our revenue streams, financial services such as M-Pesa also keep customers on our networks, which reduces churn. Another benefit is providing an additional company owned channel for airtime purchases, which allows better discounts due to lower commission charges.

In South Africa we offer handset insurance and now also funeral cover. While the revenue for these services are still relatively insignificant, the potential for driving uptake and revenue is considerable, alongside the benefit of reducing churn.

We’ve also introduced other new service offerings. Charge to Bill, which enables operator billing for various handset operating systems, is now in place. We’ve processed close to one million transactions on this commercial platform. Popular apps also drive data uptake and usage. Our App Development Programme continues to support the development of local apps, offering training to local developers and rewarding them for the best app ideas.

Grow enterprise

Our enterprise business grew converged managed services revenue at 28.7%. With mobility, more and more enterprises are looking for converged ICT services which help them mobilise their systems and applications to achieve greater productivity gains. We’ve responded to this need for converged services by investing in underlying core infrastructure such as fibre and data centres. Growth in hosting and adoption of cloud based services has seen us investing in a third data centre. We’ve also developed systems capability and employed the best enterprise people in the industry to accelerate the growth of our enterprise business.

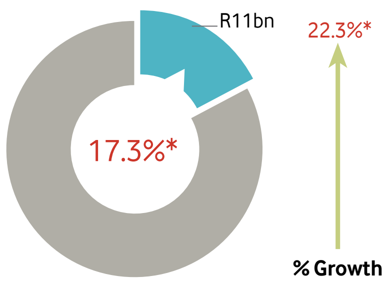
We’ve reviewed our market segments and placed a special focus on building capabilities to enable small and medium enterprises (‘SMEs’) to be agile and productive. We will launch innovative and relevant products and services such as Vodafone’s OneNet, a PABX replacement option for SMEs. OneNet offers customers a single telephone number which rings on both their fixed desk-phone and mobile handset. Users have complete control over where and when they take their calls. Businesses have the flexibility to change the number of users depending on their needs. As a result we help improve business efficiency, flexibility and cost control.

With the African continent being home to some of the fastest growing economies in the world, many global enterprises and multinational corporations (‘MNC’) are investing in the continent. These enterprises are looking for single service providers for their multi-country ICT needs. Our pan-African multiprotocol label switching (‘MPLS’) network, which connects more than 40 countries in Africa and is enhanced by the Vodafone Global Enterprise (‘VGE’) propositions, is making a connected enterprise in Africa a reality for most of our MNC customers.

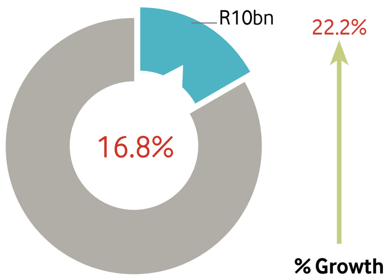
for Vodafone’s **Connected Worker** report.

Contribution to Group service revenue

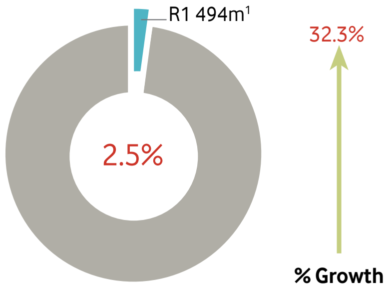
International



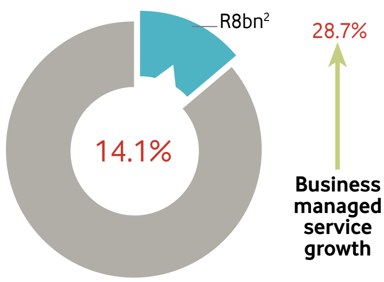
Data



New services



Enterprise



1. Revenue from M-Pesa, insurance and digital lifestyle services.
2. Includes revenue from mobile services and business managed services.

Strategy 3

Our operations

Working smarter to make our processes and businesses more efficient.

Smart energy

We are always looking for new ways to be more efficient while at the same time lowering operating costs. At our Century City office in Cape Town, we installed the largest solar panel array on a single building in Africa with the capacity to provide up to 75% of the building's peak power requirements. All the roof tiles that were removed were donated to a community centre project in the Delft area. Through this project we want to show that business can successfully take the lead in promoting renewable energy solutions, to help stimulate the green economy. As part of our commitment to socioeconomic development, we brought local small, medium and micro-enterprises ('SMMEs') on board to install the solar panels and do the construction work required.

How we’ve done in our operating efficiencies

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.

%	2013	2012	Change
Opex[1] to service revenue	**23.7†**	23.7	–
Opex[1] to service revenue, excluding Gateway Carrier Services[2]	**24.0**	24.4	**(0.4)ppts**
Speed score (People Survey)	**57†**	55	**2ppts**
Simplicity score (People Survey)	**54†**	53	**1ppt**
Reduction in carbon emissions per site[3]	**6.2**	11.5	–

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 emissions figures for each year.
† These items were included as part of our assurance process for the year.

To stay competitive we need to invest in our differentiation and growth, we need to do things more efficiently through smarter processes, distribution and cost management. We need to optimise our spending, cut costs responsibly and invest in the right things, always making sure we get the greatest possible benefit. Importantly, to serve our customers better we need to look at doing things more simply and more quickly, making it much easier to do business with us. Overall, tight operating expense control allowed us to keep Group operating expenses flat and reduce operating costs as a percentage of service revenue from 24.4%[4] to 24.0%[4].

Smarter processes

Standardising and simplifying our processes and investing in sustainable efficiency underpin our strategy to deliver the best service and best value to our customers.

Our substantial investment in renewing our radio access network (‘RAN’) and providing our own transmission is reducing our network running costs. The RAN renewal across the Group is expected to be complete in the next two years, with the upgraded base stations costing significantly less in energy and maintenance. Providing our own transmission is allowing us to carry data at a far lower cost than leasing it, and gives us the added benefit of being able to expand our data network for very little incremental cost.

In the DRC we have had to rely on costly satellite transmission due to limited fixed-line infrastructure. Our investment in capacity on the undersea cable systems such as West Africa Cable System (‘WACS’), which lands on the west coast of the DRC, and SEACOM, which lands in East Africa and connects the east of the DRC, has changed this. We are now able to roll out transmission networks in the country, alleviating these cost pressures and improving the customer experience.

We’re transforming our IT and billing systems to improve effectiveness and to reduce costs. Another important part of understanding our customer journeys is to identify and fix any process breakdowns and bottlenecks and ensure process efficiencies, all of which support the customer experience.

To enhance the return on our customer acquisition costs, we have reduced what we spend on unprofitable calling card activity in South Africa and improved device return management.

The results of our People Survey in the year showed that our employees think we can still do a lot more to simplify our processes and speed things up.

Smarter distribution

Our aim is to enhance our distribution through more effective online and self-help channels. In Tanzania, with more airtime being purchased directly through M-Pesa, we have made good progress in more efficient distribution. More than 20% of prepaid recharges a month are done using M-Pesa.

Smarter cost management

Being part of the Vodafone Group gives us access to their global pricing advantage, a unified technology roadmap and best practices. We’ve continued to benefit from Vodafone’s scale benefits, moving more of our purchases to the Vodafone Procurement Company. Project EVO, the Vodafone global enterprise resource planning (‘ERP’) system, which aims to change how we do business to speed up processes and improve accountability for spending, went live in South Africa on 1 April 2013.

Our environment

We’re constantly exploring more efficient technologies and ways of doing business that minimise our environmental footprint. As we’re able to prove the business case of these solutions, so they become part of business as usual. Some of these include deep cycle batteries, which reduce the dependency on diesel generators, and free cooling, which reduces the need for air conditioners to run constantly. We have various other projects in pilot phase and are working closely with our partners to get costs and maintenance to commercially acceptable levels.

All these initiatives helped us effectively reduce our carbon emissions per site by 6.2% ahead of our 5% target.

4. Operating expenses excludes trading foreign exchange and Gateway Carrier Services.

Strategy 4

Our people

Working smarter to build a diverse and talented team.

Smart engagement

Engaging with our people is always a priority, but it becomes critical during periods of organisational change, or when consultation shows areas of concern. Tanzania underwent an organisational restructure in the year, and to ensure a smooth transition we worked with senior management to help them become ambassadors for the change process. We also held monthly town hall meetings with all our people, during which the Managing Director gave operational updates and shared information on the changes happening in the organisation. This proactive engagement resulted in Tanzania's Engagement Index score going up 5ppts. In Lesotho, we addressed issues identified in the previous People Survey through providing a platform for employees to raise their concerns without fear of reprisal, which helped improve its Engagement Index score by 10ppts this year.

How we've done on employee engagement

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.

%	2013	2012	Change
Engagement Index	75†	73	2ppts

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

Differentiating our brand, driving growth and becoming more efficient depends largely on our people. We need to make sure we have the best people with the right skill sets and right mindset to achieve our strategy, and that they're in the right positions. We need our people to feel motivated and engaged to the extent that they stretch themselves beyond their daily functions. An important aspect of this is to empower them to change what's not working, and to trust them to be more accountable for achieving set goals. We saw an overall improvement of 2ppts in our annual Engagement Index, increasing the score to 75%. But we still fell short of our 80% target.

Best people

A diverse workforce with a spread of ideas and perspectives underpins better customer service, product and process innovation, and employee motivation.

An important focus in the year was to ensure a smooth leadership transition with the change in CEO and CFO. The CEO did roadshows to all our operations, re-introducing himself to Vodacom employees and presenting the strategic priorities to align efforts across the Group.

We did not meet all of our new transformation targets, particularly in relation to black women in senior management and we will be focusing on improving our performance in the year ahead. Over the past two years we have increased the percentage of local people in our International operations, lowering the representation of South Africans. This has unlocked the human capital potential in these businesses and contributed to their revitalisation. The Managing Directors of our operations have regular meetings to share ideas and practices that have proven effective.

Best practices

Health and safety remains a top priority in all our operations. We expanded our six absolute rules to include specific operational risks. Health and safety visits to their respective operations are included in each executive's performance goals. This provides the opportunity to assess the implementation of policies and identify areas that require corrective action and show management commitment to safety standards.

We reduced our lost time incident frequency rate by 59% to 0.24 during the year, well below our target of less than 1. Regrettably, we suffered three contractor fatalities in the year. We remain committed to our target of zero fatalities.

Project EVO, a Vodafone Group initiative, is aimed at standardising and simplifying internal processes for finance, procurement and human resources. An important benefit of Project EVO, by taking out unnecessary layers of authority, is more direct accountability. We have also introduced new self-help options for employees and more streamlined approval processes. The project went live in South Africa on 1 April 2013.

We continue to instil a high-performance culture. Employee rewards are aligned to business objectives and bonuses depend equally on meeting business performance and personal performance goals. We have various recognition programmes in place that reward excellence, the ultimate being the CEO awards.

Our training and development programmes are available at all levels of our business. They aim to build bench strength in the skills we require to deliver our strategy, and to develop succession depth for senior roles. We offer graduate training programmes to improve the pool of talent available to us and supplement this with in-house development programmes that enable talented people to advance in the business.

We underspent on training during the year. Next year we'll be focusing even harder on talent development and succession planning for senior roles. We have identified the need to improve diversity in our operations, mainly in developing women in our International operations, and improving employment equity in the South African context.

73 for more information on employee remuneration, read our remuneration report.

for more information on employee recognition, read our human capital report on vodacom.com.

Strategy 5

Our reputation

Working smarter to transform society and build stakeholder trust.

Smart solutions

loveLife is South Africa's largest national HIV prevention initiative for young people. When it comes to HIV prevention programmes, being able to capture data in real time and report back on work done can really help drive a programme's success. Vodacom helped loveLife put in place a modern and reliable monitoring system that tracks all activities of the programme's 1 250 young community leaders, who work in over 880 communities nationwide. We provided mobile phones for all the community leaders and 3G-enabled laptops to loveLife's 154 regional programme leaders. Thanks to this initiative, the time it takes for data to become available has gone from almost two months to being near-instantaneous, ensuring that the programme's time and resources are spent on turning the tide on HIV/Aids.

How we've done in our annual Reputation Survey

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.

Reputation Index	2013	2012	Relative to competitors
South Africa^	**7.54†**	7.36	#1
Tanzania^	**8.14**	7.63	#1
DRC^	**8.02**	7.09	#1
Mozambique•	**8.16**	8.33	#1
Lesotho•	**7.43**	7.87	#1

^ Increased differentiation from last year.
• Decreased differentiation from last year.
† These items were included as part of our assurance process for the current year.

Our reputation is decided not only by the value we deliver to our customers, employees and shareholders but also by how we manage our contributions and impacts within our communities and broader society. Wherever possible, we align our strategic priorities to national objectives in the countries we operate in, and partner with our stakeholders to advance them.

Transforming society

We operate in countries with significant development challenges. We're committed to playing a supporting role in dealing with these challenges that is commensurate with our leading market positions. Given that ICT infrastructure, particularly broadband access, is a powerful driver of GDP growth and has enormous potential to address socioeconomic imbalances, governments are prioritising the rollout of broadband services to all. Clearly, this is an objective we share.

Our consistent annual investment in our network over the last five years has enabled us to give 85% of the South African population access to 3G coverage. The South African government's vision sets a target to deliver broadband to the entire population by 2020. Key to delivering on this objective is gaining access to 800MHz spectrum and 2.6GHz spectrum.

Other social development imperatives include health and education. Using our technologies we can make a significant impact in these sectors. We've changed the charters of the Vodacom Foundations to focus on investing in these specific areas. We increased the number of volunteers on the Change the World programme whereby we pay volunteers to work for an NGO in the education or health sector for a year.

In South Africa, our flagship Mobile Education project continues in partnership with other ICT providers. To date, 560 schools have been connected to the nine ICT centres (one in every province) set up to serve as teacher training hubs and provide teachers with better access to quality instruction resources. In the year the centres delivered mathematics and science teacher training via telematics to 280 teachers, and more teachers are accessing **www.digitalclassroom.co.za**. A pilot schools-based learning management system will be added to the project next year. We aim to connect 1 800 schools to the ICT centres over time.

In the health sector we're working on making administration easier for doctors and healthcare professionals, so they can spend more time with their patients by developing a mHealth platform. In Tanzania we're piloting a stock control database that allows clinics to update the availability of malaria tablets daily. This fully automated system reminds health practitioners by SMS to confirm stock availability for their facilities, and incentivises their input with additional airtime. In South Africa, we're assisting in easing administrative processes, for instance by equipping loveLife volunteers with smartphones and laptops.

We spent R83 million (2012: R77 million) on social development initiatives across the Group in the year, increasing our investments in our flagship health and education projects.

See our communities report online for more initiatives.

Building trust

Vodacom's Code of Ethical Purchasing is incorporated in all strategic accounts, new accounts and contracts on renewal. The Code, which is aligned with Vodacom's Business Principles, is designed to promote safe and fair working conditions and the responsible management of environmental and social matters in our supply chain. The Code sets Vodacom's standards with respect to: child labour; forced labour; health, safety and wellbeing; freedom of association; discrimination; disciplinary practices; working hours; payment; individual conduct; and the environment.

We continue to consolidate and optimise our supplier base across the Group. While this delivers cost benefits through greater economies of scale, it also allows us to manage the health, safety and environment performance of our suppliers more effectively. We've applied minimum health and safety standards to the majority of our supplier base, which extends to ongoing supplier selection. Our policies and processes aim to help us manage risk and compliance better and drive ethical and responsible behaviour within our supply chain.

We strive to deepen the trust our stakeholders have in us by acting with transparency and integrity in all our interactions. Our annual Reputation Survey conducted over a range of internal and external stakeholders indicated that our stakeholders generally believe we are doing things right. Our reputation score is the highest in our sector in all our markets, giving us a clear lead on our competitors.

RepTrack™ Pulse survey on reputation: Vodacom has the best reputation among SA's top 20 companies listed on the JSE.

We have maintained our Level 3 BBBEE rating.

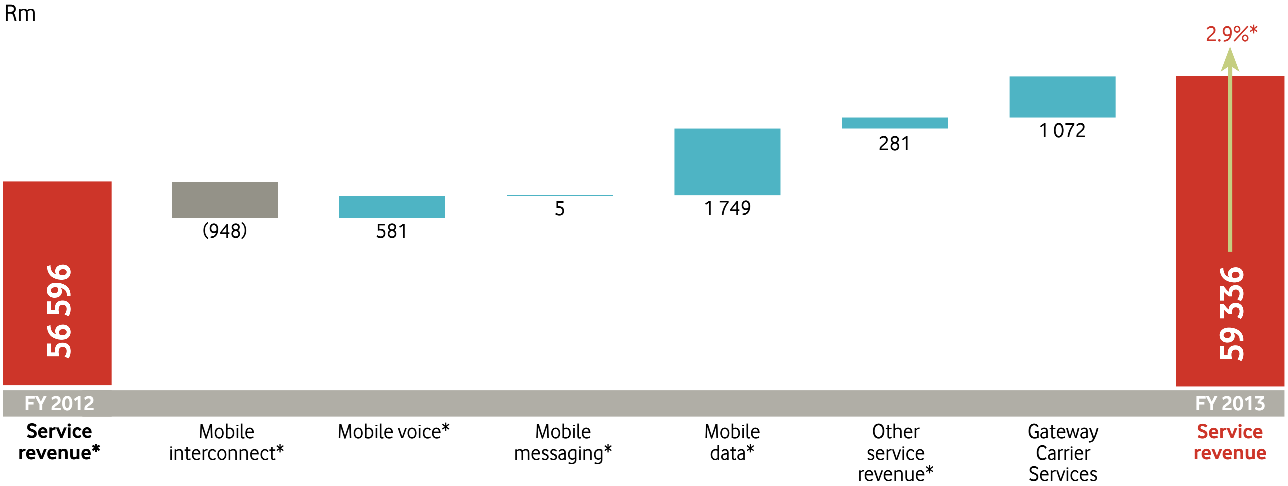
Operating results

Revenue

Group revenue for the year was up 4.5% to R69 917 million. Excluding the sale of Gateway Carrier Services and the impact of movements in foreign currency, revenue was up 5.3%* (6.8% excluding only the impact of MTRs). Group normalised service revenue growth (excluding the sale of Gateway Carrier Services and the impact of movements in foreign currency) was up 2.9%*, mainly driven by growth in Tanzania, the DRC and Mozambique. Continued demand for data services pushed data revenue up 22.2% to R9 998 million, now contributing 16.8% of Group service revenue up from 14.0% a year ago. During the year we reviewed our internal controls in the International operations around revenue reporting, and ensured alignment across the Group policy. Service revenue was reduced by approximately R300 million and recognised as deferred revenue as a result of this process.

Group service revenue growth by category

Rm

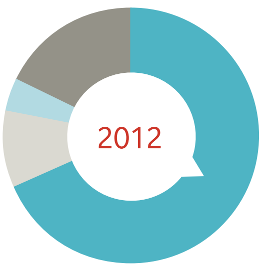


Total expenses[1]

Group total expenses[1] increased 0.9% (2.3%*) to R44 642 million due to strong cost controls and optimisation. This was well below revenue growth of 4.5% (5.3%*). These expenses include a net foreign exchange loss on the revaluation of foreign-denominated trading items of R195 million (2012: R146 million). Cost containment was achieved through Vodafone procurement scale benefits realised across our operations and greater efficiencies in network operating costs in South Africa, coupled with reduced interconnect costs.

FY 2012 composition of total expenses[1]

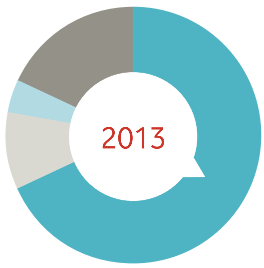
%



Direct expenses	68.4%
Staff expenses	9.8%
Publicity expenses	4.1%
Other operating expenses	17.7%

FY 2013 composition of total expenses[1]

%



Direct expenses	68.1%
Staff expenses	9.7%
Publicity expenses	4.4%
Other operating expenses	17.8%

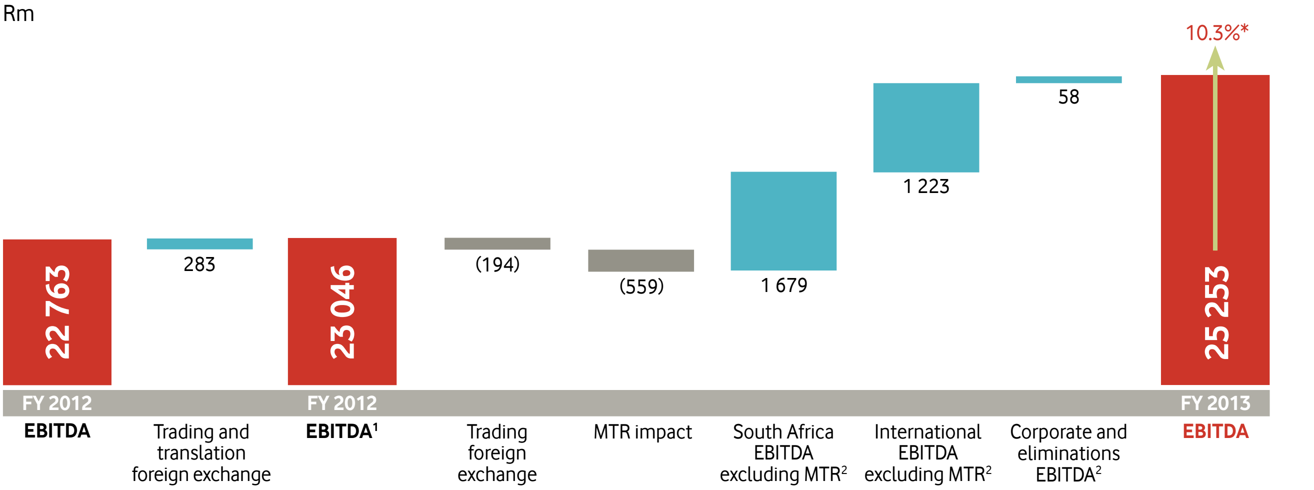
Note:

1. Excluding depreciation, amortisation and impairment losses.

EBITDA

Group EBITDA increased 10.9% (10.3%*) to R25 253 million, and EBITDA margin improved 2.1ppts to 36.1% (2012: 34.0%). South Africa EBITDA grew at 5.4% (5.7%*), well ahead of revenue and the EBITDA margin expanded by 0.9ppts to 38.2% due to cost saving initiatives and reduced interconnect costs offsetting higher publicity expenditure. International EBITDA increased by 87.5% (67.8%*), as our International operations continue to realise better scale benefits. International EBITDA margin improved to 23.6% (2012: 14.0%) and the total contribution to Group EBITDA increased to 10.8% (2012: 6.4%).

Group EBITDA



Notes:
1. Restated to FY 2013 foreign exchange rates and excluding trading foreign exchange gains/losses.
2. Excluding trading foreign exchange gains/losses and at a constant currency.

Operating profit

	Year ended 31 March			% change	
Rm	**2013**	2012	2011	**12/13**	11/12
South Africa	**17 640**	16 671	15 522	**5.8**	7.4
International	**1 177**	(75)	(1 902)	**> 200.0**	96.1
Corporate and eliminations	**80**	21	76	**> 200.0**	(72.4)
Operating profit	**18 897**	16 617	13 696	**13.7**	21.3

Group operating profit increased 13.7% (12.4%*) to R18 897 million. Operating profit in South Africa increased 5.8%, slightly ahead of EBITDA growth as depreciation and amortisation only increased 5.0%. The International operations delivered operating profit of R1 177 million for the year compared to the operating loss of R75 million in the prior year, which included an impairment loss attributable to the Gateway companies of R199 million.

Operating results continued

Net finance charges

Rm	Year ended 31 March 2013	2012	2011	% change 12/13	11/12
Finance income	**117**	109	109	**7.3**	–
Finance costs	**(927)**	(748)	(864)	**23.9**	(13.4)
Remeasurement of loans	**(30)**	(51)	28	**(41.2)**	< (200.0)
Gain/(loss) on remeasurement and other	**40**	(14)	(167)	**> 200.0**	(91.6)
Gain/(loss) on derivatives	**113**	20	(164)	**> 200.0**	112.2
Net finance charges	**(687)**	(684)	(1 058)	**0.4**	(35.3)

Net finance charges remained relatively stable at R687 million. Finance costs increased due to higher average net debt balances which were offset by gains on the forward exchange derivative contracts entered into for hedging our currency exposure on network equipment and services, as well as handset purchases.

Taxation

The tax expense of R5 210 million for the year decreased 9.1% compared to the prior year mainly due to the removal of secondary tax on companies ('STC') from the tax expense. The tax expense in the prior year included an STC charge of R806 million. The Group's effective tax rate decreased from 36.0% to 28.3% mainly as a result of replacement of STC with dividend withholding tax.

Group tax reconciliation

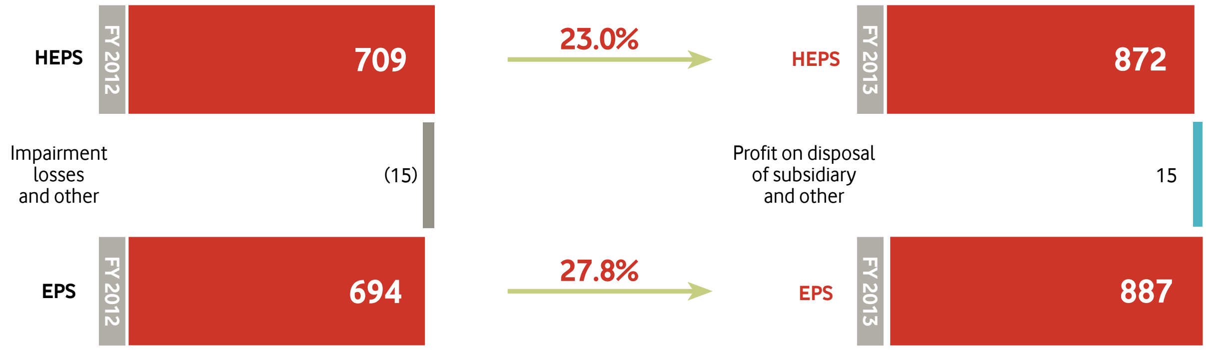
	2013 Rm	Rate %	2012 Rm	Rate %
Profit before tax	**18 434**		15 933	
Expected income tax expense	**5 162**	**28.0**	4 461	28.0
Non-deductible interest	**97**	**0.5**	91	0.6
Withholding tax	**133**	**0.7**	78	0.5
Secondary tax on companies	**–**	**–**	806	5.1
DRC foreign currency translations and revaluation of tax base of qualifying assets	**(132)**	**(0.7)**	(105)	(0.7)
Other	**(15)**	**–**	97	0.6
	5 245	**28.5**	5 428	34.1
Unrecognised tax assets	**130**	**0.7**	405	2.5
Deferred tax asset recognition	**(183)**	**(0.9)**	(149)	(0.9)
Impairment losses	**18**	**–**	46	0.3
Total income tax expense/effective tax rate	**5 210**	**28.3**	5 730	36.0

Earnings

Headline earnings per share ('HEPS') increased 23.0% to 872 cents (2012: 709 cents). The increase in basic earnings per share ('EPS') to 887 cents (2012: 694 cents) was favourably impacted by the profit on disposal of Gateway Carrier Services of R224 million (US$30 million) compared to the impairment losses of R199 million in the prior year. Both HEPS and EPS were favourably impacted by the change from STC to dividend withholding tax which is no longer included in the income statement expense.

Headline earnings per share

Cents



Operating results continued

Segment performance

South Africa

Rm	Year ended 31 March 2013	2012	2011	% change 12/13	11/12
Mobile voice	**29 151**	29 395	28 584	**(0.8)**	2.8
Mobile interconnect	**4 916**	6 062	6 755	**(18.9)**	(10.3)
Mobile messaging	**3 027**	3 143	2 962	**(3.7)**	6.1
Mobile data	**8 882**	7 639	6 180	**16.3**	23.6
Other service revenue	**2 258**	2 188	1 911	**3.2**	14.5
Service revenue	**48 234**	48 427	46 392	**(0.4)**	4.4
Equipment revenue	**9 740**	7 817	6 343	**24.6**	23.2
Non-service revenue	**633**	688	636	**(8.0)**	8.2
Revenue	**58 607**	56 932	53 371	**2.9**	6.7
Direct expenses	**(25 433)**	(24 917)	(23 234)	**2.1**	7.2
Staff expenses	**(3 062)**	(3 088)	(2 918)	**(0.8)**	5.8
Publicity expenses	**(1 438)**	(1 349)	(1 746)	**6.6**	(22.7)
Other operating expenses	**(6 249)**	(6 383)	(5 860)	**(2.1)**	8.9
Depreciation and amortisation	**(4 750)**	(4 524)	(4 091)	**5.0**	10.6
Impairment losses	**(35)**	–	–	**100.0**	–
Operating profit	**17 640**	16 671	15 522	**5.8**	7.4
EBITDA	**22 408**	21 254	19 653	**5.4**	8.1
EBITDA margin (%)	**38.2**	37.3	36.8		
Operating profit margin (%)	**30.1**	29.3	29.1		

Revenue increased 2.9% to R58 607 million driven by the 24.6% growth in equipment revenue from smartphone and tablet sales. Service revenue declined 0.4% to R48 234 million, with the growth in data services and the success of our new prepaid offers offset by lower out of bundle usage, impact of less calling card customers on the network, a weaker performance from the independent service providers and continued cuts in MTRs. Excluding the impact of MTRs, service revenue increased 2.4%. Adjusting for the impact of MTRs and leap year/Easter holidays, fourth quarter service revenue growth was stable in comparison with the third quarter.

Active customers were up 4.9% to 30.3 million, increasing by 1.4 million customers in the year. The contract customer base expanded by 5.6% to 5.9 million mainly from mobile broadband and telemetry customer additions. The higher prevalence of lower usage telemetry and data SIMs, the reduction in MTRs and lower out of bundle spend from contract customers led to a 9.4% reduction in ARPU to R328. Vodacom Smart and Red, our new range of integrated contract price plans, were launched in early March and are expected to stabilise contract ARPU. The prepaid customer base increased 4.7% to 24.4 million and ARPU declined 16.5% to R76. During the last quarter the rate of ARPU decline slowed following the actions taken to reduce the volumes of unprofitable, low usage calling card customers.

Data revenue increased 16.3% to R8 882 million, contributing 18.4% to service revenue compared to 15.8% a year ago. Fourth quarter data revenue growth was above 20% as we focused on accelerating take-up of data services with new promotions and device financing. Data traffic grew 39.5% which more than offset a 17.9% reduction in the average effective price per megabyte ('MB'). Growth was driven by higher penetration of smartphones and increased mobile internet usage. We have made a considerable investment in working capital to drive affordability of smartphones and tablets through handset financing, with an additional 1.2 million smartphones now active on our network. This brought the total number of smartphones to 6.0 million and average monthly usage increased 43.4% to 139MB. We now have 14.4 million active data customers, up 18.1%.

As a result of our continued focus on cost efficiencies across our business, EBITDA growth of 5.4% outpaced revenue growth and the EBITDA margin expanded almost one percentage point to 38.2%. Despite significant inflationary pressures and higher publicity expenditure, we were able to reduce operating expenses through increased efficiencies in our network, call centre and terminal logistics areas and further benefits achieved from purchasing through the Vodafone Procurement Company.

Capital expenditure during the year was R6 967 million (11.9% of revenue). The majority of the capital expenditure was concentrated on transmission, the radio access network ('RAN') renewal project and adding new 3G base stations to the network. We now have over 6 000 sites connected with high speed transmission. We added 904 new 3G base stations and 467 new 2G base stations in the year, bringing the total number of 3G base stations to 6 167, and 2G base stations to 9 348. In October 2012, we launched South Africa's first LTE network, with just over 600 sites operational at 31 March 2013.

Key performance indicators

	Year ended 31 March			% change	
	2013	2012	2011	**12/13**	11/12
Active customers (thousand)[1]	**30 348**	28 941	22 880	**4.9**	26.5
Prepaid	**24 404**	23 312	17 754	**4.7**	31.3
Contract	**5 944**	5 629	5 126	**5.6**	9.8
Churn (%)[2]	**49.8**	36.8	46.0		
Prepaid	**57.1**	43.0	54.8		
Contract	**9.3**	9.0	9.8		
Traffic (millions of minutes)[3]	**37 480**	35 029	30 233	**7.0**	15.9
Outgoing	**28 349**	26 341	22 160	**7.6**	18.9
Incoming	**9 131**	8 688	8 073	**5.1**	7.6
MOU per month[4]	**102**	114	119	**(10.5)**	(4.2)
Prepaid	**90**	97	95	**(7.2)**	2.1
Contract	**154**	177	202	**(13.0)**	(12.4)
Total ARPU (rand per month)[5]	**129**	157	183	**(17.8)**	(14.2)
Prepaid	**76**	91	106	**(16.5)**	(14.2)
Contract	**328**	362	404	**(9.4)**	(10.4)
Messaging (million)[6]	**6 071**	6 650	6 509	**(8.7)**	2.2
Estimated SIM penetration (%)	**144**	132	107		
Number of employees	**5 153**	5 238	5 302	**(1.6)**	(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.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
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.
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 customers.
6. Messaging includes SMS, MMS, premium rated SMS/MMS and excludes bulk messages.

Operating results continued

Segment performance continued

International

Rm	Year ended 31 March 2013	2012	2011	% change 12/13	11/12
Mobile voice	**6 259**	4 870	3 597	**28.5**	35.4
Mobile interconnect	**1 067**	776	582	**37.5**	33.3
Mobile messaging	**433**	279	230	**55.2**	21.3
Mobile data	**1 117**	540	253	**106.9**	113.4
Other service revenue	**2 382**	3 678	3 295	**(35.2)**	11.6
Service revenue	**11 258**	10 143	7 957	**11.0**	27.5
Equipment revenue	**137**	138	124	**(0.7)**	11.3
Non-service revenue	**188**	145	115	**29.7**	26.1
Revenue	**11 583**	10 426	8 196	**11.1**	27.2
Direct expenses	**(5 161)**	(5 693)	(4 664)	**(9.3)**	22.1
Staff expenses	**(1 034)**	(969)	(851)	**6.7**	13.9
Publicity expenses	**(513)**	(446)	(333)	**15.0**	33.9
Other operating expenses	**(2 129)**	(1 862)	(1 500)	**14.3**	24.1
Depreciation and amortisation	**(1 590)**	(1 332)	(1 244)	**19.4**	7.1
Impairment reversal/(losses)	**21**	(199)	(1 506)	**(110.6)**	(86.8)
Operating profit/(loss)	**1 177**	(75)	(1 902)	**> 200.0**	96.1
EBITDA	**2 739**	1 461	840	**87.5**	73.9
EBITDA margin (%)	**23.6**	14.0	10.2		
Operating profit/(loss) margin (%)	**10.2**	(0.7)	(23.2)		

International segment's service revenue grew 11.0%. Excluding the sale of Gateway Carrier Services and the impact of movements in foreign currency, service revenue increased 22.3%*, driven by a larger customer base and increased take-up of data services. The International operations now contribute 19.0% to Group service revenue compared to 17.4% a year ago.

Data revenue grew 106.9% supported by 40.9% growth in active data customers to 4.1 million, 19.3% of the customer base. 3G services have been launched in DRC and lower priced daily and weekly data bundles have been introduced in all our operations, to stimulate further demand. Mobile financial services also continue to grow, with active M-Pesa customers up 57.5% to 4.9 million. With 51.6% of Tanzania's customer base actively using M-Pesa, the service now contributes 14.1% to Tanzania's service revenue, up from 8.4% a year ago. Building on this success, we launched M-Pesa in DRC in the last quarter and will be launching in our other operations in the next year.

The International operations have reached a turning point in terms of profitability, with EBITDA up 87.5% (67.8%*), as our operations continue to realise better scale benefits combined with a focus on cost containment. EBITDA margin improved almost ten percentage points to 23.6% (2012: 14.0%) and the total contribution to Group EBITDA increased to 10.8% (2012: 6.4%).

Capital investment increased substantially, up 70.6% to R2 864 million (24.7% of revenue) due to continued expansion of voice and data network coverage and capacity. RAN renewal projects are underway across all our operations.

The Group sold its investments, supplier agreements and assets in Gateway Carrier Services in August 2012, which formed part of the Group's International reportable segment, for US$35 million. These results include service revenue of US$155 million (2012: US$386 million) and EBITDA loss of US$3 million (2012: US$3 million) relating to this operation.

Key performance indicators

	Year ended 31 March			% change	
	2013	2012	2011	**12/13**	11/12
Active customers (thousand)[1]	**21 327**	18 894	13 939	**12.9**	35.5
Tanzania	**9 468**	9 665	7 184	**(2.0)**	34.5
DRC	**7 706**	5 643	4 156	**36.6**	35.8
Mozambique	**3 045**	2 784	1 910	**9.4**	45.8
Lesotho	**1 108**	802	689	**38.2**	16.4
Churn (%)[2]					
Tanzania	**69.0**	39.6	44.4		
DRC	**79.7**	69.5	72.8		
Mozambique	**63.9**	60.5	56.4		
Lesotho	**35.4**	22.7	21.0		
MOU per month[3]					
Tanzania	**85**	63	68	**34.9**	(7.4)
DRC	**45**	43	61	**4.7**	(29.5)
Mozambique	**77**	55	59	**40.0**	(6.8)
Lesotho	**31**	38	39	**(18.4)**	(2.6)
Total ARPU (rand per month)[4]					
Tanzania	**36**	26	25	**38.5**	4.0
DRC	**33**	36	36	**(8.3)**	–
Mozambique	**56**	51	34	**9.8**	50.0
Lesotho	**54**	70	72	**(22.9)**	(2.8)
Total ARPU (local currency per month)[4]					
Tanzania (TZS)	**6 742**	5 506	5 186	**22.4**	6.2
DRC (USD)	**3.9**	4.8	5.0	**(18.8)**	(4.0)
Mozambique (MZN)	**190**	187	160	**1.6**	16.9
Estimated SIM penetration (%)					
Tanzania	**55**	49	37		
DRC	**28**	21	16		
Mozambique	**32**	32	29		
Lesotho	**65**	57	49		
Number of employees	**2 115**	2 076	1 997	**1.9**	4.0

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. During the quarter ended 30 June 2012, Tanzania, Mozambique and Lesotho changed their disconnection policy from 215 days to 90 days inactivity.
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.

Operating results continued

Reconciliation of normalised growth for the year ended 31 March 2013

	Reported[1] % change 12/13	Trading foreign exchange[2] ppt	Translation foreign exchange[3] ppt	Gateway Carrier Services[4] ppt	Normalised % change 12/13
Service revenue					
Group	**1.9**	–	(2.0)	3.0	**2.9**
International	**11.0**	–	(11.3)	22.6	**22.3**
Revenue					
Group	**4.5**	–	(1.9)	2.7	**5.3**
International	**11.1**	–	(11.6)	21.6	**21.1**
Total expenses					
Group	**0.9**	(0.1)	(2.4)	3.9	**2.3**
EBITDA					
Group	**10.9**	0.1	(0.7)	–	**10.3**
South Africa	**5.4**	0.3	–	–	**5.7**
International	**87.5**	(2.4)	(16.1)	(1.2)	**67.8**
Operating profit					
Group	**13.7**	0.1	(0.1)	(1.3)	**12.4**

The reconciliation represents normalised growth excluding trading foreign exchange gains/losses and at a constant currency (using current year as base) from ongoing operations. The presentation of the pro forma 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, results of operations or cash flows of Vodacom Group Limited. This pro forma information has been reviewed and reported on by the Group's auditors, being Deloitte & Touche. The 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 between 31 March 2012 and 31 March 2013. The Group's presentation currency is the South African rand. Our International operations include functional currencies in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange for the current and comparative periods are disclosed below.
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 year ended 31 March 2013 average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency value 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 current 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	
	2013	2012	2011	**12/13**	11/12	**2013**	2012	2011	**12/13**	11/12
USD/ZAR	**8.51**	7.45	7.19	**14.2**	3.6	**9.25**	7.65	6.77	**20.9**	13.0
ZAR/MZN	**3.42**	3.78	4.78	**(9.5)**	(20.9)	**3.33**	3.68	4.57	**(9.5)**	(19.5)
ZAR/TZS	**187.30**	216.73	206.17	**(13.6)**	5.1	**174.90**	208.34	221.65	**(16.1)**	(6.0)
EUR/ZAR	**10.97**	10.24	9.50	**7.1**	7.8	**11.86**	10.19	9.61	**16.4**	6.0

Financial position and resources

Statement of financial position

Rm	As at 31 March 2013	As at 31 March 2012	Movement 12/13
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**
Total assets	**55 591**	48 230	**7 361**
Equity attributable to owners of the parent	**20 800**	18 530	**2 270**
Non-controlling interests	**416**	400	**16**
Total equity	**21 216**	18 930	**2 286**
Borrowings	**14 171**	11 016	**3 155**
Non-current	**7 881**	9 012	**(1 131)**
Current	**6 290**	2 004	**4 286**
Tax liabilities	**1 027**	1 189	**(162)**
Other non-current liabilities	**758**	903	**(145)**
Other current liabilities	**18 419**	16 192	**2 227**
Total liabilities	**34 375**	29 300	**5 075**
Total equity and liabilities	**55 591**	48 230	**7 361**

Non-current assets

Property, plant and equipment

Property, plant and equipment increased by 13.8% to R27 741 million, due to net additions of R7 643 million and foreign currency translation adjustments totalling R1 146 million, partially offset by a depreciation charge of R5 169 million.

Intangible assets

At 31 March 2013 our intangible assets were R5 332 million (2012: R5 123 million) with software comprising the largest element at R2 828 million (2012: R2 668 million) followed by goodwill at R1 855 million (2012: R1 854 million). During the year the Group capitalised R1 235 million net additions, comprising mainly computer software, and recognised amortisation of R1 195 million in profit and loss. There were no net impairment losses recognised on intangible assets during the year.

Capital expenditure

The Group's capital expenditure for the period was R9 456 million, 9.2% higher than a year ago. Capital expenditure in South Africa of R6 967 million was mainly invested in increasing our 3G coverage, expanding our high speed transmission capability, the renewing of our radio access network infrastructure and information services investment to improve customer experience. In our International operations we continue to spend on both capacity and coverage to support the growth in customers and the take-up of data services, increasing capital expenditure by 70.6% to R2 864 million. We have accelerated our capital expenditure programmes in Mozambique and Tanzania to achieve a network differentiation advantage. Capital expenditure at Corporate mainly relates to an elimination of an inter-company disposal of properties to the South African operation.

Rm	Year ended 31 March 2013	Year ended 31 March 2012	Year ended 31 March 2011	% change 12/13	% change 11/12
South Africa	**6 967**	6 976	5 100	**(0.1)**	36.8
International	**2 864**	1 679	1 208	**70.6**	39.0
Corporate and eliminations	**(375)**	7	3	**< (200.0)**	133.3
Capital expenditure	**9 456**	8 662	6 311	**9.2**	37.3
Capex intensity[1] (%)	**13.5**	12.9	10.3		

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

Financial position and resources continued

Other non-current assets

Other non-current assets include financial assets, trade and other receivables, finance lease receivables and deferred tax. The increase in other non-current assets from R1 188 million at 31 March 2012 to R1 361 million in the current year is mainly due to an increase in finance lease receivables, partially offset by a slight decrease in deferred tax assets.

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 2013, current assets increased by R3 605 million to R21 157 million compared to the prior year. Included in this variance is an increase in bank and cash balances of R2 747 million due to a loan received from Vodafone Investments Luxemburg s.a.r.l. of R3 billion in March 2013. Finance lease receivables increased by R746 million resulting from the take-up of device financing deals in the South African market and financial assets by R475 million, mainly due to an increase in deposits from M-Pesa customers. Trade and other receivables decreased by R408 million, mainly due to the impact of increased trading and foreign translation offset by the disposal of Gateway Carrier Services.

Total equity

Total equity increased from R18 930 million at 31 March 2012 to R21 216 million at 31 March 2013, mainly as a result of the R13 224 million net profit for the year being offset by dividends of R11 811 million, an increase in the repurchase of shares of R88 million and a R815 million unfavourable foreign currency translation movement. Included in the unfavourable foreign exchange movement is a R456 million loss (2012: R340 million), net of tax, relating to foreign-denominated loans to subsidiaries classified as part of the net investments in these foreign operations.

Borrowings

Total borrowings increased from R11 016 million at 31 March 2012 to R14 171 million at 31 March 2013. The increase can mainly be attributed to the additional funding obtained from Vodafone Investments Luxemburg s.a.r.l. of R3 billion in March 2013 utilised to refinance short-term debt and a R292 million net increase in finance leases, offset by a decline in the Citibank syndicated loans of R254 million.

Tax liabilities

Tax liabilities decreased from R1 189 million in the prior year to R1 027 million at 31 March 2013. Deferred tax liabilities decreased by R36 million primarily due to an increase in provisions and deferred income in South Africa offset by the utilisation of tax losses and the increase in capital allowances in Tanzania. The decrease in current tax liabilities of R126 million is primarily as a result of an additional provisional tax payment required in the South Africa segment.

Other non-current liabilities

Other non-current liabilities comprising trade and other payables and provisions decreased by R145 million to R758 million, mainly as a result of lower deferred revenue of R138 million.

Other current liabilities

Other current liabilities increased from R16 192 million at 31 March 2012 to R18 419 million at 31 March 2013 as a result of increased trading and the impact of foreign translation offset by the disposal of Gateway Carrier Services. The increase in current trade and other payables of R2 374 million can be attributed to higher capital expenditure creditors of R619 million, value-added tax payables of R388 million, deferred revenue of R908 million and other trade payables of R449 million.

Liquidity and capital resources

The major sources of Group liquidity for the 2013 and 2012 financial years were cash generated from operations and bank-funded debt. The Group's key sources of liquidity for the foreseeable future are likely to be cash generated from operations and bank-funded debt, as well as committed and uncommitted bank facilities.

Net debt

	As at 31 March			Movement	
Rm	**2013**	2012	2011	**12/13**	11/12
Bank and cash balances	**6 528**	3 781	870	**2 747**	2 911
Bank overdrafts	**(340)**	(409)	(331)	**(69)**	78
Borrowings and derivative financial instruments	**(14 195)**	(11 039)	(9 997)	**3 156**	1 042
Net debt	**(8 007)**	(7 667)	(9 458)	**340**	(1 791)
Net debt/EBITDA (times)	**0.3**	0.3	0.5		

A three-year loan with a nominal value of R3 billion was raised from Vodafone in March 2013 to extend the maturity of our debt profile by refinancing existing short-term borrowings as well as financing capital expenditure and working capital requirements. The Group continued to roll its R750 million three-month commercial paper issued under its R10 billion domestic medium-term note programme.

Cash flow

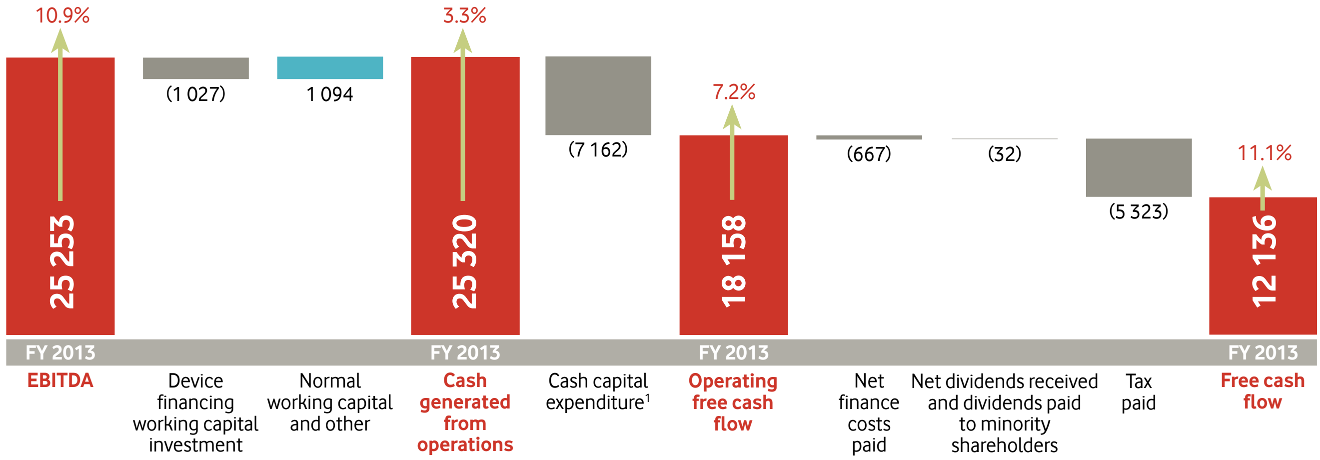
Free cash flow

	Year ended 31 March			% change	
Rm	**2013**	2012	2011	**12/13**	11/12
Cash generated from operations	**25 320**	24 502	21 385	**3.3**	14.6
Cash capital expenditure[1]	**(7 162)**	(7 568)	(6 548)	**(5.4)**	15.6
Operating free cash flow	**18 158**	16 934	14 837	**7.2**	14.1
Tax paid	**(5 323)**	(5 192)	(4 982)	**2.5**	4.2
Net finance (costs paid)/income received	**(667)**	(771)	(1 026)	**(13.5)**	(24.9)
Net dividends received/dividends paid to minority shareholders	**(32)**	(50)	(72)	**(36.0)**	(30.6)
Free cash flow[2]	**12 136**	10 921	8 757	**11.1**	24.7

Operating free cash flow increased 7.2% to R18 158 million in the period supported by good EBITDA growth of 10.9%, offset by an investment in working capital in South Africa to finance devices to increase adoption of high end smartphones and tablets.

Group free cash flow

Rm



Notes:
1. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than licence and spectrum payments, during the year.
2. Free cash flow definition has been aligned to our parent to include net dividends received/paid to minority shareholders.

Five-year historic review

		2013	2012	2011	2010	2009	Compound growth %
Summarised income statement (Rm)							
Revenue	38	**69 917**	66 929	61 197	58 535	55 442	6.0
Operating profit	39	**18 897**	16 617	13 696	11 238	12 005	12.0
Net finance charges	40	**(687)**	(684)	(1 058)	(2 272)	(1 749)	(20.8)
Profit before tax		**18 434**	15 933	12 638	8 945	10 237	15.8
Taxation	40	**(5 210)**	(5 730)	(4 659)	(4 745)	(4 045)	6.5
Net profit		**13 224**	10 203	7 979	4 200	6 192	20.9
Non-controlling interest		**233**	47	(266)	4	103	22.6
EBITDA	39	**25 253**	22 763	20 594	19 782	18 196	8.5
Summarised statement of financial position (Rm)							
Non-current assets	47	**34 434**	30 678	27 982	29 131	35 224	(0.6)
Current assets	48	**21 157**	17 552	13 453	12 560	12 135	14.9
Equity and reserves	48	**21 216**	18 930	16 180	14 636	15 098	8.9
Non-current liabilities	48	**9 620**	10 932	8 743	11 590	10 430	(2.0)
Current liabilities	48	**24 755**	18 368	16 512	15 465	21 831	3.2
Net debt	49	**8 007**	7 667	9 458	12 161	17 537	(17.8)
Capital expenditure	47	**9 456**	8 662	6 311	6 636	6 906	8.2
Summarised statement of cash flows (Rm)							
Cash generated from operations	57	**25 320**	24 502	21 385	19 711	15 905	12.3
Tax paid	57	**(5 323)**	(5 192)	(4 982)	(4 764)	(4 123)	6.6
Net cash flows from operating activities	57	**19 997**	19 310	16 403	14 947	11 782	14.1
Net cash flows utilised in investing activities	57	**(7 154)**	(8 002)	(6 581)	(6 329)	(12 646)	(13.3)
Net cash flows (utilised in)/from financing activities	57	**(10 096)**	(8 556)	(10 119)	(8 548)	1 171	n/a
Net increase/(decrease) in cash and cash equivalents	57	**2 747**	2 752	(297)	70	307	73.0
Cash and cash equivalents at end of the year	57	**6 188**	3 372	539	951	1 084	54.6
Performance per ordinary share (cents)							
Basic earnings per share	41	**887**	694	561	282	409	21.4
Headline earnings per share	41	**872**	709	656	510	417	20.3
Diluted headline earnings per share	59	**870**	706	654	509	417	20.2
Net asset value per share		**1 441**	1 286	1 099	985	1 015	9.2
Dividends per share	59	**805**	540	355	110	350	23.1
Profitability and returns (%)							
EBITDA margin	39	**36.1**	34.0	33.7	33.8	32.8	
Operating profit margin	39	**27.0**	24.8	22.4	19.2	21.7	
Effective tax rate	40	**28.3**	36.0	36.9	53.0	39.5	
Net profit margin		**18.9**	15.2	13.0	7.2	11.2	
Return on equity[1]		**66.1**	59.5	56.2	30.2	47.9	
Return on capital employed[2]		**65.2**	59.3	59.7	48.3	66.3	
Liquidity and debt leverage (times)							
Interest cover[3]		**20.4**	22.2	15.9	7.0	8.2	
Net debt to EBITDA	49	**0.3**	0.3	0.5	0.6	1.0	
Current ratio[4]		**0.9**	1.0	0.8	0.8	0.6	
Quick ratio[5]		**0.8**	0.9	0.8	0.8	0.5	

Notes:
1. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
2. Return on capital employed is calculated by dividing operating profit by total assets less goodwill and current liabilities. Prior year numbers have been restated based on the new definition.
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

		2013	2012	2011	2010	2009	Compound growth %
South Africa							
Revenue	42	**58 607**	56 932	53 371	50 431	47 733	5.3
EBITDA	42	**22 408**	21 254	19 653	18 578	16 222	8.4
Capital expenditure	43	**6 967**	6 976	5 100	4 573	4 627	10.8
EBITDA margin (%)	42	**38.2**	37.3	36.8	36.8	34.0	
Capex intensity (%)	43	**11.9**	12.3	9.6	9.1	9.7	
Active customers[1]	43	**30 348**	28 941	22 880	19 652	n/m	n/a
Number of employees	43	**5 153**	5 238	5 302	5 327	5 165	(0.1)
Total ARPU (rand per month)[2]	43	**129**	157	183	184	n/m	n/a
Estimated SIM penetration (%)	43	**144**	132	107	100	108	
International							
Revenue	44	**11 583**	10 426	8 196	8 420	7 902	10.0
EBITDA	44	**2 739**	1 461	840	1 176	1 935	9.1
Capital expenditure	44	**2 864**	1 679	1 208	2 067	2 420	4.3
EBITDA margin (%)	44	**23.6**	14.0	10.2	14.0	24.5	
Capex intensity (%)	44	**24.7**	16.1	14.7	24.5	30.6	
Active customers[1]	45	**21 327**	18 894	13 939	11 316	n/m	n/a
Number of employees	45	**2 115**	2 076	1 997	2 083	2 086	0.3
Total ARPU (rand per month)[2]							
Tanzania	45	**36**	26	25	36	n/m	n/a
DRC	45	**33**	36	36	45	n/m	n/a
Mozambique	45	**56**	51	34	42	n/m	n/a
Lesotho	45	**54**	70	72	80	n/m	n/a
Total ARPU (local currency per month)[2]							
Tanzania (TZS)	45	**6 742**	5 506	5 186	6 202	n/m	n/a
DRC (USD)	45	**3.9**	4.8	5.0	5.7	n/m	n/a
Mozambique (MZN)	45	**190**	187	160	155	n/m	n/a
Estimated SIM penetration (%)							
Tanzania	45	**55**	49	37	34	30	
DRC	45	**28**	21	16	13	16	
Mozambique	45	**32**	32	29	23	17	
Lesotho	45	**65**	57	49	41	30	

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. The number for 2009 was not measured on the basis of the new definition.
2. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Total ARPU for 2010 and 2011 have been restated in line with the change in the basis of reporting customers. The number for 2009 was not measured on the basis of the new definition.

Condensed consolidated annual financial statements

These condensed consolidated annual financial statements comprise a summary of the audited consolidated annual financial statements of the Group for the year ended 31 March 2013 that were approved by the Board on 31 May 2013. The preparation of the audited consolidated annual 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 available for inspection at the Group's registered office. The condensed consolidated annual 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 condensed consolidated annual 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 condensed consolidated annual financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of IFRS and the information required by International Accounting Standard 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 Accounting Practices Committee, the Johannesburg Stock Exchange Listings Requirements and the requirements of the Companies Act No 71 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 2012, none of which had any impact on the Group's financial results for the year.

Full details on changes in accounting policies are disclosed in the Group's consolidated annual financial statements for the year ended 31 March 2013, which will be available online.

Condensed consolidated income statement

for the year ended 31 March

Rm	Notes	2013	2012	2011
Revenue	1	**69 917**	66 929	61 197
Direct expenses		**(30 385)**	(30 265)	(27 600)
Staff expenses		**(4 349)**	(4 318)	(4 024)
Publicity expenses		**(1 960)**	(1 804)	(2 086)
Other operating expenses		**(7 948)**	(7 844)	(6 928)
Depreciation and amortisation		**(6 364)**	(5 882)	(5 355)
Impairment losses	2	**(14)**	(199)	(1 508)
Operating profit		**18 897**	16 617	13 696
Profit on sale of subsidiary		**224**	–	–
Finance income		**117**	109	109
Finance costs		**(927)**	(748)	(864)
Net profit/(loss) on remeasurement and disposal of financial instruments		**123**	(45)	(303)
Profit before tax		**18 434**	15 933	12 638
Taxation		**(5 210)**	(5 730)	(4 659)
Net profit		**13 224**	10 203	7 979
Attributable to:				
Equity shareholders		**12 991**	10 156	8 245
Non-controlling interests		**233**	47	(266)
		13 224	10 203	7 979

Cents	Notes	2013	2012	2011
Basic earnings per share	3	**887.4**	694.0	561.5
Diluted earnings per share	3	**885.3**	691.2	560.4

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2013	2012	2011
Net profit	**13 224**	10 203	7 979
Other comprehensive income	**815**	315	(449)
Foreign currency translation differences, net of tax	**823**	389	(502)
(Loss)/Gain on hedging instruments in cash flow hedges, net of tax	**(8)**	(74)	53
Total comprehensive income	**14 039**	10 518	7 530
Attributable to:			
Equity shareholders	**13 982**	10 583	7 739
Non-controlling interests	**57**	(65)	(209)
	14 039	10 518	7 530

Condensed consolidated statement of financial position

as at 31 March

Rm	Note	2013	2012	2011
Assets				
Non-current assets		**34 434**	30 678	27 982
Property, plant and equipment		**27 741**	24 367	21 577
Intangible assets		**5 332**	5 123	5 215
Financial assets		**198**	201	189
Trade and other receivables		**196**	227	264
Finance lease receivables		**726**	447	307
Deferred tax		**241**	313	430
Current assets		**21 157**	17 552	13 453
Financial assets		**1 170**	695	273
Inventory		**861**	832	799
Trade and other receivables		**10 971**	11 379	10 773
Finance lease receivables		**1 437**	691	462
Tax receivable		**190**	174	276
Cash and cash equivalents		**6 528**	3 781	870
Total assets		**55 591**	48 230	41 435
Equity and liabilities				
Fully paid share capital		*****	*	*
Treasury shares		**(1 389)**	(1 530)	(1 384)
Retained earnings		**21 342**	20 121	17 864
Other reserves		**847**	(61)	(858)
Equity attributable to owners of the parent		**20 800**	18 530	15 622
Non-controlling interests		**416**	400	558
Total equity		**21 216**	18 930	16 180
Non-current liabilities		**9 620**	10 932	8 743
Borrowings	8	**7 881**	9 012	7 280
Trade and other payables		**222**	352	258
Provisions		**536**	551	510
Deferred tax		**981**	1 017	695
Current liabilities		**24 755**	18 368	16 512
Borrowings		**6 290**	2 004	2 783
Trade and other payables		**17 780**	15 406	13 005
Provisions		**283**	355	298
Tax payable		**46**	172	87
Dividends payable		**16**	22	8
Bank overdrafts		**340**	409	331
Total equity and liabilities		**55 591**	48 230	41 435

* Fully paid share capital of R100.

Condensed 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 2010	13 738	898	14 636
Total comprehensive income	7 739	(209)	7 530
Dividends declared	(5 212)	(71)	(5 283)
Partial disposal of interest in subsidiaries	156	(60)	96
Repurchase of shares	(962)	–	(962)
Share-based payments	163	–	163
31 March 2011	15 622	558	16 180
Total comprehensive income	10 583	(65)	10 518
Dividends declared	(7 900)	(61)	(7 961)
Partial disposal of interest in subsidiaries	191	(172)	19
Shareholder loan conversion to equity	–	140	140
Repurchase 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	**177**	**–**	**177**
Share-based payments	**(119)**	**–**	**(119)**
31 March 2013	**20 800**	**416**	**21 216**

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	2013	2012	2011
Cash flows from operating activities			
Cash generated from operations	**25 320**	24 502	21 385
Tax paid	**(5 323)**	(5 192)	(4 982)
Net cash flows from operating activities	**19 997**	19 310	16 403
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	**(7 286)**	(7 568)	(6 548)
Disposal of subsidiaries and business combinations	**357**	(23)	(24)
Other investing activities	**(225)**	(411)	(9)
Net cash flows utilised in investing activities	**(7 154)**	(8 002)	(6 581)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	**1 809**	(480)	(3 949)
Dividends paid	**(11 817)**	(7 947)	(5 283)
Repurchase and sale of shares	**(88)**	(148)	(984)
Partial disposal of interests in subsidiaries, net of cash disposed	**–**	19	98
Non-controlling interests	**–**	–	(1)
Net cash flows utilised in financing activities	**(10 096)**	(8 556)	(10 119)
Net increase/(decrease) in cash and cash equivalents	**2 747**	2 752	(297)
Cash and cash equivalents at the beginning of the year	**3 372**	539	951
Effect of foreign exchange rate changes	**69**	81	(115)
Cash and cash equivalents at the end of the year	**6 188**	3 372	539

Notes to the condensed consolidated annual financial statements

for the year ended 31 March

Rm	2013	2012	2011
1. Segment analysis			
External customers segment revenue	**69 917**	66 929	61 197
South Africa	**58 464**	56 716	53 193
International[1]	**11 423**	10 187	7 984
Corporate	**30**	26	20
EBITDA	**25 253**	22 763	20 594
South Africa	**22 408**	21 254	19 653
International[1]	**2 739**	1 461	840
Corporate and eliminations	**106**	48	101
Reconciliation of segment results			
EBITDA	**25 253**	22 763	20 594
Depreciation, amortisation and impairment losses	**(6 378)**	(6 081)	(6 863)
Other	**22**	(65)	(35)
Operating profit	**18 897**	16 617	13 696
Profit on sale of subsidiary	**224**	–	–
Net finance charges	**(687)**	(684)	(1 058)
Finance income	**117**	109	109
Finance costs	**(927)**	(748)	(864)
Net profit/(loss) on remeasurement and disposal of financial instruments	**123**	(45)	(303)
Profit before tax	**18 434**	15 933	12 638
Taxation	**(5 210)**	(5 730)	(4 659)
Net profit	**13 224**	10 203	7 979
Total assets	**55 591**	48 230	41 435
South Africa	**35 360**	33 960	31 076
International[1]	**15 035**	11 818	9 743
Corporate and eliminations	**5 196**	2 452	616

Note:
1. Refer to Note 11 for detail regarding the disposal of a business.

Rm	2013	2012	2011
2. Impairment losses			
Net impairment recognised is as follows:			
Intangible assets	**–**	(250)	(1 500)
Property, plant and equipment	**21**	51	(8)
Available-for-sale financial assets carried at cost	**(35)**	–	–
Impairment losses	**(14)**	(199)	(1 508)

Cents		2013	2012	2011
3.	**Per share calculations**			
3.1	**Earnings and dividends per share**			
	Basic earnings per share	**887.4**	694.0	561.5
	Diluted earnings per share	**885.3**	691.2	560.4
	Headline earnings per share	**872.4**	708.9	655.5
	Diluted headline earnings per share	**870.2**	706.0	654.3
	Dividends per share	**805.0**	540.0	355.0

Million		2013	2012	2011
3.2	**Weighted average number of ordinary shares outstanding for the purpose of calculating:**			
	Basic and headline earnings per share	**1 464**	1 463	1 468
	Diluted earnings and diluted headline earnings per share	**1 468**	1 469	1 471
3.3	**Ordinary shares for the purpose of calculating:**			
	Dividends per share	**1 488**	1 488	1 488

Vodacom Group Limited acquired 1 703 485 shares in the market during the year at an average price of R102.96 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 R11 978 million (2012: R8 035 million; 2011: R5 282 million) of which R78 million (2012: R50 million; 2011: R25 million) was offset against the forfeitable share plan reserve, R6 million (2012 and 2011: R2 million) expensed as staff expenses and R124 million (2012: R83 million; 2011: R43 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Rm		2013	2012	2011
3.4	**Headline earnings reconciliation**			
	Earnings attributable to equity shareholders for basic and diluted earnings per share	**12 991**	10 156	8 245
	Adjusted for:			
	Profit on sale of subsidiary	**(224)**	–	–
	Net (profit)/loss on disposal of property, plant and equipment and intangible assets	**(22)**	65	35
	Impairment losses (Note 2)	**14**	199	1 508
		12 759	10 420	9 788
	Tax impact of adjustments	**7**	(62)	(165)
	Non-controlling interests in adjustments	**4**	16	3
	Headline earnings for headline and diluted headline earnings per share	**12 770**	10 374	9 626

Notes to the condensed consolidated annual financial statements continued

4. Forfeitable share plan ('FSP')

During the current year the Group allocated 1 680 373 (2012: 2 033 655; 2011: 3 242 476) 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	2013	2012	2011
5.1 Balances with related parties			
Borrowings	**6 024**	3 022	–
5.2 Transactions with related parties			
Dividends declared	**(7 786)**	(5 223)	(3 433)
Finance costs	**(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 2013, which will be available online by 18 June 2013. Mr IP Dittrich was appointed as the Chief Financial Officer on 15 June 2012 and Mr MS Aziz Joosub was appointed as the Chief Executive Officer on 6 September 2012. Mr SN Maseko resigned on 14 June 2012, while Messrs PJ Uys and P Bertoluzzo and Ms K Witts resigned on 6 September 2012. Ms S Timuray and Mr JWL Otty were appointed on 6 September 2012.

Rm	2013	2012	2011
6. Capital commitments			
Capital expenditure contracted for but not yet incurred	**3 254**	2 043	2 547
7. Capital expenditure incurred			
Capital expenditure additions including software	**(9 456)**	(8 662)	(6 311)

8. Borrowings

Vodafone Investments Luxembourg s.a.r.l.

A loan with a nominal value of R3 000 million was raised to refinance existing short-term borrowings, and finance capital expenditure and working capital requirements. It has a three-year term, bears interest payable quarterly at three-month JIBAR plus 1.15%, is unsecured and repayable on 22 March 2016.

9. Contingent liabilities

9.1 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R65 million (2012: R57 million; 2011: R53 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 (2012: RNil; 2011: R1 655 million).

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.

10. Other significant matters

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

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, was held during October 2012. The Group is awaiting the final outcome.

10.2 Vodacom International Limited ('VIL')

The claim brought by Namemco Energy (Pty) Limited against VIL was settled during the year.

11. Acquisitions and disposals of businesses

The Group sold its investments, supplier agreements and assets in Gateway Carrier Services[1], which formed part of the Group's International reportable segment, for US$35 million. The profit on sale is disclosed as profit on sale of subsidiary.

12. 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:

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

A final gross dividend of 430 cents per ordinary share for the year ended 31 March 2013, was declared on Thursday 16 May 2013, payable on Monday 1 July 2013 to shareholders recorded in the register at the close of business on Friday 28 June 2013. This represents R6 398 million. 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.

Note:

1. Gateway Communications (Pty) Limited, Gateway Communications SA (Belgium), Gateway Communications UK Limited, Gateway Communications Mozambique Limitada and Gateway Communications SAS (France), as well as the customer contracts of Gateway Communications Africa (UK) Limited.


3G
in all our operations.

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.

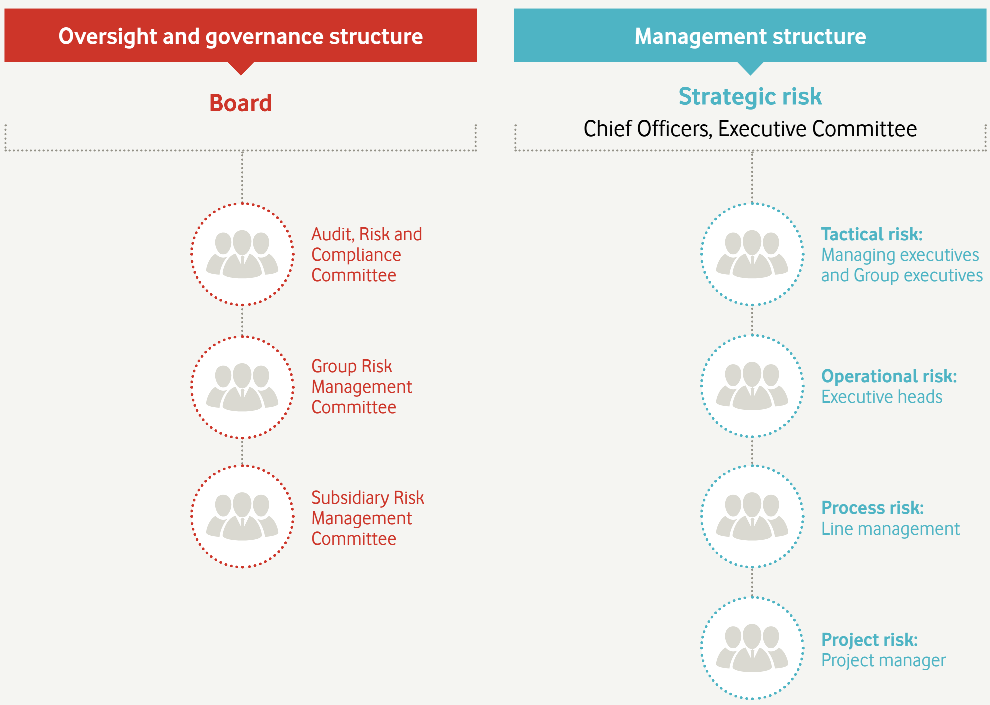
Risk management report

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 Risk Officer, convenes four times a year. This committee was established seven 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



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, for example, 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.

A major risk identification exercise was done in March 2013, which involved two types of reviews:

- A bottom-up approach – identifying operational to strategic risks.
- A top down approach – reviewing last year's risks through one-on-one interviews with members of the senior leadership team.

Risk management dashboards for both Vodacom Group and Vodacom South Africa were formulated following the exercise.

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 2 000 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

Major strategic risks

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, money laundering and 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

We operate complex mobile networks that rely on third parties to provide power or transmission. In certain countries, like Mozambique and Lesotho, 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.

- 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.

Complying with competition legislation

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.

- 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.

Customer privacy

Our ability to protect sensitive customer information is material to building trust with our customers and to our reputation. The Protection of Personal Information Bill, due to be passed into law next year, provides for a one-year implementation period. The Bill 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 Bill within the stipulated timeframe.

- We are responding to the requirements through an enterprise project across all areas of business. Awareness and training form part of the project.
- Phase one of the project is 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.

Consumer protection

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 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

Statement of compliance

Vodacom is committed to the highest standards of business integrity, ethics and professionalism.

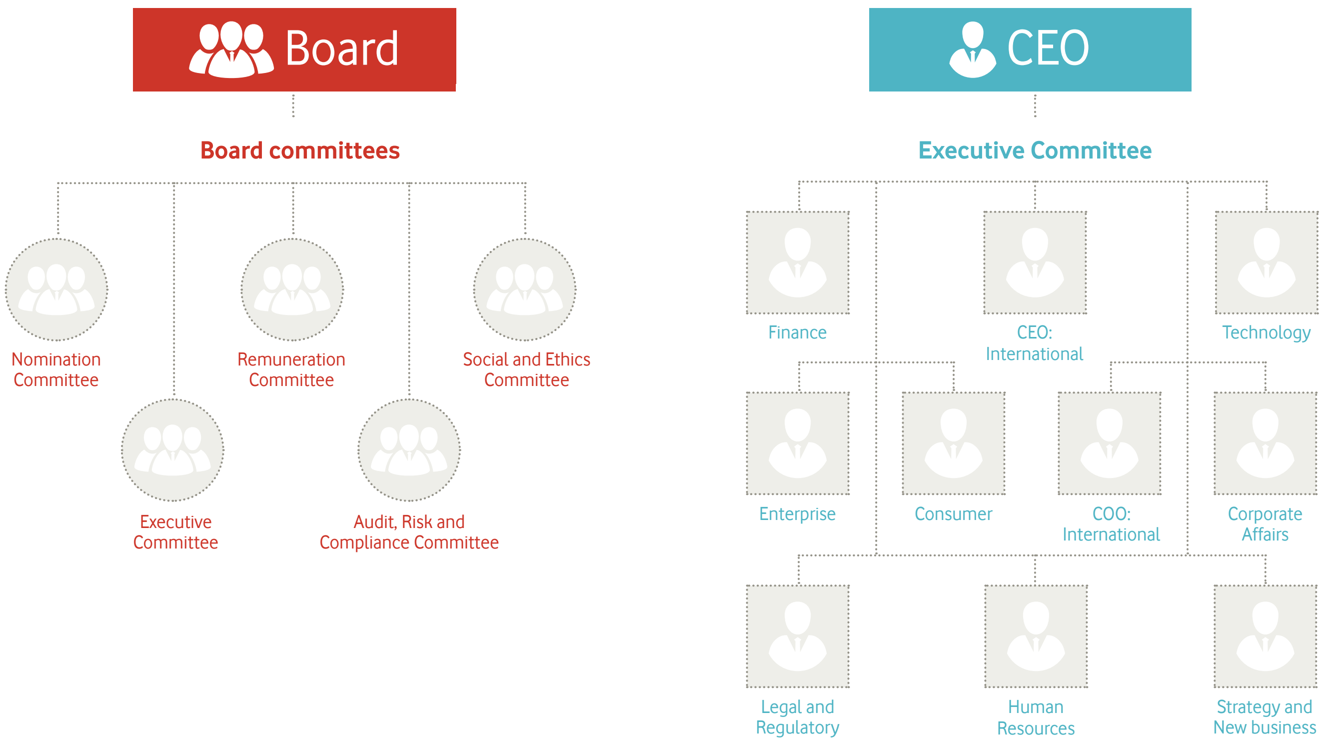
The Board recognises the need to conduct the business in accordance with the principles of the King Code of Corporate Practices and Conduct ('King III'). These principles include discipline, independence, responsibility, fairness, social responsibility, transparency and the accountability of directors 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 2013 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 2013:



Board leadership and committees

Board

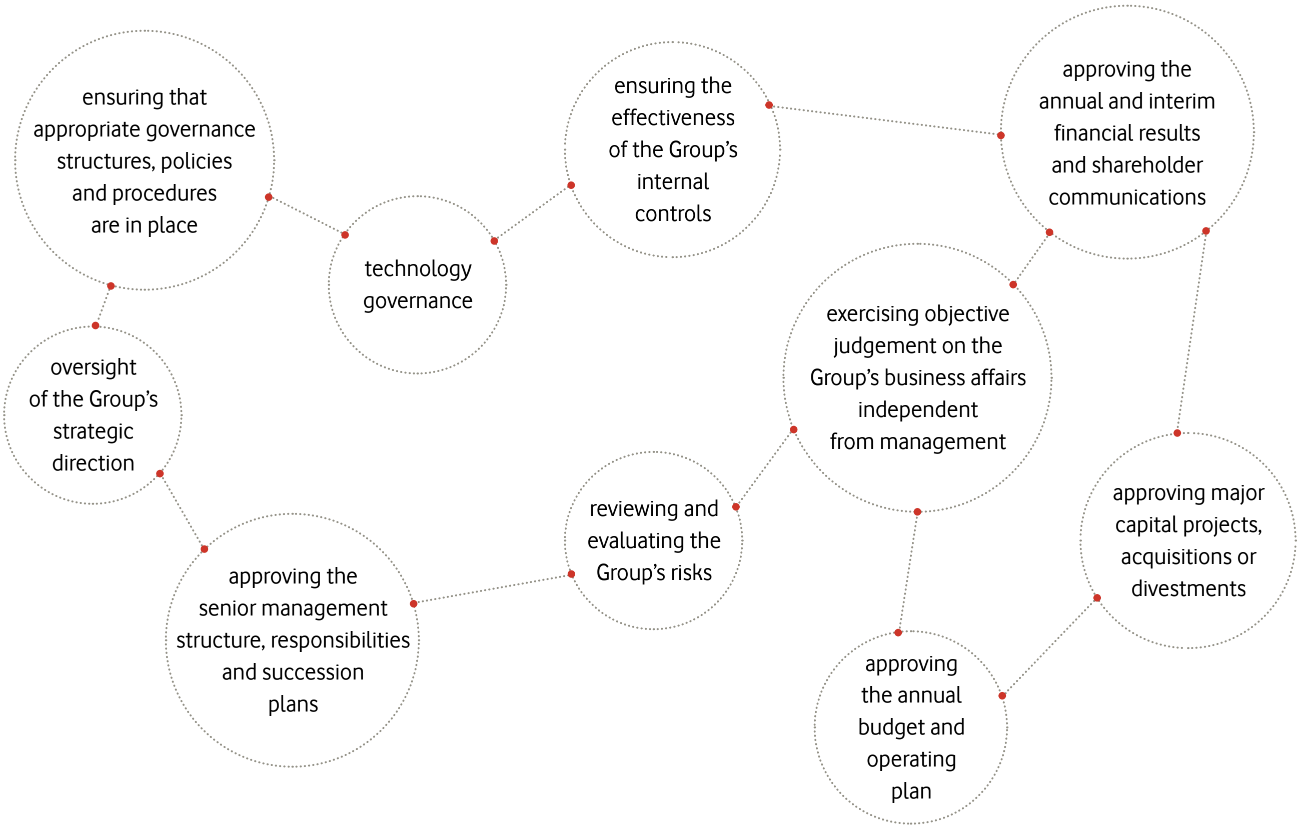
Vodacom has a unitary Board of 12 directors. Five directors, including the Chairman, are independent non-executive directors. Five are non-executive directors and two are executive directors. Although the majority are non-executive directors, half of our non-executive directors are not independent as 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:



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 2013.

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.

Board meetings

The Board holds a minimum of four meetings, three teleconferences and a strategy session every year. Special Board meetings are convened when necessary. Four special Board meetings were convened during the year.

Abridged corporate governance statement continued

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

Name of director	Board			RemCo		NomCo			SEC	ARC		
	Meeting	Telecon	Special	Meeting	Special	Meeting	Telecon	Special	Meeting	Meeting	Telecon	Special
MP Moyo	●●●●	●●●●	●●●●			●●●	●	●●●	●●●			
PJ Uys[1]	●●	●○●	● ^						●			
MS Aziz Joosub[2]	●●●	●	●●						●●			
P Bertoluzzo[3]	●●	○●●	●●									
DH Brown	●●●●	●●●●	●●●●	●●●●	●●					●●●●	●	●
IP Dittrich[4]	●●●	●●	●●									
SN Maseko[5]	●	●●	^									
M Joseph	●●●●	○●○●	●●●●									
A Kekana	●●●○	●●●●	●●●●							●●●●	●	●
TM Mokgosi-Mwantembe	●●●●	●●●●	●●●●	●●●●	●●	●●●	●	●●●				
PJ Moleketi	●●●○	●●●●	●●●●						●●●	●●●●	●	●
NJ Read	●●●●	○●○●	●●●●	○●●●	●●	●●●	●	●●●				
RAW Schellekens	●●●●	●●●○	●●●●	●●●●	●●	●●●	●	●●●	●●○			
K Witts[6]	●●	●●●	●●									
JWL Otty[7]	●●●	●	●●									
S Timuray[8]	●●●	○	○●									

Notes:
1. PJ Uys resigned 6 September 2012.
2. MS Aziz Joosub appointed 6 September 2012.
3. P Bertoluzzo resigned 6 September 2012.
4. IP Dittrich appointed 15 June 2012.
5. SN Maseko resigned 14 June 2012.
6. K Witts resigned 6 September 2012.
7. JWL Otty appointed 6 September 2012.
8. S Timuray appointed 6 September 2012.

^ Recused from meeting.
● Attended meeting.
○ Absent from meeting.

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 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 ('ARC')

Current members: A Kekana (Chairman), DH Brown, PJ Moleketi.

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

Remuneration Committee ('RemCo')

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

The membership of the Remuneration Committee does not comply fully with King III, which advocates 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. Nick Read who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific has oversight over Vodacom while Ronald Schellekens is the Vodafone Human Resources Director.

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.

73 More detail on the activities of the Remuneration Committee can be found in the remuneration report for the year.

Nomination Committee ('NomCo')

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

The membership of the Nomination Committee does not comply fully with King III, which advocates 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. Nick Read who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific has oversight over Vodacom while Ronald Schellekens is the Vodafone Human Resources Director.

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.

Social and Ethics Committee ('SEC')

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

Members of the Social and Ethics Committee during the year included: PJ Moleketi (Chairman), MP Moyo, RAW Schellekens, PJ Uys[1], MS Aziz Joosub[2].

Shameel Aziz Joosub was appointed to the Social and Ethics Committee following the resignation of Pieter Uys on 6 September 2012. Key executives attend the meeting by invitation but have no vote, including the Chief Officer: Ethics and Compliance, Chief Human Resources Officer, Chief Officer: Corporate Affairs and Chief Officer: Legal and Regulatory.

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.

1. PJ Uys resigned 6 September 2012.
2. MS Aziz Joosub appointed 6 September 2012.

Board evaluation

A board evaluation was conducted during the year, led by the Chairman. Overall consensus was that the Board is working well, has a good mix of directors and provides excellent oversight of financial performance. Board members indicated that there had been an improvement since the last evaluation in 2010, especially in the areas of the business's strategic direction and the sharing of information between Board meetings. No significant weaknesses were identified, but areas for improvement that were noted included:

Abridged corporate governance statement continued

- the Board needing to spend more time on the International strategy as it is too focused on the South African business; and
- succession planning needing to be debated more at Board meetings, not only during Nomination Committee meetings.

Company Secretary

All directors have access to the advice and services of the 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 Company Secretary is responsible for director training. The 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.

Risks are managed at three distinct levels: Risk Management Committees, 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 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.

There is an approved stakeholder policy in place.

This and other initiatives and activities for the year are more fully reported in the Social and Ethics Committee report and 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 holding on to our technology lead and managing our costs. In line with King III, technology governance forms part of our governance structures, policies and procedures. It 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.

Remuneration report

Introduction

This report explains Vodacom's remuneration policy for non-executive directors, executive directors and prescribed officers.

The Board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting ('AGM'). The Group's Remuneration Committee ('RemCo') determines the policy for remunerating executive directors on the same basis as other Group executives and prescribed officers.

We have disclosed the individual remuneration of our executive directors as well as that of prescribed officers.

In line with international best practice and emerging local practice, we have segmented this report into two sections: the first section ① describes the remuneration policy for executive directors and prescribed officers, and the second section ② discloses actual payments, accruals and awards for the year ended 31 March 2013. The annual non-binding advisory vote by shareholders at the AGM pertains only to section one.

1 Section one

Remuneration policy

We aim to attract, retain and motivate executives of the highest calibre, while at the same time aligning their remuneration with shareholder interests and best practice. We reward executives for their contribution to our strategic, operating and financial performance and ensure that remuneration is conducive to developing and retaining top talent, critical skills and intellectual capital.

We take a holistic approach to reward and our employee value proposition, balanced across the following elements:

- a guaranteed package;
- variable pay in the form of short- and long-term incentives;
- reward for performance;
- individual growth and development; and
- a stimulating work environment.

Our yearly review of director and employee remuneration is benchmarked to the market and awarded according to individual performance and potential. This is determined through our talent and performance management processes. The outcome influences the award of short- and long-term incentives.

The short-term incentive, a yearly cash bonus, is linked to achieving financial and strategic objectives. The pool available for short-term incentives is determined by financial performance against targets. The proportion paid to employees depends on their performance against the operational and strategic objectives in their performance contract. The individual is also assessed in relation to the principles of the Vodacom Way.

The principles of the Vodacom Way. 16

The long-term incentive, a yearly share allocation, encourages loyalty and helps to retain valued employees. It is designed to align executive performance to shareholders' interests, as a significant portion of the award is subject to Company performance conditions. Participants receive dividends from the award date and the value of the shares can be realised after a three-year vesting period, to the extent that the vesting conditions have been met.

Our Shareholding Guidelines policy for executives, which requires them to build up minimum levels of personal shareholding in the Group, is explained in more detail later in this report.

Remuneration report continued

Summary of executive remuneration structure

Element	Type	Objective
Guaranteed package ('GP')	Fixed	Reflects the scope and nature of the role, experience required and performance expected.
Short-term incentive ('STI')	Variable	Motivates and rewards achievement of performance objectives.
Long-term incentive ('LTI')	Variable	Encourages longer-term performance and loyalty, and helps retain key skills by linking to long-term value creation.

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

Fair and competitive reward is vital to being an employer of choice. To make sure we remunerate executives competitively, we use industry and country benchmarks. RemCo sets the total remuneration and the guaranteed packages of executives by looking at peer group data from the JSE telecommunications sector and other listed companies of similar market capitalisation and revenue. The peer group excludes financial services and foreign companies, which apply a very different pay mix.

In the year, changes were made to how remuneration is determined for our CEO. The short-term incentive formula was changed for both Mr Uys and Mr Aziz Joosub. As part of this change, the personal multiplier was removed and the outcome now depends only on the business multiplier. The on-target percentage of the CEO's GP was increased from 75% to 100%. This increase was offset for Mr Uys by freezing the level of his GP and removing the potential benefit from the personal multiplier (which could be as high as 150%). Mr Aziz Joosub's incentive was already calculated on this basis, in line with his employment conditions at Vodafone Spain.

In addition, the long-term incentives offered to Mr Aziz Joosub have a co-investment requirement and will all be subject to performance conditions. The incentives offered and associated conditions will be:

- Vodacom performance shares with an on-target value of 90% of his GP.
- 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.
- 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.

No material changes to our remuneration policy have been proposed for the 2014 financial year.

Guaranteed package

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, 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 be made as part of the short-term incentive payment.

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

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

All employees, including executive directors and prescribed officers, but excluding temporary staff and employees on a commission, quarterly or bi-annual bonus structure, participate in a yearly short-term incentive plan. Bonus payments are discretionary and depend on business performance and individual contribution. Payments are made in cash in June each year.

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 is:

Bonus % = on-target % × Vodacom Group business multiplier

The formula for determining cash bonus for the other executive director and prescribed officers is:

Bonus % = on-target % × applicable business multiplier × personal multiplier

The business multiplier ranges from 0% – 200% and the personal multiplier from 0% – 150%. The personal 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	2013	2014
Service revenue	**25**	25
EBITDA	**25**	25
Operating free cash flow	**20**	25
Competitive performance	**30**	25

These weightings align short-term incentives to our strategic focus on revenue growth and market performance. The Group business multiplier is used for executive directors, and for other prescribed officers the business multiplier is based on a weighted average of the multipliers for the relevant operating company and the Group.

There is some overlap between financial targets for the short-term and long-term incentives. Both include competitive performance or market share and cash flow, which is critical to our business in the short and long term.

Long-term incentives

These incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance.

Vodacom Forfeitable Share Plan ('FSP')

The FSP, introduced in 2009, 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 for the FSP.

Shareholders adopted the FSP at the AGM on 31 July 2009. Its purpose is to give executives the opportunity to own shares in Vodacom through yearly grants of forfeitable share awards. This means they receive shares (with dividend and voting rights) on the date of award, subject to restrictions and the risk of forfeiture during a three-year vesting period. A portion of the award depends on meeting targets. If the targets are not met, this portion is forfeited.

FSP awards are granted annually. A portion of these shares depend on meeting prescribed targets as detailed below.

Performance period:	Measures applied
2009 – 2012	Cumulative EBITDA (taxed) less normalised cash capital expenditure (50% weight)
	SA revenue market share (50% weight)
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% weight) Total shareholder return (30% weight)

Remuneration report continued

The vesting of awards with performance conditions is on a sliding scale of 20% at threshold, 60% at target, and up to 100% at maximum performance. The awards of Vodacom FSPs for the CEO are discussed under the remuneration policy heading. For the other executive director and prescribed officers, the standard expected value of FSP awards (as a percentage of GP at target level) is shown below. The standard awards may be multiplied by 0% – 200% to set an annual award, based on the performance and potential of the individual.

Role	Standard expected value %
CEO	(As described)
Executive directors	48%
Prescribed officers	33%

For the 2013 award, further conditions will be added to the current cumulative operating free cash flow measure. This additional condition will be total shareholder return ('TSR') compared to that of the constituents of the INDI 25 Index. The median TSR of this group will be used as the threshold and stretch performance will be set as the upper quartile TSR of the Group. The two conditions will be additive, with a weight of 70% for the operating free cash flow condition, and 30% for the relative TSR condition. RemCo considers these measures and targets to be in line with Group strategy and market conditions.

Vodafone Performance Share Plan

The CEO participates in the Vodafone Performance Share Plan. This plan has two performance conditions: free cash flow and relative TSR performance. Vesting is based on meeting these conditions after a three-year performance period.

More details of this plan can be found in the Vodafone remuneration report, available at **www.vodafone.com**.

Deferred bonus incentive scheme ('the scheme')

This legacy scheme, in use until 2009, was replaced by the FSP. No share allocations have been granted under the scheme since 1 April 2009. Unvested and unexercised allocations remain in effect and will be settled in cash by 2014.

While in operation, 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.

The YeboYethu Employee Participation Trust ('the trust')

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. Some 75% of the 1.875 billion units available to the trust were allocated to employees in 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. In March 2016, the allocated units will be converted into YeboYethu shares after taking into account the notional vendor financing provided by Vodacom South Africa. We aim to then facilitate the sale of these shares to qualifying members of the South African population.

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 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 additional co-investment share awards, as described under the remuneration policy heading, thus 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 cycle. 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, so for those executives who were employed by the Group in November 2009, the applicable date is June 2014.

Executives who have a conditional benefit in terms of their previous service contract will 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.

Executive contracts and policies

Executives have permanent employment contracts with six-month notice periods. This became effective from November 2009. Before this date, executives had two-year rolling contracts 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. This benefit was subject to a 12-month notice period. The benefits accrued up to 26 November 2009 were 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.

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 to 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 current fee level was approved on 20 July 2012.

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.

A sub-committee of the Nomination Committee reviewed non-executive director fees to make sure no one reviewed their own remuneration. A detailed benchmarking study was conducted in the year by PricewaterhouseCoopers which indicated that most Board and committee fee levels were close to the market median. However, the fees for Nomination Committee members were found to be significantly below the market median. Increases ranging from 0% to 4% are proposed for the Board and committee fees that were close to the market median, with a higher increase for the Nomination Committee to better align these fees with the market median.

Fees proposed for approval at the 2013 AGM.
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Shareholdings

Details of the beneficial interests of directors and prescribed officers in Vodacom'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 are 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 responsible for the Group's remuneration policy and applies it with RemCo's assistance. RemCo operates according to a charter approved by the Board in February 2009. The charter is reviewed regularly.

RemCo's role and responsibilities are summarised below:

- determine, agree and develop the Group's remuneration policy;
- determine and agree the remuneration packages for the CEO, CFO and any other executive director on the Board;
- ensure competitive reward to facilitate the recruitment, motivation and retention of high performance employees at all levels in support of corporate objectives and to safeguard stakeholder interests;
- review and recommend to the Board the relevant performance measures for executives;
- consider other special benefits or arrangements of a substantive financial nature;
- review promotions, transfers and termination of employment policies; and
- ensure compliance with applicable laws and codes.

The RemCo Chairman reports to the Board after each RemCo meeting and attends the AGM to take questions from shareholders on RemCo's areas of responsibility.

External advisers

In the year, PricewaterhouseCoopers advised RemCo on remuneration matters.

Remuneration report continued

Key developments

In 2013, RemCo did the following:

- 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 long- and short-term incentives for 2014;
- approved regular annual grants of long-term incentives (including award levels and performance targets); and
- approved fee levels for non-executive directors.

2 Section two

Annual guaranteed packages and increases

The annual GPs for executive directors in the year are set out in the first table below. These amounts are based on the annualised value of the monthly package in March 2013.

The actual amounts paid in the course of the year are shown, and reflect the actual time in office and the timing of the annual increase, as reflected in the remuneration table.

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R	2013	2012	% increase
PJ Uys	7 157 500	7 157 500	–
MS Aziz Joosub[1]	6 700 000	–	–
SN Maseko[2]	4 980 000	4 980 000	–
IP Dittrich[3]	4 400 000	–	–

1. Appointed as CEO of Vodacom Group on 1 September 2012.
2. See page 79 for details.
3. Appointed as CFO of Vodacom Group on 15 June 2012.

The annual GPs of our prescribed officers in the year were:

R	2013	2012	% increase
ADJ Delport	3 717 000	3 540 000	5.0
J Dennelind	1 326 590	1 251 500	6.0
J Dennelind[1] (€)	357 136	343 400	4.0
R Kumalo	3 224 000	3 100 000	4.0
V Jarana	3 149 545	2 943 500	7.0
M Makanjee	2 550 000	–	–
M Nkeli	2 635 500	2 510 000	5.0
NC Nyoka	3 318 000	3 160 000	5.0
N Gough (£)	282 732	277 400	1.9
PP Kesha Patel (HK$)	2 800 000	–	–

1. A portion of J Dennelind's GP is paid in euros.

The average increase in GPs paid to executive directors was 0.0% for 2013, and averaged 4.8% for the prescribed officers. For all other employees, the average salary increase was 6.0%. Planned increases for the next year are 4% for prescribed officers and 5% for all other employees.

Business multiplier for short-term incentives for 2013

The graphic below indicates the extent to which Group targets were met for the year ended 31 March 2013. This resulted in an overall Group business multiplier of 76%. This is used for determining the short-term incentive for the CEO. In addition, the personal multipliers for the other executive director and the prescribed officers, as well as the business multipliers for the appropriate operating companies, are used to determine their respective short-term incentives.

	Weight	Threshold	Target	Stretch	Score 0 – 200%	Weighted score
Service revenue	25%	0%	100%	200%	44%	11%
EBITDA	25%	0%	100%	200%	104%	26%
Operating free cash flow	20%	0%	100%	200%	47%	9%
Competitive performance	30%	0%	100%	200%	100%	30%
						76%

Vesting of performance shares during the year

The first allocation of FSP performance shares vested in the course of the year. Performance was measured against the two measures for the period 2009 – 2012 detailed under the long-term incentives heading. The portion of shares vesting was 53.49% of the total number granted as both targets were not fully met.

Payments to executive directors and prescribed officers

SN Maseko

Mr Maseko was paid an amount of R9 200 000 in terms of his agreement with Vodacom effective 30 June 2012. The primary basis of this amount was to recompense him for amounts that were forfeited on leaving his previous employer to join Vodacom. He will retain his YeboYethu units in line with the Trust Deed governing their operation. In terms of the agreement, he forfeited all unvested Vodacom share awards as well as any short-term incentive attributable to the 2013 financial year.

PJ Uys

Mr Uys was paid an amount of R7 157 500, representing 12 months of his guaranteed package in terms of his agreement with Vodacom effective 31 March 2013. This amount was determined based on the length of tenure of his employment with the Company and his performance. In terms of the agreement, a portion of his unvested Vodacom share awards vested early, in line with the plan rules. This portion reflects the time actually served of the vesting period, as well as the achievement of applicable performance conditions. He will also qualify for the short-term incentive attributable to the 2013 financial year. The conditional benefit, to which he is contractually entitled as a result of his employment agreements until November 2009, will be settled in line with the Company's legal obligations. He will retain his YeboYethu units in line with the Trust Deed governing their operation. He will forfeit the balance of the share awards which do not vest early, as well as the entire award made in June 2012.

Remuneration report continued

Remuneration table

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

Remuneration (actual and benefits[1])

R	GTCE	Other[2]	Short-term incentive[3]	Total
2013				
Executive directors				
MS Aziz Joosub[4]	**3 831 026**	**320 267**	**5 125 500**	**9 276 793**
PJ Uys[5]	**3 147 648**	**7 167 549**	**5 457 487**	**15 772 684**
SN Maseko[5]	**1 021 539**	**9 548 585**	**–**	**10 570 124**
IP Dittrich[6]	**3 486 154**	**1 009 979**	**1 905 429**	**6 401 562**
Prescribed officers				
ADJ Delport	**3 672 750**	**6 557**	**1 364 882**	**5 044 189**
J Dennelind	**1 307 818**	**52 619**	**1 586 232**	**2 946 669**
J Dennelind (€)	**353 702**	**–**	**427 035**	**780 737**
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**
M Nkeli	**2 604 125**	**9 879**	**774 204**	**3 388 208**
NC Nyoka	**3 278 500**	**11 716**	**1 279 288**	**4 569 504**
N Gough (£)	**281 399**	**37 553**	**77 172**	**396 124**
N Gough	**–**	**902 720**	**–**	**902 720**
PP Kesha Patel (HK$)	**2 100 000**	**129 638**	**1 028 160**	**3 257 798**
PP Kesha Patel	**–**	**577 423**	**–**	**577 423**
2012				
Executive directors				
PJ Uys	7 083 750	13 218	9 426 696	16 523 664
RA Shuter[7]	5 045 625	855 063	6 649 517	12 550 205
SN Maseko[8]	2 905 000	2 701 092	2 967 378	8 573 470
Prescribed officers				
J Dennelind	1 238 635	56 074	1 842 964	3 137 673
J Dennelind (€)	340 883	–	505 692	846 575
ADJ Delport	3 495 875	8 261	2 913 278	6 417 414
NC Nyoka	3 127 444	19 524	2 600 554	5 747 522
R Kumalo	3 100 000	13 534	1 785 823	4 899 357
V Jarana	2 943 500	4 800	2 422 383	5 370 683
M Nkeli	2 482 500	1 448	2 065 630	4 549 578
N Gough (£)	184 933	45 417	109 435	339 785
N Gough	–	517 916	–	517 916

Notes:
1. This table excludes settlement of long-term incentives and benefits.
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. Included in 'Other' is a settling in allowance relating to his relocation from Spain to South Africa.
5. Included in 'Other' is payment relating to notice period and exit benefits.
6. Included in 'Other' is a sign-on payment.
7. Included in 'Other' is assignment allowances relating to his secondment to the Netherlands.
8. Included in 'Other' is a sign-on payment to compensate for bonus and shares vesting within 12 months of his previous employer which were forfeited.

Long-term incentives and benefits

Details of the conditional 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 2013 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] R	Settled price R	Settlement value R	Current unit value[2] R	Estimated value R
MS Aziz Joosub										
Conditional benefit										**23 574 166**
Deferred bonus incentive scheme										
2007	4 790	–	–	–	4 790	1 096.01	–	–	805.50	3 858 345
2008	4 591	–	–	–	4 591	1 257.85	–	–	643.66	2 955 043
FSP – no company performance conditions										
2010	127 770	–	127 770	–	–	58.69	119.68	15 291 514	–	–
2011	53 503	–	–	–	53 503	62.45	–	–	109.90	5 879 980
FSP – with company performance conditions										
2010	39 922	–	21 354	18 568	–	29.46	119.68	2 555 647	–	–
2011	48 005	–	–	–	48 005	34.55	–	–	75.31	3 615 257
YeboYethu units										
2008	2 628 498	–	–	–	2 628 498	1.00	–	–	0.1566	411 623
Total								**17 847 161**		**40 294 414**
PJ Uys										
Conditional benefit										**30 933 373**
Deferred bonus incentive scheme										
2006	5 015	–	5 015	–	–	897.35	1 674.37	3 896 755	–	–
2007	5 064	–	–	–	5 064	1 096.01	–	–	805.50	4 079 052
2008	4 854	–	–	–	4 854	1 257.85	–	–	643.66	3 124 326
FSP – no company performance conditions										
2010	102 379	–	102 379	–	–	58.69	119.68	12 252 719	–	–
2011	49 450	–	45 329	4 121	–	62.45	109.90	4 981 657	–	–
2012	36 301	–	21 428	14 873	–	85.07	109.90	2 354 937	–	–
2013	–	31 567	–	31 567	–	102.03	–	–	–	–
FSP – with company performance conditions										
2010	96 622	–	51 683	44 939	–	29.46	119.68	6 185 421	–	–
2011	89 372	–	–	7 448	81 924	34.55	–	–	75.31	6 169 696
2012	75 003	–	–	30 730	44 273	41.17	–	–	102.38	4 532 670
2013	–	59 280	–	59 280	–	54.33	–	–	–	–
YeboYethu units										
2008	1 701 701	–	–	–	1 701 701	1.00	–	–	0.1566	266 486
Total								**29 671 489**		**49 105 603**

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 the grant price and the price as at 31 March 2013.

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] R	Settled price R	Settlement value R	Current unit value[2] R	Estimated value R
ADJ Delport										
Conditional benefit										**12 772 697**
Deferred bonus incentive scheme										
2006	2 229	–	2 229	–	–	897.35	1 674.37	1 731 978	–	–
2007	2 281	–	–	–	2 281	1 096.01	–	–	805.50	1 837 346
2008	2 226	–	–	–	2 226	1 257.85	–	–	643.66	1 432 787
FSP – no company performance conditions										
2010	61 534	–	61 534	–	–	58.69	119.68	7 364 389	–	–
2011	22 351	–	–	–	22 351	62.45	–	–	109.90	2 456 375
2012	8 481	–	–	–	8 481	85.07	–	–	109.90	932 062
2013	–	5 438	–	–	5 438	102.03	–	–	109.90	597 636
FSP – with company performance conditions										
2010	17 364	–	9 288	8 076	–	29.46	119.68	1 111 588	–	–
2011	16 061	–	–	–	16 061	34.55	–	–	75.31	1 209 554
2012	17 523	–	–	–	17 523	41.17	–	–	102.38	1 794 005
2013	–	10 213	–	–	10 213	54.33	–	–	57.63	588 575
YeboYethu units										
2008	1 287 774	–	–	–	1 287 774	1.00	–	–	0.1566	201 665
Total								**10 207 955**		**23 822 702**
V Jarana										
Conditional benefit										**9 653 144**
Deferred bonus incentive scheme										
2007	1 129	–	–	–	1 129	1 096.01	–	–	805.50	909 410
2008	1 659	–	–	–	1 659	1 257.85	–	–	643.66	1 067 832
FSP – no company performance conditions										
2010	47 669	–	47 669	–	–	58.69	119.68	5 705 026	–	–
2011	18 774	–	–	–	18 774	62.45	–	–	109.90	2 063 263
2012	39 715	–	–	–	39 715	85.07	–	–	109.90	4 364 679
2013	–	5 236	–	–	5 236	102.03	–	–	109.90	575 436
FSP – with company performance conditions										
2010	5 972	–	3 194	2 778	–	29.46	119.68	382 258	–	–
2011	5 450	–	–	–	5 450	34.55	–	–	75.31	410 440
2012	11 622	–	–	–	11 622	41.17	–	–	102.38	1 189 860
2013	–	9 833	–	–	9 833	54.33	–	–	57.63	566 676
YeboYethu units										
2008	1 567 336	–	–	–	1 567 336	1.00	–	–	0.1566	245 445
Total								**6 087 284**		**21 046 185**

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 the grant price and the price as at 31 March 2013.

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] R	Settled price R	Settlement value R	Current unit value[2] R	Estimated value R
R Kumalo										
Conditional benefit										**741 701**
Conditional benefit – restricted shares										
2008	–	26 166	–	–	–	118.47	–	–	109.90	2 875 643
Deferred bonus incentive scheme										
2007	1 779	–	–	–	1 779	1 096.01	–	–	805.50	1 432 985
2008	1 659	–	–	–	1 659	1 257.85	–	–	643.66	1 067 832
FSP – no company performance conditions										
2010	47 639	–	47 639	–	–	58.69	119.68	5 701 436	–	–
2011	28 809	–	–	–	28 809	62.45	–	–	109.90	3 166 109
2012	41 278	–	–	–	41 278	85.07	–	–	109.90	4 536 452
2013	–	4 010	–	–	4 010	102.03	–	–	109.90	440 699
FSP – with company performance conditions										
2010	13 443	–	7 191	6 252	–	29.46	119.68	860 619	–	–
2011	13 867	–	–	–	13 867	34.55	–	–	75.31	1 044 324
2012	12 423	–	–	–	12 423	41.17	–	–	102.38	1 271 867
2013	–	7 531	–	–	7 531	54.33	–	–	57.63	434 012
YeboYethu units										
2008	1 567 336	–	–	–	1 567 336	1.00	–	–	0.1566	245 445
Total								**6 562 055**		**17 257 069**
NC Nyoka										
Conditional benefit										**1 791 437**
Deferred bonus incentive scheme										
2007	2 190	–	–	–	2 190	1 096.01	–	–	805.50	1 764 045
2008	2 042	–	–	–	2 042	1 257.85	–	–	643.66	1 314 354
FSP – no company performance conditions										
2010	58 799	–	58 799	–	–	58.69	119.68	7 037 064	–	–
2011	35 012	–	–	–	35 012	62.45	–	–	109.90	3 847 819
2012	8 974	–	–	–	8 974	85.07	–	–	109.90	986 243
2013	–	3 322	–	–	3 322	102.03	–	–	109.90	365 088
FSP – with company performance conditions										
2010	7 367	–	3 941	3 426	–	29.46	119.68	471 659	–	–
2011	6 695	–	–	–	6 695	34.55	–	–	75.31	504 200
2012	18 541	–	–	–	18 541	41.17	–	–	102.38	1 898 228
2013	–	6 238	–	–	6 238	54.33	–	–	57.63	359 496
YeboYethu units										
2008	1 928 567	–	–	–	1 928 567	1.00	–	–	0.1566	302 014
Total								**7 508 723**		**13 132 924**

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 the grant price and the price as at 31 March 2013.

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] R	Settled price R	Settlement value R	Current unit value R	Estimated value R
IP Dittrich										
FSP – no company performance conditions										
2013	–	52 493	–	–	52 493	102.03	–	–	109.90	5 768 981
FSP – with company performance conditions										
2013	–	19 436	–	–	19 436	54.33	–	–	57.63	1 120 097
YeboYethu units										
2012	788 229	–	–	–	788 229	1.00	–	–	0.1566	123 437
Total								**–**		**7 012 515**
SN Maseko										
FSP – no company performance conditions										
2012	74 142	–	–	74 142	–	85.07	–	–	–	–
YeboYethu units										
2011	1 942 845	–	–	1 942 845	–	1.00	–	–	–	–
J Dennelind										
FSP – no company performance conditions										
2011	18 468	–	–	–	18 468	62.45	–	–	109.90	2 029 633
2012	8 340	–	–	–	8 340	85.07	–	–	109.90	916 566
2013	–	10 891	–	–	10 891	102.03	–	–	109.90	1 196 921
FSP – with company performance conditions										
2012	17 232	–	–	–	17 232	41.17	–	–	102.38	1 764 212
2013	–	20 453	–	–	20 453	54.33	–	–	57.63	1 178 706
YeboYethu units										
2011	668 471	–	–	–	668 471	1.00	–	–	0.1566	104 683
Total								**–**		**7 190 721**

Note:
1. Adjusted for expected vesting percentage for performance shares.

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] R	Settled price R	Settlement value R	Current unit value R	Estimated value R
M Makanjee										
FSP – no company performance conditions										
2013	–	5 811	–	–	5 811	102.03	–	–	109.90	638 629
FSP – with company performance conditions										
2013	–	3 637	–	–	3 637	54.33	–	–	57.63	209 600
YeboYethu units										
2012	944 229	–	–	–	944 229	1.00	–	–	0.1566	147 866
Total								**–**		**996 095**
M Nkeli										
FSP – no company performance conditions										
2011	9 614	–	–	–	9 614	74.89	–	–	109.90	1 056 579
2012	4 655	–	–	–	4 655	85.07	–	–	109.90	511 585
2013	–	3 856	–	–	3 856	102.03	–	–	109.90	423 774
FSP – with company performance conditions										
2012	9 618	–	–	–	9 618	41.17	–	–	102.38	984 691
2013	–	7 241	–	–	7 241	54.33	–	–	57.63	417 299
YeboYethu units										
2011	1 238 940	–	–	–	1 238 940	1.00	–	–	0.1566	194 018
Total								**–**		**3 587 946**

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 2012 and 2013 were as follows:

R	Director fee	ARC Chairman	ARC member	RemCo Chairman	RemCo member	Nomination Committee	Social and Ethics Chairman	Social and Ethics Committee	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.

R	Director fee	ARC Chairman	ARC member	RemCo Chairman	RemCo member	Nomination Committee	Social and Ethics Chairman	Social and Ethics Committee	Total
2012									
MP Moyo	1 350 000	–	–	–	–	–	–	–	1 350 000
P Bertoluzzo[1]	264 000	–	–	–	–	–	–	–	264 000
TA Boardman[3]	147 333	122 500	–	–	61 250	–	–	–	331 083
DH Brown[3]	70 000	–	32 500	–	26 250	–	–	–	128 750
M Joseph[1]	264 000	–	–	–	–	–	–	–	264 000
A Kekana[2,3]	235 000	87 500	54 375	–	–	–	–	–	376 875
M Lundal[1,3]	147 333	–	–	–	–	–	–	–	147 333
TM Mokgosi-Mwantembe	264 000	–	–	183 756	–	70 833	–	–	518 589
PJ Moleketi	264 000	–	121 667	–	–		128 333	–	514 000
NJ Read[1]	264 000	–	–	–	105 000	70 833	–	–	439 833
RAW Schellekens[1]	264 000	–	–	–	105 000	70 833	–	70 833	510 666
K Witts[1,3]	116 667	–	–	–	–	–	–	–	116 667

Notes:
1. Fees paid to Vodafone and not the individual director.
2. Appointed ARC Chairman on 14 March 2012.
3. Fees for the period served as a 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 first round of 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 2013 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 31 May 2013 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 2013

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 2013, has been prepared, in all material respects, in accordance with the basis of preparation 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 twelve months ended 31 March 2013 as disclosed in the online version of the 2013 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 2013 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 2013 integrated report.
4. The percentage achieved in the Net Promoter Score for Vodacom (South Africa only) as at 31 March 2013 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 (South Africa only).
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 Group Limited only and in accordance with the terms of reference for this engagement (including the release letter dated 14 June 2013) 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 contains 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 Federation of Accountants' ('IFACs') International Standard on Assurance Engagements ('ISAE') 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. 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 International Federation of Accountants ('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 judgmentally 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 sustainability criteria as described in the glossary section in the Report for the period ending 31 March 2013.

Other matter

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)
Wanderers Office Park
52 Corlett Drive
Johannesburg
31 May 2013

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.

58 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.

59 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.

49 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.

46 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)
('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)

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)

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

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The trademarks RIM®, BlackBerry®, are owned by Research in Motion Limited and are registered in the US and may be pending or registered in other countries. Java® is a registered trademark of Oracle and/or its affiliates. Microsoft, Windows Mobile and ActiveSync are either registered trademarks or trademarks of Microsoft Corporation in the US and/or other countries. Google, Google Maps and Android are trademarks of Google Inc. Apple, iPhone and iPad are trademarks of Apple Inc., registered in the US and other countries. Other product and company names mentioned herein may be trademarks of their respective owners.

Forward-looking statements

This report, 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 rollout 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 46.
#	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 wide band code division multiple access ('CDMA') delivering voice and data services.
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 customers.
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.
Churn	Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
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).
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 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.

‡ Measurement criteria for assured KPIs.

Glossary continued

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.
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.
HEPS	Headline earnings per share. Refer to page 59 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.
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.
JIBAR	Johannesburg interbank agreed rate.
JSE	Johannesburg Stock Exchange.
King III	King report on governance in South Africa 2009.
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.
Microwave	It is a 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.

‡ Measurement criteria for assured KPIs.

MOU	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.
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.
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.
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.
RAN	Radio access network is part of a mobile telecommunication 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 countries individual average and dividing 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.
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	It is a computer that acts as a conduit and director of traffic. It is a means of sharing resources on a network.
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.
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)
(JSE share code: VOD)
ISIN: ZAE000132577
('Vodacom' or 'the Company')

Notice is hereby given that the eighteenth annual general meeting of the Company will be held on Thursday 18 July 2013, 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 2013.

Ordinary resolution number 1
"RESOLVED THAT the audited consolidated annual financial statements of the Company and its subsidiaries, together with the auditors', Audit, Risk and Compliance Committee and directors' reports for the year ended 31 March 2013, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2013 are obtainable from the Company's website www.vodacom.com.

2. Election of directors

To elect by way of separate resolutions:

2.1 The appointment of Ms YZ Cuba as a director of the Company.

Ordinary resolution number 2
"RESOLVED THAT Ms YZ Cuba be and is hereby elected as a director of the Company."

2.2 Messrs MS Aziz Joosub, JWL Otty and Ms S Timuray as directors, having been appointed since the last annual general meeting of the Company are, in accordance with the provisions of the Company's memorandum of incorporation, obliged to retire at this annual general meeting.

Ordinary resolution number 3
"RESOLVED THAT Mr MS Aziz Joosub be and is hereby elected as a director of the Company."

Ordinary resolution number 4
"RESOLVED THAT Mr JWL Otty be and is hereby elected as a director of the Company."

Ordinary resolution number 5
"RESOLVED THAT Ms S Timuray be and is hereby elected as a director of the Company."

2.3 Messrs PJ Moleketi and NJ Read are obliged to retire by rotation at this annual general meeting in accordance with the memorandum of incorporation. Having so retired, PJ Moleketi and NJ Read are eligible for re-election as directors.

Ordinary resolution number 6
"RESOLVED THAT Mr PJ Moleketi be and is hereby re-elected as a director of the Company."

Ordinary resolution number 7
"RESOLVED THAT Mr NJ Read 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:

Yolanda Zoleka Cuba (35)
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 Holdings. Yolanda joined Mvelaphanda in 2003 in the corporate finance division and

became the Group CEO in 2007. She was recognised as the Top Empowered Business Woman 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 Absa Group Limited and Steinhoff International Limited.

Mohamed Shameel Aziz Joosub (42)
Bachelor of Accounting Science (Honours) (Unisa) and MBA (Southern Queensland University, Australia), Associated General Accountant and Commercial and Financial Accountant (SA)

Chief Executive Officer and executive director of Vodacom Group
Chairman of the Vodacom Group Executive Committee & Vodacom (Pty) Limited
Shameel is a former CEO of Vodafone Spain. He was previously the Managing Director of Vodacom South Africa and a director of the Vodacom Group Board from 2000 until 2010 prior to his secondment to Vodafone Spain. Shameel joined Vodacom in March 1994 after completing his articles and has been Managing Director in a number of Vodacom companies since 1998. He was re-appointed to the Vodacom Group Board in September 2012.

John William Lorimer Otty (49)
(MA Electronic Engineering) (ACA)

Non-executive director
John is the Vodafone CFO for Africa, Middle East and Asia Pacific region. He joined Vodafone in December 1992 from KPMG Peat Marwick and has held a number of senior executive positions in Vodafone including that of group technology financial director, interim CFO of Vodafone India and Vodafone Group Plc internal audit director. He was appointed to the Vodacom Group Board in September 2012.

Serpil Timuray (43)
Bachelor's degree in Business Administration from Bogazici University

Non-executive director
Serpil is the CEO of Vodafone Turkey, a post she has held since January 2009. Serpil joined Vodafone Group's European leadership team in October 2010. Formerly, she was the General Manager of Danone Turkey during 2002-2008. She began her career in 1991 at Procter & Gamble where she was later on appointed to the Executive Committee of P&G Turkey. Serpil is currently the Chairperson of YASED (Foreign Investors Association), the Vice-Chairperson of DEIK-TIIK (Turkish-British Business Council of Foreign Economic Relations) and a board member of TOBB-GGK (Young Entrepreneurs Council of Turkish Union of Chambers and Commodity Exchanges). She was appointed to the Vodacom Group Board in September 2012.

Phillip Jabulani Moleketi (Jabu) (55)
Postgraduate 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 the 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.

Nicholas Jonathan Read (48)
FCMA, BA (Hons) Accounting and Finance (Manchester Metropolitan)

Non-executive director
Member of the Remuneration Committee and the Nomination Committee
Nick is CEO of Vodafone Africa, Middle East and Asia Pacific region. He is a director of Vodafone India Limited, Vodafone Egypt Telecommunications S.A.E., Indus Towers Limited, Vodafone and Qatar Foundation, Vodafone Hutchison Australia (Pty) Limited and Safaricom Limited. He also became a board director of the GSMA in January 2013. Nick spent ten years at Federal Express Worldwide where he was vice president and CFO for Europe, Middle East and Africa, and vice president Global Corporate Finance and Planning. He is a former CFO of Miller Freeman Worldwide Plc, the largest division of the media group, United News and Media Plc. Nick joined Vodafone in 2001. He spent six years at Vodafone UK for a short period as CFO, before becoming CCO and then CEO in 2006. He has been in his current role since November 2008 and was appointed to the Vodacom Group Board in September 2010.

Notice of annual general meeting continued

3. Re-appointment of Deloitte & Touche as auditors of the Company

To re-appoint Deloitte & Touche, 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 2014 is Mr BE Greyling.

Ordinary resolution number 8

"RESOLVED THAT Deloitte & Touche, be and are hereby re-appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting."

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 2013 as set on pages 73 to 86 of the integrated report.

Ordinary resolution number 9

"RESOLVED THAT the remuneration policy for the year ended 31 March 2013 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 10

"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 11

"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 12

"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 in this notice of annual general meeting:

David Hugh Brown (50)
BCom, CTA (UCT), CA(SA)

Independent non-executive director
Member of the Audit, Risk and Compliance Committee and the Remuneration Committee
David is Chairman of Coal of Africa Limited and is a non-executive director and Chairman of the Audit Committee of Edcon Holdings 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.

6. Special business

6.1 Financial assistance to related or inter-related companies

Special resolution number 1

"RESOLVED THAT the Board of the Company is hereby authorised in terms of Section 45(3)(a)(ii) of the Companies Act, as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution 1), to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any related or inter-related company of the Company ("related" and "inter-related" will herein have the meaning at attributed to those terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board may determine.

Reason for and effect of special resolution number 1

The main purpose for this authority is to grant the Board the authority to provide inter-group loans and other financial assistance for purposes of funding the activities of the Group. The Board undertakes that:

- It will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that:

- Immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

6.2 General authority to repurchase shares in the Company.

Special resolution number 2

"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 counter party (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 shall meet a solvency and liquidity test as contemplated by Section 46(g) of 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 2013;
- 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."
- 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 2

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:

	Page
Directors and management	24 – 25

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	13.90
Public Investment Corporation	47 000 000	3.16

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 475 770 ordinary shares (2012: 823 063), in the Company.

Directors' responsibility statement

The directors, whose names appear on page 24 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 24 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.

6.3 Increase in non-executive directors' fees

Special resolution number 3

"RESOLVED THAT the level of non-executive directors' fees be increased with effect from 1 August 2013 on the basis set out as follows:

	Current R	Proposed R
Chairman of the Board	1 600 000	1 700 000
Members of the Board	300 000	310 000
Chairman of the Audit, Risk and Compliance Committee	230 000	230 000
Members of the Audit, Risk and Compliance Committee	135 000	140 000
Chairman of the Remuneration Committee	185 000	190 000
Members of the Remuneration Committee	105 000	110 000
Chairman of the Nomination Committee	140 000	170 000
Members of the Nomination Committee	80 000	100 000
Chairman of Social and Ethics Committee	160 000	170 000
Member of Social and Ethics Committee	100 000	100 000
Other	–	100 000"

Reason for and effect of special resolution number 3

The reason for proposing special resolution number 3 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 caliber required in order to make a meaningful contribution to the Company, having regard to the appropriate capability, skills and experience required.

The effect of special resolution number 3 is the level of fees as set out above is increased with effect from 1 August 2013.

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 eighteenth annual general meeting is Friday 12 July 2013.

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 Monday 15 July 2013 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 Wednesday 17 July 2013. Participants must dial the following number, five (5) minutes prior to start of the annual general meeting, +27 11 535 3600.

Notice of annual general meeting continued

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, 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 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 17 July 2013.

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
14 June 2013

Form of proxy

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(JSE share code: VOD)
ISIN: ZAE00132577
('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 18 July 2013.

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 audited consolidated annual financial statements			
2.	**Ordinary resolution number 2** Election of Ms YZ Cuba as a director			
3.	**Ordinary resolution number 3** Election of Mr MS Aziz Joosub as a director			
4.	**Ordinary resolution number 4** Election of Mr JWL Otty as a director			
5.	**Ordinary resolution number 5** Election of Ms S Timuray as a director			
6.	**Ordinary resolution number 6** Re-election of Mr PJ Moleketi as a director			
7.	**Ordinary resolution number 7** Re-election of Mr NJ Read as a director			
8.	**Ordinary resolution number 8** Re-appointment of Deloitte & Touche as auditors of the Company			
9.	**Ordinary resolution number 9** Approval of the remuneration policy			
10.	**Ordinary resolution number 10** Re-election of Mr DH Brown as a member of the Audit, Risk and Compliance Committee of the Company			
11.	**Ordinary resolution number 11** Re-election of Mr PJ Moleketi as a member of the Audit, Risk and Compliance Committee of the Company			
12.	**Ordinary resolution number 12** Election of YZ Cuba as a member of Audit, Risk and Compliance Committee of the Company			
13.	**Special resolution number 1** Financial assistance to related or inter-related companies			
14.	**Special resolution number 2** General authority to repurchase shares in the Company			
15.	**Special resolution number 3** 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 2013

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 17 July 2013.

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 17 July 2013. 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

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