



vodacom

Interim results

for the six months ended 30 September 2014

Power to you

Shameel Joosub – Vodacom Group CEO commented:

We have faced tough macroeconomic conditions in all markets, increased competitive intensity, and have also seen a significant impact from lower mobile termination rates ('MTRs') in South Africa. Against that backdrop Vodacom performed well, adding 7.2 million customers to take our total customer base to 61 million and increasing revenue by 2.3% to R37.5 billion.

The impact of the lower MTRs was to reduce service revenue by almost a billion rand. Excluding this, South Africa would have seen service revenue growth of 2.9%. In order to help offset the impact of lower MTRs we have continued to implement a range of cost management programmes.

Our commercial strategy centres on offering better value to customers in each market segment. In the prepaid market our low cost bundles have proven extremely popular with more than 40 million sold per month. The postpaid approach has been to offer integrated packages covering all voice, data and SMS needs at a fixed price, allowing customers to more effectively manage their spend. This strategy has enabled us to reduce our blended average effective price per minute by 19.0%, this resulted in a 17.6% increase in total outgoing traffic.

To clearly differentiate Vodacom's services, we invested R4.1 billion in the network in South Africa. We added over 1 000 new LTE base stations and 745 new 3G sites.

This additional capacity supported the 18% increase in outgoing voice traffic and 75% increase in data traffic. This investment also positions us well to capitalise on data demand which is expected to accelerate as the penetration of smart devices increases. We also completed a six-year project to replace all of our base station radio equipment across the country, meaning that we're 4G-ready country-wide and just need access to sufficient spectrum to make it operational.

We have also continued to focus on developing additional sources of growth such as financial services, the enterprise business, and fixed broadband connectivity. The speed of deployment of fibre connections to homes and businesses, which is crucial to addressing South Africa's relative lack of fixed connectivity, is dependent on the outcome of the regulatory approvals process underway in relation to Neotel.

Our international customer base increased 20%, with outgoing voice traffic increasing 60% and data traffic more than doubled. This once again highlights the importance of continued investment in network capacity as we increased the number of 3G sites by 44% and the number of 2G sites by 30%. Service revenue grew by 13%, supported by data revenue growth (excluding m-pesa) of more than 50%. Importantly, due to a strong focus on managing costs, we were able to expand the EBITDA margin in these businesses.



Highlights:

Group revenue increased 2.3% (1.0%*) and **service revenue** 1.7% (0.2%*).

Excluding the impact of a 50% cut in mobile termination rates ('MTRs') in South Africa, both **Group revenue** and **service revenue** increased 5.0%.

Group active customers increased 13.3% to 61.0 million.

Strong growth in **Group data revenue** of 24.7%; **active data customers** up 27.6% to 25.9 million.

South Africa service revenue declined 1.3%; **service revenue** grew 2.9% excluding the MTR cuts.

International operations' service revenue grew 13.0% (5.6%*); representing 24.0% of Group service revenue, EBITDA grew 21.1% representing 16.8% of Group EBITDA.

Strong progress on our **accelerated capital expenditure programme** with R5 881 million, 15.7% of Group revenue, spent to date to speed up LTE rollout and to expand 3G coverage.

Rm	Six months ended 30 September		Year on year % change	
	2014	2013	Reported	Normalised*
Revenue	37 546	36 688	2.3	1.0
Service revenue	30 725	30 213	1.7	0.2
EBITDA	12 993	13 221	(1.7)	(1.8)
Operating profit	9 430	9 998	(5.7)	(5.0)
Capital expenditure	5 881	4 850	21.3	
Operating free cash flow	4 462	6 308	(29.3)	
Free cash flow	1 224	3 178	(61.5)	
Headline earnings per share (cents)	415	439	(5.5)	

* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base). Refer to page 30 for a reconciliation of normalised growth.

All comparative information refers to the current six months period compared to the same period in the prior year, unless otherwise stated.

Operating review

South Africa

Revenue grew by 0.1% to R30 171 million. Equipment revenue growth slowed as the volume of handset finance deals starts to stabilise year-on-year. Overall volumes reduced slightly to 4.5 million devices sold in the period.

Service revenue declined 1.3% impacted by a 50% cut in MTRs in April 2014. Excluding the impact of the MTR cuts, which reduced interconnect revenue by 42.2%, service revenue grew 2.9%. Growth was positively affected by a R325 million¹ accounting estimate change in the period.

We continue to make good progress on our pricing transformation journey. We have executed well on our strategy to offer better value to customers through a clear segmented approach where we offer bundles at affordable prices and postpaid integrated plans which contain generous allocations of voice minutes, SMSs and data. This has enabled us to reduce our blended average effective price per minute by 19.0%, resulting in a 17.6% increase in total outgoing traffic.

The number of contract customers remained stable at 4.8 million. We have migrated 69.6% of our contract base (excluding top-up) from voice centric plans to our integrated price plans. Together with 36.7% of our hybrid customers who are now also on better value price plans, in-bundle spend by our contract customers increased to 68.9% (2013: 63.8%). Our price plans have successfully encouraged our customers to use more of our services, while reducing their exposure to out-of-bundle prices and competing services. Contract customer revenue declined by 1.1% and ARPU declined 3.3% mainly due to reduced MTRs.

Despite the challenging competitive and economic environment our prepaid active customer base grew 9.8% to 27.8 million, an increase of 2.5 million customers in 12 months. This was achieved through our targeted bundles, improved national distribution, and continued investment in our network. More than six million customers are now engaged in our time based bundles buying more than 40 million bundles a month. Outgoing traffic grew 22.8% and prepaid customer revenue increased 4.7%.

Data revenue grew strongly at 21.6% to R6 198 million. Data now makes up 26.4% (2013: 21.5%) of service revenue. Active data customers (excluding machine-to-machine ('M2M')) grew 17.4% to 16.7 million. More than half of our customer base now actively uses data and data traffic increased 75.2% in comparison to last year. We reduced our effective price per megabyte by 30.4% through our bundle strategy and by introducing lower priced time based bundles. The number of bundles sold doubled from a year ago.

The average amount of data used per smartphone increased 55.4% to 336 MB per month. Average monthly usage on tablets increased 28.9% to 879 MB. The number of active smartphones and tablets on the network increased 22.3%, to 8.6 million. To support our goal of making connectivity accessible to all we launched new low-cost devices that were designed specifically for South Africa and other emerging markets. The new sub R600 android smartphone (Vodacom Kicka) and the Vodacom Smart Tab 3G which has a retail price below R1 000 and has already seen strong interest since launch.

Our M2M sims increased 21.2% to 1.6 million and revenue increased 53.5%. We continue to utilise the Vodafone global M2M platform to launch additional applications in target industries in order to build scale in this area.

The steep MTR cuts and increased foreign exchange related costs due to the sharp devaluation of the Rand impacted our profitability. EBITDA declined 5.1% (grew 0.1%, excluding MTR impact) to R10 844 million and EBITDA margins contracted 2ppt year on year to 35.9%.

Our accelerated capital expenditure program is progressing well. We have spent R4 137 million in capex in the first six months of the year, 35.3% more than in the prior year. We doubled the number of our LTE sites to nearly 2 000 sites and we have added 745 3G sites to improve our 3G coverage to 94.1% of the population. We have now also concluded our six-year project to upgrade our radio access network with 4G ready equipment and have extended our self-provided high speed transmission to 76.3% of our sites. Our focus remains on building out fibre to reach multiple businesses in the coming year.

On 11 April 2014, the Group entered into a purchase agreement in terms of which Nashua Mobile will dispose of its Vodacom customer base to the Group. The transaction was unconditionally approved by the Competition Tribunal on 29 September 2014 and will be accounted for on the successful migration of the customer base.

1. During the period we changed our accounting estimate relating to revenue recognition of un-recharged vouchers resulting in a positive adjustment of R325 million in South Africa.

International

The International businesses achieved strong customer growth of 19.8%, taking the total number of customers to 28.4 million. Total voice traffic growth was robust at 61.2%.

Service revenue grew 13.0% (5.6%*) to R7 366 million. Overall growth was impacted by intense price competition and regulatory challenges. Tanzania is progressing through a prolonged pricing repair, with improvement towards the end of the period as price competition stabilises.

Data revenue grew 41.0% to increase the contribution of data to 18.9% (2013: 15.1%) of service revenue.

Excluding m-pesa, mobile data revenue grew 52.2% supported by a 51.5% increase in active data customers to 9.2 million, or 32.4% of our customer base. We recently launched a low cost smartphone and a tablet in all our operations, with good early traction in sales.

M-pesa continues to grow strongly in all of our markets. We added 1.1 million customers in the six month period, increasing the number of active customers to seven million¹, an increase of 25.9% from the prior year. M-pesa revenue grew 29.7% and now represents 8.7% of service revenue (2013: 7.6%). Tanzania, our most advanced market, has 54.2% of our customers using m-pesa. Building on this base, in May, we launched m-pawa, in partnership with the Commercial Bank of Africa, the first savings and loans product based on a mobile platform in Tanzania.

Our International operations' EBITDA increased 21.1% (12.2%*) to R2 187 million and EBITDA margin expanded 2.0 ppts to 28.9% (2013: 26.9%). The main drivers of the improved margin were the leveraging of efficiencies of scale and focused cost management programmes. The contribution to Group EBITDA from these operations increased to 16.8% (2013: 13.7%).

We continue to invest significantly in all our markets to strengthen our network and service differentiation. To support the significant data growth in these operations we increased the number of 3G sites by 43.8%. To support wider voice coverage the number of 2G sites was increased by 29.5%. We were also the first operator to launch LTE services in Lesotho in the period.

1. Number of unique customers who have generated revenue related to any m-pesa activities in relation to m-pesa revenue during the last three months. Of these, 5.1 million (2013: 4.3 million) have been active in the past 30 days.

Financial review

Summary financial information

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
Service revenue	30 725	30 213	29 632	1.7	2.0
Revenue	37 546	36 688	34 426	2.3	6.6
EBITDA	12 993	13 221	12 060	(1.7)	9.6
Operating profit	9 430	9 998	8 970	(5.7)	11.5
Net profit	6 302	6 631	6 117	(5.0)	8.4
Operating free cash flow	4 462	6 308	6 156	(29.3)	2.5
Free cash flow	1 224	3 178	3 432	(61.5)	(7.4)
Capital expenditure	5 881	4 850	4 713	21.3	2.9
Net debt	16 006	11 963	11 572	33.8	3.4
Basic earnings per share (cents)	422	443	410	(4.7)	8.0
Headline earnings per share (cents)	415	439	396	(5.5)	10.9
Contribution margin (%)	57.1	57.4	56.1		
EBITDA margin (%)	34.6	36.0	35.0		
Operating profit margin (%)	25.1	27.3	26.1		
Effective tax rate (%)	30.2	30.5	30.8		
Net profit margin (%)	16.8	18.1	17.8		
Net debt/EBITDA (times)	0.6	0.5	0.5		
Capital intensity (%)	15.7	13.2	13.7		

Service revenue

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
South Africa	23 437	23 747	23 757	(1.3)	0.0
International	7 366	6 516	5 992	13.0	8.7
Corporate and eliminations	(78)	(50)	(117)	56.0	(57.3)
Service revenue	30 725	30 213	29 632	1.7	2.0

Group revenue increased by 2.3% (1.0%*) to R37 546 million and service revenue by 1.7% (0.2%*) to R30 725 million. The growth in revenue is supported by equipment revenue which now contributes 17.1% of Group revenue compared to 16.7% a year ago.

Group service revenue growth reflects solid operational execution in challenging regulatory and competitive environments.

In South Africa, service revenue declined 1.3% due to a 50% reduction in MTRs in the period which led to a 42.2% decline in interconnect revenue. Excluding the impact of MTR cuts, service revenue grew 2.9%, driven by a 21.6% growth in data revenue which continues to strongly offset declining voice revenue.

In our International operations service revenue grew 13.0% (5.6%*) from a 19.8% growth in active customers supported by our accelerated network investment programme. International operations now contribute 24.0% of service revenue, up from 21.6% a year ago.

Total expenses¹

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
South Africa	19 189	18 634	17 677	3.0	5.4
International	5 414	4 915	4 887	10.2	0.6
Corporate and eliminations	(164)	(160)	(162)	2.5	(1.2)
Total expenses¹	24 439	23 389	22 402	4.5	4.4

Group total expenses increased by 4.5% to R24 439 million. Although expenses increased ahead of revenue growth, managing the increase in expenses to this level is commendable given rising wages, fuel, electricity costs and our accelerated capex programme. Total expenses include a net foreign exchange loss on the revaluation of foreign currency denominated trading items of R163 million (2013: R34 million).

In South Africa the savings in publicity expenses of 7.2% was mainly offset by higher direct costs relating to equipment sales, an increase in payroll expenses due to wage inflation and an increase in other operating costs not denominated in South African Rand. International operations total expenses increased by 10.2% (2.9%*), which is below revenue growth of 12.7% (5.1%*).

EBITDA

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
South Africa	10 844	11 421	10 789	(5.1)	5.9
International	2 187	1 806	1 269	21.1	42.3
Corporate and eliminations	(38)	(6)	2	>200%	<(200%)
EBITDA	12 993	13 221	12 060	(1.7)	9.6

Group EBITDA declined 1.7% (1.8%*) with the Group EBITDA margin contracting 1.4 ppts to 34.6% (2013: 36.0%). South Africa EBITDA declined 5.1% from reduced MTRs which had a negative impact of 5.2 ppts on EBITDA with a margin of 35.9% (2013: 37.9%). In our International operations, EBITDA grew 21.1% (12.2%*), with the EBITDA margin expanding 2.0 ppts to 28.9%. International operations contribution to Group EBITDA improved to 16.8% from 13.7% a year ago.

Operating profit

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
South Africa	8 504	9 147	8 456	(7.0)	8.2
International	957	843	525	13.5	60.6
Corporate and eliminations	(31)	8	(11)	<(200%)	(172.7)
Operating profit	9 430	9 998	8 970	(5.7)	11.5

Group operating profit declined 5.7% to R9 430 million mainly due lower EBITDA, an 8.7% increase in depreciation and amortisation as a result of our accelerated capex programme and a loss of R65 million recognised from associates.

In South Africa, operating profit declined 7.0% to R8 504 million due to lower EBITDA as well as an increase in depreciation and amortisation as a result of a 35.3% increase in capital investment. International operations' operating profit grew 13.5% to R957 million.

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

Net finance charges

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
Finance income	149	218	67	(31.7)	>200%
Finance costs	(635)	(533)	(476)	19.1	12.0
Remeasurement of loans	(14)	(13)	(10)	7.7	30.0
Gain on remeasurement	34	44	21	(22.7)	109.5
Gain/(loss) on derivatives	69	(170)	43	(140.6)	<(200%)
Net finance charges	(397)	(454)	(355)	(12.6)	27.9

Net finance charges decreased 12.6% to R397 million mainly due to net gains on derivatives as a result of hedge accounting. This was partially offset by increased finance costs as a result of higher average debt for the period, together with reduced finance income due to lower cash balances for the period.

Taxation

The tax expense of R2 731 million is 6.2% lower than the prior year (2013: R2 913 million). The decline is mainly due to reduced profitability in South Africa and in Tanzania where we experienced intense pricing competition. The Group's effective tax rate reduced from 30.5% to 30.2%.

Earnings

HEPS declined 5.5% to 415 cents and EPS decreased by 4.7% to 422 cents. The decline in both HEPS and EPS is mainly a result of MTR cuts in South Africa, as well as increased depreciation as a result of accelerated capital investments.

Capital expenditure

Rm	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
South Africa	4 137	3 058	3 214	35.3	(4.9)
International	1 743	1 781	1 023	(2.1)	74.1
Corporate and eliminations	1	11	476	(90.9)	(97.7)
Capital expenditure	5 881	4 850	4 713	21.3	2.9
Capital intensity¹ (%)	15.7	13.2	13.7		

The Group's capital expenditure increased by 21.3% to R5 881 million or 15.7% of revenue due to our accelerated capex programme. In South Africa capital expenditure was directed at expanding our 3G coverage, adding 745 sites in the period while continually increasing the number of sites connected to self-provided high speed transmission. We also more than doubled our LTE coverage to 1 942 sites and completed our RAN renewal programme in South Africa. In our International operations the focus remained on increasing both coverage and capacity, while also extending our data network to cater for continued growth.

1. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased by 8.3% to R33 373 million at 30 September 2014 comprising of net additions of R5 080 million, depreciation of R3 038 million and a net foreign currency translation gain of R655 million. During the prior year we entered into a sale and lease back agreement with HTT Infraco Limited in Tanzania. At 30 September 2014 R187 million of assets still had to be transferred and are currently included in non-current assets held for sale.

Net debt increased slightly to R16 006 million, also resulting in increased gearing, with net debt to EBITDA of 0.6 times. 92.5% (2013: 90.3%) of the debt¹ is denominated in South African Rand. R7 596 million (2013: R2 740 million) of debt¹ matures in the next 12 months and 81.9% (2013: 74.5%) of interest bearing debt (including bank overdrafts) is at floating rates.

During the period a loan with a nominal value of R2 576 million was raised from Vodafone to finance additional investments in Tanzania. The loan bears interest payable quarterly at three-month JIBAR plus 1.2% and is unsecured. The loan is repayable on 25 April 2019.

Net debt

	As at 30 September	As at 31 March	Movement Mar/Sep	As at 30 September
Rm	2014	2013	13/14	2013
Bank and cash balances	2 858	6 127	(3 269)	3 392
Bank overdrafts	(1 802)	(335)	(1 467)	(720)
Borrowings and net derivative financial instruments	(17 062)	(13 844)	(3 218)	(14 635)
Net debt	(16 006)	(8 052)	(7 954)	(11 963)
Net debt/EBITDA (times)	0.6	0.3		0.5

Cash flow

Free cash flow

	Six months ended 30 September			% change	
Rm	2014	2013	2012	13/14	12/13
Cash generated from operations	10 102	11 328	9 865	(10.8)	14.8
Cash capital expenditure ²	(5 640)	(5 020)	(3 709)	12.4	35.3
Operating free cash flow	4 462	6 308	6 156	(29.3)	2.5
Tax paid	(2 698)	(2 696)	(2 413)	0.1	11.7
Net finance costs paid	(467)	(396)	(299)	17.9	32.4
Net dividends paid to non-controlling interest	(73)	(38)	(12)	92.1	>200%
Free cash flow	1 224	3 178	3 432	(61.5)	(7.4)

Operating free cash flow declined by 29.3% to R4 462 million. Operating free cash flow was impacted by lower EBITDA, mainly in South Africa and increased capital expenditure. Free cash flow decreased by 61.5% as a result of the decline in operating free cash flow, as well as increased net finance cost due to higher average debt for the period.

1. Debt includes interest bearing debt, non-interest bearing debt, bank overdrafts and commercial paper.
2. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments, net of cash from disposals. Purchases of customer bases are excluded from cash capex.

Declaration of interim dividend No. 11 – payable from income reserves

Notice is hereby given that a gross interim dividend number 11 of 375 cents per ordinary share in respect of financial year end 31 March 2015 has been declared payable on Monday 1 December 2014 to shareholders recorded in the register at the close of business on Friday 28 November 2014. There is no secondary tax on company ('STC') credits available for utilisation. The number of ordinary shares in issue at date of this declaration is 1 487 954 000. The dividend will be subject to a local dividend withholding tax rate of 15% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 318.75000 cents per ordinary share.

Last day to trade shares <i>cum</i> dividend	Friday 21 November 2014
Shares commence trading <i>ex</i> dividend	Monday 24 November 2014
Record date	Friday 28 November 2014
Payment date	Monday 1 December 2014

Share certificates may not be dematerialised or rematerialised between Monday 24 November 2014 and Friday 28 November 2014, both days inclusive.

On Monday 1 December 2014, the interim dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 1 December 2014.

Vodacom Group Limited tax reference number is 9316/041/71/5.

Dividend policy

The interim dividend of 375 cents per share declared above reflects 90% of HEPS, in line with policy. The Board maintains its dividend policy to pay at least 90% of headline earnings.

Notice in terms of section 45(5) of the Companies Act of 2008, as amended

At the annual general meeting of Vodacom held in July 2013, Vodacom shareholders approved of a special resolution in terms of Section 45 of the Companies Act of 2008, as amended ('the Act'), authorising the company to provide financial assistance to related or interrelated companies or corporations of the company.

Section 45(5) of the Act requires a company to provide written notice to shareholders of the adoption of a board resolution to provide financial assistance, if the value and/or obligations of the financial assistance so contemplated together with any previous such resolutions during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the resolution.

Vodacom's Board has adopted several resolutions during this past financial year in terms of which financial assistance as contemplated by the Act has been or will be provided to related and interrelated companies and corporations of Vodacom, the total value of which together with any other resolutions adopted in the previous financial year, exceeds one-tenth of 1% of the company's net worth.

The Board has confirmed that it is satisfied that immediately after the provision of the financial assistance; Vodacom has and will satisfy a solvency and liquidity test as contemplated by Section 4 of the Act and that the terms under which such financial assistance has been or will be given would be fair and reasonable to Vodacom.

Regulatory

The Independent Communications Authority of South Africa ('Icasa') announced the final regulations on call termination rates in South Africa on 29 September 2014. A new three year glide path commenced 1 October 2014 and will end on 30 September 2019. In the first year MTRs will be 20 cents with asymmetry of 55%, this will decline to 16 cents in year 2 and end at 13 cents in year 3, with 50% and 46% asymmetry respectively.

Outlook

Conditions are expected to remain challenging in the short-term, particularly in South Africa where the continued impact of lower mobile termination rates, constrained consumer spend, and intense competitive pressure are all factors. In the international markets, particularly Tanzania and the DRC, continued pricing pressure is also likely to have an impact. However, positive trends in the adoption of smart devices and data usage will help to offset this, as will the ongoing focus on reducing operating expenditure.

Given the difficult environment, we have performed well. A key factor has been network leadership through our continued investment in coverage and capacity. This has provided a strong base from which to weather the current conditions. The conclusion of the MTR process has now resulted in certainty over the next three years. In the medium term the Group will continue with the three year accelerated capital expenditure program in order to be in the best possible position to capitalise on future improvements in demand.

This investment will also support further growth in data usage, which is expected to help drive the contribution of data revenue to Group service revenue. In addition to increased data revenue, the contribution to the business from the International operations, from the Enterprise business, and from financial services is expected to increase.

The regulatory process in relation to the Neotel acquisition is ongoing and we are co-operating fully with the authorities on this matter. This acquisition would support an accelerated roll-out of fibre-to-the-business and fibre-to-the-home services, and in doing this support the South African Government's national development plan objectives. We are hopeful that the process will be completed by the end of the financial year.

As a result of the significant impact of the change in MTRs and conditions described above, the Board has revised its medium term (three years) EBITDA guidance to mid single digit growth, from the mid-to-high single digit growth previously announced. Medium term guidance for service revenue of low single digit growth and capital expenditure of between 14% and 17% of Group revenue remains unchanged. This guidance excludes the impact of acquisitions.

For and on behalf of the Board

Peter Moyo
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Ivan Dittrich
Chief Financial Officer

7 November 2014

Midrand

Independent auditor's review report on interim financial statements

To the shareholders of Vodacom Group Limited

We have reviewed the condensed consolidated interim financial statements of Vodacom Group Limited set out on pages 11 to 21, which comprise the condensed consolidated statement of financial position as at 30 September 2014 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with the International Financial Reporting Standard, IAS 34: Interim Financial Reporting, the South African Institute of Chartered Accountants ('SAICA') Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of 2008, as amended, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements. We conducted our review in accordance with International Standard on Review Engagements ('ISRE') 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Vodacom Group Limited for the six months ended 30 September 2014 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of 2008, as amended.



PricewaterhouseCoopers Inc.

Director: DB von Hoesslin

Registered Auditor

Pretoria

7 November 2014

Condensed consolidated income statement

for the six months ended 30 September

Rm	Notes	Reviewed	Audited	
		Six months ended 30 September	Year ended 31 March	
		2014	2013	2014
Revenue	3	37 546	36 688	75 711
Direct expenses		(16 105)	(15 635)	(32 866)
Staff expenses		(2 444)	(2 289)	(4 563)
Publicity expenses		(1 036)	(1 029)	(2 095)
Other operating expenses		(4 854)	(4 436)	(8 779)
Broad-based black economic empowerment charge		(25)	–	(232)
Depreciation and amortisation		(3 587)	(3 301)	(6 785)
(Loss)/profit from associate and joint venture		(65)	–	3
Operating profit		9 430	9 998	20 394
Finance income		149	218	333
Finance costs		(635)	(533)	(1 051)
Net profit/(loss) on remeasurement and disposal of financial instruments		89	(139)	(91)
Profit before tax		9 033	9 544	19 585
Taxation		(2 731)	(2 913)	(5 918)
Net profit		6 302	6 631	13 667
Attributable to:				
Equity shareholders		6 190	6 487	13 243
Non-controlling interests		112	144	424
		6 302	6 631	13 667

Cents	Notes	Reviewed	Audited	
		Six months ended 30 September	Year ended 31 March	
		2014	2013	2014
Basic earnings per share	4	422.1	442.5	903.3
Diluted earnings per share	4	421.6	441.9	901.9

Condensed consolidated statement of comprehensive income

for the six months ended 30 September

Rm	Reviewed Six months ended 30 September	Audited Year ended 31 March	
	2014	2013	2014
Net profit	6 302	6 631	13 667
Other comprehensive income	624	629	820
Foreign currency translation differences, net of tax	617	621	794
Gain on hedging instruments in cash flow hedges, net of tax	7	8	26
Total comprehensive income	6 926	7 260	14 487
Attributable to:			
Equity shareholders	6 891	7 153	14 165
Non-controlling interests	35	107	322
	6 926	7 260	14 487

Condensed consolidated statement of financial position

as at 30 September

Rm	Notes	Reviewed	Audited	
		As at 30 September	As at 31 March	
		2014	2013	2014
Assets				
Non-current assets				
Property, plant and equipment		41 542	35 091	37 954
Intangible assets		33 373	28 830	30 802
Financial assets		5 712	5 233	5 369
Investment in associate		622	216	141
Investment in joint venture		427	–	367
Trade and other receivables		3	2	3
Finance lease receivables		759	136	659
Deferred tax		639	542	591
		7	132	22
		21 373	22 716	22 787
Current assets				
Financial assets		1 738	1 469	1 822
Inventory		1 261	1 212	1 069
Trade and other receivables		13 153	13 445	11 557
Non-current assets held for sale		187	1 274	569
Finance lease receivables		1 253	1 346	1 284
Tax receivable		923	578	359
Cash and cash equivalents		2 858	3 392	6 127
		62 915	57 807	60 741
Total assets				
Equity and liabilities				
Fully paid share capital		*	*	*
Treasury shares		(1 616)	(1 563)	(1 589)
Retained earnings		22 410	21 544	22 506
Other reserves		420	1 578	2 140
Equity attributable to owners of the parent		21 214	21 559	23 057
Non-controlling interests		92	477	686
		21 306	22 036	23 743
Non-current liabilities				
Borrowings	9	11 260	12 553	9 683
Trade and other payables		845	127	472
Provisions		240	332	263
Deferred tax		2 161	1 542	1 592
		27 103	21 217	24 988
Current liabilities				
Borrowings	9	5 794	2 020	4 067
Trade and other payables		19 334	18 257	20 357
Provisions		81	144	169
Liabilities associated with non-current assets held for sale		–	5	–
Tax payable		68	49	38
Dividends payable		24	22	22
Bank overdrafts		1 802	720	335
		62 915	57 807	60 741
Total equity and liabilities				

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity

for the six months ended 30 September

Rm	Notes	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 April 2014		23 057	686	23 743
Total comprehensive income		6 891	35	6 926
Dividends		(6 307)	(79)	(6 386)
Repurchase, vesting and sale of shares		(161)	–	(161)
Share-based payments		63	–	63
Reclassification of BBBEE reserve to liability	10	(324)	–	(324)
Acquisition of additional interest in subsidiary		(2 026)	(550)	(2 576)
Deconsolidation of subsidiary		21	–	21
30 September 2014 – Reviewed		21 214	92	21 306
1 April 2013		20 800	416	21 216
Total comprehensive income		7 153	107	7 260
Dividends		(6 300)	(42)	(6 342)
Repurchase and sale of shares		(121)	–	(121)
Share-based payments		46	–	46
Acquisition of additional interest in subsidiary		(16)	(4)	(20)
Investment in joint venture		(3)	–	(3)
30 September 2013 – Reviewed		21 559	477	22 036
1 April 2013		20 800	416	21 216
Total comprehensive income		14 165	322	14 487
Dividends		(12 098)	(48)	(12 146)
Repurchase, vesting and sale of shares		(338)	–	(338)
Share-based payments		544	–	544
Acquisition of additional interest in subsidiary		(16)	(4)	(20)
31 March 2014 – Audited		23 057	686	23 743

Condensed consolidated statement of cash flows

for the six months ended 30 September

Rm	Reviewed Six months ended 30 September	Audited Year ended 31 March	
	2014	2013	2014
Cash flows from operating activities			
Cash generated from operations	10 102	11 328	28 901
Tax paid	(2 698)	(2 696)	(5 298)
Net cash flows from operating activities	7 404	8 632	23 603
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	(5 675)	(5 038)	(9 535)
Acquisition of additional interest in subsidiary	(2 576)	–	–
Other investing activities	268	(10)	160
Net cash flows utilised in investing activities	(7 983)	(5 048)	(9 375)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	2 282	(509)	(2 235)
Dividends paid	(6 384)	(6 337)	(12 141)
Repurchase and sale of shares	(158)	(330)	(343)
Net cash flows utilised in financing activities	(4 260)	(7 176)	(14 719)
Net decrease in cash and cash equivalents	(4 839)	(3 592)	(491)
Cash and cash equivalents at the beginning of the year	5 792	6 188	6 188
Effect of foreign exchange rate changes	103	76	95
Cash and cash equivalents at the end of the period/year	1 056	2 672	5 792

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and in accordance with and containing 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, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange Limited ('JSE') Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies, judgements, estimates and methods of computation are consistent in all material respects with those applied in the consolidated annual financial statements for the year ended 31 March 2014, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these condensed consolidated interim financial statements was supervised by the Chief Financial Officer, IP Dittrich CA(SA).

2. Changes in accounting policies and estimates

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 2014, none of which had any material impact on the Group's financial results for the year.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2015, which will be available online.

The Group changed its estimate regarding revenue recognition of un-recharged vouchers in South Africa from a fixed period after the vouchers were sold, to a period that based on evidence, more reasonably and objectively reflects the performance period of the Group. The once-off impact of the change amounted to an adjustment of R325 million to revenue at 30 September 2014.

	Reviewed Six months ended 30 September	Audited Year ended 31 March
Rm	2014	2013
External customers segment revenue	37 546	36 688
South Africa	30 054	30 020
International	7 492	6 666
Corporate	–	2
EBITDA	12 993	13 221
South Africa	10 844	11 421
International	2 187	1 806
Corporate and eliminations	(38)	(6)

3. Segment analysis

	Reviewed Six months ended 30 September	Audited Year ended 31 March
Rm	2014	2013
3. Segment analysis (continued)		
Reconciliation of segment results		
EBITDA	12 993	13 221
Depreciation, amortisation and impairment losses	(3 587)	(6 785)
Other	114	94
Broad-based black economic empowerment charge	(25)	(232)
(Loss)/profit from associate and joint venture	(65)	3
Operating profit	9 430	20 394
Net finance charges	(397)	(809)
Finance income	149	333
Finance costs	(635)	(1 051)
Net profit/(loss) on remeasurement and disposal of financial instruments	89	(91)
Profit before tax	9 033	19 585
Taxation	(2 731)	(5 918)
Net profit	6 302	13 667
Total assets	62 915	60 741
South Africa	41 569	37 929
International	20 792	18 787
Corporate and eliminations	554	4 025
	Reviewed Six months ended 30 September	Audited Year ended 31 March
Cents	2014	2013
4. Per share calculations		
4.1 Earnings and dividends per share		
Basic earnings per share	422.1	903.3
Diluted earnings per share	421.6	901.9
Headline earnings per share	415.4	895.8
Diluted headline earnings per share	415.0	894.4
Dividends per share	430.0	825.0

Million	Reviewed Six months ended 30 September	Audited Year ended 31 March	
	2014	2013	2014
4. Per share calculations (continued)			
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	1 466	1 466	1 466
Diluted earnings and diluted headline earnings per share	1 468	1 468	1 468
4.3 Ordinary shares for the purpose of calculating:			
Dividends per share	1 488	1 488	1 488

Vodacom Group Limited acquired 1 421 125 shares in the market during the period at an average price of R131.05 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 R6 398 million (30 September 2013: R6 398 million; 31 March 2014: R12 275 million) of which R22 million (30 September 2013: R29 million; 31 March 2014: R46 million) was offset against the forfeitable share plan reserve, R3 million (30 September 2013: R3 million; 31 March 2014: R4 million) expensed as staff expenses and R66 million (30 September 2013: R66 million; 31 March 2014: R127 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Rm	Reviewed Six months ended 30 September	Audited Year ended 31 March	
	2014	2013	2014
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	6 190	6 487	13 243
Adjusted for:			
Net profit on disposal of property, plant and equipment and intangible assets	(132)	(77)	(147)
	6 058	6 410	13 096
Tax impact of adjustments	36	21	41
Non-controlling interests in adjustments	(2)	–	(4)
Headline earnings for headline and diluted headline earnings per share	6 092	6 431	13 133

5. Forfeitable share plan ('FSP')

During the current period the Group allocated 1 372 915 (30 September 2013: 1 627 613; 31 March 2014: 1 861 447) shares to eligible employees under its FSP, an equity-settled share-based payment scheme in terms of IFRS 2: Share-based Payment.

6. Related parties

The amounts disclosed in Notes 6.1 and 6.2 include significant balances and transactions with the Group's joint venture, associate and parent, including entities in its group.

	Reviewed Six months ended 30 September	Audited Year ended 31 March	
Rm	2014	2013	2014
6.1 Balances with related parties			
Borrowings	13 147	10 528	10 532
6.2 Transactions with related parties			
Dividends declared	(4 159)	(4 159)	(7 978)
Finance costs	(451)	(193)	(536)

Full details of balances and transactions with related parties will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2015, which will be available online.

6.3 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 ending 31 March 2015, which will be available online. Ms YZ Cuba, an independent non-executive director has been appointed as Chief Officer: Strategy and Business Development with effect from 1 November 2014. She stepped down from the Board on 31 October 2014.

	Reviewed Six months ended 30 September	Audited Year ended 31 March	
Rm	2014	2013	2014
7. Capital commitments			
Capital expenditure contracted for but not yet incurred	5 261	4 139	2 390
8. Capital expenditure incurred			
Capital expenditure additions including software	5 881	4 850	10 779

9. Borrowings

During the current period the Group obtained a loan from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R2 576 million to finance the acquisition of an additional 17.2% interest in Vodacom Tanzania Limited. The loan bears interest payable quarterly at three-month JIBAR plus 1.20%, is unsecured, has a five year term and is ultimately repayable on 25 April 2019.

Also refer to Note 13.2 for extension of payment terms approved after the reporting date.

10. Broad-based black economic empowerment ('BBBEE') arrangement

During the current period the Group advanced BBBEE through direct shareholding in Yebo Yethu Limited ('Yebo Yethu')¹ by the establishment of the Innovator Trust. The Innovator Trust utilised the loan funding obtained from Vodacom (Pty) Limited to acquire Yebo Yethu shares from the black public. As a result, the Group reclassified R324 million from equity to liability in terms of IFRS 2: Share-based payment.

1. A ring-fenced limited purpose vehicle whose purpose is to acquire and hold Vodacom (Pty) Limited shares for the benefit of shareholders.

11. Contingent liabilities

11.1 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R112 million (30 September 2014: R87 million; 31 March 2014: R93 million).

Vodacom (Pty) Limited provides a guarantee for borrowings entered into by Vodacom Group Limited. At 30 September 2014, R1 583 million of the borrowings under guarantee was utilised (30 September 2013 and 31 March 2014: RNil).

11.2 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.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

11.3 Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at 30 September 2014. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

12. Other significant matters

12.1 Mobile termination rates ('MTR')

Following a ruling in which the High Court in South Africa declared that the reduction of MTRs were unlawful, the Independent Communications Authority of South Africa ('Icasa') conducted a wholesale call termination market review resulting in the promulgation of final MTR regulations on 29 September 2014. The MTRs are 20 cents per minute for the periods 1 October 2014 to 30 September 2015, 16 cents per minute for the periods 1 October 2015 to 30 September 2016 and 13 cents per minute for the periods 1 October 2016 to 30 September 2017, for Vodacom and MTN, with asymmetrical rates for smaller mobile service providers at 31 cents, 24 cents and 19 cents per minute, for the aforementioned periods.

12.2 VM, SA option

Options held by non-controlling parties over the shares of VM, SA were exercised on 26 August 2014 by way of a funding arrangement, subject to approval by the Bank of Mozambique. The transaction will be recognised once the suspensive conditions have been met.

12.3 Vodacom Congo (RDC) SA ('Vodacom Congo')

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

12.4 Nashua Mobile (Pty) Limited ('Nashua Mobile')

On 11 April 2014, the Group entered into a purchase agreement in terms of which Nashua Mobile will dispose of its Vodacom customer base to the Group. The transaction was unconditionally approved by the Competition Tribunal on 29 September 2014 and will be accounted for on the successful migration of the customer base.

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

The transaction remains subject to the fulfilment of a number of conditions precedent, including the regulatory approvals by both the Icasa and the Competition Tribunal.

13. 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:

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

An interim dividend of R5 580 million (375 cents per ordinary share) for the year ending 31 March 2015, was declared on Friday 7 November 2014, payable on Monday 1 December 2014 to shareholders recorded in the register at the close of business on Friday 28 November 2014. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 318.75000 cents per share.

13.2 Modification of debt repayment terms

The Board approved the extension of the payment terms of the R3 000 million funding obtained from Vodafone Investments Luxembourg s.a.r.l. which was originally repayable on 23 November 2014. The Group is currently finalising borrowing terms and will reclassify the funding to non-current liabilities.

14. Financial instruments' fair value

The Group holds money market investments, foreign forward exchange contracts, interest rate swaps and unit trusts at fair value, none of which have a material fair value as at 30 September 2014. Fair value related disclosure will be made in the Group's consolidated annual financial statements for the year ending 31 March 2015. As the investments in unit trusts are actively traded in an exchange market, they are classified as level one in the fair value hierarchy. All other mentioned financial assets and liabilities are classified as level two.

Supplementary information

Operating results for the six months ended 30 September 2014

	South Africa	%	Inter-national	%	Corporate/ Eliminations	Group	%
Rm	13/14		13/14			13/14	
Mobile voice ¹	13 434	(4.9)	4 137	6.5	(4)	17 567	(2.4)
Mobile interconnect	1 092	(42.2)	770	11.1	(35)	1 827	(28.6)
Mobile messaging	1 241	(10.1)	305	16.4	–	1 546	(5.9)
Mobile data	6 198	21.6	1 389	41.0	–	7 587	24.7
Other service revenue	1 472	16.8	765	10.4	(39)	2 198	14.3
Service revenue	23 437	(1.3)	7 366	13.0	(78)	30 725	1.7
Equipment revenue	6 321	4.6	119	9.2	(11)	6 429	4.8
Non-service revenue	413	20.1	90	(5.3)	(111)	392	15.0
Revenue	30 171	0.1	7 575	12.7	(200)	37 546	2.3
Direct expenses	(13 585)	2.3	(2 626)	7.0	106	(16 105)	3.0
Staff expenses	(1 592)	5.6	(698)	8.4	(154)	(2 444)	6.8
Publicity expenses	(643)	(7.2)	(383)	16.4	(10)	(1 036)	0.7
Other operating expenses	(3 369)	6.7	(1 707)	14.8	222	(4 854)	9.4
BBBEE charge	(25)	n/a	–	–	–	(25)	n/a
Depreciation and amortisation	(2 453)	4.2	(1 139)	18.4	5	(3 587)	8.7
(Loss)/profit from joint venture	–	–	(65)	n/a	–	(65)	n/a
Operating profit	8 504	(7.0)	957	13.5	(31)	9 430	(5.7)
EBITDA	10 844	(5.1)	2 187	21.1	(38)	12 993	(1.7)
EBITDA margin (%)	35.9		28.9			34.6	
Operating profit margin (%)	28.2		12.6			25.1	

New disclosure

Mobile contract revenue	10 521	(1.1)	479	10.6	(4)	10 996	(0.7)
In bundle	7 248	6.8	117	(2.5)	–	7 365	6.6
Out of bundle	3 273	(15.1)	362	15.7	(4)	3 631	(12.8)
Mobile prepaid revenue	10 196	4.7	5 345	13.9	–	15 541	7.7
In bundle	1 309	108.1	753	>200	(1)	2 061	136.9
Out of bundle	8 887	(2.5)	4 592	3.1	1	13 480	(0.6)
Customer service revenue	20 717	1.6	5 824	13.6	(4)	26 537	4.1
Mobile interconnect	1 092	(42.2)	770	11.1	(35)	1 827	(28.6)
Other service revenue	1 628	10.1	772	10.9	(39)	2 361	9.8
Service revenue	23 437	(1.3)	7 366	13.0	(78)	30 725	1.7

Notes:

- Mobile in-bundle revenue: represents revenue from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge, with some expectation of recurrence.
- Mobile in-bundle revenue – Contract: revenue from all bundles and add-ons lasting 30 days or more.
- Mobile in-bundle revenue – Prepaid: revenue from bundles lasting seven days or more.
- Out-of-bundle: Revenue from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles.

1. During the period we changed our accounting estimate relating to revenue recognition of un-recharged vouchers resulting in a positive adjustment of R325 million in South Africa.

Operating results for the six months ended 30 September 2013

	South Africa	%	Inter- national	%	Corporate/ Eliminations	Group	%
Rm	12/13		12/13			12/13	
Mobile voice	14 122	(2.6)	3 883	27.1	–	18 005	2.6
Mobile interconnect	1 888	(23.6)	693	36.7	(21)	2 560	(12.8)
Mobile messaging	1 381	(9.7)	262	36.5	–	1 643	(4.6)
Mobile data	5 096	20.6	985	100.6	1	6 082	29.0
Other service revenue	1 260	22.1	693	(60.4)	(30)	1 923	(29.0)
Service revenue	23 747	0.0	6 516	8.7	(50)	30 213	2.0
Equipment revenue	6 043	41.2	109	81.7	(18)	6 134	41.7
Non-service revenue	344	(13.4)	95	(7.8)	(98)	341	(26.7)
Revenue	30 134	6.0	6 720	9.2	(166)	36 688	6.6
Direct expenses	(13 276)	8.8	(2 455)	(19.2)	96	(15 635)	3.5
Staff expenses	(1 508)	(4.3)	(644)	25.5	(137)	(2 289)	1.3
Publicity expenses	(693)	3.6	(329)	32.7	(7)	(1 029)	11.5
Other operating expenses	(3 157)	(2.4)	(1 487)	36.7	208	(4 436)	7.7
Depreciation and amortisation	(2 353)	2.3	(962)	29.5	14	(3 301)	8.1
Operating profit	9 147	8.2	843	60.6	8	9 998	11.5
EBITDA	11 421	5.9	1 806	42.3	(6)	13 221	9.6
EBITDA margin (%)	37.9		26.9			36.0	
Operating profit margin (%)	30.4		12.5			27.3	

New disclosure

Mobile contract revenue	10 639	0.4	433	95.0	(4)	11 068	2.4
In bundle	6 785	2.2	120	>200	1	6 906	4.1
Out of bundle	3 854	(2.6)	313	36.7	(5)	4 162	(0.5)
Mobile prepaid revenue	9 742	4.7	4 694	34.5	(1)	14 435	12.8
In bundle	629	22.1	242	>200	(1)	870	52.1
Out of bundle	9 113	3.6	4 452	29.7	–	13 565	11.0
Customer service revenue	20 381	2.4	5 127	38.1	(5)	25 503	8.0
Mobile interconnect	1 888	(23.6)	693	36.7	(21)	2 560	(12.8)
Other service revenue	1 478	6.9	696	(60.7)	(24)	2 150	(30.3)
Service revenue	23 747	0.0	6 516	8.7	(50)	30 213	2.0

Operating results for the year ended 30 September 2012

	South Africa	%	Inter-national	%	Corporate/ Eliminations	Group	%
Rm	11/12		11/12			11/12	
Mobile voice	14 500	1.5	3 054	47.7	(4)	17 550	7.3
Mobile interconnect	2 471	(17.6)	507	46.1	(41)	2 937	(10.4)
Mobile messaging	1 530	(0.2)	192	58.7	–	1 722	4.1
Mobile data	4 224	13.5	491	140.7	–	4 715	20.2
Other service revenue	1 032	13.3	1 748	5.9	(72)	2 708	8.9
Service revenue	23 757	1.3	5 992	36.5	(117)	29 632	7.0
Equipment revenue	4 279	19.0	60	(7.7)	(10)	4 329	19.0
Non-service revenue	397	6.4	103	77.6	(35)	465	12.3
Revenue	28 433	3.7	6 155	36.4	(162)	34 426	8.4
Direct expenses	(12 200)	1.8	(3 038)	24.2	136	(15 102)	5.8
Staff expenses	(1 575)	3.0	(513)	23.9	(172)	(2 260)	9.7
Publicity expenses	(669)	(20.5)	(248)	18.7	(6)	(923)	12.6
Other operating expenses	(3 233)	(2.1)	(1 088)	37.7	204	(4 117)	5.6
Depreciation and amortisation	(2 300)	3.7	(743)	23.2	(11)	(3 054)	7.7
Operating profit	8 456	12.2	525	>200.0	(11)	8 970	22.8
EBITDA	10 789	9.7	1 269	92.3	2	12 060	14.5
EBITDA margin (%)	37.9		20.6			35.0	
Operating profit margin (%)	29.7		8.5			26.1	

New disclosure

Mobile contract revenue	10 595	n/a	222	n/a	(4)	10 813	n/a
In bundle	6 638	n/a	(7)	n/a	–	6 631	n/a
Out of bundle	3 957	n/a	229	n/a	(4)	4 182	n/a
Mobile prepaid revenue	9 309	n/a	3 490	n/a	(1)	12 798	n/a
In bundle	515	n/a	57	n/a	–	572	n/a
Out of bundle	8 794	n/a	3 433	n/a	(1)	12 226	n/a
Customer service revenue	19 904	n/a	3 712	n/a	(5)	23 611	n/a
Mobile interconnect	2 471		507		(41)	2 937	
Other service revenue	1 382	n/a	1 773	n/a	(71)	3 084	n/a
Service revenue	23 757	1.3	5 992	36.5	(117)	29 632	7.0

South Africa key performance indicators

	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
Active customers (thousand)¹	32 613	30 139	29 734	8.2	1.4
Prepaid	27 806	25 331	25 031	9.8	1.2
Contract	4 807	4 808	4 703	0.0	2.2
Active data customers (thousand)²	16 679	14 204	n/a	17.4	n/a
M2M sims (thousand)	1 578	1 302	1 049	21.2	24.1
Churn (%)³	57.8	57.0	43.6		
Prepaid	64.2	63.7	48.4		
Contract	10.2	12.1	11.1		
Traffic (millions of minutes)⁴	23 960	20 786	18 597	15.3	11.8
Outgoing	18 963	16 129	14 093	17.6	14.4
Incoming	4 997	4 657	4 504	7.3	3.4
MOU per month⁵	123	118	105	4.2	12.4
Prepaid	113	105	88	7.6	19.3
Contract	185	183	192	1.1	(4.7)
Total ARPU (rand per month)⁶	112	126	126	(11.1)	0.0
Prepaid	66	74	73	(10.8)	1.4
Contract	380	393	406	(3.3)	(3.2)
Messaging (million)	2 328	2 806	3 033	(17.0)	(7.5)
Estimated mobile penetration (%)	145	138	143		
Number of employees	5 126	4 957	5 190	3.4	(4.5)

Notes:

- 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 whilst roaming.
- Active data customers 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.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period. Churn has been restated as a result of M2M connections excluded from active customers.
- 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.
- Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period. MOU has been restated as a result of M2M connections excluded from active customers.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. ARPU has been restated as a result of M2M connections excluded from active customers.

International key performance indicators

	Six months ended 30 September			% change	
	2014	2013	2012	13/14	12/13
Active customers (thousand)¹	28 367	23 672	19 341	19.8	22.4
Tanzania	11 316	10 023	8 968	12.9	11.8
DRC	11 003	8 790	6 696	25.2	31.3
Mozambique	4 913	3 688	2 734	33.2	34.9
Lesotho	1 135	1 171	943	(3.1)	24.2
Active data customers (thousand)²	9 188	6 065	n/a	51.5	n/a
Tanzania	4 963	2 958	n/a	67.8	n/a
DRC	2 241	1 748	n/a	28.2	n/a
Mozambique	1 636	1 090	n/a	50.1	n/a
Lesotho	348	269	n/a	29.4	n/a
Churn (%)³					
Tanzania	44.8	54.1	75.3		
DRC	85.2	88.2	79.4		
Mozambique	88.9	70.6	57.2		
Lesotho	81.1	41.6	35.5		
MOU per month⁴					
Tanzania	162	119	76	36.1	56.6
DRC	43	37	45	16.2	(17.8)
Mozambique	128	94	69	36.2	36.2
Lesotho	53	31	33	71.0	(6.1)
Total ARPU (rand per month)⁵					
Tanzania	44	45	34	(2.2)	32.4
DRC	32	35	35	(8.6)	–
Mozambique	50	59	51	(15.3)	15.7
Lesotho	46	45	58	2.2	(22.4)
Total ARPU (local currency per month)⁵					
Tanzania (TZS)	6 821	7 401	6 458	(7.8)	14.6
DRC (USD)	3.0	3.6	4.2	(16.7)	(14.3)
Mozambique (MZN)	146	183	173	(20.2)	5.8
Estimated mobile penetration (%)					
Tanzania	60	57	42		
DRC	40	32	25		
Mozambique	45	38	30		
Lesotho	70	67	51		
Number of employees	2 312	2 177	2 034	6.2	7.0

Notes:

- 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 whilst roaming.
- Active data customers 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.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
- 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.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. ARPU has been restated to only include service revenue generated from Vodacom mobile customers.

Exchange rates

	Average				Closing			
	30 September		% change	31 March	30 September		% change	31 March
	2014	2013	2014	2014	2014	2013	2014	2014
USD/ZAR	10.66	9.74	9.4	10.13	11.30	10.05	12.4	10.52
ZAR/MZN	2.92	3.10	(5.8)	3.01	2.75	2.97	(7.4)	2.98
ZAR/TZS	155.86	167.00	(6.7)	160.44	148.44	159.76	(7.1)	155.69
EUR/ZAR	14.36	12.82	12.0	13.59	14.27	13.59	5.0	14.49

Historical key indicators for the quarters ended

Revenue

	September	June	March	December	September	June	March
Rm	2014	2014	2014	2013	2013	2013	2013
South Africa	15 380	14 791	15 170	16 502	15 585	14 549	14 699
International	3 984	3 591	3 798	3 838	3 655	3 065	2 553
Corporate and eliminations	(105)	(95)	(164)	(121)	(88)	(78)	(55)
Revenue	19 259	18 287	18 804	20 219	19 152	17 536	17 197

Service revenue

	September	June	March	December	September	June	March
Rm	2014	2014	2014	2013	2013	2013	2013
South Africa	11 995	11 442	11 982	12 587	12 069	11 678	11 894
International	3 873	3 493	3 684	3 695	3 538	2 978	2 480
Corporate and eliminations	(40)	(38)	(80)	(34)	(30)	(20)	(19)
Service revenue	15 828	14 897	15 586	16 248	15 577	14 636	14 355

Historical key performance indicators for the quarters ended

South Africa

	September	June	March	December	September	June	March
Rm	2014	2014	2014	2013	2013	2013	2013
Active customers (thousand)¹	32 613	32 516	31 520	30 964	30 139	29 282	29 190
Prepaid	27 806	27 723	26 726	26 123	25 331	24 488	24 404
Contract	4 807	4 793	4 794	4 841	4 808	4 794	4 786
Active data customers (thousand)²	16 679	16 996	15 172	15 314	14 204	n/a	n/a
M2M sims (thousand)	1 578	1 512	1 443	1 378	1 302	1 239	1 159
Churn (%)³	63.7	51.9	49.0	52.3	58.4	55.5	60.8
Prepaid	71.0	57.5	54.4	58.4	65.3	62.1	68.2
Contract	9.9	10.4	11.8	11.4	12.6	11.6	11.0
Traffic (millions of minutes)⁴	12 182	11 776	11 453	11 298	11 034	9 752	9 252
Outgoing	9 570	9 392	9 193	8 928	8 681	7 448	7 018
Incoming	2 612	2 384	2 260	2 370	2 353	2 304	2 234
MOU per month⁵	124	122	122	124	124	112	105
Prepaid	113	112	112	113	112	98	91
Contract	190	181	179	183	183	183	180
Total ARPU (rand per month)⁶	115	110	119	129	127	125	127
Prepaid	67	64	71	80	75	74	76
Contract	389	372	379	393	398	387	391

Historical key performance indicators for the quarters ended

International

Rm	September	June	March	December	September	June	March
	2014	2014	2014	2013	2013	2013	2013
Active customers (thousand)¹	28 367	27 086	25 969	25 019	23 672	22 259	21 327
Tanzania	11 316	10 638	10 284	10 289	10 023	9 666	9 468
DRC	11 003	10 502	10 008	9 334	8 790	8 129	7 706
Mozambique	4 913	4 604	4 333	4 120	3 688	3 310	3 045
Lesotho	1 135	1 342	1 344	1 276	1 171	1 154	1 108
Active data customers (thousand)²	9 188	8 311	7 675	7 457	6 065	4 903	4 117
Tanzania	4 963	4 480	3 788	3 554	2 958	2 343	1 674
DRC	2 241	2 016	2 218	2 280	1 748	1 421	1 410
Mozambique	1 636	1 474	1 368	1 285	1 090	922	840
Lesotho	348	341	301	338	269	217	193
Churn (%)³							
Tanzania	42.4	47.3	49.9	46.6	51.5	56.8	64.7
DRC	95.1	74.8	76.6	88.6	88.8	87.7	90.0
Mozambique	86.8	91.2	87.2	74.3	71.4	69.8	69.0
Lesotho	125.5	41.9	50.9	34.1	39.5	43.7	31.9
MOU per month⁴							
Tanzania	165	158	131	131	122	116	83
DRC	47	39	31	33	36	39	44
Mozambique	124	131	118	104	95	92	84
Lesotho	58	48	49	51	35	26	26
Total ARPU (rand per month)⁶							
Tanzania	45	42	43	49	48	41	34
DRC	33	31	35	34	37	33	28
Mozambique	52	49	52	61	61	57	54
Lesotho	50	43	41	51	47	44	41
Total ARPU (local currency per month)⁶							
Tanzania (TZS)	6 978	6 655	6 377	7 700	7 801	6 992	6 092
DRC (USD)	3.1	3.0	3.2	3.4	3.7	3.5	3.1
Mozambique (MZN)	147	146	150	178	184	182	185

Notes:

- 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 whilst roaming. As of 30 June 2013, this excludes M2M connections, prior periods have been restated.
- Active data customers 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.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
- 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.
- Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period. MOU has been restated as a result of M2M connections excluded from active customers.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers. ARPU has been restated as a result of M2M connections excluded from active customers.

Reconciliation of normalised growth

	Reported ¹	Trading foreign exchange ²	Translation foreign exchange ³	Normalised
	% change	ppt	ppt	% change
	2014			2014
Service revenue				
Group	1.7	–	(1.5)	0.2
International	13.0	–	(7.4)	5.6
Revenue				
Group	2.3	–	(1.3)	1.0
International	12.7	–	(7.6)	5.1
Total expense				
International	10.2	0.1	(7.4)	2.9
EBITDA				
Group	(1.7)	0.9	(1.0)	(1.8)
South Africa	(5.1)	1.2	–	(3.9)
International	21.1	(0.5)	(8.4)	12.2
Operating profit				
Group	(5.7)	1.3	(0.6)	(5.0)
South Africa	(7.0)	1.4	–	(5.6)
International	13.5	(0.9)	(8.3)	4.3

The reconciliation represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base). The presentation of the pro-forma constant currency information from on-going operations is the responsibility of the directors of Vodacom Group Limited. The purpose to presenting this information is to assist the user in understanding the underlying growth trends in these segments. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. This information has not been reviewed and reported on by the Group auditors.

Notes:

1. The reported percentage change relates to the year on year percentage growth from 31 March 2013 to 31 March 2014. The Group's presentation currency is the South African rand. Our International operations include functional currencies mainly in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange for the current and comparative periods is disclosed above.
2. Trading foreign exchange are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group.
3. Translation foreign exchange arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the current period's average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) to prior year numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange for the current and comparative periods are disclosed on page 27.

Corporate information

Vodacom Group Limited

(Incorporated in the Republic of South Africa)
 Registration number: 1993/005461/06
 (ISIN: ZAE000132577 Share Code: VOD)
 (ISIN: ZAG000106063 JSE Code: VOD008)
 (ISIN: US92858D2009 ADR Code: VDMCY)
 ('Vodacom')

Directors

MP Moyo (*Chairman*), MS Aziz Joosub (*CEO*),
 DH Brown, IP Dittrich, M Joseph¹, HMG Dowidar²,
 TM Mokgosi-Mwantembe, PJ Moleketi,
 JWL Otty³, RAW Schellekens⁴, S Timuray⁵

Company Secretary

SF Linford

1. American 2. Egyptian 3. British 4. Dutch 5. Turkish

Registered office

Vodacom Corporate Park,
 082 Vodacom Boulevard, Midrand 1685
 (Private Bag X9904, Sandton 2146)

Transfer secretary

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

Media relations

Richard Boorman

Investor relations

Tlhabeli Ralebitso

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. 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 announcement contains certain non-IFRS financial measures 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 IFRS measures. Refer above for detail relating to EBITDA and headline earnings per share.

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Forward-looking statements

This announcement which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 2014 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's businesses by governments in the countries in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'will', 'anticipates', 'aims', 'could', 'may', 'should', 'expects', 'believes', 'intends', 'plans' or 'targets'. By their nature, forward-looking statements are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future, involve known and unknown risks, uncertainties and other facts or factors which may cause the actual results, performance or achievements of the Group, or its industry to be materially different from any results, performance or achievement expressed or implied by such forward-looking statements. Forward-looking statements are not guarantees of future performance and are based on assumptions regarding the Group's present and future business strategies and the environments in which it operates now and in the future.

