Integrated report

For the year ended 31 March 2012

Integrated performance indicators

Financial	Year ended 31 March 2012	2011	2010	% change 11/12
Service revenue (Rm)	**58 245**	54 052	52 184	**7.8**
Data revenue as a % of service revenue (%)	**14.0**	11.9	9.1	
International service revenue as a % of Group service revenue (%)	**17.4**	14.7	15.5	
EBITDA (Rm)	**22 763**	20 594	19 782	**10.5**
Opex[1] as a % of service revenue (%)	**23.7†**	24.1	23.4	
Operating free cash flow (Rm)	**16 934**	14 837	13 489	**14.1**
Free cash flow (Rm)	**10 971**	8 829	7 212	**24.3**
Headline earnings per share (cents)	**709**	656	510	**8.1**
Dividend per share[2] (cents)	**540**	355	110	**52.1**

Economic	Year ended 31 March 2012	2011	2010	% change 11/12
Distributed to employees (Rm)	**4 368**	4 049	3 884	**7.9**
Capital expenditure (Rm)	**8 662**	6 311	6 636	**37.3**
Distributed to governments (Rm)	**5 449**	5 027	4 255	**8.4**
Distributed to providers of finance (Rm)	**8 648**	6 076	3 233	**42.3**
BBBEE score# (%)	**75.77**	70.84	69.56	
BBBEE procurement spend# (Rm)	**16 429**	12 537	6 647	**31.0**
BBBEE enterprise development cumulative spend# (Rm)	**1 438**	1 308	1 070	**9.9**

Social – Employees	Year ended 31 March 2012	2011	2010	% change 11/12
Number of employees[3]	**7 503**	7 513	7 643	**(0.1)**
Engagement index – People Survey (%)	**73†**	73	77	
Employee turnover[4] (%)	**9**	11	6	
Women representation in senior management[4] (%)	**26.4**	22.6	23.5	
Black representation in senior management# (%)	**45**	42	41.3	
Total training spend (Rm)	**68**	71	58	
Average training spend per employee per annum (R)	**9 794**	9 359	7 570	**4.6**
Ratio of average basic salary of men to women# (times)	**1.5**	1.4	1.4	**7.1**

Social – Communities	Year ended 31 March 2012	2011	2010	% change 11/12
Customers[5] (thousand)	**47 835**	36 819	30 968	**29.9**
Active data customers (thousand)	**15 107**	10 168	7 294	**48.6**
Active M-Pesa customers (thousand)	**3 139**	1 317	371	**138.3**
Total foundation contributions (Rm)	**77**	77	83	**–**

Environment	Year ended 31 March 2012	2011	2010	% change 11/12
Number of sites#	**8 936**	8 394	7 817	**6.5**
M2M connections# (thousand)	**793**	694	604	**14.3**
Network electricity# (GWh)	**189.4**	195.8	154.2	**(3.3)**
Building electricity# (GWh)	**81.2**	101.8	118.9	**(20.2)**
Fuel (diesel and petrol)# (million litres)	**1.9**	2.1	2.5	**(8.7)**
Network equipment and handsets reused or recycled[6] (tonnes)	**254**	611	213	**(58.4)**
Water consumption# (kl)	**192 521**	250 903	209 576	**(23.3)**
Paper utilised# (kg)	**88 110**	138 260	211 797	**(36.3)**
CO_2 emissions[7] (tonnes)	**526 837**	410 471	n/m	**28.3**

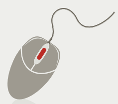
Notes:

1. Operating expenses, excluding direct expenses and foreign exchange.
2. This represents the sum of the final dividend declared at the beginning of the year and the interim dividend declared at the interim period.
3. Number of employees in March 2011 has been restated.
4. Excluding Gateway.
5. The reporting of customers has changed from total to three month active.
6. In 2011 we replaced a large portion of our network with new equipment which substantially increased the waste we disposed of for recycling.
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.

Contents



Online contents

About this **report**

Thanks for reading Vodacom Group Limited's integrated report for the year ended 31 March 2012. The Board approved this report on 1 June 2012.

'Vodacom', 'the Group', 'the Company','our', 'us' and 'we' all refer to Vodacom Group Limited and our operations. All figures refer to the year ended 31 March 2012, unless stated otherwise.

The scope of our report includes Vodacom Group and all our operating subsidiaries, unless stated otherwise. Where we only have data for our South African operation, which represents 83.1% of service revenue and 93.4% of EBITDA, we indicate this with #. We've used * to indicate data reported at normalised growth, excluding trading foreign exchange and at constant currency.

66 for our reconciliation of normalised growth.

Responding to feedback on last year's report

This is our second integrated report. Feedback on last year's report, both from outside our organisation and among our employees, was that it was readable and meaningful. We particularly liked what Brendan Seery, a South African journalist, had to say about its simplicity and transparency: "All in all, a document about finance for ordinary people and one which makes you think: this is a company doing the right thing." (Saturday Star, 13 August 2011)

One of the criticisms of last year's report was that the high level of integration made it difficult for certain stakeholders to find the specific information they were looking for. So this year we have tried to accommodate this need in our integrated report, both in print and online. We have introduced operational reviews that deal with key areas of our business, while still providing stakeholders with an integrated assessment of our performance in each of our strategic priorities.

Our approach to preparing our printed report was to once again produce a "storybook" – a frank, transparent and readable assessment of the true economic value of the Group, and our ability to create and sustain value over the short, medium and long term.

We also challenged ourselves to focus on the issues most material to our stakeholders. To arrive at these we looked at the reports submitted for Board discussion or approval for the year, our key risk factors, our strategic objectives, as well as formal and informal stakeholder feedback (including our Reputation Survey and broad media coverage). These were synthesised into a list of five strategic issues, which guided our decisions on what to include in our reports:

- **Network quality** – identify factors affecting quality, make investments to improve it and set targets.
- **Maintain our lead in mobile internet** – invest for future growth in data, maintain our network leadership and drive smartphone adoption.
- **Regulation and changes to legislation** – drive compliance with evolving BEE legislation, with a specific focus on black representation among senior leadership, while also responding to the requirements for new spectrum allocation; comply with new consumer protection and privacy regulations in South Africa, and new regulations in Tanzania.
- **Churn management** – continue to actively manage churn and revamp loyalty programmes.
- **Cost efficiency** – drive network and organisational efficiency programmes.

For the first time this year we have provided condensed financials in print, in line with the Companies Act of 2008, as amended. The condensed financials have been prepared in terms of International Financial Reporting Standards ('IFRS') IAS 34: Interim Financial Reporting. The full set of consolidated annual financial statements ('AFS'), including the report from our Audit, Risk and Compliance Committee and directors' report, are available online or can be requested directly from our Company Secretary.

109 for contact details.

Our online report provides comprehensive information and gives stakeholders more interactive functionality. Besides the full AFS, the online report also includes additional detailed reports and video interviews with our top executives on burning issues. While edited extracts of these interviews are included in print, the full videos can be viewed online.

While we have tried to be responsive to our stakeholders' needs in putting together our integrated report this year, we have also followed a "less is more" approach, in keeping with our theme for the year. Whereas last year we introduced our new business philosophy and strategic priorities, which required us to explain our thinking, this year we have tried to focus on the key developments during the year.

Taking the next steps in our integrated reporting journey

We have continued to apply the principles of integrated reporting to our internal reporting cycles, making them part of the way we manage our business.

In terms of the principle of inclusivity, which is core to being a sustainable organisation, we track our net promoter score ('NPS') – our key measure of customer satisfaction – across most of our operations on a monthly basis. We are also in the second year of running our People Survey and our Reputation Survey. Together with the ongoing engagement with our stakeholders that happens as a matter of course, these formal feedback mechanisms bring the views and concerns of our stakeholders to bear on strategic and operational decision-making at the highest levels of the Group.

In addition, we created a new monthly report to give our Executive Committee ('EXCO') a concise, integrated review of delivery against our five strategic priorities. The reports aim to provide only the most important issues as opposed to overloading leadership with information, and set the agenda for forthcoming EXCO meetings. The monthly reports are also given to board members, aside from the traditional reports generated for board meetings. The new reports have been very well received as a meaningful way to support effective decision-making.

The structure of this year's integrated report is aligned to these reports so readers can be sure that the issues we are reporting on are being considered by leadership throughout the year.

Towards full assurance

We are working towards full assurance of our integrated report and are on track to achieve this by March 2013. For 2012, Ernst & Young have expressed their unmodified limited assurance conclusion on specified key performance indicators ('KPIs') contained in the integrated report indicated with a '†'. While these are seen as reliable, the auditors have highlighted opportunities for improvement following their limited assurance engagement in how we assess specific claims made in relation to our competitors regarding our internal NPS and Reputation index measure. We have taken their recommendations into account and will be addressing them in the year ahead.

103 for the auditor's assurance report.

GRI self-assessment

While our report aims to convey our story in a balanced and material way, and avoid tick-box exercises, we use the Global Reporting Initiative ('GRI') G3 guidelines as a guide specifically to support global comparability. This year we have again reported at a GRI application Level B and the index can be found on **vodacom.com**.

Forward-looking statements

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

Feedback

We welcome your feedback to make sure we're covering the things that matter to you. Go to **vodacom.com** or email **investorrelations@vodacom.co.za** for the feedback form, or scan the code below with your smartphone.

How to get the most out of our integrated report

Pg

We've allowed some repetition so as not to interrupt your reading too often, but we've also provided cross-references. This icon tells you where you can find related information in our report.

These icons will help you quickly spot the areas where we are doing well and where we're not doing well so you can look out for improvements in future reports.

This icon tells you where you can find more information online on **vodacom.com**. We'll be updating our website over the next year so please register to be notified when new information is uploaded on **vodacom.com/inv_nr_news_alert.php**.

We're part of a much bigger family (one of the world's largest mobile communications companies based on revenue). This icon tells you where to find more information on our parent Vodafone Group Plc's website at **vodafone.com**.

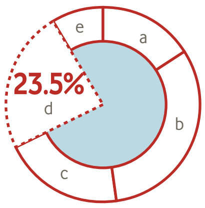
These QR code links will take you to information that is suitable to view on your smartphone, like video clips or our feedback form. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window. Bakodo or i-nigma for iPhone, QR Code Scanner Pro for BlackBerry® and Barcode Scanner for Android all work well.

AGB

We've tried really hard to avoid jargon in writing our report, and to make it as understandable as possible. But where we've had to use business-speak, we've provided a Glossary. This icon tells you a term is explained in the Glossary starting on page 111.

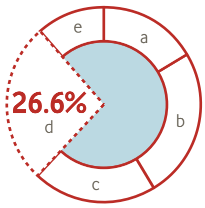
The value we've created

We create more value for all our stakeholders by keeping our customers happy. By investing in our ability to give our customers more of what they want, we grow this virtuous cycle of value.



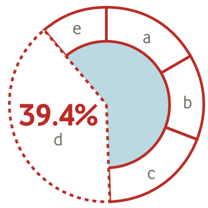
R27 080 million of value distributed in
2012

a	Employees	16.1%
b	Finance providers	31.9%
c	Government	20.1%
d	Reinvested	23.5%
e	Retained	8.4%



R24 389 million of value distributed in
2011

a	Employees	16.6%
b	Finance providers	24.9%
c	Government	20.6%
d	Reinvested	26.6%
e	Retained	11.3%



R22 952 million of value distributed in
2010

a	Employees	16.9%
b	Finance providers	14.1%
c	Government	18.5%
d	Reinvested	39.4%
e	Retained	11.1%

Reinvesting in our business

Value reinvested relates to depreciation, amortisation, impairment losses and deferred tax effects of **R6 362 million** (2011: R6 495 million). We invested R8 662 million (2011: R6 311 million) in capital expenditure mostly in making our network wider, deeper, faster and smarter – which essentially enables us to give our customers a better experience. We were independently ranked as the best network in South Africa on voice and data metrics.

Investing in our people

We distributed **R4 368 million** (2011: R4 049 million) to our employees through salaries, short- and long-term incentives and contributions to pension funds and medical aid schemes. We also invest in our employees through our learning, development and talent programmes.

Contributing to our countries

Our corporate tax payments amounted to **R5 449 million** (2011: R5 027 million). Over and above this we contribute indirectly to governments through value-added tax and excise duties on imported equipment, as well as through our licence fees, universal service obligations and numbering fees.

Returns for our providers of finance

Our providers of finance received **R8 648 million** (2011: R6 076 million) of our total value created, of which we paid dividends of R7 947 million to equity shareholders and interest of R748 million to debt funders.

view the full value added statement on **vodacom.com**.

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

1 Doing more to improve the customer experience

24

March 2014 goal:
No.1 in NPS in all our markets across all customer touchpoints.

Performance:
No.1 in South Africa, DRC and Mozambique.

2 Creating an environment for our people to excel and grow more

30

March 2014 goal:
>80% in the Engagement index from our People Survey.

Performance:
73%† Engagement index score, flat on prior year.

3 Putting the power of the internet into more people's hands

36

March 2014 goal:
25 million data customers across our footprint.

Performance:
15.1 million active data customers, up 48.6% on prior year, and 3.1 million active M-Pesa customers, up 138.3%.

4 Operating more efficiently

40

March 2014 goal:	+5ppts a year improvement in the speed and simplicity scores in our People Survey.
Performance:	Speed score down 9ppts. Simplicity score down 5ppts.
March 2014 goal:	5% per annum reduction in carbon footprint.
Performance:	Reduced our carbon footprint by 12.1%[1] per base station across the Group.
March 2014 goal:	Optimise opex[2] to service revenue.
Performance:	Opex[2] to service revenue at 23.7%† improved on last year.

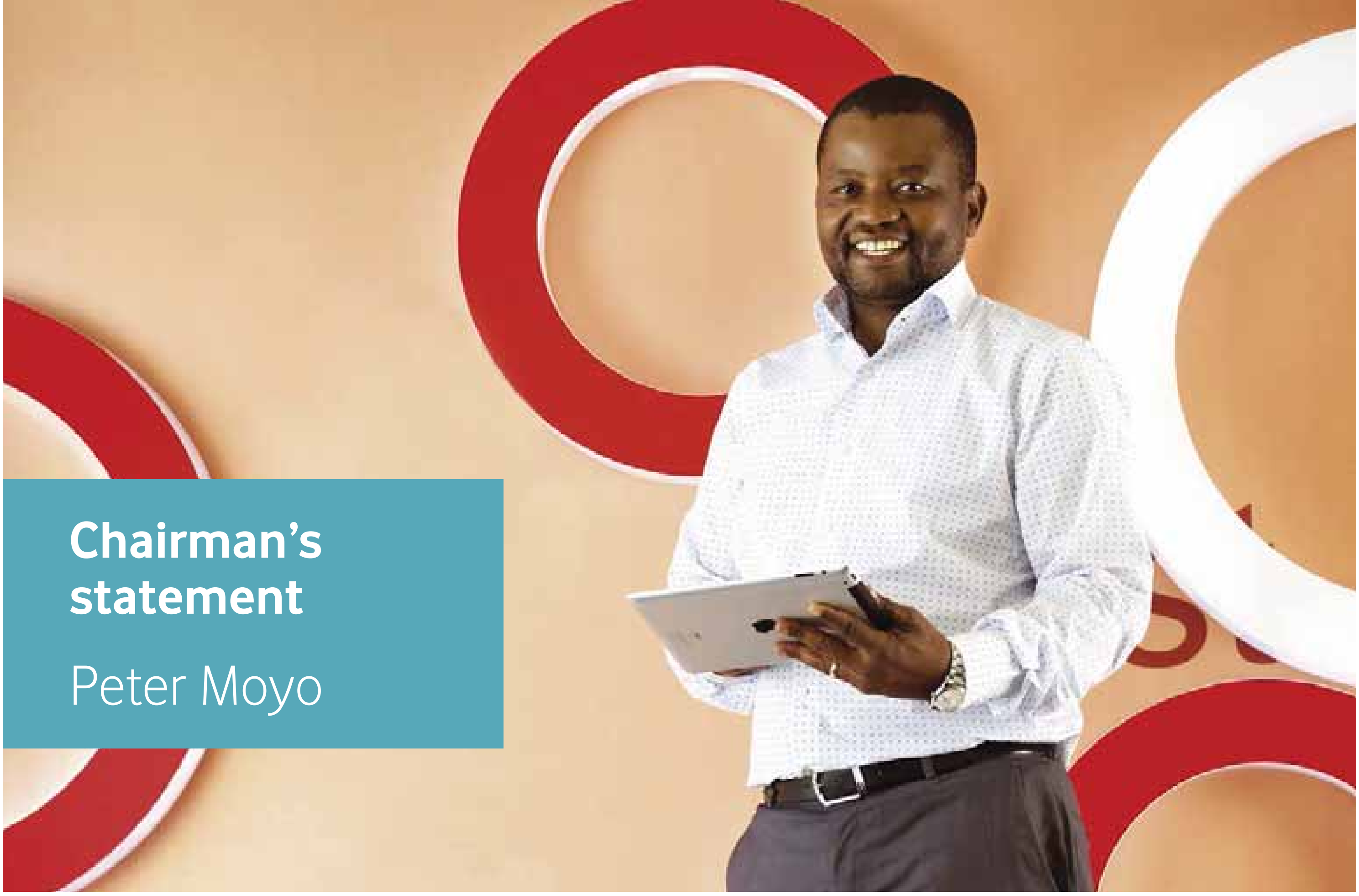
5 Doing more with our stakeholders

44

March 2014 goal:
Achieve best-in-class reputation in all markets.

Performance:
Stakeholders ranked us as No. 1 telco in all markets in our Reputation Survey.

1. Compound annual reduction in Group's carbon footprint using March 2009 as base year, on a like-for-like comparison.
2. Operating expenses excluding direct expenses and trading foreign exchange.
† These items were included as part of our assurance process for the current year.



Chairman's statement

Peter Moyo

The link between internet penetration and economic growth is well established. Current penetration levels starkly illustrate the scale of the challenge facing many African countries if they wish to meaningfully join the global economy.

In her budget speech the Honourable Minister of Communications, Dina Pule, shared some interesting statistics. Only 2% of South Africans have access to fixed-line broadband, whereas 17% access broadband via smartphones. The numbers are likely to be even lower in the other countries in which Vodacom operates.

Unlocking the power of the internet

The need for connectivity clearly isn't going to be met via fixed-line access, which is only available to 10% of South Africans. Mobile coverage, meanwhile, is virtually 100%. The conclusion is clear – the next wave of development in Africa, the step change from being able to make a telephone call to being truly connected via a smartphone or tablet, is happening via mobile technology.

Vodacom's results are evidence of this revolution. The overall increase in customers from 36.8 million to 47.8 million is impressive, but more so is the 48.6% increase in active data customers to 15.1 million. Data alone accounted for 30.5% of the growth in Group revenue.

Financial performance

I'm pleased to say that in addition to delivering good revenue growth in line with the Group's strategy, the management team also kept costs in check. The end result was a 24.3% increase in free cash flow, enabling total dividends of 710 cents per share. The impressive financial return also translated into shareholder returns of 45%, well ahead of both the sector and the JSE overall for the second year in a row.

Encouragingly, the International operations have also continued the positive trend started two years ago. International revenue was up 27.2% and for the first time they generated positive free cash flow.

Financial returns are, of course, only one part of the picture. This is Vodacom's second integrated report and it mirrors the integrated information that the Board is receiving on a monthly basis. I'm personally seeing the benefit of this approach, with regular, substantive debate on the material issues affecting the company. This is particularly true of the Social and Ethics Committee review, which has proven to be an excellent tool giving the Board in-depth analysis of company practices and how these affect our stakeholders. Based on the work of the Social and Ethics Committee, we're genuinely changing the way we do business.

Vodacom's year has been eventful, starting on day one with the brand refresh. Mandatory customer registration legislation (commonly known as RICA) and the Consumer Protection Act both came into force, the implementation of which was commendably smooth following several years' preparation work. Sipho Maseko, formerly CEO of BP Southern Africa, also joined the team to run Vodacom's South African business.

Network excellence

To deliver on our strategic priority to put the power of the internet into more people's hands, Vodacom invested more than R8.7 billion in our networks, increasing the number of 3G base stations by 22.0%. The number of base stations connected via self-provided fibre and microwave links in South Africa increased to more than 4 300. During the year, Vodacom launched the first full-Android touchscreen smartphone for under R1 000, and brought down the average price per megabyte of data by 18.2% in South Africa. In short, much progress was made to help address the structural issues hindering development in the countries in which we operate.

There were challenges, most notably the network outage of 30 June, which affected approximately 10% of the customer base in South Africa for part of the day. There was no single cause, but a combination of circumstances that could not have been anticipated. However, to borrow a phrase, Vodacom didn't waste the crisis and made both physical and procedural improvements to improve network resilience.

Engaging with stakeholders

On a more positive note, relations with the various governments in the countries in which we operate remain positive and constructive. In South Africa we are engaging with the Department of Communications on its process to clearly define the priorities and future direction for the communications industry. A roadmap for delivery on the 2020 goals set last year would be a fitting legacy for the former Minister, Roy Padayachie, who died unexpectedly in May.

This roadmap will hopefully bring clarity on spectrum allocation. The shortage of spectrum is one of the main things holding Vodacom back from launching next-generation 4G services. Another increasingly important topic is that of balancing concerns about potential health effects from base station radio emissions with the very real need to continue to roll out new equipment. Without new base stations, service quality will deteriorate as data traffic grows. We are therefore caught in the difficult position of being unable to simultaneously satisfy those who are concerned about service quality as well as those who oppose the construction of base stations. The approach we are taking is to monitor research in the area of radio frequency and health via the Vodafone Group EMF Board and engage with concerned parties.

The shareholder standoff in the DRC unfortunately still persists despite continued engagement and negotiation. We continue to look for a positive outcome on this issue.

Board performance

This brings the discussion rather neatly back to the opening premise of this report.

The economic and social benefits of mobile technology are self-evident, and companies like Vodacom are doing everything possible to bridge the connectivity gap currently impeding development in Africa. Our role is to ensure that Vodacom is doing this efficiently and responsibly, and my personal role is to ensure that the Board is performing optimally in providing guidance and oversight.

We've just been through the annual Board review and I'm pleased to report that we have made good progress. This is particularly so in the area of succession planning which was identified as an issue last year. The Nomination Committee has enforced a more rigorous approach to talent management, with the end result that we are moving from managing succession events to managing succession planning itself.

We have also sharpened the Group's focus on health and safety, and while there was an improvement from last year in overall safety performance, there were four fatalities among sub-contractors to our suppliers. Clearly we do not regard this as acceptable and we will redouble our efforts to deepen our safety plans.

Although the Board did a lot of work to understand the IT and network architecture, particularly following the network outage, we are not complying fully with the King III requirement on IT governance. This is another area we will continue to focus on in the year ahead.

Summing up

In closing, I'd like to thank my colleagues on the Board for their support and guidance. The input from Vodafone based on its experience with hundreds of millions of customers across the world has been invaluable, and it genuinely improves our technical capabilities and speed to market. Encouragingly, this is two-way traffic and Vodacom people now head up four Vodafone operations.

I'd also like to thank Morten Lundal, Tom Boardman and Rob Shuter who stepped down this year, and welcome Sipho Maseko, Karen Witts, David Brown and Ivan Dittrich.

Finally, I want to commend Pieter and his management team for their tireless commitment to Vodacom.

Interview with the CEO

Pieter Uys

Can you give us a quick outline of the highs and lows for the year?

A: This was an eventful year. Quite literally on day one we turned our world upside down and changed over from the familiar Vodacom blue to Vodafone's red brand identity. From that day onward, we've approached pretty much everything with fresh eyes and a new perspective.

Has it paid off? The results speak for themselves. We increased our customer base by 30%, increased the number of active data customers by 49%, increased EBITDA from the International businesses by 74%, and perhaps most importantly delivered 45% total shareholder returns.

The year did have its challenges though, with a regrettable network outage on 30 June that affected some of our customers for a part of the day. We learned a number of good lessons from that event and based on this we made both process changes and targeted investment to increase network resilience and limit the risk of this happening again.

Can you sustain the positive returns given slowing growth and strong price competition?

A: One of the most encouraging statistics to emerge from this year's annual results was the fact that data and our International operations combined accounted for 87% of the growth in Group service revenue.

We added 5 million active data customers this year, taking our total to 15 million and lending credence to our target of 25 million. In South Africa, which is further down the data growth path than our other markets, the number of smartphones on the network grew an incredible 55%. Even more interestingly, these 5.1 million smartphones used on average 92 megabytes ('MB') a month versus only 38MB a year ago.

As the cost of smartphones continues to come down and as the popularity of other data-hungry devices like tablets continues to grow, I don't think it's exaggerating to say that we really are only at the beginning of something big. And the really nice thing about this coming connectivity boom is the virtuous circle that comes from internet penetration driving economic growth, economic growth driving employment, and employment driving further growth in data usage.

In addition to data, I'm excited by what is happening in our International operations. We've now seen two straight years of improving performance, and the operations as a whole have turned cash flow positive for the first time. We are still facing some challenges in the DRC, especially in resolving issues with our shareholders. We continue to engage and negotiate and are hopeful to come to a positive result soon.

Isn't price competition going to wipe out gains from data and the International operations?

A: Price competition is far from a new phenomenon. Overall, our average effective price per minute in South Africa came down 14% year on year (on top of an 11% reduction in the prior year), and our average effective price per megabyte fell 18%. The interesting thing is that data price competition has up until now been more intense, but voice now seems to be catching up. We've planned for this development and will be well placed to service higher call volumes on the back of the step up in network investment over the past year. The additional capacity will not only support a drive to stimulate higher usage, but will also support continued increases in data volumes. As competition intensifies we are investing to ensure our data and International operations continue to deliver growth to help offset the expected pricing pressures in our home market.

Why do you consider network leadership to be so important?

A: I've got a fairly straightforward view on what determines long-term success in this industry – it quite simply comes down to the quality of the network and services we offer. It is easy to cut prices to bring in new customers, but unless this is balanced with network capacity to deal with increased volumes of calls and data, the gains will not be sustainable.

In the past year we increased the number of 3G base stations in the group by 22%, and increased the number of sites utilising our own transmission by 66%. In South Africa, the radio equipment at 60% of our sites has been swapped out for newer, better technology that is resulting in better service, and also making the network ready for next-generation services such as long-term evolution ('LTE'). At the same time the network becomes more efficient, utilising considerably less electricity, reducing the carbon footprint per base station. This was achieved by increasing capex to 12.9% of revenue, a level that we expect to sustain in the coming year.

Network leadership ultimately determines the quality of the service experienced by the customer. By ensuring that we have a significant lead and supporting this with the best customer care and retail operations, I think we're in a good position to deliver on our target of number one net promoter score in all our operations. This is how we'll help make all our customers smile.

You talk a lot about making every customer smile, but what did you do on a practical level to make this happen in the past year?

A: The increased investment in the network has a large part to play in making our customers smile, making sure they have the best network experience. By increasing capacity, we also give ourselves the ability to offer better value to our customers, reducing the price per minute and price per megabyte.

We also worked on some often overlooked areas like using social media to really engage with our customers. Our Facebook account, which has the highest engagement score across all of Vodafone's social media properties, became the largest corporate brand on Facebook in South Africa this year. It is supported by a dedicated social media customer care team who are online 15 hours a day, seven days a week and look after Facebook, our customer forum, and our @vodacom111 Twitter customer care handle.

By engaging actively on social media, we are alerted faster to any emerging customer concerns and better understand what things we're doing right and what things we need to change.

Scan the code to watch an interview with Pieter Uys.

What are you focusing on for the year ahead?

A: You're going to hear us talking a lot more about unlocking the power of the internet. This is crucial for economic development and job creation, but it also means that we're developing a whole new generation of data using customers. One of the key things we need to roll out for next-generation data services is sufficient spectrum, so that's a high priority for us. We will also continue to focus on and improve our Broad-based Black Economic Empowerment ('BBBEE') rating.

I'm pleased to say that the steps we have taken so far have paid off, resulting in our BBBEE rating moving from a level four contributor to a level three BBBEE contributor as measured by the Department of Trade and Industry ('dti') scorecard.

We'll continue to focus on improving the quality of the network, improving efficiencies in the business, delivering attractive products and value to our customers, as well as good returns to our shareholders.

Interview with the CFO

Rob Shuter

What were the outstanding features of this year's results?

A: I think it was a good set of results, particularly with respect to revenue, EBITDA, free cash flow and the performance of the International operations.

Service revenue grew ahead of our "low single digit" guidance, mainly driven by voice revenue. Importantly, more than 60% of the voice revenue growth came from our International operations. Data revenue, up 27.1%, was also a big contributor to the overall picture and shows strong underlying customer take-up of data services. Lower data prices clearly stimulated higher usage.

Encouragingly, the improvement didn't stop at the revenue line. EBITDA grew 10.5%, well ahead of revenue. Our International operations realised scale efficiencies and we delivered savings in various areas across the Group to offset the ongoing pressures from competition and growing network footprints.

Better still was the 24.3% growth in free cash flow – and this is after ramping up our capital expenditure by 37.3% on the prior year, investing more than R8.7 billion. The growth in free cash flow was supported by a substantial improvement in working capital, particularly relating to improved creditor terms as we negotiate more of our supplier agreements through the Vodafone Procurement Company. We also reduced our inventory holding period.

This positive momentum in the International operations continued with strong customer and revenue growth. Cost management was also a highlight, with the overall result that this segment moved from consuming cash to now generating free cash flow.

Is your service revenue guidance of low single digit not too conservative given your outperformance this year?

A: I don't think the guidance is overly conservative given the impact of declining interconnect rates and increased competition, particularly in the South African data business. We're also mindful of the impact from new entrants in two of our International markets.

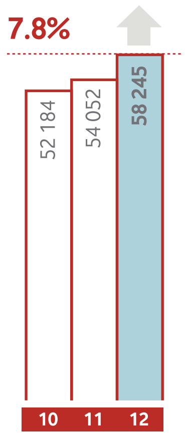
How did you contain cost pressures and can you take out more costs?

A: Cost management is definitely a big challenge and focus area, given the massive rise in energy prices and the expansion in our network footprint. Foreign exchange volatility is also a bit of a challenge when it comes to managing costs.

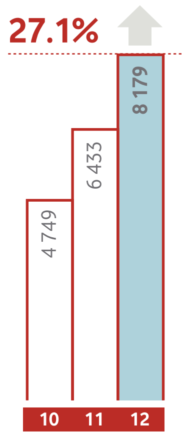
By far our largest cost category is direct expenses, contributing more than two thirds of our operating expenditure (excluding depreciation and amortisation). Direct expenses, which include commissions and handset costs, increased by 9.7%. This was slightly above revenue growth of 9.4% and reflected general competitive pressures as well as higher ultra low-cost handset ('ULCH') sales. However some relief was provided by the savings we realised on reduced interconnection expenses and the lowering of our upfront airtime voucher commissions.

Financial highlights

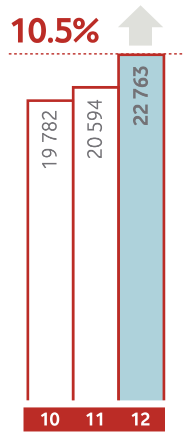
some of these financial measures are defined on page 111.



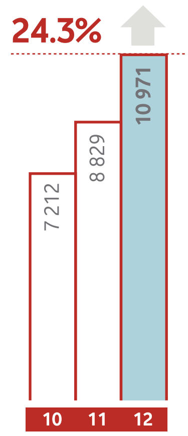
Service revenue
Rm



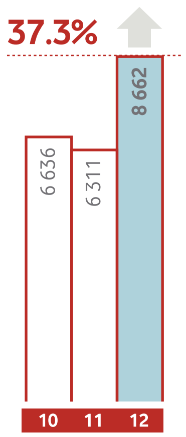
Data revenue
Rm



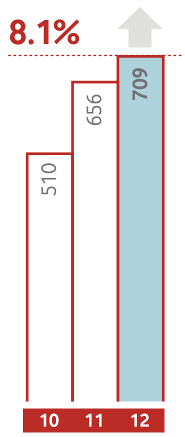
EBITDA
Rm



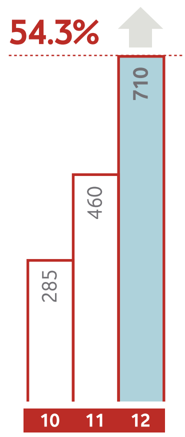
Free cash flow
Rm



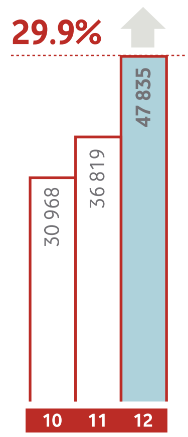
Capital expenditure
Rm



HEPS
cents



DPS
cents



Customers
thousand

The other big cost item largely relates to network running costs and customer operations called, "other operating expenses", on our income statement. The 13.2% growth in Group other operating expenses was largely due to the increase in the number of base station sites, particularly in our International operations.

In South Africa, other operating costs increased 5.7% (excluding the foreign exchange trading loss of R154 million), which was well below revenue growth of 6.7% and a positive result considering the impact of network site growth, energy and property rental increases. We also realised savings in transmission operating lease expenditure, radio maintenance spend and lower per handset logistics costs.

Looking forward, there's scope to further reduce distribution costs and we'll also start to see the benefit of transmission self-provision and our radio renewal project in the form of lower per site running costs. This will support our medium-term target of incrementally improving the EBITDA margin.

Can we expect this level of dividend in future?

A: This year's dividend of 710 cents per share (260 cents interim and 450 cents final) was a payout of 100% of headline earnings. It also represents almost all of our free cash flow generated after capital investment. While the second half dividend was more than 100% of headline earnings it was 95% of free cash flow generated in the second half. The Board has changed the dividend policy payout ratio from "at least 70%" to "at least 90%" of headline earnings per share for future dividends.

view the consolidated annual financial statements on **vodacom.com/main_ir.php**.

More for you.
More to come.
More to do.

What we live for

We've turned our vision around to focus on our customers – we've got lots to do to make our vision real but we're concentrating on doing exactly that.

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

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

Who keeps us in business

Building trust, respect and credibility among our stakeholders, and including them in how we manage our business, is vital to our sustainability.

Stakeholder	Customers	Employees	Business partners
	24 36	30	44
Why it's important for us to engage	Our customers are central to the sustainability of our business. To build trust among our customers we need to manage our core operational risks around network performance and privacy. With a number of new regulations impacting our customers and our relationships with them, engagement also helps us better manage regulatory risk.	Our people are the heart and soul of our business. Their skills and involvement determine our ability to realise our vision to make every customer smile, and fulfil our purpose of connecting people, creating possibilities and changing lives.	One of the most important ways we interact with our customers is through our business partners. As custodians of our brand and reputation, how they engage and deliver service is critical to our objective of excellent customer service across all touchpoints.
What matters most to them	• Better value offerings • Faster data networks and wider coverage • Making it simpler and quicker to deal with us • Converged solutions for business customers • Simple and transparent pricing	• Clear career paths • More knowledge sharing across the Group • Building the coaching capability of leaders • Better understanding of reward structures	• Fair treatment across the board • Top management involvement with customers • A consistent customer experience • Making it simpler and quicker to deal with us
Ways we engage	★ EXCO invited customers to the senior leadership conference ★ Closed-loop feedback from customers which is given directly to call centre agents ★ Facebook and Twitter ★ NPS feedback interviews ★ eForums	★ Yammer social media interaction on burning issues ★ Employee consultative council, with senior leaders and employee representation ★ Employee hotline ★ Vodacom Catalyst, portal for employees to post their ideas on all things Vodacom ★ Leadership roadshows	★ Annual business partner conference ★ Bi-annual franchise road shows ★ Council committee meetings quarterly ★ One-on-one business meetings

What our stakeholders would like us to do more of, taken from our Reputation Survey

Vodacom should be more involved in job creation. And help with disadvantaged people...
(regulators)

Hold network sessions for technology journalists...
(media)

Be more visible to the media... keep their communication open.
(media)

Give guarantee of 100% uptime, improve the coverage and uptime...
(key business account)

Training and free access to important products so that we can promote them externally by using them more frequently...
(employee)

We engage in many different ways with our stakeholders and take their views seriously in managing our five strategic priorities, one of which is to proactively partner with them. We commission an independent Reputation Survey annually in relation to our competitors and other brands. We know we need to work harder to differentiate ourselves from our competitors and to be recognised as an industry champion that sets the standard for health, environmental and social responsibility.

Suppliers	Government and regulators	Investors and shareholders	Communities
40 43	46 48	106	38 42 44
Suppliers and contractors impact on our ability to provide products and deliver services, and are required to comply with our health and safety and ethical procurement standards. Engaging with them contributes to business continuity, viability and operational efficiency.	Our relationships with governments and regulators affect our ability to manage political, financial and other risks, and to maintain our licence to operate. Engagement also offers the opportunity for direct and indirect partnerships to address broader economic, social and environmental imperatives.	As the providers of capital necessary to support our growth, we engage with our shareholders and investors to keep them up to date on the financial performance and overall sustainability of Vodacom.	Empowering local economies builds trust in Vodacom. It also adds to the longer-term viability of our markets by strengthening the socioeconomic context in which we operate. Our communities also benefit from social and environmental innovations.
• Timely payment and favourable terms • Improving health and safety standards • Partnering on environmental solutions • BBBEE compliance • Contractual requirements for working with us	• Licensing and compliance • Quality of service and network performance • Wider access to broadband communications • Meaningful partnerships in health and education • Investment in disadvantaged communities	• Monetise and manage data growth • Risk of increased competition • Risks and opportunities of expanding in Africa • Governance and internal controls • Transparent executive remuneration • Performance management	• Access to mobile communities • Access to basic services such as finance, health and education • Investment in infrastructure • Responsible expansion of infrastructure
★ Supplier forums ★ Ongoing site visits ★ Audits	★ Publication of policy engagement papers ★ Active participation in policy forums ★ Responses and engagement on regulatory matters ★ Industry consultative body	★ Investor road shows ★ Investor days ★ Annual and interim reports ★ SENS announcements ★ Monthly and quarterly operational reviews, with our parent Vodafone ★ Investor relations website	★ Public participation where new base stations required ★ Vodacom Change the World programme ★ Vodacom foundations partnering with communities

Take career development seriously and have more women in senior roles. Vodacom is still a very male-based organisation...

(employee)

Provide more funding and partnership...

(NGO)

Continue generating cash, improve controls and increase dividends...

(investor)

They need to take care and be more visible to the community...

(NGO)

How we're managed

Good governance is the foundation from which we build and sustain value.

It's about an evolving system with an unchanging objective – to ensure ethical management and responsible control. It's about carefully weighing up risk and reward. It's about balancing the interests of our stakeholders but always fulfilling our obligations. It's about understanding that our license to operate is a privilege and not a right.

Ethics

We choose to be an ethical company, both internally and externally. Our code of conduct sets out our business principles and provides guidance to employees on how to apply them. Our business principles clearly state what is expected from us, and form the basis of the Vodacom Way and the values on which it is based – Speed, Simplicity, Trust.

Key developments

- The Social and Ethics Committee took up the role of overseeing ethics in the Group.
- We conducted organisational culture, ethics and reputation surveys to assess and manage ethics risk.
- We started rolling out new Purpose Based Organisation and Vodacom Way programmes.
- We are on track with implementing an ethics and anti-corruption programme.
- We are busy getting our business partners and suppliers to contractually agree to comply with our ethical purchasing requirements, including anti-corruption measures and health and safety.

81 for our business principles.

Governance

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

- We implemented the requirements of the Companies Act of 2008, as amended.
- We prepare monthly integrated reports for management and the Board in the spirit of King III.
- We made progress in governing Information Technology.
- We made progress in creating policy and legal compliance management frameworks.
- We made progress towards full combined assurance.

86 for our abridged corporate governance statement.

Risk management

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 Company – the line manager at operational level, the Risk Group and the Risk Management Committees.

Key developments

- Our Risk Management Committees in our International operations are fully established.
- We improved and tested our internal crisis communication process for better responsiveness in managing crises and faster communication to customers throughout the process.
- We did a major review together with Vodafone following our network outage in South Africa.

82 for our risk management report.

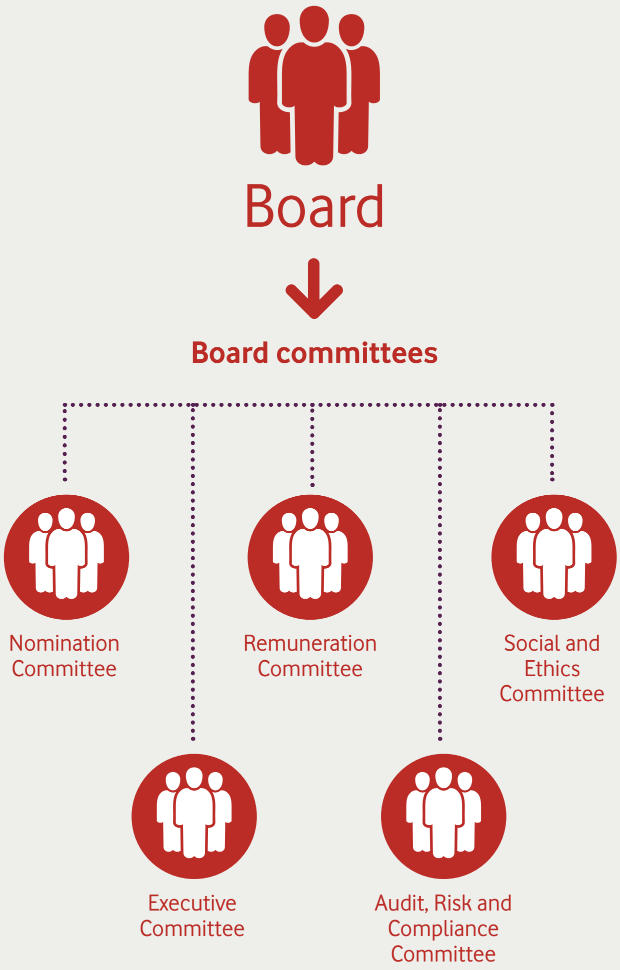
Remuneration

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 made our integrated strategic priorities part of performance targets.
- We implemented personal Shareholding Guidelines for senior leadership.
- Our executive directors received an average annual increase of 4.4%, compared to 6.5% for employees overall.
- We exceeded all four targets linked to short-term incentives, resulting in bonus payments to EXCO members of between 57% and 148% of their guaranteed package.
- Shares allocated to EXCO members, based on 2011 performance, ranged between 51% and 151% of their guaranteed package.

91 for our remuneration report.



Board structure

We have a unitary Board with 13 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.

Executive Committee structure

We put a new Executive Committee structure in place to implement best practice across the Group and take out duplication.

Board composition

Independent non-executive directors	Non-executive directors	Executive directors
5	5	3

Who governs us

Mthandazo Peter Moyo (49)

Independent non-executive director
Chairman of the Board
Appointed Chairman in May 2009

- Financial, corporate and governance expertise
- Entrepreneurial flair
- Government relations experience

Petrus Johannes Uys (49)

Chief Executive Officer and executive director
Appointed in April 2004

- Strategic vision
- Operational leadership experience
- Specialist technical expertise

Sipho Nkosinathi Maseko (43)

Managing Director: South Africa and executive director
Appointed in September 2011

- Operational and strategic leadership experience
- Focus on service delivery
- Insight into other emerging markets

Paolo Bertoluzzo (46)

Non-executive director
Appointed in January 2010

- Technical insight
- Knows worldwide best practice
- Operational and strategic leadership experience

David Hugh Brown (49)

Independent non-executive director
Appointed in January 2012

- Corporate leadership experience
- Financial expertise
- Corporate governance expertise

Thoko Martha Mokgosi-Mwantembe (50)

Independent non-executive director
Appointed in May 2009

- Technical insight
- Strategic marketing focus
- Expertise in innovation

Karen Witts (48)

Non-executive director
Appointed in November 2011

- Financial expertise
- Corporate leadership experience
- ICT sector expertise

Phillip Jabulani Moleketi (54)

Independent non-executive director
Appointed in November 2009

- Corporate leadership
- Understands public sector relations
- Corporate and strategic leadership experience

Nicholas Jonathan Read (47)

Non-executive director
Appointed in September 2010

- Operational best practice
- Insight into diverse multinational organisations
- Financial focus

Ronald Adrianus Wilhelmus Schellekens (47)

Non-executive director
Appointed in February 2009

- Expertise in human resources best practice
- Understands corporate best practice
- International operational experience

Michael Joseph (66)

Non-executive director
Appointed in May 2009

- Understands innovation
- Strategy and business leadership experience
- Emerging markets expertise

Albertinah Kekana (39)

Independent non-executive director
Appointed in May 2011

- International financial and investment expertise
- Corporate leadership
- Knowledge of best practice in corporate governance

Robert Andrew Shuter (44)

Chief Financial Officer and executive director
Appointed in July 2009

- Financial expertise
- Corporate leadership experience
- High-level strategic planning

1. David Brown replaced Tom Boardman.
2. Karen Witts replaced Morten Lundal.
3. Rob Shuter resigned on 31 March 2012 as a Chief Financial Officer and was replaced by Ivan Dittrich on 15 June 2012.

Who leads us

Petrus Uys – Chief Executive Officer
Sipho Maseko – Managing Director: South Africa
Robert Shuter – Chief Financial Officer

Andries Daniel Jan Delport (47)
Chief Technology Officer
Joined Vodacom in June 1996

- In-depth technical knowledge
- Systems expertise
- Expert in product deployment

Mpho Nkeli (47)
Chief Human Resources Officer
Joined Vodacom in February 2011

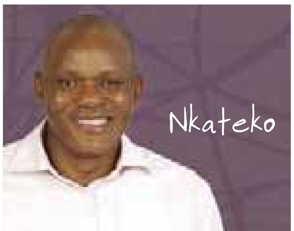
- In-depth knowledge of human resources
- Expertise in change management
- Empowerment and transformation know-how

Johan Dennelind (42)
Chief Executive Officer: International
Joined Vodacom in December 2010

- Understands international best practice
- Emerging markets experience
- Operational leadership

Romeo Kumalo (40)
Chief Commercial Officer
Joined Vodacom in August 2004

- ICT sector experience
- Insight into other emerging markets
- Understands customer needs



Nkateko Nyoka (49)
Chief Officer: Legal and Regulatory
Joined Vodacom in October 2007

- Legal and regulatory expertise
- Public sector insight
- Stakeholder relations

Neil Gough (51)
Chief Officer: Strategy & Business Development
Joined Vodacom in August 2011

- ICT sector expertise
- Insight into other emerging markets and developed markets
- Strategic roles

Vuyani Jarana (41)
Chief Operating Officer
Joined Vodacom in December 1995

- Practical knowledge of markets
- Keen understanding of customers' needs
- Focus on service delivery

Portia Maurice (46)
Chief Officer: Corporate Affairs
Joined Vodacom in March 2010

- Business, entrepreneurial and public sector experience
- Media and ICT sector expertise
- Reputation and brand management

For full CVs of our Board of directors scan the code or visit **vodacom.com**.

For full CVs of our Executive Committee scan the code or visit **vodacom.com**.

1. As part of the reorganisation in the South African operations, Vuyani Jarana's role will change to head up the Enterprise business unit.
2. Maya Makanjee replaced Portia Maurice during June 2012.
3. Ivan Dittrich replaced Robert Shuter during June 2012.

What we do

Consumer

We have over 47.8 million 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 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. Our ultra low-cost handsets ('ULCHs') make it affordable for everyone to get connected.

Vodacom **M-Pesa** is a fast and easy way to send and receive money with your mobile phone. It's like having instant cash in your hand and you don't even need a bank account. M-Pesa lets you convert cash into mobile money and withdraw cash at any authorised M-Pesa outlet.

Our **Please Call Me** service lets you request a call from another mobile user, keeping you in touch when you need it most. You can send up to 10 free Please Call Me messages a day.

With **Vodacom 4 Less**, prepaid and Top Up customers can get up to 100% off Vodacom-to-Vodacom calls and great discounts on Vodacom-to-other-network calls, depending on the time of day and how busy the network is.

Our products and services keep you

connected

in whatever way you choose. Whether through a phone call, SMS, email, tweet or status update – or even sending someone money – we are there to make it possible. It's all about helping you get more out of a connected world.

International roaming lets you stay in touch with your loved ones, friends and colleagues while travelling abroad. Thanks to our partnership with Vodafone, you benefit from some of the best roaming services in the world. And when travelling in Africa, you now get one low roaming rate across all Vodacom operating countries, as well as Vodafone Ghana and Safaricom Kenya.

Vodacom **Airtime Advance** gives qualifying prepaid customers R10 credit when their airtime runs out. This is then repaid the next time they recharge.

Our multi-platform **App Store** lets you browse, download and review thousands of free and paid applications for your smartphone. It's currently available in South Africa, and we are aiming to launch the store in our other countries soon.

Connected home,
connected family.

We offer a wide range of devices such as smartphones, tablets and mobile broadband devices to keep our customers connected to the internet, email and social media platforms.

Enterprise

Vodacom Business helps you, our enterprise customer, become more efficient and save costs, 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 for you to manage your bandwidth requirements seamlessly over guaranteed fixed-line and wireless connections. We can also help you choose a combination of services that meet your needs and support the security and integrity of your business.

mHealth lets healthcare providers broaden access and improve the efficiency and quality of healthcare through the innovative use of managed services. Healthcare providers can implement their own employee- and patient-management solutions at clinics or even at a patient's home, whether in urban or rural areas.

Machine to machine communications, also known as M2M or telemetry, lets devices communicate with each other via built-in mobile SIM cards. This allows key information to be automatically exchanged without human intervention, making it possible to reduce costs and improve efficiency and services.

We provide

connectivity

as well as internet and virtual private network services to our customers over a variety of wireless, fixed-line, satellite, mobile and converged technologies. We also offer hosted cloud services, combining our experience and track record in delivering both traditional and utility-based services with the latest emerging technologies.

mEducation is all about taking a cloud-based approach to solving education challenges. It's a platform that integrates various sources, formats and teaching methods to provide the most appropriate education solutions to the right areas.

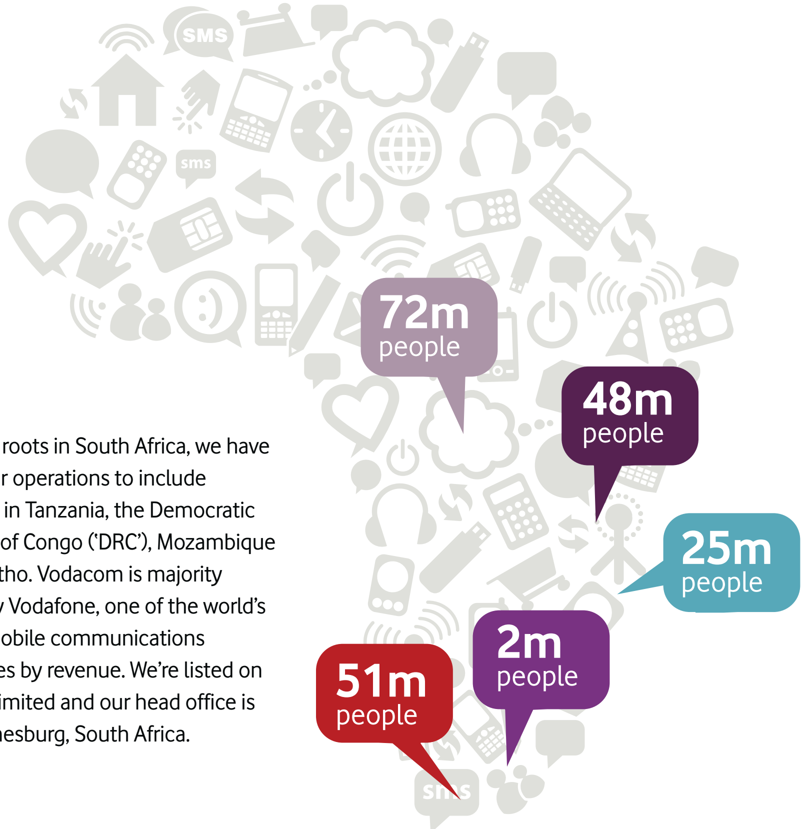
Unified communication enables the secure integration of real time and non-real time communications across multiple channels, providing a consistent and seamless unified interface and experience. Through unified communications we can converge multiple communication services anywhere, anytime and on any platform.

Enterprise mobility is the management of the increasingly diverse array of mobile devices, wireless networks and related services, to broaden the use of mobile computing in business. To achieve this goal, it brings together the relevant people, processes and technology.

Where we operate

Vodacom is an African mobile communications company providing voice, messaging, data and converged services to just over 47 million customers.

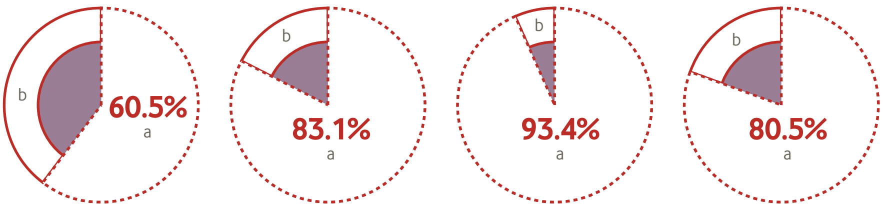
From our roots in South Africa, we have grown our operations to include networks in Tanzania, the Democratic Republic of Congo ('DRC'), Mozambique and Lesotho. Vodacom is majority owned by Vodafone, one of the world's largest mobile communications companies by revenue. We're listed on the JSE Limited and our head office is in Johannesburg, South Africa.



	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population:	51 million	48 million	72 million	25 million	2 million
Customers:	28.9 million	9.7 million	5.6 million	2.8 million	0.8 million
Shareholding:	93.75%	65%	51%	85%	80%
SIM penetration:	132%	49%	21%	32%	57%

FY 2012 Contribution

%



Customers	
a SA	60.5%
b International	39.5%

Service revenue	
a SA	83.1%
b International	17.4%

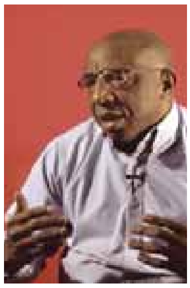
EBITDA	
a SA	93.4%
b International	6.4%

Capital expenditure	
a SA	80.5%
b International	19.4%

Note: The sum of these amounts do not equal 100% due to corporate and eliminations being excluded.

Q&A with Sipho

Managing Director: South Africa



You have embarked on reorganising the South African business. What are the main objectives of the reorganisation?

We need to make sure that we have clearly positioned business units for consumer and enterprise customers that will drive profitability. It's not even about costs. It's really about focusing on the right segments and the right growth areas. This will allow us to allocate the right resources in the right places. We need to invest in the existing businesses so they continue to be successful, and at the same time invest in those businesses that we believe will be successful in the future.

What are your plans for the consumer unit, specifically in relation to data?

We already have very solid data propositions. But with the data growth we expect, clearly one of our focus areas will be how do we make the internet available to all? How can we, through the internet, transform people's lives and enable them to break through institutional barriers? Whether you are young or old, whether you are rich or poor, whether you are from Johannesburg or Bloemfontein – we want to put the power of the internet into more people's hands. It's not just important for us, it's important for the country. I think the second thing will be to get a lot more efficient in the things that are not in the eye of the customer, such as better logistics, running our network better and maintaining our base stations better.

What about financial services?

If I am not mistaken there are more people in the country with phones than with access to tap water. People want to transact off one platform – to get all their services in one place. So financial services is another opportunity for us to provide value to our customers. This is both in terms of the products we will make available to them, and the services they will be able to access on the same device. So it's a big play and we will be collaborating with people that have deep capability and expertise in the financial services area.

What are your focus areas for the enterprise unit?

If government's view is that GDP growth should be around four to six percent, we need to create about 10 million jobs. Big corporates won't create that many jobs. Small and medium enterprises ('SMEs'), people who work from home, real classical entrepreneurs will create jobs. We are gearing up to provide the right solutions to those people so we can grow with them as they grow their businesses. The way I think about it is: can we be the Chief Information Officer ('CIO') of all SMEs in the country? At the same time, we have been pretty successful in supporting the needs of our bigger customers, who have a pan-African presence. Whether it is a business that employs five people or 5 000 people – we will have the right solution for them.

Watch the full interview here.

Q&A with Johan

CEO: International

What did you do differently to turn the International operations around?

I believe in empowering our local CEOs and not too much intervention from Group, except for the areas where we can add value. So let's look at a few examples from the last year, which I think have been the key drivers of our performance.

One is our brand refresh, which was well supported by Group and well executed locally. The brand results tell us that there really is a strong recognition of the Vodacom brand out there in the markets.

The second thing we have been very involved in is pricing and I think we have achieved a more stable pricing environment. We have been a bit smarter in pricing promotions and in price changes, so as not to trigger the disruptive price wars we have had in the past.

The third thing I think was key, which is going to be even more important going forward, is to put the right people in place in the various markets. It's not about placing South Africans out in Africa, but making sure that it's local Africans operating Vodacom Africa.

So price, brand and people were the success factors in the last year and will have to be part of the future.

Can you sustain the current level of performance?

The answer is no if we don't continue to change and push the envelope when it comes to our strategy and being a Purpose Based Organisation, which is really entrenched in the way we are doing business. If we continue to challenge ourselves then I am sure we will be able to maintain our positive momentum, not only in driving top-line growth but also translating that into in cash flow and returns for our investors.

What are you going to be doing for customers in the year ahead?

I think we can strengthen our new propositions. We will not have a 'one size fits all' approach. The local teams will drive this, and we will challenge them and support them in bringing the best to the market. We are at a very early stage of the internet boom on the continent and we are seeing exponential growth in the internet from low levels. So we have a unique opportunity to use the best practices from the Vodafone Group and from other Vodacom markets, to make sure we get it right from the start. We need to do this not only in our propositions to customers, but also in the value chains in our businesses.

The other focus area is mobile money. We have seen a phenomenal success in M-Pesa in Tanzania. Consumers will become our customers just because of mobile money. That's how strong it has become and we can leverage that even more in Tanzania and in our other markets.

So I think if we get the internet and mobile money right, together with a strong voice proposition, we will be hard to beat.

Watch the full interview here.

1

Doing **more** to improve the customer experience

Our objectives

- Create a culture that empowers employees to do more
- Expand network access
- Ensure network quality
- Provide more value for money
- Deliver excellent service across more touchpoints
- Build trust by protecting our customers and partner with them to do good

Vodacom Millionaires

This year we promised our customers we'd give them more, and our Mofaya Summer campaign did just that. During the campaign we set the Vodacom Millionaires jackpot at R1 million a week for 10 weeks. With each customer able to submit two free entries to the competition per week, we made sure no-one was excluded. The campaign generated a lot of excitement around the competition, with more than 58 million entries submitted over the ten weeks. Here's to our 10 Vodacom Millionaires!

Read more on Vodacom Millionaires here.

Our 2014 goal

We aim to be No.1 in NPS in all our markets across all customer touchpoints.

Why this is so important to us

Building trust and loyalty among our customers and giving them what they want is vital to our sustainability in an increasingly competitive industry. We need to keep our customers, to reduce the cost and disruption of churn. Differentiating our service and products is key as we want our customers to recommend us to others. Our customers want an overall better experience than they can get elsewhere. More access to mobile services and better network quality, more value for money and simpler pricing structures, more convenient interactions and better customer service; all of these add up to an experience that makes our customers smile. And that keeps them with us.

How we measure our performance

Our most important measure is the net promoter score ('NPS'). NPS measures customer happiness by how likely they are to recommend us to people they know versus our competitors. We have implemented NPS in four out of our five markets and will be implementing NPS in Lesotho in the year ahead.

How we've done in our net promoter score

South Africa

2012	**65†**
2011	69

Relative to competitors: #1

Tanzania

2012	**68**
2011	n/m

Relative to competitors: #3

DRC

2012	**35**
2011	n/m

Relative to competitors: #1

Mozambique

2012	**78**
2011	n/m

Relative to competitors: #1

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

104 for detail on the audit.

The good

- Added 11.0 million new customers.
- Introduced more customer touchpoints, including social media platforms.
- Made more low-cost devices available to get more customers connected.
- Continued to innovate in customer service.
- Added just over 1 000 more 3G sites across the Group.
- Ranked best for network quality in South Africa.

The not so good

- The gap between us and our competitors on the NPS score is closing, and we lost our NPS lead in Tanzania.
- Network outage in South Africa on 30 June 2011.

47.8 million

customers

150 000

Facebook followers#

Average of

13 million

customer care calls per month

9.8 billion

SMSs transmitted

Create a culture that empowers employees to do more

To give our customers more of what they want starts with our people at every level of our business. This year we introduced more ways to help our employees make every customer smile. We launched a customer care line available to employees 24/7. Handling over 600 calls a month, this makes it possible for employees to resolve a customer complaint as soon as they become aware of it. We have also given our employees the opportunity to experience our products and service first-hand at no charge. This allows them to understand the products and services we sell and suggest improvements.

Expand network access

Providing mobile network coverage, whether for voice, messaging or data services, is the first step in providing an excellent customer experience. While many of us take network access for granted, building and bringing new base stations on line is quite a challenge in our countries due to geographic features and energy availability. We are also faced with regulatory hurdles, which include securing spectrum and getting authorisation for setting up new base stations. Our team of engineers spend a great deal of time finding new and better ways to expand and improve our networks. In total we spent R8.7 billion on our voice and data networks in 2012.

46 for a great story on our involvement in the Square Kilometre Array telescope project.

Our investment this year was 37.3% more than in the prior year. This included the expansion of our coverage footprint as well as adding additional capacity to high usage sites. Over 800 2G sites came on air during the year, while we expanded 3G by just over 1 000 sites. In South Africa our 2G network covers more than 99% of the population while 3G data has increased population coverage to 81% from 74% in the previous year. In our International operations our footprint extends to more than 75% of the population in Tanzania and 80% in Lesotho, with the DRC and Mozambique at just over 55%.

Customers can follow us on facebook to be notified of when and where we roll out new sites.

facebook.com/vodacom

52 for our technology review to read about the projects we are busy with to make our networks better.

"We offer connectivity support with every new data contract we sell. Our technicians visit our customers at home to help them set up their data cards, routers or ADSL and provide ongoing support. Our technicians visit around 6 000 customers a month."

Ensure network quality

We started the year with a major network outage in South Africa. Normally if part of the network fails, traffic can be routed through our back-up transmission. In this case, however, just after the main route went down, we had a failure on the back-up route. We have done a lot of work since then to limit the risk of this happening again. We continue to invest in providing our own transmission, which means we don't have to rely on third parties, particularly in managing network redundancy (back-up transmission). In high-traffic areas we are implementing a mesh network, which will allow traffic to be routed through a number of alternative routes.

We are constantly updating our network, introducing new technologies that are more efficient. Extending the radio access network ('RAN') renewal beyond South Africa, we started RAN renewal projects in our International operations. We aim to have completed the RAN renewal in all countries by the end of 2013. Although some system instability is inevitable during network renewal, we do our best to limit inconvenience to our customers. We do the changeovers in off-peak times when the network is not busy and have back-up plans in place to lessen the disruption if we encounter problems during changeovers.

We measure network quality compared to our competitors in all our operations. In South Africa we take part in the annual Vodafone network quality exam. This measures our network quality relative to our competitors for voice and data. In most instances we outperformed our competitors this year. But that doesn't mean we'll be resting on our laurels and we've identified areas we can improve on. We also constantly monitor all the different devices used on our network for quality issues, such as excessive dropped calls or hardware failures and other customer complaints. We use this information to work with our suppliers to maintain and improve handset quality standards.

Provide more value for money

Working with Vodafone allows us to develop and supply handsets and other devices that fulfil local needs at affordable prices. This year we sold over 10 million handsets, 95% of which were sold in South Africa. More than half of these handsets were priced at under R500 and some for as little as R79. In our other countries we face the challenge of imports which are cheaper but do not meet our quality standards.

We offer dynamic pricing to customers in South Africa, 17 million of whom enjoy discounts of up to 100% with our Vodacom 4 Less service. In South Africa we offer Night Shift, a subscription service that allows customers to call any number on our network free for up to 60 minutes from midnight to 5am every day. Night Shift has been extended to give customers equivalent free data bundles between the same times. In Mozambique we simplified our pricing structures to offer our customers a single rate anytime to any network, providing them with not only affordable but also predictable tariffs.

Growing data usage is one of our strategic priorities and we have been making it more affordable with price reductions and various promotions offered during the year.

36 for more on what we're doing to put the power of the internet into more people's hands.

Customer care through social media

The relationship between companies and social media is evolving at a frenetic pace. It's no longer good enough to have a passive presence on platforms like Twitter and Facebook – companies need to use social media to really engage with their audience.

@vodacom111

Our social media customer care team and dedicated Twitter support handle is well-established and the channel is growing rapidly. This year we looked at how else we could use the medium to engage better. One of the answers was surprisingly simple – customers were looking to Vodacom for advice on whether SMSs saying "you've won a prize" were real or scams, so we built a "scams tab" on Facebook.

Rather than take the hands-off approach that the content of messages isn't something Vodacom can police, we decided to build a tool to "crowd-source" knowledge on what scams are doing the rounds. The result has been a big success with more than 100 scammers blocked, while doing something meaningful for customers that builds real affinity with our brand.

We are planning to roll out tech zones in

250 of our stores

by March 2013

In South Africa our in-store

tech zones

ensure a customer leaves with their device connected to the network and a working understanding of how to use it.

Deliver excellent service across more touchpoints

We need to give our customers a consistently excellent experience no matter how they choose to interact with us. We've added new ways to interact, giving customers the choice to call our customer care centre, send us an SMS, request a call back online or by sending us a keyword SMS, chat to us online or connect via Facebook and Twitter. We also launched eForums during the year, allowing customers to post queries and get help and advice from our technical experts or other customers.

Our customer care centre constantly monitors complaints, tracking problems with products, services, devices or our network. We feed this information back into the business as a basis for constantly improving our processes. A good example during the year, recognised in our CEO awards, was our team in Tanzania that came up with an ingenious way of simplifying the payment process of Vodacom M-Pesa, the money transfer service. In Lesotho, we changed the quality of the paper we print on to solve the problem of codes on recharges becoming illegible, which meant calls to our call centre dropped by almost 20%.

To make it easier for our customers to use our services, we offer in-store tech zones in South Africa. This year we successfully piloted this initiative in 40 flagship stores. We will be rolling this offering out to all stores and expect to have it in 250 stores by March 2013. In Mozambique our brand ambassadors are available at sponsored events to assist and educate our customers to get the best out of our products and services. Other service innovations this year included offering our customers onsite support and delivering handset upgrades to their workplaces.

26 for more on how we are helping our customers to set up data access at home.

> We are always implementing ways to make it easier for our customers to access our products and services. Our extensive footprint of distribution outlets makes it possible to buy airtime almost anywhere. A very exciting development has been the launch of our online store (www.vodacom.co.za/shop), which takes our distribution reach into our customers' homes and anywhere they are able to access the internet.

We enhanced our customer service surveys by piloting closed-loop feedback in our customer care centre and our stores in this year, which resulted in improvements in customer service. Customers are asked for feedback immediately after their interaction with Vodacom and their views are provided to the employee who dealt with them. This gives individual employees unfiltered feedback and provides valuable insight into where we need to make improvements. We aim to make closed-loop feedback part of business as usual, for all customer touchpoints in the coming year.

Build trust by protecting our customers and partner with them to do good

We have well-developed systems and procedures in place to protect our customers. This includes keeping their personal information confidential, preventing fraud and making sure children are protected from adult content. These are critical considerations in earning the trust of our customers and we implemented a number of new initiatives during the year.

Over two years ago, Vodacom was the first network operator to launch double opt-in business rules to make customers fully aware of pricing and related information when using wireless application service provider ('WASP') services. Since then, this has become standard industry practice regulated by the Wireless Application Service Provider Association, and monitored and controlled by network operators. In the absence of a suitable technical solution, enforcing this standard has been difficult as the onus was on the WASP to comply. In response, we developed a way to enforce compliance and have taken full ownership of protecting our customers in this way.

read more in our social and ethics report.

We developed a service that allows people to post the telephone number and body of a suspected scam SMS on our Facebook page. Our team of forensic experts then investigate, block and report the number publicly on Facebook, which means other users can check suspicious SMSs against this database.

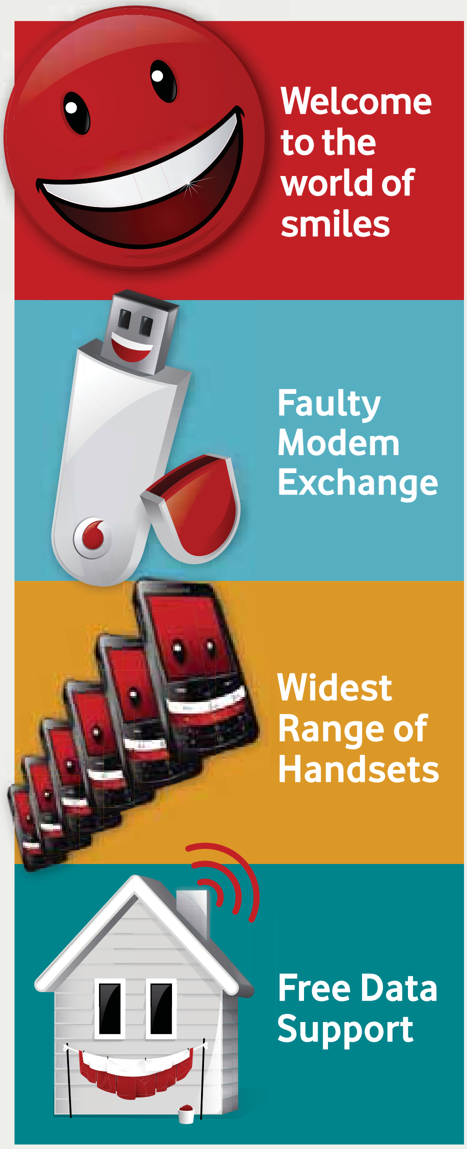
We also launched a new security feature to help protect our customers from mobile phone fraud by automatically locking their SIM cards if irregular call activity or extraordinarily high charges are detected. The system works in much the same way as that used by credit card companies to detect abnormal charge activity.

Another important way of building trust-based relationships with our customers is to partner with them in making the world a better place.

62% of our customers have elected to receive electronic bills, either by email or more recently by MMS, a new innovation that is helping us and our customers reduce the amount of paper we use.

Launched in South Africa and Tanzania in 2010, the Vodacom Red Alert programme lets the public donate money by SMS. We closed the Relief for Somalia Fund during the year, having raised R500 000 from customer contributions and through Vodacom itself for the South African Red Cross Society, which is providing aid to famine victims in Somalia.

read more in our communities report.



2

Creating an environment for our people to excel and grow **more**

Our objectives

- Build a customer-focused culture celebrating innovation, success and diversity
- Encourage honest dialogue and work together more effectively
- Give fair, competitive and transparent reward and recognition
- Encourage, coach, grow and retain talented leaders
- Develop our people's capabilities
- Create a safer place to work

Changing our culture

In changing from blue to red last year, the time was right for us to rethink our corporate culture. We put much effort into aligning our culture to our values of Speed, Simplicity and Trust. This included plans to change to a more open-plan office environment and letting our people wear to work what they feel comfortable in. We also held various fun events that brought our people together, in celebration of us going red. Our goal is to keep up the momentum of change in Vodacom and not to fall back into old habits.

Our 2014 goal

We aim to score 80% in the Engagement index from our People Survey.

Why this is so important to us

Without people our vision would remain a pipedream and our purpose would be just meaningless. So whether it's making progress on transformation and embracing diversity, keeping our people safe and healthy at work, or developing and retaining the depth of leadership and talent we need to take our business into the future, we need to make sure our people feel empowered, inspired and engaged. Along with competitive reward and recognition, this is how we're avoiding losing good people to our competitors and attracting the best talent in the market.

How we measure our performance

We do an annual People Survey that tracks how engaged, well-managed and included our employees feel. Independent consultants do the survey and compare our scores to a high-performing peer group and to other Vodafone Group companies. We use the Engagement index measure from the survey to check if, overall, we're creating the right environment for our people to excel and grow.

How we've done

	2012	2011
Engagement index	73%†	73%

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

for more on employees, see our human capital report.

The good

- Internal engagement sessions let employees interact with senior leaders on burning issues.
- Improved our talent management programme and moved all relevant employee information onto the Vodafone global Talent Management System in record time.
- Voted best telecommunication company to work for in South Africa by the Corporate Research Foundation Institute.
- More than halved our lost time frequency ratio ('LTFR') of 0.59 (2011: 1.50).

The not so good

- No improvement on our People Survey's Engagement index score of 73%.
- Representation of women at senior level remains low.
- Not enough progress in developing skills and abilities among our entry-level managers.

CEO Awards recognise excellence

Every year a carefully selected group of Vodacom employees from across our operations are invited to attend the Vodacom CEO Awards. The recipients of this coveted award have made contributions that extend way beyond the normal course of business, and the purpose of the event is to loudly celebrate their success and inspire others.

Best Innovator Award – International

Abdallah Samizi and **Innocent Ephraim** were the brains behind the USSD Contact Look-up Project. M-Pesa customers previously had to memorise contact numbers when they needed to transfer funds. This opened up the possibility of mistakes and money ending up in the wrong accounts. The USSD Contact Look-up function stores contact details after the first payment, allowing them to be selected the next time you want to send funds.

Best Volunteer Award

In 2009 the ZB Kunene Secondary School in Mpumalanga had a 19% pass rate. The **A-FORS** (Aim for Success) team, consisting of Vodacom employees in Mpumalanga, decided to make a change. Each Saturday they sacrificed their time to tutor students at the school and the results were astounding. In 2010 the pass rate had more than tripled to 77%.

Build a customer-focused culture celebrating innovation, success and diversity

During the year we deepened our efforts to make Vodacom a Purpose Based Organisation ('PBO'). Our purpose, which was launched last year, puts customers at the heart of our business. At the beginning of the year, our CEO invited some of our customers to spend the day with our senior leadership team as part of our annual leadership forum. By engaging closely with our customers, the team were able to hear for themselves what customers think we are doing wrong and what we are doing right. This set the tone for the year.

We are on track with rolling out our values and culture building programme, The Vodacom Way, which kicked off late last year. The one-day programme helps our employees understand our values, their roles in fulfilling our purpose and the concept of a PBO.

Growing diversity in our business, by bringing in diverse people with different ways of thinking and new ideas, is key to innovation and overcoming challenges. We encourage our people to celebrate diversity, not only in race and gender, but also in personal and professional experience. It's for this reason that we create opportunities for our employees to gain international exposure through Vodafone, and work alongside Vodafone people in our operations.

In South Africa, transformation remains a major focus for us. In the year we scored 11.24 points for Employment Equity, narrowly missing our scorecard target by 0.1 points, and we scored 11.39 points for Skills Development, below our target of 12.00. Of new appointments and internal promotions, over 80% and 70% were black people, respectively. More than 70% of our employees in South Africa are black.

Gender representation at senior levels remains a challenge for us in South Africa. In our International operations we have increased the representation of women and we continue to develop local talent. We've done well in Mozambique, where we increased the percentage of local representation at executive level from zero to 40%. Our Tanzanian operation has also made good progress in diversifying its executive team by reducing seconded executives and appointing local managers.

"More emphasis was put on customers through the PBO and this has resulted in most of the internal processes being reviewed and improved to enhance the customer experience."

Lerato Tlalajoe – Vodacom Lesotho

Encourage honest dialogue and work together more effectively

Employees are able to engage directly with our Group Executive Committee using our internal social media platform, Yammer. Nine live sessions were held in which employees were able to ask questions on burning issues and get straight answers from the leadership team.

We successfully held our second Group-wide People Survey, which gives us a yearly perspective on our employees' engagement levels. We achieved a respectable score of 73% in the Engagement index. Although this was the same as last year, over 70% is considered a good result for high-performing companies. Our employees embraced the survey with 90% participation recorded.

When benchmarked against the industry, we did well in four of the People Survey's six engagement drivers: clear and promising direction; confidence in leadership; quality and customer focus; respect and recognition. Employees noted that there was room for improvement in development opportunities, which is why we have stepped up our talent management programme. The other area we didn't do well in was pay and benefits, even though we offer above market related incentives, but similar feedback is usual in most companies and we are confident of our reward proposition.

Overall our employees rated us highly as a company they are proud to work for, intend to stay with and would recommend as an employer of choice. Our ranking by the Corporate Research Foundation Institute as the best telecommunications company to work for in South Africa was a very pleasing endorsement of the survey results.

Give fair, competitive and transparent reward and recognition

In South Africa we improved employees' understanding of our remuneration value proposition through greater transparency. We ran workshops around the country to engage and inform them about remuneration and reward. Every quarter employees can access online statements setting out their total reward package, including their guaranteed package, insured benefits, pension and provident fund balances, short-term incentives in relation to target and stretch performance thresholds, and the value of their unvested long-term incentives. The total reward statements and workshops have been very well received. Since September 2011, over 20 000 hits have been registered on the online statements.

We encourage all our managers to have regular performance discussions with their people. Annual performance discussions, which are compulsory, help employees define their goals, track their performance and assess their behaviour. The improvement in performance discussions has had a positive impact on the business by aligning employee goals not only to short-term financial targets, but also to our five strategic priorities and the Vodacom Way. Whereas managers assess employee performance, a calibration process across different business units makes sure that the rating process is fair and truly recognises individual performance aligned to business performance.

Encourage, coach, grow and retain talented leaders

Vodacom employees are exceptional people. A true reflection of this is that no less than four leaders from the Vodacom family now head up operations in the Vodafone Group. Last year we reported that Shameel Joosub was appointed as the CEO of Vodafone Spain. More recently, Rob Shuter was appointed CEO of Vodafone Netherlands and Dietlof Mare is taking over at Vodafone Albania. And not forgetting our own Pieter Uys who heads up Vodacom.

Q&A with Mpho

Chief Human Resources Officer

Why is it so important to have engaged employees?

It is important to have engaged employees because it drives improved productivity in the workplace. The more engaged your employees are, the more motivated they are, the happier they are and the better they serve our customers. Of course, happy customers add to the bottom-line.

What are we actually measuring when we measure engagement?

Employees, at their discretion, will put in additional effort in the workplace. If you tap into that and create an environment in which employees want to put in more effort at work, then your employees are engaged. So we measure engagement to see to what extent our employees are using that extra effort in the workplace.

How did we perform in the latest People Survey?

Of the six drivers of engagement, we performed well in four. Two needed improvement, one of which is reward. I can say with confidence that our reward proposition is better than that of our competitors, particularly on incentives. Therefore what we did in the last year, and will continue doing this in the year ahead, is to share information with our employees and managers on our reward structures.

continued on page 34

Q&A with Mpho continued

And the other area we need to improve in?

Our employees want us to improve talent management. We have begun to invest significantly in improving our talent management initiatives, not only within Vodacom itself but also in creating a platform for our employees to benefit from international opportunities. This is a key benefit of being part of a global company: our people are able to get international experience, but we also bring other talented people from different markets into our business. This brings new diversity into our thinking.

How important is diversity?

Diversity is fundamentally important to employees as well as to the company. We serve a diverse base of customers, in terms of race, gender, age, religion, and how they think. Therefore we have to make sure we have suitable diversity within our employees, allowing them to access these markets and understand and meet their needs accordingly. Diversity isn't just about race and gender – it's about diversity of thought. Without diversity of thought, you don't grow, you don't push the envelope and you don't create new opportunities. Diversity of thought is a key driver of innovation.

Take us through some of the initiatives to engage employees.

We created a direct link between employee performance and business strategy so employees have line of sight of what they do and its impact on the business. Over and above that we began large-scale programmes where we take our employees, both junior and senior, through a programme that helps them to change their behaviour, to change their culture, as well as to align their performance with that of the Company. We plan to finish that programme this year in all our operating markets.

Watch the full interview here.

A key benefit of being part of Vodafone is that our people get the opportunity to gain international experience. We have a number of Vodacom employees in a variety of Vodafone markets as well as Vodafone assignees at Vodacom. This is great in developing leaders who think globally.

We continue to deepen our talent pool with various training programmes aimed at different levels of employees:

- Ten Vodacom leaders of whom six are black and four are women are taking part in Vodafone Inspire, a global leadership development programme.
- Twenty-one senior managers of whom 18 are black and nine are women are taking part in the Vodacom advanced executive programme.
- Twenty-three middle managers of whom 19 are black and nine are women are taking part in the Ascend programme for middle managers.

We have talent review sessions every year to identify talent, address skills gaps and strengthen our succession plans. Based on the survey results, talent management will be a key focus area for us over the next year. We recently moved to the Vodafone global Talent Management System, which allows available talent to be viewed across all markets in the Vodafone Group. Senior employees can now manage their own profiles online, which means they can be considered for new opportunities either locally or internationally.

Develop our people's capabilities

We invested R68 million in training and development across the Group in 2012, and although this was down 5.5% from last year it was far more focused. Our initiatives included online learning programmes, local training events, global development programmes, bursaries and internships.

Our most important learning and development initiatives are:

- The Vodacom Foundation bursary scheme, which sponsors high-achievers from disadvantaged backgrounds. 115 bursaries to the value of R7.6 million were awarded in 2012.
- The Vodacom Bursary Programme gives permanent employees in the Group the opportunity to advance their careers and develop specific ICT skills. During the year 743 employees took part in this programme.
- A virtual learning centre available to all employees, with 676 employees completing courses during the year.
- Hosting interns and learners in partnership with the Information Systems, Electronics and Telecommunication Technologies ('ISETT') Sector Education and Training Authority ('SETA'), with 147 interns and 381 learners hosted during the year.
- The Columbus Programme, a two-year assignment that gives talented graduates international exposure. In South Africa we are hosting candidates from Vodafone Spain and Vodafone Ghana, while Vodafone are hosting some of our graduates in Spain, Ghana, the United Kingdom and India.
- The Young Achievers Programme, which offers training on business and leadership to young people starting their careers. Of the people who participated during the year, 85% were black and 52% women.

Create a safer place to work

We have managed to greatly reduce the number and severity of work-related safety incidents in all our operating countries. We have sharpened the Group's focus on health and safety, and while there was an improvement from last year in overall safety performance, there were four fatalities among sub-contractors to our suppliers. We will continue to enforce health and safety standards with our suppliers.

Our LTFR reduced from 1.50 to 0.59, well within our targeted LTFR of less than 1. This was thanks to our health and safety activity plans, which were stepped up to focus our senior leaders' attention on being proactive in reducing fatalities and incident frequencies, and in creating a strong health and safety culture within their functional areas. We have aligned our health and safety plans and our LTFR target to our individual performance targets.

The plans have three main focus areas:

- **Clear and visible leadership:** We believe an organisation's culture is set through the example of its leaders, and that it's the same with health and safety. We have introduced leadership tours, where our leaders engage with employees and suppliers and inspect high-risk activities and projects. During the year 121 tours were conducted.
- **Absolute rules:** We have put in place six absolute rules, which apply to everyone all of the time. This year we worked hard to help our people understand and apply these rules in their specific work environments, and we monitored their adherence.
- **Supplier safety:** Most of our work-related incidents involve suppliers. We are vetting all our suppliers against strict health and safety compliance criteria, and helping them to improve their performance where we can. We vetted 652 suppliers in the year, and will continue with this process as well as introduce a 'safety passport' to control supplier access to sites.

Six absolute rules

Absolute Rule #1

Your family needs you. Always wear seat belts when travelling in, or operating vehicles. Never carry passengers in the load areas of Pick up Vehicles/"Bakkies" & Trucks.

Are you and your contractors responsible?

Absolute Rule #2

Your family needs you. Never work or drive under the influence of substances which are illegal or in excess of legal levels or where it impairs your ability to perform tasks.

Are you and your contractors responsible?

Absolute Rule #3

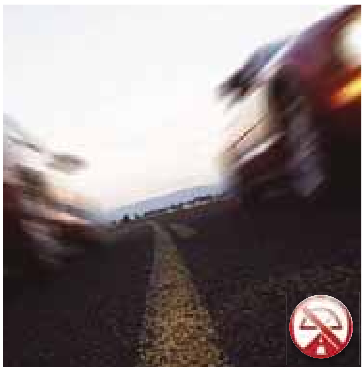
Your family needs you. Always use suitable PPE (Personal Protective Equipment), a safety harness or fall protection equipment when working at height.

Can you or your contractors afford not to?

Absolute Rule #4

Your family needs you. Never exceed the speed limit or travel at speeds which are dangerous for the type of road, vehicle or conditions.

Are you and your contractors responsible?



Absolute Rule #5

Your family needs you. Never use a hand held device whilst driving and only make calls or text by pulling over or using a hands free device, when it's safe to do so.

Can you or your contractors afford not?

Absolute Rule #6

Your family needs you. Never carry out electrical work on equipment, circuits and gear if you are not qualified.

Are you and your contractors responsible?

3

Putting the power of the internet into **more** people's hands

Our objectives

- Build wider, deeper, faster, smarter networks
- More affordable devices and services to meet customers' needs
- Make internet use simpler and more affordable
- Work with partners to develop more relevant content

App-titude

Many apps have a universal appeal, but apps that fulfill local needs provide a great opportunity for local developers. Running from November 2011 until the end of January this year, the Vodacom App Star challenge encouraged local developers to take up this opportunity. The three best apps were awarded cash prizes and are available from the Vodacom Application Store at **Vodacom.mobi/apps.**

For the Vodacom Application Store.

Our 2014 goal

We aim to reach 25 million data customers across our footprint.

Why this is so important to us

Access to mobile data services puts a world of opportunity in people's hands through the power of the internet, wherever they are. Mobile data is set to play a vital role in lifting economic growth, creating jobs and improving the quality of life in underdeveloped countries. Mobile data use in sub-Saharan Africa is tiny compared to other regions, so this is a huge opportunity for us and we are driving adoption of mobile data services in all our countries. Internet for all is a revolution we intend to lead!

How we measure our performance

We measure our success by the number of active data customers we have, how good their experience is and whether we have the cheapest devices, best network and most relevant content.

How we've done

Active data customers	2012	2011	% change
South Africa ('000)	12 185†	8 997	35.4

Active data customers	2012	2011	% change
International ('000)	2 922	1 171	149.5

Active data customers	2012	2011	% change
Group ('000)	15 107	10 168	48.6

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

104 for detail on the audit.

The good

- More than 5 million active data customers added, up over 48.6% on last year.
- Phenomenal growth in active customers of Vodacom M-Pesa in Tanzania.
- Added just over 1 000 3G base stations across the Group.
- Reduced data prices in all our markets for more affordable connectivity.
- Benchmarked as achieving best data download speeds in South Africa.
- One million apps downloaded in just six months from our Vodacom Application Store.

The not so good

- Delays in our fibre roll out projects.
- Vodacom M-Pesa in South Africa continues to underperform.

Build wider, deeper, faster, smarter networks

We aim to be the leader in data coverage as well as network quality and speed. We now offer 3G services in all our mobile operations except DRC.

We added just under a thousand 3G base stations in South Africa to reach a major milestone of over 5 000 sites. 3G coverage is now at 70% of the population while EDGE covers 74%. Securing additional spectrum is critical for us to do our part in meeting the ICT charter target of delivering broadband coverage to all South Africans by 2020.

48 for more on getting additional spectrum.

All 3G sites in South Africa are now capable of theoretical maximum speeds of at least 14.4 megabytes per second ('mbps'), with more than 80% capable of 21.6 mbps, up from 60% last year. Some 60% of our 3G sites are now fitted with dual carrier HSPA technology, up from 12% a year ago. We also increased sites with IP transmission backhaul by over a thousand. Although theoretical speeds are not always possible, these improvements in network technology increase speed across the board for all users and devices. In our recent benchmarking tests Vodacom achieved the best download speeds in South Africa, at an average of 4.4 mbps.

We're in the process of providing our own transmission (fibre or microwave) between our 3G base stations that handle high data volumes and our core network. We've also invested in the West Africa Cable System ('WACS'), which is now up and running. This makes more capacity available to connect Africa to the rest of the world and will lower the cost of carrying international data traffic.

All of these initiatives are ultimately focused on providing faster download speeds and therefore giving our customers a better internet experience. This is the surest way to drive uptake and put the power of the internet into more people's hands.

More affordable devices and services to meet customers' needs

We offer a wide range of devices that customers can use to access the internet, such as smartphones, mobile broadband modems, tablets, netbooks, Wi-Fi routers and laptop computers. Through Vodafone, we are able to make available the latest smartphones and lower-cost handsets that make connectivity affordable.

Mobile broadband devices are an important driver of data revenue as mobile has become the standard for connectivity in all our markets, where fixed-line penetration remains low. We have more than one million broadband devices on our network (other than smartphones), a limited increase on last year as customers increasingly use smartphones as modems. In 2012 we will focus on connectivity in the home, with Mi-Fi ('My Wi-Fi') devices letting several family members use the same data bundle wirelessly in the same location.

Smartphones are steadily becoming the primary device for internet connectivity in Africa. In South Africa we have 5.1 million active smartphones (Android, iOS, BlackBerry® or Windows phones) on our network, up 55.4% from last year.

Our cheapest smartphone is the Vodafone 858 Smart powered by Android, which goes for under R1 000. BlackBerry® devices remain popular mainly as a result of the

m-pesa

M-Pesa empowering Tanzanian women

In Tanzania, as in many African countries, women in particular struggle to access credit. When it comes to starting micro-enterprises, more often than not women lack the required business plans and collateral to qualify for loans from financial institutions. Without access to capital these businesses can suffer or may not even get off the ground.

With an eye on addressing this problem, the Vodacom Foundation (Tanzania) started looking at different ways to assist women to expand their businesses and help them meet their household responsibilities. M-Pesa provided the answer. The end result has been a revolutionary programme managed by the Vodafone M-Pesa Women Empowerment Initiative ('MWEI'), which taps into the M-Pesa cash float to provide Tanzanian business women with micro loans of between TZS5 000 to TZS150 000.

BlackBerry® service, which gives users "spend control" by paying an all-inclusive monthly fee for browsing. BlackBerry® is now available in all our markets.

We offer Vodacom M-Pesa, our money transfer service, in South Africa and Tanzania and will be launching it in our other countries in the coming year. In Tanzania we have seen phenomenal growth with 3.1 million active users and transactions worth more than US$500 million processed in March 2012 alone. But in South Africa uptake of the service has been disappointing with only 500 000 registered users and very low activity levels. After some serious introspection we will be making modifications to offer a more flexible and sophisticated service better suited to the South African market.

We have acquired financial services licences in South Africa, which will allow us to offer insurance and other financial products directly to our customers. We aim to launch more new financial services products shortly.

Vodacom Business has proven itself as a trusted provider of ICT services over the past couple of years. Enterprise business services revenue increased by 30% in the year. In three years the business has built a product suite which competes with existing players across the continent. The core areas are Access, Hosted services and Managed services. Access and Managed services are the largest revenue contributors.

Make internet use simpler and more affordable

Offering our customers wide-ranging choice in data capable devices is only the first step in driving internet usage. We also focus on making it simpler and more affordable to use data services. Our online store makes it easy for our South African customers to purchase data bundles and stay connected.

Smaller data bundles tend to be the most popular with our customers, so we offer data bundles with as little capacity as 10MB to time-bound data bundles for only a day's access in some of our countries. Prepaid data bundles are driving uptake in all our countries. When we launched prepaid bundles in Lesotho this year, we saw a jump in their data revenue and number of data customers.

This year we offered a number of data promotions to provide more value to our customers. In South Africa our data prices reduced by 18.2% compared to last year.

In Tanzania we launched a limited Facebook service for free. The free service gives users a simplified view of their Facebook profiles with only the content rich service attracting a charge.

Work with partners to develop more relevant content

In September 2011, Vodacom was one of the first network operators to launch an app store in South Africa. Our intention is to spur the development of a local industry, both to create apps relevant for South Africa and to create jobs. The Vodacom Application Store has exceeded all expectations with a million downloads in less than six months of its launch. We are looking to launch this service in our other countries in due course.

Affordable internet devices

Vodafone 858 Smart is a more affordable smartphone. It delivers a compelling smartphone experience, giving you access to the world of mobile internet, including apps, navigation, social-networking and multimedia.

Vodafone Smart Tab is a tablet developed with customers in mind and is available exclusively from Vodacom with 7" or 10" screens. Get instant access to our high-speed network with built-in 3G and Wi-Fi. The Smart Tab is slim and stylish, runs on the Android Operating System and has a long-life battery powering the 1.2 GHz dual-core processor.

Vodafone WebBook features great battery life, fast internet access, a slim design and is great for work. It features pre-installed email, word processing and spreadsheet tools. For social activity, there is a full modern web browser, access to all the social networking sites and users can listen to their favourite music or watch their favourite movies on the in-built media players.

4

Operating **more** efficiently

Our objectives

- Best turnaround times on all key customer interactions
- Streamline, simplify and integrate our systems and processes
- Drive efficiencies and reduce costs
- Partner with our suppliers
- Minimise our environmental impact

Africa's greenest building

While helping others to be 'greener' is by far the largest contribution we can make, we also need to make sure that we are doing everything possible to reduce our own carbon footprint. With this in mind, we engaged with specialists to design and build the Site Solution Innovation centre to house our internal team of experts working to reduce energy consumption across our operations. The result was a revolutionary six star carbon neutral building that is officially the greenest building in Africa.

Scan the code
for the full story.

Our 2014 goal

We aim to improve the speed and simplicity scores in the People Survey by 5ppts a year. Reduce our carbon footprint by 5% a year. Optimise opex[1] to service revenue.

Why this is so important to us

Operating efficiency is firstly about innovating, finding new ways to do things better and faster for our customers. Given the tough macroeconomic conditions of the last few years and the slow pace of global economic recovery, managing cost is fundamental to business survival. So it is also about driving network and organisational efficiencies as hard as we can. Importantly, we need to balance this with responsible behaviour, particularly in health and safety and protecting the environment.

How we measure our performance

We measure our operational performance by how effective and efficient our systems and processes are, and how good we are at helping customers. We measure our environmental footprint and how effective we are in reducing it. Lastly, we aim to keep our financial checks in place to make sure our operating expenses[1] ('opex') relative to service revenue and our total return on capital are respectable.

How we've done

Speed score

2012	**55†**
2011	64

Change **-9ppts**

Simplicity score

2012	**53†**
2011	58

Change **-5ppts**

Opex[1] to service revenue

2012	**23.7%†**
2011	24.1%

Change **0.4ppts**

Reduction in carbon values per site

2012	**12.1%**
2011	11.5%

Change **0.6ppts**

1. Operating expenses excluding direct expenses, depreciation, amortisation and trading foreign exchange.
† These items were included as part of our assurance process for the current year.

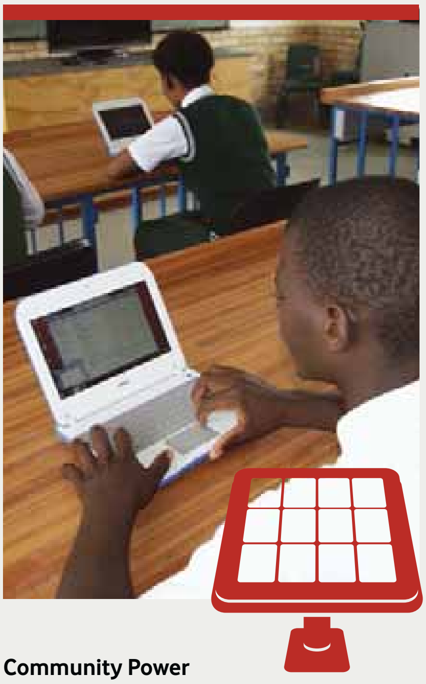
104 for detail on the audit.

The good

- Operating expenses[1] as a % of service revenue improved.
- Significant savings in our supply chain contracts.
- One of the best performers in the low-impact environment category of the JSE SRI annual review 2011.
- Awarded six star ('green building') status for our new Vodafone Site Solution Innovation Centre.
- Reduced average terminal logistics costs.
- Reduced starterpack and voucher costs.

The not so good

- Speed and simplicity scores in People Survey did not improve.
- Limited progress in assisting customers to dispose of batteries and other electronic equipment appropriately.
- Slow progress on the sale of machine to machine solutions.



Community Power

In December last year, the Emfihlweni community in Northern KwaZulu-Natal got electricity for the first time. Unlike other communities, it did not get power from its local municipality but rather from Vodacom. Through the Community Power initiative, the residents of Emfihlweni are benefitting from excess electricity produced by deliberately over-provisioned solar power that also recharges the batteries of the local base station.

This model, which is a first for the Vodafone Group, has the potential to make a huge impact in rural communities. In Emfihlweni,

25%
of the electricity

being generated by these solar cells is being used to supply power to the community water pump, a local shop that provides mobile phone charging stations and a computer centre at the local high school.

Best turnaround times on all our key customer interactions

We make it an ongoing discipline to look at how we can simplify and speed up the way we do things, always with our customers in mind. In the year ahead we will be setting clear targets to improve in many different areas that really matter to our customers, such as how long it takes to answer a call, to repair a phone or deliver one. In Tanzania we have made strides in turnaround times on M-Pesa queries, which improved from one- to four-day turnarounds to two-hour turnarounds. We have also looked at our interactive voice recognition ('IVR') system in all call centres to direct calls faster and more effectively.

Streamline, simplify and integrate our systems and processes

The cornerstones of the Vodacom Way are Speed, Simplicity and Trust. This year we spent a lot of time assessing where and how we can do things more efficiently and have taken some steps to change our management structures and delegation of authority.

However, we acknowledge we have not done enough in the year. We missed one of our operational goals, which is to increase our speed and simplicity scores measured in our annual People Survey, by five percentage points ('ppts') each year. These scores dropped by nine ppts and five ppts respectively.

To help us streamline the business we have an initiative where employees can "red card" bureaucratic processes within the business. This allows employees to identify processes that waste time and detract from their ability to serve our customers efficiently. During the year we had 67 submissions from employees, which led to 23 unnecessary processes, forms and approvals being eliminated.

We plan to implement project EVO in our South African operations in the coming financial year. EVO is seen as pivotal to world-class finance, supply chain and human resources functions. In effect the project will align our operating model to Vodafone's core business model, a single way of running a global business, supported by a single IT platform (SAP). The project aims to achieve an efficient, world-class organisation with a common integrated operating model and global enterprise resource planning ('ERP') system. Among the benefits, will be lower transaction costs and optimised support functions through shared services.

Drive efficiencies and reduce costs

We continued to focus on our cost efficiency programmes to counter cost pressures from rising energy costs, increasing property rentals and new site growth. Implementing more efficient technologies, self-providing transmission and renegotiating maintenance contracts has helped us contain the cost of operating our networks. To improve efficiencies in our logistics costs we have reduced the size and weight of our starterpacks, which have saved packaging and distribution costs.

Traditionally, each of our operating companies handled procurement locally. We now have a central team that manages the process of inviting bid proposals from major suppliers as well as standardised contracts aimed at ensuring service and cost benefits.

We are aligning major procurement contracts across the Group which allows us to benefit from economies of scale, standardised engagement with these suppliers and knowledge sharing across the Group.

All these initiatives helped us to bring down operating expenses[1] to service revenue from 24.1% to 23.7%.

Partner with our suppliers

Through Vodafone we benefit from global purchasing power and standardised supply chain processes. The value traded through the Vodafone Procurement Company ('VPC') almost trebled in the year as we added suppliers and negotiated major contracts through this company. We realised significant savings and improved working capital by contracting through VPC.

Although the benefits of centralised procurement are significant we also fulfil local procurement requirements and targets, especially in relation to Broad-Based Black Economic Empowerment ('BBBEE') in South Africa. Our procurement team are committed to finding opportunities to contract with qualifying small enterprises or micro enterprises.

We subscribe to the principles of the procurement accord drawn up by 40 top South African companies and the national Department of Trade and Industry, which aims to prioritise local input wherever possible.

Minimise our environmental impact

We are working closely with our stakeholders to find ways to lessen our total carbon footprint. In South Africa we set a target to deliver 45% of customer statements electronically and achieved 62%. This was in part due to distributing statements by MMS, which we introduced in the year.

Our RAN renewal programme, which is on the go in all our countries, will realise significant savings in electricity use. We estimate this will be as much as 40% on a like-for-like comparison. We use diesel to power some of our base stations, mostly in our International operations. This is necessary where base stations are not connected to the national grid, or where diesel is used for providing back-up power. We are converting our sites to hybrid power units, to reduce our diesel consumption. In these units, batteries are charged while the diesel generators are running and intelligent controls monitor and control power from the electricity grid, batteries and generator, to optimise the power source. In South Africa, all off-grid generators are being converted to hybrid systems to reduce fuel consumption and extend the generator life by as much as four times. Where possible we are also building sites that use renewable energy. In Lesotho we have 21 solar sites of 165 sites in total. In Mozambique, conditions favour solar energy and we now have 15% of our sites running on solar power.

1. Operating expenses excluding direct expenses, depreciation, amortisation and trading foreign exchange.
2. Compound annual reduction in Group's carbon footprint using March 2009 as base year, on a like-for-like comparison.

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

104 for detail on the audit.

read more in our environment report.

We reduced our carbon footprint per base station by 12.1%[2] in 2012.

CO_2 emissions

We continue to improve on how we measure our energy usage, and include more data in our calculations every year. Together with the increase in the number of base stations, this has pushed up the absolute value of our carbon emissions for the year. However, we have a number of programmes in place to contain energy use per base station site, and on a like-for-like comparison, we reduced our carbon footprint per base station by 12.1%[2].

Scope 1	2012	2011
South Africa fuel	**12 953†**	12 807
South Africa other	**1 356**	24
International	**53 902**	44 140
Group	**68 211**	56 971

Direct GHG emissions are those from sources that are owned or controlled by the company. For example, emissions from combustion in owned or controlled generators and vehicles.

Scope 2	2012	2011
South Africa	**376 254†**	306 544
International	**47 098**	30 354
Group	**423 352**	336 898

GHG emissions from the consumption of purchased electricity by the company.

Scope 3	2012	2011
South Africa business travel	**3 606†**	2 135
South Africa other	**10 241**	8 035
International	**3 378**	2 439
Group	**17 225**	12 609

An optional reporting category that allows for the treatment of all other indirect emissions. They are a consequence of the activities of the company, but occur from sources not owned or controlled by the company such as business travel.

Non-Kyoto Protocol	2012	2011
Group	**18 049**	3 993
Total Group	**526 837**	410 471

5

Doing **more** with our stakeholders

Our objectives

- More leadership on industry matters
- Work with governments on health and education
- Work with distribution partners to make every customer smile
- Partner with our suppliers to drive innovation, efficiency and sustainability
- Build a reputation for being a company all our stakeholders want to deal with

Change the World

In 2011 Vodacom in partnership with Sunday Times gave nine ordinary South Africans the opportunity to dedicate themselves to a charity for an entire year. With their salaries taken care of by Vodacom, each volunteer was freed up to be able to make a real difference and quite literally change the world for the people they were helping. The results were fantastic, with each of the volunteers using social media to keep people up to date on their progress. One volunteer was so touched by the children she worked with that she even adopted a 16-year old boy who was abandoned at birth. This year we have another 10 volunteers who are already hard at work changing the world.

Scan the code for the full story.

Our 2014 goal

To maintain the No.1 position in all countries in our Reputation Survey.

Why this is so important to us

Our operations impact directly on our stakeholders, and they in turn impact directly on everything we do. As the people that keep us in business one way or another, they're all vitally important to us. We continue to deepen our engagement with our stakeholders, to understand what matters most to them and take the lead on tackling issues of concern to them. Some of our commitments are to form partnerships with governments in support of social challenges and take the lead in assisting them to create more sustainable operating environments. We are also committed to becoming the industry champion for health, environmental and social responsibility issues.

How we measure our performance

The yearly Reputation Survey we conduct across all our key stakeholder groups in all our mobile operations asks what our stakeholders think of us on a variety of issues. We use the Reputation index measure to track our progress and benchmark it against our competitors and other leading brands.

How we've done in our Reputation index

South Africa

2012	**7.36†**
2011	7.77

Relative to other companies: **#1**

Tanzania

2012	**7.63**
2011	8.53

Relative to other companies: **#1**

DRC

2012	**7.09**
2011	7.66

Relative to other companies: **#1**

Mozambique

2012	**8.33**
2011	7.67

Relative to other companies: **#1**

Lesotho

2012	**7.87**
2011	8.14

Relative to other companies: **#1**

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

104 for detail on the audit.

The good

- Involved in various partnerships to inform policymaking and development of the ICT sector.
- Signed the South Africa ICT industry competitiveness and job creation compact.
- Made good progress rolling out education projects using mobile technology in South Africa and Tanzania.
- Second Reputation Survey conducted.

The not so good

- Reputation Survey shows only slight lead on competitors, which indicates little differentiation between players in the sector.
- Slow progress on health initiatives.

SKA

In 2003, the Department of Science and Technology and the National Research Foundation added South Africa to the list of countries competing to host the world's largest radio telescope. **The Square Kilometre Array ('SKA')**, of which two-thirds of the project has been awarded to South Africa is projected to be 50 to 100 times more sensitive than any other radio telescope ever built. It's expected to help answer fundamental questions in astronomy, physics and cosmology.

The majority of the SKA will be built in the Karoo – a sparsely populated area with extremely low levels of radio noise. The challenge for Vodacom is that against such a quiet background, even the low level radio emissions from our base stations were detectable. Given that many Karoo residents rely on cellular communications, we needed to reduce emissions from the various base stations that face the SKA site while still providing coverage.

Vodacom's **Dr Gordon Mayhew-Ridgers** and **Paul van Jaarsveld** took up this unique challenge. Together they designed a special antenna which Vodacom has patented. The antenna has since been tested and performs extremely well – even receiving praise from the Honourable Minister of Science and Technology, Naledi Pandor.

More leadership on industry matters

Vodacom partnered with the LINK Centre at the University of the Witwatersrand, Research ICT Africa and the University of Cape Town Business School to host public-interest seminars on "Making Broadband Accessible For All". Co-funded by Vodafone, the seminars were the 12th instalment in a series of studies on the socioeconomic impact of mobile technologies. Our aim was to create awareness, encourage discussion on the key findings and contribute to the information available to South African policymakers and information and communications technology ('ICT') sector role players.

Vodafone issued a report on the potential impact of mobile on agriculture. It showed that mobile communications could help to meet the challenge of feeding an estimated 9.2 billion people by 2050. They could also cut carbon dioxide emissions by approximately five mega tonnes ('Mt') and reduce freshwater withdrawals for agricultural irrigation by 6%, with significant savings in water-stressed regions. These benefits assume around 549 million mobile connections to relevant services in 2020. The report aims to stimulate the necessary engagement between mobile operators, governments, NGOs and businesses to act on these opportunities and explore others.

Scan the code to download the Vodafone Connected Agriculture report.

As part of our stakeholder engagement programme, we launched the South Africa Future Agenda Seminar Series aimed at creating an objective platform for discussions on the future and growing importance of mobile technologies. The initiative, modelled on Vodafone's global Future Agenda programme, provides an open forum for discussion about how to address the major challenges society faces over the next ten years.

Vodacom signed the South Africa ICT industry competitiveness and job creation compact, which sets out to reach 100% broadband population coverage and create one million new jobs by 2020.

Work with governments on health and education

In partnership with the Department of Basic Education, Microsoft®, Cisco and Mindset Learn we launched the Vodacom Mobile Education Programme, which makes use of mobile technology to provide teachers throughout South Africa with better access to quality instruction resources and ICT.

As part of the initiative, nine ICT resource centres were created, one in every province, each serving up to 200 schools. The centres serve as the district teacher training hub and are fitted with computer classrooms with 50 terminals and an internet café. The programme's objectives are to use mobile technology to help the Department of Basic Education meet its objective of exposing more learners to ICT and upgrading the quality of instruction by giving teachers around the country, in rural and urban areas, access to the highest quality teaching resources.

Work with distribution partners to make every customer smile

Our distribution partners provide one of our most important touchpoints with our customers. We are busy rolling out our customer knowledge interface to our business partners in our franchise stores. This will empower store owners with the necessary customer intelligence to manage the customer experience better. We are also developing online training for store employees. This will enable store owners to train employees without incurring the cost of transporting them to our regional offices and taking more time out than absolutely necessary from servicing customers.

Partner with our suppliers to drive innovation, efficiency and sustainability

Health and safety has been a major focus area during this year. As part of this, our suppliers are contractually obliged to implement our six absolute rules on safety.

We engage with our suppliers at least quarterly in our supplier forums. Core to our current procurement process is to include a code of ethical practice in our supplier contracts. The code commits our suppliers and us to the highest ethical standards. These include prohibiting child or forced labour and ensuring for workers proper health and safety practices, freedom of association and no discrimination.

for our code of ethical purchasing go on **vodacom.co.za**.

Build a reputation for being a company all our stakeholders want to deal with

In early 2012 we conducted our second Group-wide Reputation Survey to track material issues and measure reputation performance relative to the benchmarks set in the 2011 study. Independent research companies engaged with our key stakeholder groups.

The Reputation Survey measured how people perceive our performance in relation to our competitors and other large companies. It showed that in all our countries we were rated ahead of our competitors and other leading non-telecoms brands, but only slightly in some cases. This is concerning as it indicates a lack of differentiation between players in our sector.

The survey helped us identify focus areas that will guide management decision-making and action in the year ahead. Clearly we need to differentiate ourselves more from our competition, and we will be working hard on improving customer service as one of the ways to do this as well as being more proactive in positioning our competitive advantages such as network quality.

To date a total of

100 000

students in 150 primary schools and over 1 000 teachers have benefited from the project.

In **Tanzania** we partnered with the

International Youth Foundation,

an NGO focused on improving the quality of education and student performance scores in mathematics, science and life skills through the innovative use of mobile technology, to rollout Bridge IT. Vodacom's contribution to the initiative includes providing 540 gigabytes of bandwidth and 150 SIM cards, plus rack space to house the Bridge IT server. This allows teachers to download educational videos on Nokia phones and, via a connection to a TV screen, teach students.

Market overview

Economy

The sub-Saharan Africa economy is expected to grow at over 5% in 2012. This rate of growth will largely depend on whether global growth of 4% can be sustained. Falling exports and a spike in food and fuel prices could also limit growth in the region.

SIM penetration in South Africa

132%

Mobile communications are a key contributor to economic growth. SIM penetration in South Africa stands at close to 132%, and below 30% in the rest of our markets. There is a real opportunity for us to grow SIM penetration in our International operations and thus contribute to their economic growth. Average population growth in these countries is estimated at 18 million people over the next five years.

Current internet penetration

13.5%

Current internet penetration in Africa is 13.5%, with the global average at 36.1%. In our markets, South Africa has the highest internet penetration at 13.9%, with our International markets ranging between 4% to 11%. Internet penetration is expected to accelerate fast across Africa for at least the next five years. Mobile broadband's ability to leapfrog traditional technology will play a big part in this, giving small informal businesses the opportunity to enter the formal economy.

Competition

Competition in South Africa is getting more intense, especially in data. Although price environments in Tanzania and DRC improved in the year, we expect greater competition to come from new players entering our markets.

In South Africa, competitive pressure played a big part in us lowering our effective pricing for voice and data.

50 for more on pricing read the commercial review.

Competition in the South African enterprise market intensified with the entrance of a fourth mobile operator, while a third operator launched in Mozambique and we are expecting a new player to launch in DRC in the year.

We are seeing growing competition from non-traditional players such as handset manufacturers, internet service providers, software companies and converged communications providers, especially in the form of services that handle messaging and voice over data connections.

Financial institutions are also weighing in, as many of our products and services are increasingly overlapping. Competition will keep driving prices down, meaning that we will need to differentiate through greater network capacity and better service quality.

Regulatory

Regulatory focus areas are mainly on spectrum, the Consumer Protection Act ('CPA') and mobile termination rates ('MTRs') in South Africa, while internationally the focus is customer registration and MTRs.

South Africa

Licensing of "high-demand spectrum" (2.6 GHz and 800 MHz) has been postponed by Icasa to allow the ministry to complete an ICT policy review. Vodacom continues to engage with both the regulator and the ministry on this matter to find a solution that would be beneficial for the country and Group.

The National Consumer Commission ('NCC'), the regulatory authority tasked with enforcing the CPA, has instituted investigations into the communications sector. The NCC undertook an investigation into the terms and conditions of the airtime agreements. To comply with the CPA, we have amended our customer airtime agreements and have distributed the amended agreements to our customers. The NCC nevertheless issued a compliance notice against us and the National Consumer Tribunal is considering the validity of the NCC's compliance notice and will make a ruling on the matter in due course.

Customer registration came to an end on 30 June 2011. At this date approximately 953 000 customers had not registered and we were obliged to lock their SIMs. Of these, 537 000 were disconnected during the year. RICA is now business as usual.

The MTRs were further reduced by 23% and 20% for peak and off-peak respectively on 1 March 2012. The last reduction according to the agreed glide path will be on 1 March 2013. Icasa will then assess the impact and decide on a way forward.

South Africa MTR glide path

	Peak	Off-peak
Current rates	R0.56	R0.52
1 March 2013	R0.40	R0.40

International

Tanzania

In Tanzania we implemented the final MTR adjustment reducing the effective rate from US$0.0732 to US$0.0716. The five-year glide path concludes in December 2012.

The regulator gazetted new regulations in alignment with the new "electronic communications" act which was promulgated in the year. The regulations have far reaching implications on processes such as porting and equipment registers. We are currently working with the regulator and industry in defining and implementing such measures.

Mozambique

The government of Mozambique is currently undertaking a costing model to review MTRs. This is expected to end in the early stages of the 2013 financial year.

Vodacom has informed the regulator that all new SIM cards are now blocked and access to mobile services are subject to customers concluding the registration process.

Quality of service ('QoS') regulation has been approved and came into effect on 31 October 2011. However the regulator has agreed to a five-year phased approach. The regulator has appointed a consultant to lead negotiations with operators. The consultant has already met with Vodacom, and it was proposed that European Telecommunications Standards Institute ('ETSI') standards are followed for QoS in the first year.

DRC

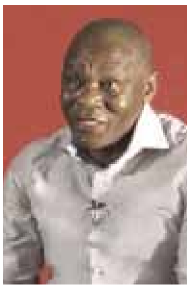
MTRs decreased from US$0.15 to US$0.08 during April 2011 and down to US$0.06 as of 1 April 2012.

The government is issuing 3G licences and we are in the process of applying for the licence.

Vodacom has been awarded a mobile money licence to introduce financial services. We expect to launch the service in this financial year.

Q&A with Nkateko

Chief Officer: Legal and regulatory




Please put the issue of spectrum into context for us.

The Government of South Africa has committed to increasing broadband access in the country. Increasing the levels of internet penetration is largely going to be achieved via wireless technology as opposed to fixed-line. Allocating the available spectrum, which is the digital dividend spectrum in the 800 megahertz (MHz) band and the 2.6 gigahertz (GHz) band, requires government to make very informed policy choices so that the spectrum is allocated to operators who can put it to good use.

Why would it be good for South Africa if Vodacom were issued with new spectrum?

The roll out of communications infrastructure is essentially about scope and scale. There was an era in many of our markets, particularly in Africa, where the conventional wisdom was that the more competition you have the better for consumers. But what we have seen over the years is the tendency for communications operators to compete in the urban and peri-urban areas to the exclusion of rural communities. But the new trend, not just limited to Africa, is that the acceptable norm is to have a maximum of three to five competitors. Vodacom has been in the South African market since the advent of mobile communications technology. Its communications infrastructure in the country is pervasive. With the new spectrum licence, it would essentially mean that Vodacom would use its existing facilities and size to roll out the new network.

Watch the full interview here.

Commercial review

Commercial performance was strong across all our geographies, underpinned by both our brand refresh and the good headway we made in building more sites, extending our distribution reach and offering greater value.

1 Reaching more customers

We have 47.8 million customers on our network, adding 11.0 million customers in the year.

Of this total, 6.1 million customers were added in South Africa, with 4.9 million customers added in our International operations.

In South Africa, customer growth could be attributed to our value-adding promotional offers and uptake of our low-cost handset deals, as well as our distribution channels' specific focus on under serviced areas. We also saw encouraging growth in our contract customer base.

Internationally, we have restructured our pricing and rolled out more sites, making our services more affordable and accessible. With SIM penetration across our International operations ranging between 21% to 57%, there is still great opportunity for customer growth.

In South Africa, the growing number of lower-income customers together with reduced MTRs meant that ARPU was down 14.2%. More stable pricing in key markets increased ARPU in our International operations.

2 Giving more value

The average price per minute across the Group dropped 7.0% from last year, mainly due to competitive pressures in our markets.

In South Africa there is ever-greater pressure for us to bring down data prices. Through headline price cuts and promotional offers we reduced our average price per megabyte ('MB') by 18.2%. Our promotional offers brought down our effective price per minute in South Africa by 13.6%. Some of these value offerings include Night Shift, with great uptake during the year and Vodacom 4 Less, where 17 million of our prepaid customers are on dynamic pricing giving them discounts of up to 100% depending on the network capacity and utilisation in the area they are in.

In our International operations, pricing has increased in some markets after needing to keep prices unsustainably low for several years to be competitive. In the DRC, the regulator set a minimum price at US$0.08 on 1 April 2011 to address congestion and quality problems, which is expected to remain in place until 2013. In Tanzania all operators increased their pricing by around 20%, while in Mozambique we introduced lower prices and one simple pricing plan effective anytime for calls to any network. In Lesotho, we reduced prices by 5.0%.

3 More affordable, more capable devices

We sold a record 10.2 million devices in the year, up 17.3%. With Vodafone, we have worked to lower the prices of devices and together with other Vodafone operators we help in developing low-cost devices. We often get access to the newest smartphones first.

In South Africa, there are over 26.1 million active devices on our network of which just over 20% are 3G capable. Handset sales in South Africa were over 9.7 million in the year, compared to 8.1 million in 2011. Of these handsets, 23.1% were smartphones and 16.7% were ULCHs which sold for under R100. Some 2.2 million smartphones were sold, of which 64% are BlackBerry® devices. This brings the number of smartphones active on our network to 5.1 million, with more than 1.8 million activated during the year. Making inroads in handset sales in our International operations is made difficult due to a flood of cheap low-quality devices. That said, we made good headway in Mozambique and Lesotho, where we managed to increase sales by 50%.

4 More distribution reach

We distribute mostly through trade partners who sell services on our behalf. Our distribution can be broken up into indirect channels, which make up about 80% of our distribution footprint, with the remaining channels being internal or direct channels. Indirect channels include our national chains, franchise stores and independent service providers, as well as informal distribution channels such as wholesale dealers. Our online channel and call centres are direct channels.

Vodacom Business's direct sales team sells mobile voice and data products and converged services to business customers.

During the year we brought new trade partners on board, which improved our distribution coverage. Our Group distribution reach now stands at well over 100 000 points of sale, which is a great competitive advantage. Through our development model, we help some of our small informal traders become dealerships, who can then go on to become fully-fledged franchisees. This development process is linked directly to sales performance.

Voice remained strong and continued to grow, particularly in our International operations, while mobile data had the highest growth in line with our strategic focus on mobile internet.

In South Africa, we renewed our agreements on starter packs with our wholesale distribution channels and refocused our distribution to better reach under serviced rural areas. In Mozambique, we signed an exclusivity agreement with the biggest local distributor in that country.

In Tanzania, we established a freelancer project aimed at acquiring new customers. Freelancers meet customers, train them on our products and services and connect them to our network. The freelancers get paid a commission on usage on a monthly basis. The project has created employment opportunities for more than 3 000 freelancers working with Vodacom in Dar es Salaam.

In the DRC, we increased our street vendors from some 5 000 last year to just over 15 200.

5 More focused services

Across our markets, our customers made outgoing calls of over 35.9 billion minutes on our networks during the year. At 15.2% higher than last year, customer growth played a big part in this increase. In South Africa voice usage was further spurred on by our promotional offers, Vodacom 4 Less and Night Shift.

In our International operations, voice revenue grew by a remarkable 35.4% after falling for the previous two years. This was largely on the back of our investments in the network, better pricing and improved distribution.

In South Africa, interconnect rates were reduced in line with the three-year regulated glide period which ends in March 2013.

On the upside, incoming fixed-line traffic has grown due to traffic from least-cost routing devices returning to our network.

Across the Group, the number of customers who use messaging services (SMS) remained low at 40%.

In South Africa, the overall number person-to-person SMSs increased despite the strong uptake of smartphones with instant messaging capabilities. However, the average number of SMSs sent per person was slightly lower than last year.

We are working hard to increase our data customers, and in the year we had excellent growth of 48.6% to 15.1 million Group active data customers.

In South Africa, smartphones are still the main driver of data revenue growth. The number of smartphones on our network now stands at 19.4% (2011: 12.8%), of which 40.8% (2011: 25.9%) have data bundles attached. Data usage at an average of 92MB per user per month more than doubled from last year.

While mobile broadband devices still account for most (around 60%) of the data traffic on our network, the growth rate of smartphone data traffic is 10 times higher than that of dongles and other modems. Active mobile broadband devices increased 12.9% to 1.1 million, with customers increasingly opting to use their smartphones as modems instead. However, the average data usage on mobile broadband devices increased to 595MB per month compared to 556MB a year ago.

Growth in South African data revenue was supported by a 35.4% increase in active data customers to 12.2 million. The number of customers who regularly purchase data bundles grew by 60.4% to 4.2 million.

While data still makes up a relatively small portion of overall revenue in our International operations, the number of customers who use data and mobile financial services have grown considerably. Active data customers increased 149.6% to 2.9 million as we expanded data network coverage and introduced more affordable and flexible data offerings.

M-Pesa has proven successful in Tanzania with active M-Pesa customer additions accelerating by 1.8 million to 3.1 million, representing a third of the total customer base. M-Pesa now accounts for 8.5% of our Tanzanian operation's service revenue compared to 2.8% a year ago. We are looking to roll out M-Pesa in other markets and are refining the model further in both Tanzania and South Africa. Revenue from M-Pesa is recognised as data revenue in our income statement.

Vodacom Business has built solid products over the past three years and continues to expand its product suite to meet customer needs. Vodacom Business has established a presence in the market, having won customers across large enterprises, the public sector and small and medium enterprises ('SMEs').

Revenue in this segment has grown 30.0% in the year to R1 359 million, of which almost half is in South Africa and the rest in Vodacom Business Africa.

Vodacom Business's core service areas are Access, Hosted services and Managed services. Access and Managed services with the best performing services for the year being Virtual Private Networks ('VPNs') and Voice over IP.

Technology review

Q&A
with Andries
Chief Technology Officer

When will Vodacom be launching LTE?

I don't think we'll see any commercial launch of LTE this year. At the moment, there are a few factors that prevent us from launching it. The main factors are spectrum and devices. LTE devices are available but they are expensive and they don't necessarily support the frequency band in each country. In the case of spectrum, networks require spectrum to roll out LTE. If you don't have additional spectrum, it might affect the service being provided to current customers as they are effectively squeezed into less spectrum.

It seems that spectrum is the big issue?

The biggest hindrance to the deployment of LTE from a network point of view is definitely spectrum. If I look at what we have done over the last few years, you have to replace equipment to allow for new technologies and that's exactly what we have done. We have already replaced 60% of all the base stations in our network. We now have a technology called single RAN that allows us to deploy LTE quite easily and without significant cost implications on those base stations. We've also deployed a self-built transmission network.

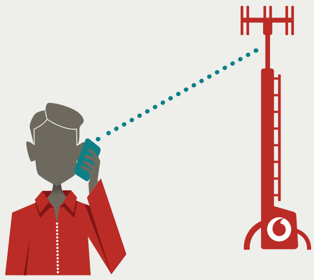
continued on page 54

Mobile communications are converging fast. Traditional services like voice and SMS are all becoming more and more IP-based, meaning that they're handled in much the same way as data. In an always-online world with more connected devices, more demand from

1

Access

The access layer is the first layer of our network that customers connect to, whether it's a base station or a physical fibre-optic connection. Improving the reach and quality of our networks is something we invest in all the time.



During the year we added just under a 1 000 more 3G sites to our South African network. We continue to lead the local industry in the number of 3G sites on air, now standing at over 5 000. More than 99% of the population are already covered by our 2G network, and our focus for deploying new sites is on under serviced areas or areas where there are capacity requirements on the network. In our International operations, we added 348 new sites of which 63 are 3G.

One of our biggest technology modernisation projects at the moment is replacing our existing RAN with single radio access and software defined radio ('SDR') network technologies. Single RAN enables us to accommodate 2G, 3G and Long-term Evolution ('LTE') in the same network equipment. In combination with SDR we will therefore be able to migrate our network more easily to newer generation technologies thereby protecting our investments. The RAN modernisation also lowers our power usage, and it will help expand our data coverage, with technologies such as EDGE and UMTS 900. Furthermore, the RAN modernisation will provide customers with better quality, meaning fewer dropped calls and faster data connections.

Our RAN renewal project in South Africa achieved 60% completion in the year. The rest of the sites should be completed over the next 24 months. Similar multi-year RAN renewal projects are being conducted in all our International operations.

Another big focus for us is increasing the data speeds on our 3G networks. All our 3G sites in South Africa are 14.4 megabits per second ('mbps') enabled, and we have upgraded more than 60% of our sites to support dual carrier technology. This technology essentially allows data to be sent to a device over two frequency channels at the same time, thereby increasing the speed up to 43.2 mbps and helping us keep our lead in mobile broadband.

Although the maximum speed of mobile data networks is only theoretical, as it depends on many factors, these new technologies will enable an overall improved data experience for all. However, to bring in new, faster technologies such as LTE efficiently we will need to acquire additional spectrum.

49 for more on spectrum.

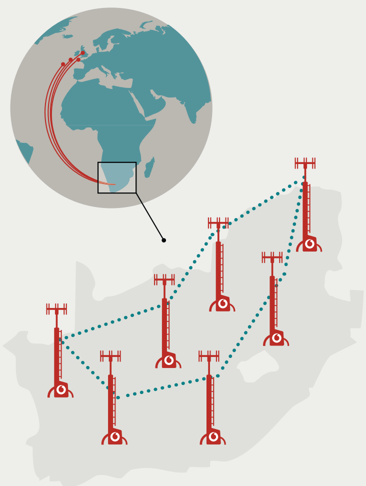
During December 2011 an independent mobile network benchmark in South Africa confirmed our position as the mobile broadband leader in speed and quality.

customers and ever-more intensive data use, we must continue to invest in our network to constantly improve our customers' experience and maintain and grow our competitive edge. We can only imagine in what new ways our customers will use our network in future, but what we can be sure of is that, whatever they do, our networks will need to be wider, deeper, faster and smarter.

2

Transmission

The transmission layer is the part of our network that carries calls and data between base stations and our core network, from where the communication traffic can be routed locally and internationally through microwave links, fibre-optic cables or satellites.



Where it makes business sense we build our own transmission infrastructure instead of buying or leasing from third parties. Self-providing our network transmission means we can directly manage and ensure quality of service. It also makes it easier and less expensive for us to upgrade the transmission infrastructure in future and gives us more redundancy options to reduce the chance of network outages.

In South Africa we have connected just over 1 000 base stations with fibre-optic cables and more than 3 500 with microwave transmission. We have also built metro fibre rings in all major metropolitan areas, and we are working in cooperation with other parties to deploy long-distance fibre nationally to connect all metropolitan rings. During the past year an additional 1 600km of fibre has been deployed as part of these initiatives.

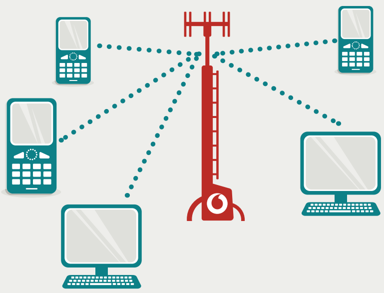
In our International operations we have identified key areas where we can self-provide transmission infrastructure. In Lesotho we are building a link between Lekokoaneng and Maseru to improve redundancy. We have strengthened our transmission backbone in Mozambique by deploying fibre between Maputo and Beira. In the DRC the existing microwave backbone is being upgraded to provide for additional capacity from RAN swaps and data connectivity from the West Africa Cable System ('WACS'). In Tanzania various fibre-optic and microwave links have been built to augment the existing national backbone network.

We have invested in WACS, which has come online. Previous SAT-3 leases have been replaced by own capacity on EASSy. Our capacity investments in the various submarine cable systems will increase data transmission capacity between Africa and the rest of the world. Ultimately this will bring down the cost of carrying international data traffic and create sufficient diversity between the East and West coast by making use of all the available cable-systems e.g. SAT-3. WACS, Seacom, EASSy and EIG (Europe-India-Gateway).

3

Core

The core forms the central aggregation and control system of the network. It is from here that calls and data requests are directed and connected.



We continued to modernise our core technologies across both voice and data. The new circuit and packet switched cores we are installing will go a long way to improving the capacity, redundancy, and performance of our network. It also forms part of making sure we are ready when traditional services such as voice become IP-based, and for new broadband technologies such as LTE. We have also introduced an IP Multimedia Subsystem ('IMS') which is part of the primary intelligence and control system of a converged network and will allow for a common set of services to be offered over any access technology, including voice over LTE.

As part of our Smart Network focus we have introduced new core capabilities to manage network capacity and improve services to our customers.

4

Information technology

The IT domain ensures that our customers enjoy an unmatched customer experience while confidently connected on the safest network. IT comprises of various functions which range from billing, business intelligence and customer relationship management to online portals and technology security.

Over time we have created a number of systems with different purposes for viewing customer data. Our focus in the medium term will be to consolidate our customer-facing systems to ensure a consistent customer experience regardless of the interaction channel.

We have also introduced new online capabilities that exploit interaction channels such as social media, allowing for more personal interaction with our customers. We are also expanding our current self-service functionality with a focus on mobile self-service in the coming year.

We have also expanded our business insight and analytics capability by introducing next best offer prediction, allowing us to analyse customer data and recommend personalised value-adding services when the customer interacts with any of our channels.

This is all underpinned by the principle of keeping the customer's data secure. For this reason we are implementing international security best practices and aligning to the global Vodafone technology security programmes.

We are progressing towards next generation billing, allowing the customer to be in control of exactly what they spend across any connection.

Q&A with Andries continued

So, we have put everything in place for the launch of LTE, but spectrum is going to be the key to unlocking the performance and capacity, and ultimately the customer experience, of LTE.

So LTE is not an immediate necessity?

At the moment, LTE is not a necessity. Currently we have 60% of our network on what we call dual carrier, allowing theoretical peak throughput of 43 mbps. We have already tested 86 mbps without adding additional spectrum. Obviously you have to add additional software, and you have to have the devices to support that. There is even talk about 168 mbps, which will be achieved in a similar way, so in the short to medium term, there is not a major need for LTE in South Africa or any other market in Africa.

When it is implemented, what will the benefits be?

Firstly, it uses spectrum more efficiently and, secondly, it allows an operator to construct a network more cost-efficiently. Obviously if the network is more efficient, and more simple, it translates into cost and price benefits at the end of the day. Thirdly, it supports more frequency bands than any other technology so it's far more flexible in terms of where you can deploy it. But I think the most important benefit of LTE is the performance it provides to customers. Its performance is phenomenal, especially in terms of download and upload speeds.

Watch the full interview here.

More
for our customers.
More
for our employees.
More
for everyone.

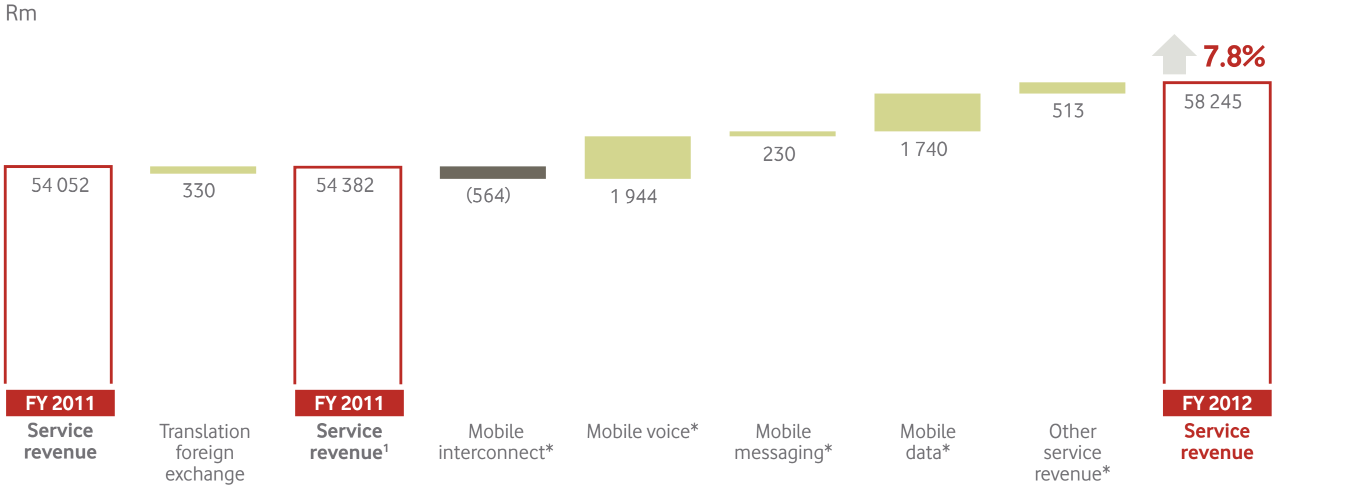
Operating results

Revenue

Service revenue

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
South Africa	**48 427**	46 392	44 324	**4.4**	4.7
International	**10 143**	7 957	8 071	**27.5**	(1.4)
Corporate and eliminations	**(325)**	(297)	(211)	**(9.4)**	(40.8)
Service revenue	**58 245**	54 052	52 184	**7.8**	3.6

Group service revenue growth by category



Revenue

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
South Africa	**56 932**	53 371	50 431	**6.7**	5.8
International	**10 426**	8 196	8 420	**27.2**	(2.7)
Corporate and eliminations	**(429)**	(370)	(316)	**(15.9)**	(17.1)
Revenue	**66 929**	61 197	58 535	**9.4**	4.5

Group revenue and service revenue for the year ended 31 March 2012 increased by 9.4% and 7.8% respectively (8.8%* and 7.1%*), underpinned by continued growth in voice and data revenue. Service revenue growth in South Africa remained relatively stable due to growth in data revenue and customers offset by a decline in interconnect revenue resulting from further cuts in MTRs. Customer growth and stable pricing in the International operations supported revenue growth of 27.2% (22.1%*) and service revenue growth of 27.5% (22.4%*).

1. Restated to FY 2012 foreign exchange rates.

Revenue analysis

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
Mobile voice	**34 265**	32 181	31 338	**6.5**	2.7
Mobile interconnect	**6 710**	7 230	8 742	**(7.2)**	(17.3)
Mobile messaging	**3 422**	3 192	2 964	**7.2**	7.7
Mobile data	**8 179**	6 433	4 749	**27.1**	35.5
Other service revenue	**5 669**	5 016	4 391	**13.0**	14.2
Service revenue	**58 245**	54 052	52 184	**7.8**	3.6
Equipment revenue	**7 915**	6 440	5 591	**22.9**	15.2
Non-service revenue	**769**	705	760	**9.1**	(7.2)
Revenue	**66 929**	61 197	58 535	**9.4**	4.5

Group mobile voice revenue increased by 6.5% to R34 265 million, with 85.8% (2011: 88.8%) contributed by South Africa. Group voice traffic increased by 14.3% offset by a decline in the effective price per minute of 7.0%.

Group mobile interconnect declined by 7.2% to R6 710 million, mainly as a result of a decline in MTRs in South Africa offset by an increase in incoming fixed-line traffic from least cost routing devices returning to our network. This was partially offset by reduced US$ denominated MTRs in DRC and Tanzania.

Group mobile messaging revenue increased 7.2% compared to 7.7% in the prior year. In South Africa, the overall number of person to person messages increased despite the strong uptake of smartphones with instant messaging capabilities. However, the average number of messages sent per person was slightly lower than last year.

Mobile data revenue growth increased 27.1% to R8 179 million supported by 48.6% increase in active data customers to 15.1 million.

Equipment revenue increased by 22.9% to R7 915 million. The increase was mainly contributed by South Africa and resulted from an increase of 19.8% of units sold over the year and a reduction in the average selling price of 2.4% over the prior year. In Mozambique and Lesotho handset sales increased by 50%.

Operating expenses[1]

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
South Africa	**35 737**	33 758	31 850	**5.9**	6.0
International	**8 970**	7 348	7 243	**22.1**	1.4
Corporate and eliminations	**(476)**	(468)	(323)	**(1.7)**	(44.9)
Operating expenses[1]	**44 231**	40 638	38 770	**8.8**	4.8

Group operating expenses[1] increased 8.8% (7.5%*) to R44 231 million, below revenue growth of 9.4% (8.8%*). These expenses include a net foreign exchange loss on the revaluation of foreign-denominated trading items of R146 million (2011: R11 million gain). The increase in Group expenses resulted mainly from an increase in device sales volume, carrier expenditure from increased volumes of minutes carried in International and interconnect expenditure in both segments, offset by publicity savings due to the brand refresh related costs in the prior year. Staff expenses increased by 7.3% during the year. Excluding the impact of capitalisation of staff costs, staff expenses increased 13.3% due to salary increases and a higher long-term incentives provision linked to the share price appreciation.

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

Expenditure analysis

Rm	Year ended 31 March 2012	2011	2010	% change 11/12	10/11
Direct expenses	**30 265**	27 600	26 764	**9.7**	3.1
Staff expenses[1]	**4 318**	4 024	3 878	**7.3**	3.8
Publicity expenses	**1 804**	2 086	1 848	**(13.5)**	12.9
Other operating expenses	**7 844**	6 928	6 280	**13.2**	10.3
Operating expenses	**44 231**	40 638	38 770	**8.8**	4.8
Depreciation and amortisation	**5 882**	5 355	5 157	**9.8**	3.8
Impairment losses	**199**	1 508	3 370	**(86.8)**	(55.3)
Expenditure	**50 312**	47 501	47 297	**5.9**	0.4

Group direct expenses includes handset costs, commissions, interconnect and regulatory fees. Group direct expenses, excluding the impact of MTRs in South Africa, increased 10.5%. The Group contribution margin decreased slightly by 0.1ppt to 54.8% while South Africa's contribution margin declined from 56.5% to 56.2% as a result of a lower net contribution from interconnect and an increase in device sales volume.

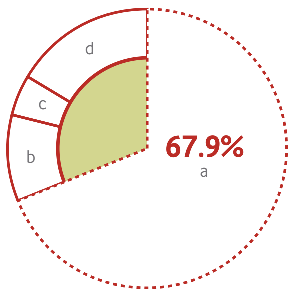
Group staff expenses increased 7.3% to R4 318 million and 13.3% excluding the capitalisation of staff costs. This was mainly due to salary increases and a higher long-term incentives provision linked to the share price appreciation. Group staff expenses as a percentage of revenue remained fairly stable at 6.5%. Headcount decreased 0.1% to 7 503.

Group publicity expenses were impacted by the brand refresh expenses in the prior year across all entities excluding DRC and Gateway. Excluding the brand refresh expenses in the prior year, Group publicity expenses decreased 2.8% as we continue to optimise sponsorship exposure.

Group other operating expenses largely relate to ongoing cost of running our networks and call centres such as maintenance on radio and core network energy costs and transmission leases. The pressure from site growth and increases in energy and property rental costs, was largely offset by lower transmission lease expenses as we continued to self-provide our transmission.

FY 2011 composition of operating expenses

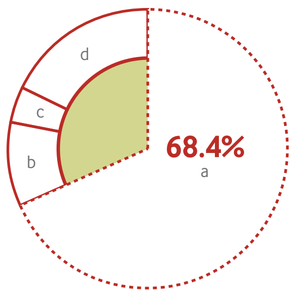
%



a	Direct expenses	67.9%
b	Staff expenses	9.9%
c	Publicity expenses	5.1%
d	Other operating expenses	17.1%

FY 2012 composition of operating expenses

%



a	Direct expenses	68.4%
b	Staff expenses	9.8%
c	Publicity expenses	4.1%
d	Other operating expenses	17.7%

1. The Group commenced capitalisation of staff expenses effective 1 April 2011. The capitalisation process is based on predefined processes and principles. The Group has capitalised an amount of R240 million for the year ended 31 March 2012.

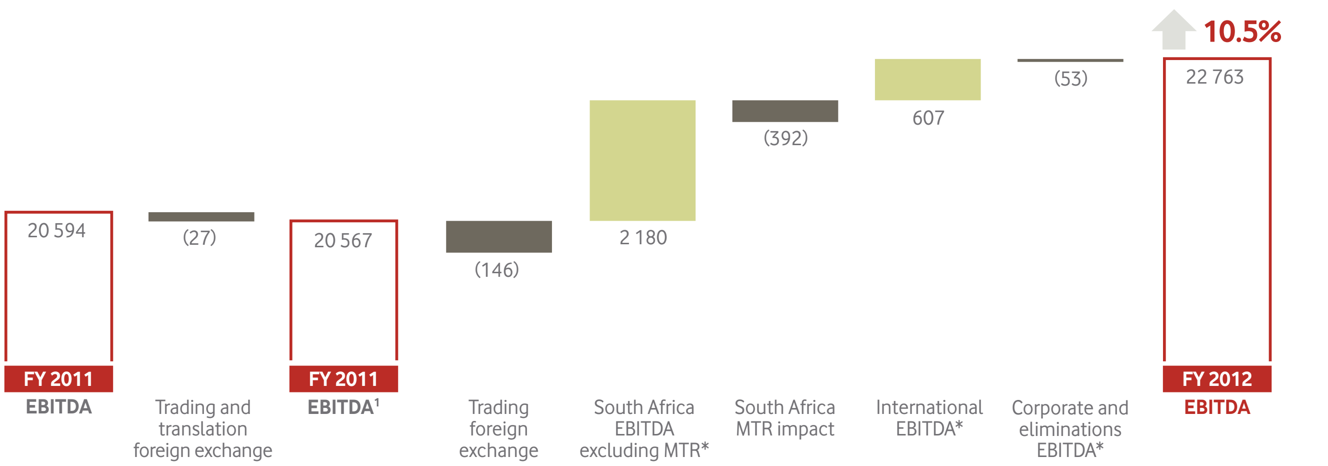
EBITDA

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
South Africa	**21 254**	19 653	18 578	**8.1**	5.8
International	**1 461**	840	1 176	**73.9**	(28.6)
Corporate and eliminations	**48**	101	28	**(52.5)**	> 200.0
EBITDA	**22 763**	20 594	19 782	**10.5**	4.1

Group EBITDA increased 10.5% (11.4%*) to R22 763 million, and the EBITDA margin improved to 34.0% (2011: 33.7%). In constant currency the Group EBITDA margin improved 0.8ppts from the prior year to 34.2%.

Group EBITDA

Rm



Note:
1. Restated FY 2012 foreign exchange rates and excluding trading foreign exchange.

Operating profit

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
South Africa	**16 671**	15 522	14 763	**7.4**	5.1
International	**(75)**	(1 902)	(3 358)	**96.1**	43.4
Corporate and eliminations	**21**	76	(167)	**(72.4)**	145.5
Operating profit	**16 617**	13 696	11 238	**21.3**	21.9

Group operating profit increased 21.3% to R16 617 million. The operating profit in South Africa increased 7.4% due to the growth in EBITDA, partially offset by the 10.6% increase in depreciation and amortisation arising from higher capital expenditure. International operating profit increased 96.1% mainly as a result of a reduction in net impairment losses from R1 506 million in the prior year to R199 million this year coupled with improved profitability of the mobile network operators ('MNOs').

Net finance charges

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
Finance income	**109**	109	124	**–**	(12.1)
Finance costs	**(748)**	(864)	(1 602)	**(13.4)**	(46.1)
Remeasurement of loans	**(51)**	28	(375)	**< (200.0)**	107.5
Net loss on translation of foreign-denominated assets and liabilities	**(16)**	(131)	(23)	**(87.8)**	> 200.0
Net gain/(loss) on derivatives	**20**	(164)	(396)	**112.2**	(58.6)
Other	**2**	(36)	–	**105.6**	n/a
Net finance charges	**(684)**	(1 058)	(2 272)	**(35.3)**	(53.4)

Net finance charges reduced from R1 058 million in the prior year to R684 million for the year ended 31 March 2012, mainly due to reduced finance costs and the gain on derivatives relating to our forward exchange contracts, entered into to cover our foreign currency exposure on handset and capital expenditure.

Finance costs for the year reduced by R116 million compared to the prior year as a result of a lower average debt coupled with the benefit of lower interest rates. The average cost of debt reduced from 7.7% to 7.3%.

Taxation

The tax expense of R5 730 million for the year increased by 23.0% compared to the prior year. The increase is mainly due to increased profitability, higher secondary tax on companies ('STC') and the net derecognition of certain deferred tax assets.

The Group's effective tax rate decreased from 36.9% to 36.0% mainly due to a decrease in net impairment losses partially offset by an increase in STC.

Group tax reconciliation

	Year ended 31 March			
	2012 Rm	**Rate %**	**2011 Rm**	**Rate %**
Profit before tax	**15 933**		12 638	
Normal tax	**4 461**	**28.0**	3 539	28.0
Non-deductible interest	**91**	**0.6**	90	0.7
STC	**806**	**5.1**	531	4.2
DRC foreign currency translations and revaluation of tax base of qualifying assets	**(105)**	**(0.7)**	(69)	(0.5)
Other	**175**	**1.1**	94	0.7
	5 428	**34.1**	4 185	33.1
Unrecognised tax assets	**405**	**2.5**	171	1.4
Deferred tax asset recognition	**(149)**	**(0.9)**	–	–
Impairment losses	**46**	**0.3**	303	2.4
Total tax expense/effective tax rate	**5 730**	**36.0**	4 659	36.9

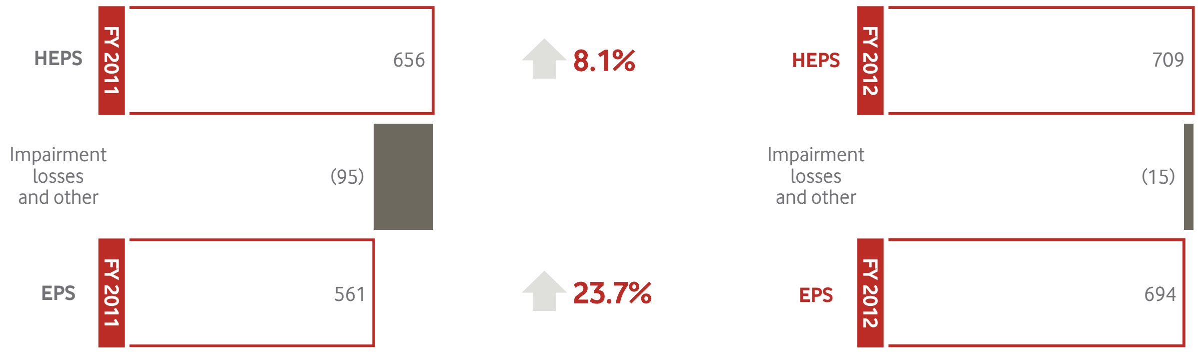
Earnings

	Year ended 31 March			% change	
Rm	**2012**	**2011**	**2010**	**11/12**	**10/11**
Headline earnings	**10 374**	9 626	7 579	**7.8**	27.0
Impairment losses and other	**(218)**	(1 381)	(3 383)	**(84.2)**	(59.2)
Earnings	**10 156**	8 245	4 196	**23.2**	96.5
Weighted average number of shares outstanding					
Basic ('000)	**1 463 464**	1 468 409	1 486 284		

Headline earnings per share ('HEPS') increased 8.1% to 709 cents mainly due to growth in operating profit before impairments and a reduction in finance charges offset by increased taxation. Basic earnings per share of 694 cents (2011: 561 cents) was impacted by net impairment losses of R199 million (2011: R1 508 million).

Headline earnings per share

Cents per share



78 for per share calculations.

Segment information

South Africa

Rm	Year ended 31 March 2012	2011	2010	% change 11/12	10/11
Mobile voice	**29 395**	28 584	27 422	**2.8**	4.2
Mobile interconnect	**6 062**	6 755	8 075	**(10.3)**	(16.3)
Mobile messaging	**3 143**	2 962	2 716	**6.1**	9.1
Mobile data	**7 639**	6 180	4 614	**23.6**	33.9
Other service revenue	**2 188**	1 911	1 497	**14.5**	27.7
Service revenue	**48 427**	46 392	44 324	**4.4**	4.7
Equipment revenue	**7 817**	6 343	5 432	**23.2**	16.8
Non-service revenue	**688**	636	675	**8.2**	(5.8)
Revenue	**56 932**	53 371	50 431	**6.7**	5.8
Direct expenses	**(24 917)**	(23 234)	(22 704)	**7.2**	2.3
Staff expenses[1]	**(3 088)**	(2 918)	(2 619)	**5.8**	11.4
Publicity expenses	**(1 349)**	(1 746)	(1 451)	**(22.7)**	20.3
Other operating expenses	**(6 383)**	(5 860)	(5 076)	**8.9**	15.4
Depreciation and amortisation	**(4 524)**	(4 091)	(3 810)	**10.6**	7.4
Impairment losses	**–**	–	(8)	**–**	(100.0)
Operating profit	**16 671**	15 522	14 763	**7.4**	5.1
EBITDA	**21 254**	19 653	18 578	**8.1**	5.8
EBITDA margin (%)	**37.3**	36.8	36.8		
Operating profit margin (%)	**29.3**	29.1	29.3		

South Africa delivered a strong performance with service revenue growing 4.4% to R48 427 million. This was achieved despite a 10.3% decline in interconnect revenue following the cuts in MTRs. Service revenue growth was supported by customer growth of 26.5% and a higher contribution from data revenue.

Mobile messaging revenue increased by 6.1% supported by an increase of 2.2% in the number of person to person messages sent across the network and growth in bulk SMS from enterprise increasing by 29.8%.

Mobile data revenue increased 23.6% to R7 639 million supported by 35.4% increase in active data customers to 12.2 million. Active data customers purchasing data bundles increased 60.4% to 4.2 million. Smartphones remain the key driver of data revenue growth, with active smartphones on the network increasing by 55.4% adding over 1.8 million smartphones in the year to 5.1 million. Competitive pressures in the data market resulted in an 18.2% reduction in the effective price per megabyte.

Other service revenue increased by 14.5% to R2 188 million, mainly from the growth in enterprise converged services.

Equipment revenue increased 23.2% to R7 817 million as a result of the 19.8% increase in the number of handsets sold over the year.

Staff expenses increased by 5.8% (14.1% excluding the staff capitalisation costs) to R3 088 million compared to 11.4% in the prior year, mainly due to the annual salary increase and a higher long-term incentives provision linked to the share price appreciation.

South Africa contributed 93.4% (2011: 95.4%) to Group EBITDA, increasing 8.1% (9.1%*) with an improved margin of 37.3% (37.6%*).

1. The Group commenced capitalisation of staff expenses effective 1 April 2011. The capitalisation process is based on predefined processes and principles. South Africa has capitalised an amount of R240 million for the year ended 31 March 2012.

Key performance indicators

	Year ended 31 March			% change	
	2012	**2011**	**2010**	**11/12**	**10/11**
Total customers (thousand)[1]	**34 306**	26 535	26 262	**29.3**	1.0
Prepaid[2]	**28 677**	21 409	21 765	**33.9**	(1.6)
Contract	**5 629**	5 126	4 497	**9.8**	14.0
Customers (thousand)[3]	**28 941**	22 880	19 652	**26.5**	16.4
Prepaid	**23 312**	17 754	15 155	**31.3**	17.1
Contract	**5 629**	5 126	4 497	**9.8**	14.0
Churn (%)[4]	**36.8**	46.0	38.4		
Prepaid[2]	**43.0**	54.8	43.7		
Contract	**9.0**	9.8	8.8		
Traffic (millions of minutes)[5]	**35 029**	30 233	26 675	**15.9**	13.3
Outgoing	**26 341**	22 160	18 792	**18.9**	17.9
Incoming	**8 688**	8 073	7 883	**7.6**	2.4
MOU per month[6]	**114**	119	111	**(4.2)**	7.2
Prepaid	**97**	95	82	**2.1**	15.9
Contract	**177**	202	220	**(12.4)**	(8.2)
Total ARPU (rand per month)[7]	**157**	183	184	**(14.2)**	(0.5)
Prepaid	**91**	106	105	**(14.2)**	1.0
Contract	**362**	404	447	**(10.4)**	(9.6)
Messaging (million)[8]	**6 650**	6 509	5 949	**2.2**	9.4
Estimated SIM penetration (%)	**132**	107	100		
Number of employees	**5 238**	5 302	5 327	**(1.2)**	(0.5)

Notes:
1. Total customers are based on the total number of mobile customers registered on Vodacom's network, who have not been disconnected, including inactive customers, as at the end of the period indicated.
2. South Africa changed its disconnection policy for call-forward SIMs from 13 months inactivity to seven months during the quarter ended 30 June 2010. Prior year numbers have not been restated.
3. 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.
4. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customers during the period.
5. 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.
6. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period. MOU in prior years has been restated in line with the change in the basis of reporting customers.
7. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom customers. Total ARPU in prior years has been restated in line with the change in the basis of reporting customers.
8. Messaging includes SMS, MMS and premium rate SMS/MMS and excludes bulk messages.

International

Rm	Year ended 31 March 2012	2011	2010	% change 11/12	10/11
Mobile voice	**4 870**	3 597	3 916	**35.4**	(8.1)
Mobile interconnect	**776**	582	718	**33.3**	(18.9)
Mobile messaging	**279**	230	248	**21.3**	(7.3)
Mobile data	**540**	253	134	**113.4**	88.8
Other service revenue	**3 678**	3 295	3 055	**11.6**	7.9
Service revenue	**10 143**	7 957	8 071	**27.5**	(1.4)
Equipment revenue	**138**	124	197	**11.3**	(37.1)
Non-service revenue	**145**	115	152	**26.1**	(24.3)
Revenue	**10 426**	8 196	8 420	**27.2**	(2.7)
Direct expenses	**(5 693)**	(4 664)	(4 297)	**22.1**	8.5
Staff expenses	**(969)**	(851)	(888)	**13.9**	(4.2)
Publicity expenses	**(446)**	(333)	(387)	**33.9**	(14.0)
Other operating expenses	**(1 862)**	(1 500)	(1 671)	**24.1**	(10.2)
Depreciation and amortisation	**(1 332)**	(1 244)	(1 308)	**7.1**	(4.9)
Impairment losses	**(199)**	(1 506)	(3 227)	**(86.8)**	(53.3)
Operating loss	**(75)**	(1 902)	(3 358)	**96.1**	43.4
EBITDA	**1 461**	840	1 176	**73.9**	(28.6)
EBITDA margin (%)	**14.0**	10.2	14.0		
Operating loss margin (%)	**(0.7)**	(23.2)	(39.9)		

International operations delivered a strong operational performance with service revenue increasing 27.5% (22.4%*) to R10 143 million and revenue growth of 27.2% (22.1%*) due to customer growth of 35.5% and increased take up of data services and improved pricing environments.

Mobile voice revenue increased by 35.4% (30.3%*) due to outgoing voice traffic growth of 6.2% and a 28.2% increase in the effective price per minute.

Mobile interconnect grew by 33.3%, due to 46.3% increase in incoming traffic due to reduced price differentials between on-net and off-net in Tanzania, DRC and Mozambique.

Mobile data revenue increased 113.4% (108.5%*) to R540 million mainly due to data promotions and strong growth in active M-Pesa customers to 3.1 million in Tanzania. Tanzania M-Pesa now contributes 8.5% to their service revenue compared to 2.8% a year ago.

International EBITDA increased by 73.9% (71.7%*) to R1 461 million and the EBITDA margin improved 3.8ppts to 14.0%. The strong growth in EBITDA was due to increased revenue in our mobile network operations of 36.2% and realising better group scale benefits particularly in procurement, offset by losses in the Gateway businesses.

International operating loss decreased 96.1% mainly as a result of a reduction in net impairment losses from R1 506 million in the prior year to R199 million this year and improved profitability of the MNOs.

Key performance indicators

	Year ended 31 March			% change	
	2012	**2011**	**2010**	**11/12**	**10/11**
Total customers (thousand)[1]	**22 997**	16 957	13 630	**35.6**	24.4
Tanzania	**12 612**	8 861	7 270	**42.3**	21.9
DRC	**5 643**	4 155	3 353	**35.8**	23.9
Mozambique	**3 701**	3 082	2 329	**20.1**	32.3
Lesotho	**1 041**	859	678	**21.2**	26.7
Customers (thousand)[2]	**18 894**	13 939	11 316	**35.5**	23.2
Tanzania	**9 665**	7 184	5 868	**34.5**	22.4
DRC	**5 643**	4 156	3 353	**35.8**	23.9
Mozambique	**2 784**	1 910	1 506	**45.8**	26.8
Lesotho	**802**	689	589	**16.4**	17.0
Churn (%)[3]					
Tanzania	**39.6**	44.4	45.3		
DRC	**69.5**	72.8	83.0		
Mozambique	**60.5**	56.4	61.8		
Lesotho	**22.7**	21.0	19.3		
MOU per month[4]					
Tanzania	**63**	68	66	**(7.4)**	3.0
DRC	**43**	61	43	**(29.5)**	41.9
Mozambique	**55**	59	49	**(6.8)**	20.4
Lesotho	**38**	39	45	**(2.6)**	(13.3)
Total ARPU (rand per month)[5]					
Tanzania	**26**	25	36	**4.0**	(30.6)
DRC	**36**	36	45	**–**	(20.0)
Mozambique	**51**	34	42	**50.0**	(19.0)
Lesotho	**70**	72	80	**(2.8)**	(10.0)
Total ARPU (local currency per month)[5]					
Tanzania (TZS)	**5 506**	5 186	6 202	**6.2**	(16.4)
DRC (USD)	**4.8**	5.0	5.7	**(4.0)**	(12.3)
Mozambique (MZN)	**187**	160	155	**16.9**	3.2
Estimated SIM penetration (%)					
Tanzania	**49**	37	34		
DRC	**21**	16	13		
Mozambique	**32**	29	23		
Lesotho	**57**	49	41		
Number of employees[6]	**2 076**	1 997	2 083	**4.0**	(4.1)

Notes:
1. Total customers are based on the total number of mobile customers registered on Vodacom's network, who have not been disconnected, including inactive customers, as at the end of the period indicated.
2. 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.
3. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total customers during the period.
4. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period. MOU in prior years has been restated in line with the change in the basis of reporting customers.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Total ARPU in prior years has been restated in line with the change in the basis of reporting customers.
6. Number of employees in March 2011 has been restated.

Reconciliation of normalised growth

	Year ended 31 March 2012			
	Reported %	Trading foreign exchange ppt	Translation foreign exchange ppt	Normalised %
Voice revenue				
Group	6.5	–	(0.5)	6.0
International	35.4	–	(5.1)	30.3
Data revenue				
Group	27.1	–	(0.1)	27.0
International	113.4	–	(4.9)	108.5
Service revenue				
Group	7.8	–	(0.7)	7.1
International	27.5	–	(5.1)	22.4
Revenue				
Group	9.4	–	(0.6)	8.8
International	27.2	–	(5.1)	22.1
Operating expenses				
Group	8.8	(0.3)	(1.0)	7.5
South Africa	5.9	(0.6)	–	5.3
International	22.1	0.4	(5.7)	16.8
EBITDA				
Group	10.5	0.8	0.1	11.4
South Africa	8.1	1.0	–	9.1
International	73.9	(5.3)	3.1	71.7
Capital expenditure				
Group	37.3	–	(3.1)	34.2
International	39.0	–	(14.7)	24.3

Exchange rates

	Average for 31 March			% change		Closing at 31 March			% change	
	2012	2011	2010	**11/12**	10/11	**2012**	2011	2010	**11/12**	10/11
USD/ZAR	**7.45**	7.19	7.83	**3.6**	(8.2)	**7.65**	6.77	7.38	**13.0**	(8.3)
ZAR/MZN	**3.78**	4.78	3.68	**(20.9)**	29.9	**3.68**	4.57	4.35	**(19.5)**	5.1
ZAR/TZS	**216.73**	206.17	171.29	**5.1**	20.4	**208.34**	221.65	184.29	**(6.0)**	20.3
EUR/ZAR	**10.24**	9.50	11.05	**7.8**	(14.0)	**10.19**	9.61	9.89	**6.0**	(2.8)

Financial position and resources

Statement of financial position

Rm	As at 31 March 2012	2011	Movement 11/12
Property, plant and equipment	**24 367**	21 577	**2 790**
Intangible assets	**5 123**	5 215	**(92)**
Other non-current assets	**1 188**	1 190	**(2)**
Current assets	**17 552**	13 453	**4 099**
Total assets	**48 230**	41 435	**6 795**
Equity attributable to owners of the parent	**18 530**	15 622	**2 908**
Non-controlling interests	**400**	558	**(158)**
Total equity	**18 930**	16 180	**2 750**
Borrowings	**11 016**	10 063	**953**
Non-current	**9 012**	7 280	**1 732**
Current	**2 004**	2 783	**(779)**
Tax liabilities	**1 189**	782	**407**
Other non-current liabilities	**903**	768	**135**
Other current liabilities	**16 192**	13 642	**2 550**
Total liabilities	**29 300**	25 255	**4 045**
Total equity and liabilities	**48 230**	41 435	**6 795**

Non-current assets

Property, plant and equipment

Property, plant and equipment increased to R24 367 million from R21 577 million a year ago. The increase consist mainly of net additions of R7 230 million, partially offset by depreciation charge of R4 777 million and a favourable foreign exchange translation impact of R562 million.

Intangible assets

At 31 March 2012 our intangible assets were R5 123 million (2011: R5 215 million) with software comprising the largest element at R2 668 million (2011: R2 426 million) followed by goodwill at R1 854 million (2011: R1 970 million). During the year the Group capitalised R915 million net additions, comprising mainly computer software and recognised amortisation of R1 105 million in profit and loss. Refer to Note 2 of the consolidated financial statements for information regarding the net impairment loss of R250 million recognised during the year.

Capital expenditure

The Group's capital expenditure for the year was R8 662 million, 37.3% higher than a year ago. The 36.8% growth in the South African capital expenditure is largely due to an increase in the RAN renewal project, self-provisioning of our transmission network and investment in our information technology and billing systems. New coverage and capacity sites as well as RAN renewals contributed to the 39.0% (24.3%*) increase in the International capital expenditure.

Rm	Year ended 31 March 2012	2011	2010	% change 11/12	10/11
South Africa	**6 976**	5 100	4 573	**36.8**	11.5
International	**1 679**	1 208	2 067	**39.0**	(41.6)
Corporate and eliminations	**7**	3	(4)	**133.3**	175.0
Capital expenditure	**8 662**	6 311	6 636	**37.3**	(4.9)
Capex intensity (%)	**12.9**	10.3	11.3		

Other non-current assets

Other non-current assets include financial assets, trade and other receivables, finance lease receivables and deferred tax. Other non-current assets of R1 188 million at 31 March 2012 (2011: R1 190 million) remained in line with the prior financial year. During the year the deferred tax asset decreased by R117 million mainly due to a change in estimated future taxable profits of the Vodacom Group entity, resulting in the asset being derecognised, partially offset by the recognition of a deferred tax asset for Mozambique in line with expected future taxable profits.

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 2012, current assets increased by R4 099 million to R17 552 million compared to the prior year. Included in this variance is an increase in bank and cash balances of R2 911 million mainly relating to a R3 billion loan received from Vodafone Investments Luxembourg s.a.r.l. Trade and other receivables increased by R606 million due to stronger revenue growth and higher cash balances held on behalf of Tanzania M-Pesa customers resulting in an increase of R347 million in financial assets.

Total equity

Total equity increased from R16 180 million at 31 March 2011 to R18 930 million at 31 March 2012, mainly as a result of the R10 203 million net profits for the year being offset by dividends of R7 961 million. Equity was favourably impacted by an increase in comprehensive income of R315 million (2011: R449 million decrease), predominantly consisting of foreign exchange movements. The Group purchased and sold shares during the current year in terms of its forfeitable share scheme with a net impact of R139 million. The prior year includes a repurchase of shares amounting to R962 million which was mainly in terms of the Group's general authority to repurchase ordinary shares.

Borrowings

Total borrowings increased from R10 063 million at 31 March 2011 to R11 016 million at 31 March 2012. The increase in borrowings is due to a R3 billion loan received from Vodafone Investments Luxembourg s.a.r.l. and R750 million received through the Group's domestic medium-term note ('DMTN') programme, partially offset by repayments totalling R2 591 million on existing facilities. During the year bank borrowings classified as financing activities was reclassified as bank overdrafts and included in other current liabilities.

Tax liabilities

Tax liabilities increased from R782 million in the prior year to R1 189 million at 31 March 2012. Deferred tax liabilities increased by R322 million mainly resulting from the impairment of customer bases in Gateway Carrier Services and Vodacom Business Africa as well as an increase in the deferred tax liability of Tanzania as the company decreased tax losses in the current year. Tax payable increased from R87 million to R172 million at 31 March 2012.

Other non-current liabilities

Other non-current liabilities comprising trade and other payables and provisions increased by R135 million to R903 million.

Other current liabilities

Other current liabilities increased from R13 642 million at 31 March 2011 to R16 192 million at 31 March 2012 mainly as a result of an increase in current trade and other payables of R2 401 million, due to higher business partner trade payables, inventory payables, capex creditors and deferred revenue.

Liquidity and capital resources

The major sources of Group liquidity for the 2012 and 2011 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	2012	2011	2010	11/12	10/11
Bank and cash balances	**3 781**	870	1 061	**2 911**	(191)
Bank overdrafts	**(409)**	(331)	(110)	**78**	221
Borrowings and derivative financial instruments	**(11 039)**	(9 997)	(13 112)	**1 042**	(3 115)
Net debt	**(7 667)**	(9 458)	(12 161)	**(1 791)**	(2 703)
Net debt/EBITDA (times)	**0.3**	0.5	0.6		

During the year the Group diversified its sources of funding by establishing a R10 billion DMTN. As part of this programme, we issued our inaugural R750 million three month commercial paper in August 2011 and rolled the commercial paper in November 2011 and February 2012. A three-year loan with a nominal value of R3 billion was raised from Vodafone Investments Luxembourg s.a.r.l. to refinance existing short-term borrowings as well as finance capital expenditure and working capital requirements.

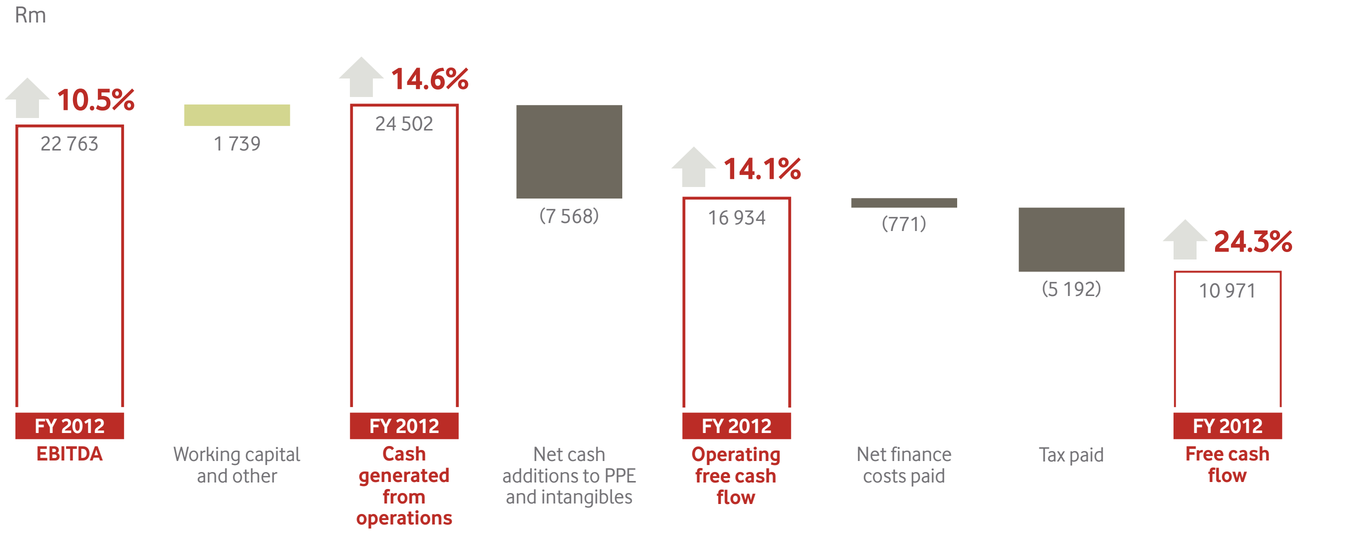
Cash flow

Free cash flow

	Year ended 31 March			% change	
Rm	2012	2011	2010	11/12	10/11
Cash generated from operations	**24 502**	21 385	19 711	**14.6**	8.5
Net additions to property, plant and equipment and intangible assets	**(7 568)**	(6 548)	(6 222)	**15.6**	5.2
Operating free cash flow	**16 934**	14 837	13 489	**14.1**	10.0
Tax paid	**(5 192)**	(4 982)	(4 764)	**4.2**	4.6
Finance income received	**29**	85	108	**(65.9)**	(21.3)
Finance costs paid	**(800)**	(1 111)	(1 621)	**(28.0)**	(31.5)
Free cash flow	**10 971**	8 829	7 212	**24.3**	22.4

Operating free cash flow increased by 14.1% to R16 934 million for the year. The cash generated from operations grew by R3 117 million and was mainly due to positive trading performance. Net cash additions to property, plant and equipment and intangible assets increased from R6 548 million to R7 568 million. The growth of 24.3% in Group free cash flow to R10 971 million was due to positive free cash flow from the International MNOs resulting from lower funding requirements from the Group.

Group free cash flow generation



Five-year historic review

	PG	2012	2011	2010	2009	2008	Compound growth %
Summarised income statement (Rm)							
Revenue	56	**66 929**	61 197	58 535	55 442	48 334	8.5
Operating profit	59	**16 617**	13 696	11 238	12 005	12 491	7.4
Net finance charges	60	**(684)**	(1 058)	(2 272)	(1 749)	(424)	12.7
Profit before tax		**15 933**	12 638	8 945	10 237	12 067	7.2
Taxation	60	**(5 730)**	(4 659)	(4 745)	(4 045)	(4 109)	8.7
Net profit		**10 203**	7 979	4 200	6 192	7 958	6.4
Non-controlling interest		**47**	(266)	4	103	147	(24.8)
EBITDA	59	**22 763**	20 594	19 782	18 196	16 463	8.4
Summarised statement of financial position (Rm)							
Non-current assets	67	**30 678**	27 982	29 131	35 224	24 468	5.8
Current assets		**17 552**	13 453	12 560	12 135	9 707	16.0
Equity and reserves		**18 930**	16 180	14 636	15 098	11 806	12.5
Non-current liabilities		**10 932**	8 743	11 590	10 430	4 787	22.9
Current liabilities		**18 368**	16 512	15 465	21 831	17 582	1.1
Net debt	69	**7 667**	9 458	12 161	17 537	8 663	(3.0)
Capital expenditure		**8 662**	6 311	6 636	6 906	5 916	10.0
Summarised statement of cash flows (Rm)							
Cash generated from operations		**24 502**	21 385	19 711	15 905	16 022	11.2
Tax paid		**(5 192)**	(4 982)	(4 764)	(4 123)	(4 721)	2.4
Net cash flows from operating activities	76	**19 310**	16 403	14 947	11 782	11 301	14.3
Net cash flows utilised in investing activities	76	**(8 002)**	(6 581)	(6 329)	(12 646)	(7 431)	1.9
Net cash flows (utilised in)/from financing activities	76	**(8 556)**	(10 119)	(8 548)	1 171	(3 013)	29.8
Net increase/(decrease) in cash and cash equivalents		**2 752**	(297)	70	307	857	33.9
Cash and cash equivalents at end of the year		**3 372**	539	951	1 084	837	41.7
Performance per ordinary share (cents)							
Basic earnings per share	61	**694**	561	282	409	525	7.2
Headline earnings per share		**709**	656	510	417	528	7.6
Diluted headline earnings per share		**706**	654	509	417	528	7.5
Net asset value per share		**1 286**	1 099	985	1 015	793	12.8
Dividends per share		**540**	355	110	350	399	7.8
Profitability and returns (%)							
EBITDA margin	59	**34.0**	33.7	33.8	32.8	34.1	
Operating profit margin	59	**24.8**	22.4	19.2	21.7	25.8	
Effective tax rate	60	**36.0**	36.9	53.0	39.5	34.1	
Net profit margin		**15.2**	13.0	7.2	11.2	16.5	
Return on equity[1]		**59.5**	56.2	30.2	47.9	75.0	
Return on capital employed[2]		**65.2**	61.6	43.4	70.7	85.5	
Liquidity and debt leverage (times)							
Interest cover[3]		**22.2**	15.9	7.0	8.2	18.3	
Net debt to EBITDA		**0.3**	0.5	0.6	1.0	0.5	
Current ratio[4]		**1.0**	0.8	0.8	0.6	0.6	
Quick ratio[5]		**0.9**	0.8	0.8	0.5	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 net profit by average net assets less goodwill.
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

	2012	2011	2010	2009	2008	Compound growth %
South Africa						
EBITDA margin (%)	**37.3**	36.8	36.8	34.0	34.4	
Capex intensity (%)	**12.3**	9.6	9.1	9.7	9.9	
Total customers (thousand)[1]	**34 306**	26 535	26 262	27 625	24 821	8.4
Customers (thousand)[2]	**28 941**	22 880	19 652	n/m	n/m	n/a
Number of employees[3]	**5 238**	5 302	5 327	5 165	n/m	n/a
Total ARPU (rand per month)[4]	**157**	183	184	n/m	n/m	n/a
Estimated SIM penetration (%)	**132**	107	100	108	94	8.9
International						
EBITDA margin (%)	**14.0**	10.2	14.0	24.5	28.6	
Capex intensity (%)	**16.1**	14.7	24.5	30.6	28.1	
Total customers (thousand)[1]	**22 997**	16 957	13 630	11 989	9 173	25.8
Customers (thousand)[2]	**18 894**	13 939	11 316	n/m	n/m	n/a
Number of employees[3]	**2 076**	1 997	2 083	2 086	n/m	n/a
Total ARPU (rand per month)[4]						
Tanzania	**26**	25	36	n/m	n/m	n/a
DRC	**36**	36	45	n/m	n/m	n/a
Mozambique	**51**	34	42	n/m	n/m	n/a
Lesotho	**70**	72	80	n/m	n/m	n/a
Total ARPU (local currency per month)[4]						
Tanzania (TZS)	**5 506**	5 186	6 202	n/m	n/m	n/a
DRC (USD)	**4.8**	5.0	5.7	n/m	n/m	n/a
Mozambique (MZN)	**187**	160	155	n/m	n/m	n/a
Estimated SIM penetration (%)						
Tanzania	**49**	37	34	30	20	
DRC	**21**	16	13	16	12	
Mozambique	**32**	29	23	17	16	
Lesotho	**57**	49	41	30	26	

Notes:
1. Total customers are based on the total number of mobile customers registered on Vodacom's network, who have not been disconnected, including inactive customers, as at the end of the period indicated.
2. 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. The numbers for 2008 and 2009 were not measured on the basis of the new definition.
3. The definition of headcount of employees was aligned to the Group's ultimate parent. The numbers for 2008 were not measured on the basis of the new definition.
4. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly 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 numbers for 2008 and 2009 were 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 period ending 31 March 2012 that were approved by the Board on 1 June 2012. The preparation of the audited consolidated annual financial statements was supervised by the Acting Chief Financial Officer, BB Williams 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. 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 International Financial Reporting Standards ('IFRS') and the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the International Accounting Standards Board ('IASB'), the AC 500 standards as issued by the Accounting Practices Board, the 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 and methods of computation are consistent in all material respects with those applied in the previous period, 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 2011. The adoption of IFRS 3: Business Combinations (Amended), impacted the Group's accounting policies by introducing changes to the measurement bases for different components of non-controlling interests at the acquisition date in a business combination. The change in accounting policy, however, had no impact on the Group's financial results for the year.

Full details on changes in accounting policies are disclosed in the Group's audited consolidated annual financial statements for the year ended 31 March 2012, which is available online.

for the consolidated annual financial statements.

Condensed consolidated income statement

for the year ended 31 March

Rm	Notes	2012	2011	2010
Revenue	1	**66 929**	61 197	58 535
Direct expenses		**(30 265)**	(27 600)	(26 764)
Staff expenses		**(4 318)**	(4 024)	(3 878)
Publicity expenses		**(1 804)**	(2 086)	(1 848)
Other operating expenses		**(7 844)**	(6 928)	(6 280)
Depreciation and amortisation		**(5 882)**	(5 355)	(5 157)
Impairment losses	2	**(199)**	(1 508)	(3 370)
Operating profit		**16 617**	13 696	11 238
Finance income		**109**	109	124
Finance costs		**(748)**	(864)	(1 602)
Net loss on remeasurement and disposal of financial instruments		**(45)**	(303)	(794)
Loss from associate		**–**	–	(21)
Profit before tax		**15 933**	12 638	8 945
Taxation		**(5 730)**	(4 659)	(4 745)
Net profit		**10 203**	7 979	4 200
Attributable to:				
Equity shareholders		**10 156**	8 245	4 196
Non-controlling interests		**47**	(266)	4
		10 203	7 979	4 200

Cents	Notes	2012	2011	2010
Basic earnings per share	3	**694.0**	561.5	282.3
Diluted earnings per share	3	**691.2**	560.4	282.0

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2012	2011	2010
Net profit	**10 203**	7 979	4 200
Other comprehensive income	**315**	(449)	(2 665)
Foreign currency translation differences, net of tax	**389**	(502)	(2 665)
(Loss)/Gain on hedging instruments in cash flow hedges, net of tax	**(74)**	53	–
Total comprehensive income	**10 518**	7 530	1 535
Attributable to:			
Equity shareholders	**10 583**	7 739	1 645
Non-controlling interests	**(65)**	(209)	(110)
	10 518	7 530	1 535

Condensed consolidated statement of financial position

as at 31 March

Rm	Notes	2012	2011	2010
Assets				
Non-current assets		**30 678**	27 982	29 131
Property, plant and equipment		**24 367**	21 577	21 383
Intangible assets		**5 123**	5 215	6 673
Financial assets		**201**	189	181
Trade and other receivables		**227**	264	231
Finance lease receivables		**447**	307	408
Deferred tax		**313**	430	255
Current assets		**17 552**	13 453	12 560
Financial assets		**695**	273	153
Inventory		**832**	799	707
Trade and other receivables		**11 379**	10 773	10 024
Finance lease receivables		**691**	462	262
Tax receivable		**174**	276	353
Cash and cash equivalents		**3 781**	870	1 061
Total assets		**48 230**	41 435	41 691
Equity and liabilities				
Fully paid share capital		*****	*	*
Treasury shares		**(1 530)**	(1 384)	(422)
Retained earnings		**20 121**	17 864	14 832
Other reserves		**(61)**	(858)	(672)
Equity attributable to owners of the parent		**18 530**	15 622	13 738
Non-controlling interests		**400**	558	898
Total equity		**18 930**	16 180	14 636
Non-current liabilities		**10 932**	8 743	11 590
Borrowings	8	**9 012**	7 280	9 786
Trade and other payables		**352**	258	317
Provisions		**551**	510	436
Deferred tax		**1 017**	695	1 051
Current liabilities		**18 368**	16 512	15 465
Borrowings	8	**2 004**	2 783	3 239
Trade and other payables		**15 406**	13 005	11 714
Provisions		**355**	298	193
Tax payable		**172**	87	203
Dividends payable		**22**	8	6
Bank overdrafts		**409**	331	110
Total equity and liabilities		**48 230**	41 435	41 691

* 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 2009	14 017	1 081	15 098
Total comprehensive income	1 645	(110)	1 535
Dividends	(1 631)	(73)	(1 704)
Repurchase of shares	(422)	–	(422)
Share-based payment expense	129	–	129
31 March 2010	13 738	898	14 636
Total comprehensive income	7 739	(209)	7 530
Dividends	(5 212)	(71)	(5 283)
Partial disposal of interests in subsidiaries	156	(60)	96
Repurchase of shares	(962)	–	(962)
Share-based payment expense	163	–	163
31 March 2011	**15 622**	**558**	**16 180**
Total comprehensive income	**10 583**	**(65)**	**10 518**
Dividends	**(7 900)**	**(61)**	**(7 961)**
Partial disposal of interests in subsidiaries	**191**	**(172)**	**19**
Shareholder loan conversion to equity	**–**	**140**	**140**
Repurchase and sale of shares	**(139)**	**–**	**(139)**
Share-based payment expense	**173**	**–**	**173**
31 March 2012	**18 530**	**400**	**18 930**

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	2012	2011	2010
Cash flows from operating activities			
Cash generated from operations	**24 502**	21 385	19 711
Tax paid	**(5 192)**	(4 982)	(4 764)
Net cash flows from operating activities	**19 310**	16 403	14 947
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	**(7 568)**	(6 548)	(6 222)
Business combinations, net of cash acquired	**(23)**	(24)	–
Other investing activities	**(411)**	(9)	(107)
Net cash flows utilised in investing activities	**(8 002)**	(6 581)	(6 329)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	**(480)**	(3 949)	(4 255)
Dividends paid	**(7 947)**	(5 283)	(3 908)
Repurchase and sale of shares	**(148)**	(984)	(385)
Partial disposal of interests in subsidiaries, net of cash disposed	**19**	98	–
Non-controlling interests	**–**	(1)	–
Net cash flows utilised in financing activities	**(8 556)**	(10 119)	(8 548)
Net increase/(decrease) in cash and cash equivalents	**2 752**	(297)	70
Cash and cash equivalents at the beginning of the year	**539**	951	1 084
Effect of foreign exchange rate changes	**81**	(115)	(203)
Cash and cash equivalents at the end of the year	**3 372**	539	951

Notes to the condensed consolidated annual financial statements

for the year ended 31 March

	Rm	2012	2011	2010
1.	**Segment analysis**			
	External customers segment revenue	**66 929**	61 197	58 535
	South Africa	**56 716**	53 193	50 290
	International	**10 187**	7 984	8 226
	Corporate	**26**	20	19
	EBITDA	**22 763**	20 594	19 782
	South Africa	**21 254**	19 653	18 578
	International	**1 461**	840	1 176
	Corporate and eliminations	**48**	101	28
	Reconciliation of segment results			
	EBITDA	**22 763**	20 594	19 782
	Depreciation, amortisation and impairment losses	**(6 081)**	(6 863)	(8 527)
	Other	**(65)**	(35)	(17)
	Operating profit	**16 617**	13 696	11 238
	Net finance charges	**(684)**	(1 058)	(2 272)
	Finance income	**109**	109	124
	Finance costs	**(748)**	(864)	(1 602)
	Net loss on remeasurement and disposal of financial instruments	**(45)**	(303)	(794)
	Loss from associate	**–**	–	(21)
	Profit before tax	**15 933**	12 638	8 945
	Taxation	**(5 730)**	(4 659)	(4 745)
	Net profit	**10 203**	7 979	4 200
	Total assets	**48 230**	41 435	41 691
	South Africa	**33 960**	31 076	28 464
	International	**11 818**	9 743	11 958
	Corporate and eliminations	**2 452**	616	1 269
2.	**Impairment losses**			
	Net impairment recognised is as follows:			
	Intangible assets	**(250)**	(1 500)	(3 285)
	Property, plant and equipment	**51**	(8)	(34)
	Available-for-sale financial assets carried at cost	**–**	–	(8)
	Investment in associate	**–**	–	(43)
		(199)	(1 508)	(3 370)

Included in intangible assets' net impairment in the current year is an amount of R297 million (2011: R1 500 million) relating to impairment of goodwill and customer bases of the International reportable segment. In the 2010 year a goodwill impairment loss of R3 039 million was recognised in respect of the combined Gateway cash-generating unit. The impairment losses are the result of increased price competition and poorer trading conditions. Due to improved operating performance and economic growth in Mozambique, the value in use of the Group's cash-generating unit there increased significantly in the current year, resulting in the reversal of prior year impairment losses of R70 million for property, plant and equipment and R47 million for intangible assets.

Cents	2012	2011	2010
3. Per share calculations			
3.1 Earnings, dividends and net asset value per share			
Basic earnings per share	**694.0**	561.5	282.3
Diluted earnings per share	**691.2**	560.4	282.0
Headline earnings per share	**708.9**	655.5	509.9
Diluted headline earnings per share	**706.0**	654.3	509.4
Dividends per share	**540.0**	355.0	110.0
Net asset value per share	**1 285.5**	1 098.8	985.3

Million	2012	2011	2010
3.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	**1 463**	1 468	1 486
Diluted earnings and diluted headline earnings per share	**1 469**	1 471	1 488
3.3 Ordinary shares for the purpose of calculating:			
Dividends per share	**1 488**	1 488	1 488
Net asset value per share	**1 473**	1 473	1 485

Vodacom Group Limited acquired 2 033 655 shares in the market during the year at an average price of R85.55 per share. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital. The current period dividend per share calculation is based on a declared dividend of R8 035 million (2011: R5 282 million; 2010: R1 637 million) of which R50 million (2011: R25 million; 2010: R6 million) was offset against the forfeitable share plan reserve, R2 million (2011: R2 million) expensed as staff expenses and 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	2012	2011	2010
3.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	**10 156**	8 245	4 196
Adjusted for:			
Net loss on disposal of property, plant and equipment and intangible assets	**65**	35	17
Impairment losses (Note 2)	**199**	1 508	3 370
Other	**–**	–	1
	10 420	9 788	7 584
Tax impact of adjustments	**(62)**	(165)	(5)
Non-controlling interests in adjustments	**16**	3	–
Headline earnings for headline and diluted headline earnings per share	**10 374**	9 626	7 579

4. Forfeitable share plan ('FSP')

During the current year the Group allocated 2 033 655 (2011: 3 242 476; 2010: 4 722 504) 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 balances and transactions with the Group's joint venture, associate and parent, including entities in its group.

	Rm	2012	2011	2010
5.1	**Balances with related parties**			
	Accounts receivable	**257**	278	197
	Accounts payable	**(285)**	(264)	(154)
	Borrowings	**(3 022)**	–	–
5.2	**Transactions with related parties**			
	Revenue	**190**	167	994
	Expenses	**(569)**	(472)	(587)
	Dividends declared	**(5 223)**	(3 433)	(1 064)

5.3 Directors' and key management personnel remuneration

Compensation paid to the Group's Board, prescribed officers and key management personnel are disclosed in the Group's audited consolidated annual financial statements for the year ended 31 March 2012, which is available online.

6. Capital commitments

	2012	2011	2010
Capital expenditure contracted for but not yet incurred	**2 043**	2 547	2 213
Capital expenditure approved but not yet contracted for	**9 184**	8 471	6 364

7. Capital expenditure incurred

	2012	2011	2010
Capital expenditure additions including software	**8 662**	6 311	6 636

Effective 1 April 2011 the Group commenced with the capitalisation of staff expenses relating to capital expenditure, so as to align with practices of the Group's ultimate parent Vodafone Group Plc. Staff expenses are not retrospectively capitalised as data was not collected in prior periods in a way that allows retrospective application. For the year ended 31 March 2012 staff expenses of R240 million were capitalised.

8. Borrowings

8.1 Domestic medium-term note programme

During the year the Group established and registered a domestic medium-term note programme on the interest rate market of the JSE Limited under which notes, including commercial paper, may be issued by the Group from time to time. The maximum aggregate nominal amount of all notes outstanding may not exceed R10 000 million. As at 31 March 2012, unsecured three-month commercial paper with a nominal value of R750 million, bearing interest at three month JIBAR plus 0.1% was in issue. The commercial paper was issued at full value and has a final redemption date of 28 May 2012. The funds were used to repay short-term bank borrowings classified as financing activities.

8.2 ABSA Bank Limited

The loan with a nominal value of R1 250 million was repaid on 30 September 2011 using long-term debt raised during the year.

8.3 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 1.45%, is unsecured and repayable on 24 November 2014.

8.4 The Standard Bank of South Africa Limited/Rand Merchant Bank

The loan with a nominal value of R1 341 million was repaid on 21 February 2012 using short-term bank borrowings classified as financing activities.

8.5 Dark Fibre Africa (Pty) Limited

The Group increased its finance lease liability relating to access transmission links by R503 million to R529 million.

9. Contingent liabilities

9.1 Guarantees

The Group issued various guarantees relating to the financial obligations of its subsidiaries, which amounted to R57 million (2011: R53 million; 2010: R48 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 (2011: R1 655 million; 2010: R3 593 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. Regulatory matters

10.1 Consumer Protection Act ('CP Act')

During the year, the National Consumer Commission ('NCC') undertook an investigation into the terms and conditions of the Group's customer airtime agreements in South Africa. In order to comply with the CP Act, Vodacom has amended its customer airtime agreements and has distributed the amended agreements to customers. The NCC nevertheless issued a compliance notice against the Group. The National Consumer Tribunal is considering the validity of the NCC's compliance notice and will make a ruling on the matter in due course.

11 Other significant matters

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

The Group continues to participate in the International Chamber of Commerce arbitration with Congolese Wireless Network s.p.r.l. ('CWN'), relating to various funding and operational agreements and co-operation in the manner in which the Vodacom Congo business is run. Notwithstanding the arbitration, the Group continues to pursue a constructive resolution with CWN.

11.2 Vodacom International Limited ('VIL')

The claim brought by Namemco Energy (Pty) Limited ('Namemco') against VIL for approximately US$41 million, relating to alleged consulting fees due and the ancillary action for the annulment of the ex parte order relating to the attachment of VIL's shares in Vodacom Congo to satisfy the claim, was heard before the Congolese Commercial Tribunal, who found in favour of Namemco on the fees and in favour of VIL on the release of the provisional attachment. It reduced Namemco's claim to US$21 million, plus interest thereon. VIL's petition to the Congolese Court of Appeal to stay execution pending appeal was dismissed. Whilst the judgement debt is enforceable, legal challenges to the enforcement process are being pursued, and VIL has lodged an appeal on the merits. The Congolese Commercial Tribunal has served notice on VIL that, in the event of non-payment, the public sale and auction of VIL's shares in Vodacom Congo will take place on 3 June 2012. On 1 June 2012 the said auction sale was postponed pending the outcome of certain legal proceedings already underway. Namemco's claim was initially brought in South African courts, where it is also being challenged.

12. Acquisitions and disposals of businesses

Details on acquisitions and disposals of businesses, none of which were material, are disclosed in the Group's audited consolidated annual financial statements for the year ended 31 March 2012, which is available online.

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 year, other than the following:

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

A final dividend of R6 696 million (450 cents per ordinary share) for the year ended 31 March 2012, was declared on Wednesday 16 May 2012, payable on Monday 25 June 2012 to shareholders recorded in the register at the close of business on Friday 22 June 2012.

13.2 Sale of Gateway Carrier Services[1]

On 31 May 2012, the Group entered into an agreement to sell its investments, supplier agreements and assets in Gateway Carrier Services[1] which forms part of the Group's International reportable segment. The agreement will only become effective upon the conditions precedent set out in the agreement being met.

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 supplier agreements and assets of Gateway Communications Africa (UK) Limited.

Business principles

"Our extensive framework of policies and systems to manage our responsibilities is well established and continues to evolve as we encounter new issues. We cannot anticipate every ethical issue we may face, but our Business Principles are designed to ensure that stakeholders know Vodacom will always strive to choose the responsible option."

Thomas Beale
Chief Ethics and Compliance Officer

Business principle	Summary
Complying with all relevant laws, standards and principles	★ How we should act to achieve compliance with all relevant laws.
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.
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.
Communicating openly with our 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.
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.
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.
Protecting the environment and improving the environmental and social benefits of our 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.
Building trust in our 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.
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.
Acting with honesty, integrity and fairness in all our dealings	★ How we avoid conflicts of interest, manage gifts and hospitality and extend our business principles to our business partners and suppliers.
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

> Balancing risk and reward is an everyday thing for you and I as individuals, exactly as it must be for well-managed companies that aim to survive and succeed no matter the challenges and changes in their environment."
>
> **Johan van Graan**
> Chief Risk Officer

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.

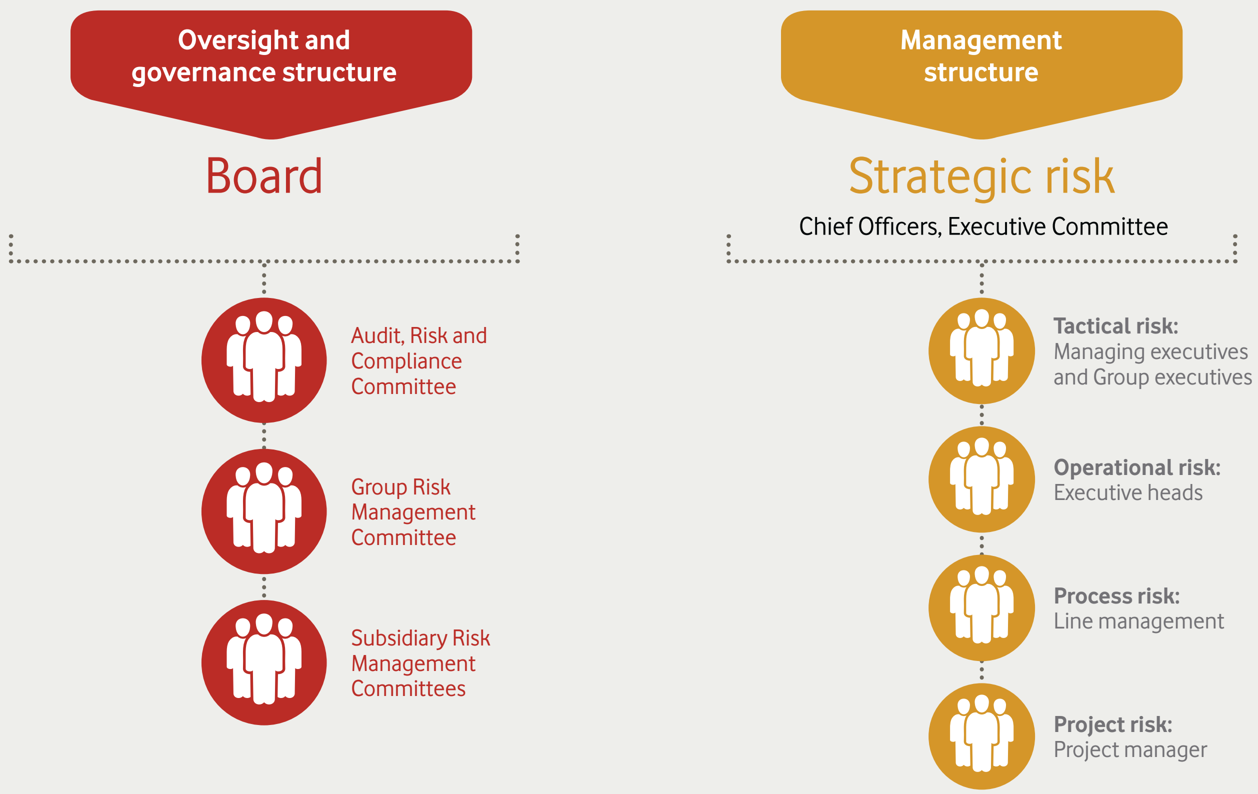
Line management throughout the Group are responsible for managing risk. They are guided and assisted by the Risk Group, which reports to the Chief Risk Officer. The process is overseen by the Risk Management Committees in each operation, which were established in the 2011 financial year. The respective 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 Financial 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.

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 Committees 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.

How we manage risk



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.

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 January 2012, 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.

Major strategic risks

Risk	Context	Mitigating factors
Regulatory decisions and changes in regulation	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 have specialist regulatory and government relation 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.
Increased competition	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.	→ 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.
Unpredictable political, economic and legal risks	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.	→ 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 prohibit 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 and revenue.	→ 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.

Risk	Context	Mitigating factors
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 this 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 2011/2012 to comply in all material aspects with King III. Where we do not comply, this is stated and explained.

17 for Vodacom Group's corporate governance structure.

Board leadership and committees

Board

Vodacom has a unitary board of 13 directors. Five directors, including the Chairman, are independent non-executive directors, a further five are non-executive directors and three 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

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.

> "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 all our stakeholders."
>
> Sandi Linford
>
> Company Secretary

A Board charter has been adopted which details the responsibilities of the Board. These include:

- oversight of the Group's strategic direction;
- approving major capital projects, acquisitions or divestments;
- exercising objective judgement on the Group's business affairs independent from management;
- ensuring that appropriate governance structures, policies and procedures are in place;
- ensuring the effectiveness of the Group's internal controls;
- reviewing and evaluating the Group's risks;
- approving the annual budget and operating plan;
- approving the annual and interim financial results and shareholder communications;
- approving the senior management structure, responsibilities and succession plans; and
- responsibility for technology governance.

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 casual 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 2012.

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. No special Board meetings were convened for the 2012 financial year.

The table below records the attendance of directors at these meetings.

Name of director	Telecon 28/4/2011	11/5/2011	3/6/2011	Telecon 19/7/2011	13/9/2011	3/11/2011	Telecon 8/2/2012	14/3/2012
MP Moyo	✓	✓	✓	✓	✓	✓	✓	✓
PJ Uys	✓	✓	✓	✓	✓	✓	✓	✓
P Bertoluzzo	✓	✓	✓	✓	✓	✓	✓	✓
DH Brown[1]	–	–	–	–	–	–	✓	✓
TA Boardman[2]	✓	✓	✓	✓	✓	–	–	–
M Joseph	✓	✓	✓	✓	✓	✓	✓	✓
A Kekana[3]	–	–	–	✓	✓	✓	✓	✓
M Lundal[4]	X	✓	✓	✓	✓	✓	–	–
SN Maseko[5]	–	–	–	–	✓	✓	✓	✓
T Mokgosi-Mwantembe	✓	X	X	✓	✓	✓	–	✓
PJ Moleketi	X	✓	✓	✓	✓	✓	✓	✓
NJ Read	✓	✓	✓	✓	✓	✓	X	✓
RAW Schellekens	✓	✓	✓	✓	✓	✓	✓	✓
RA Shuter[6]	✓	✓	✓	✓	✓	✓	✓	✓
K Witts[7]	–	–	–	–	–	–	✓	✓

Notes:
1. DH Brown appointed 3 January 2012.
2. TA Boardman resigned 30 October 2011.
3. A Kekana appointed 12 May 2011.
4. M Lundal resigned 4 November 2011.
5. SN Maseko appointed 1 September 2011.
6. RA Shuter resigned 31 March 2012.
7. K Witts appointed 5 November 2011.

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 under review, the Executive Committee included the Chief Executive Officer (committee Chairman), Chief Financial Officer, Chief Commercial Officer, Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Executive Officer: International Business, Chief Technology Officer, Chief Operating Officer: South Africa, Chief Officer: Legal and Regulatory and the Managing Director: Vodacom South Africa.

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.

Changes to the Executive Committee after 31 March 2012:
A management restructure took place post year end and the Executive Committee now comprises the Chief Executive Officer (committee Chairman), Group Chief Operating Officer, Chief Financial Officer, Chief Executive Officer: International Business, Chief Human Resources Officer, Chief Technology Officer, Chief Officer: Legal and Regulatory, Chief Officer: Strategy and Business Development, Chief Officer: Corporate Affairs and Chief Commercial Officer.

Audit, Risk and Compliance Committee

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 report in the consolidated annual financial statements online.

Remuneration Committee

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

Members of the Remuneration Committee during the financial year included:

- TM Mokgosi-Mwantembe (Chairman)
- TA Boardman
- M Lundal
- RAW Schellekens

Peter Moyo took up a temporary membership of the Remuneration Committee when Tom Boardman resigned on 30 October 2011, and stepped down from the committee on 3 January 2012 when David Brown was appointed to the Board.

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.

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.

In the year, the Remuneration Committee met five times with attendance as follows:

Name of director	11/5/2011	Telecon 19/7/2011	9/9/2011	3/11/2011	13/3/2011
TM Mokgosi-Mwantembe	X	✓	✓	✓	✓
TA Boardman[1]	✓	✓	✓	–	–
MP Moyo[2]	–	–	–	✓	–
NJ Read	✓	X	X	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓
DH Brown[3]	–	–	–	–	X

Notes:

1. TA Boardman resigned on 30 October 2011.
2. MP Moyo – temporary membership 30 October 2011 to 3 January 2012.
3. DH Brown appointed on 3 January 2012.

91 for more on the activities of the Remuneration Committee.

Nomination Committee

Members: MP Moyo (Chairman), TM Mokgosi-Mwantembe, NJ Read and 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.

The duties of this committee 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 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.

In the year, the Nomination Committee met five times with attendance as follows:

Name of director	Telecon 28/4/2011	11/5/2011	13/9/2011	2/11/2011	13/3/2012
MP Moyo	✓	✓	✓	✓	✓
TM Mokgosi-Mwantembe	✓	X	✓	✓	✓
NJ Read	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓

Social and Ethics Committee

The Board agreed to establish a Social and Ethics Committee with effect from 1 April 2011. The members of this committee include:

- PJ Moleketi (Chairman)
- MP Moyo
- RAW Schellekens
- PJ Uys

Key executives attend meetings 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 well as the Managing Director: Vodacom South Africa.

As required by the Companies Act 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.

The Social and Ethics Committee met three times during the year. Attendance was as follows:

Name of director	22/7/2011	18/11/2011	1/3/2012
PJ Moleketi	✓	✓	✓
MP Moyo	✓	✓	✓
RAW Schellekens	✓	✓	✓
PJ Uys	✓	✓	✓

Board evaluation

A Board evaluation will take place during the current year and be fully reported on in 2013.

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 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 proactive dialogue with shareholders to communicate our strategy and activities. This is done though 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 dealings 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 must obtain prior written clearance from the Chairman of the Audit, Risk and Compliance Committee. Closed periods are implemented as per the 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 for dealing with stakeholder relationships in a proactive and constructive manner.

for more on our stakeholder policy as approved by the Social and Ethics Committee during the year, as well as other stakeholder engagement initiatives and activities, see our online report.

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 an important part of our governance structures, policies and procedures. It forms part of our strategic and business processes, and is managed by our Chief Technology Officer.

While a technology governance framework is in place which includes aligning technical strategy and business needs, delivering value and managing performance, information security, information management, business continuity management and compliance, we believe we are not fully compliant with all aspects of the recommendations as espoused by King III. Further work is still required in areas such as independent assurance that the technology governance function is on track to achieve its objectives, adequately addressing the risks its faces, and full evaluation of the major investments made. This will receive focus in the coming year and the Audit, Risk and Compliance Committee will be assisted by Vodafone in this regard.

for the corporate governance statement.

Remuneration report

> We have continued to focus on a sound remuneration governance platform, augmented by a responsible approach to important messages we are hearing from our stakeholders. Our implementation of Shareholding Guidelines this year, and our continued approach to narrowing the wage gap, by awarding increases for junior employees in excess of executive increases illustrates this."
>
> **Thoko Mokgosi-Mwantembe**
> Chairman of the Remuneration Committee

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.

We have further enhanced our disclosure following feedback from our minority shareholders.

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. Our approach to reward is holistic, balanced across the following elements:

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

Our policy is to reward our executives for their contributions to our strategic, operating and financial performance. To thrive in our industry we need to develop and retain top talent, critical skills and intellectual capital.

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 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.

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

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	Motivates loyalty and helps to 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.

To make sure we remunerate executives competitively, we use industry and country benchmarks. Fair and competitive reward is vital to being an employer of choice. 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. The peer group comparison helps to lower the risk of losing skilled executives to competitors in the industry as well as to other large companies.

Apart from the Shareholding Guidelines policy, no other material changes to our remuneration policy have been proposed for the 2013 financial year.

Guaranteed package

All employees, including executive directors, receive a guaranteed package based on their roles, individual performance and Group performance. Contributions to retirement and insured benefits are included in the guaranteed package.

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 guaranteed 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 for employees are based on a review of market data, and consideration of their individual performance and potential.

Guaranteed package

Executive directors

	as at 31 March		% increase
R	2012	2011	11/12
PJ Uys	**7 157 500**	6 862 500	4.3
RA Shuter	**5 100 000**	4 882 500	4.5
SN Maseko[1]	**4 980 000**	–	–

Prescribed officers

R	as at 31 March 2012
J Dennelind	**1 251 500**
J Dennelind	**€343 400**
ADJ Delport	**3 540 000**
NC Nyoka	**3 160 000**
R Kumalo	**3 100 000**
V Jarana	**2 943 500**
M Nkeli	**2 510 000**
N Gough[2]	**£277 400**

Notes:
1. Appointed September 2011.
2. Appointed August 2011.

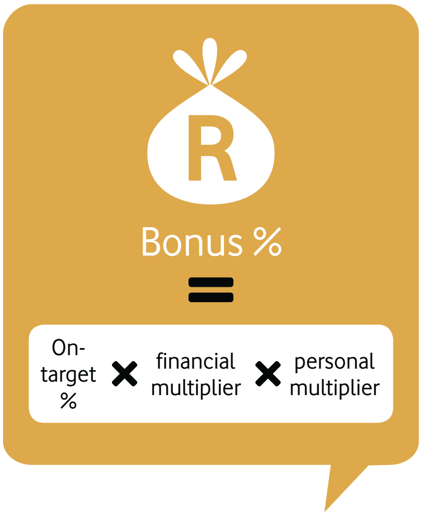
The average increase in the guaranteed packages paid to executive directors was 4.4% for 2012, and averaged 5.1% for the prescribed officers. This compared to the average salary increase paid to all employees of 6.5% for 2012. The increases in guaranteed packages for 2013 are planned to be around 5.0% for prescribed officers compared to an average of 6.5% for other employees.

Short-term incentives

All employees, including executive directors and prescribed officers, but excluding 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 financial 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, the cash bonus is capped at a percentage of the guaranteed package. 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 financial multiplier ranges from 0% – 200% and the personal multiplier from 0% – 150%.



Position	% of GP at target	Incentive cap as % GP
Executive directors	75	200
Prescribed officers	50 – 60	150 – 180

The personal multipliers are based on the performance of executives relative to their objectives. The financial multiplier for 2012 was based on financial targets, set by RemCo, of:

- service revenue (25% weighting);
- EBITDA (25% weighting);
- operating free cash flow (20% weighting); and
- competitive performance (30% weighting).

The weightings aligned the short-term incentives paid to our strategic focus on revenue growth and market performance. For executives, targets are split between 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.

The graphic below indicates the extent to which Group targets were met for the year ended 31 March 2012. Group service revenue was ahead of target mainly due to the International operations, EBITDA was ahead of target due to improved profitability in both our business segments and operating free cash flow was well ahead of target, due to growth in EBITDA, improved working capital and International operations making a positive contribution. Competitive performance is based on our relative performance in the South African market, where we held our market share relative to MTN for the 12 months ended 31 December 2011. We ended the financial year with a higher NPS than the prior year and ahead of our closest competitor. This resulted in an overall financial multiplier of 152.7% which together with the personal multiplier is used in determining the STI for the year.

	Weight	Threshold	Target	Stretch	Score 0 – 200%	Weighted score
Service revenue	25%	0%	100%	200%	160.1%	40%
EBITDA	25%	0%	100%	200%	135.8%	34%
Operating free cash flow	20%	0%	100%	200%	193.4%	39%
Competitive performance	30%	0%	100%	200%	133.3%	40%
					Total	**152.7%**

The same targets and weightings will be used in 2013.

Long-term incentives

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

Forfeitable Share Plan ('FSP')

The FSP, introduced in 2009, is our main long-term incentive plan. Although it is focused on executives, 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:	2009 – 2012	2010 – 2013	2011 – 2014
Description	Cumulative EBITDA (taxed) less normalised cash capital expenditure	Cumulative EBITDA less capital expenditure	Operating free cash flow
	SA revenue market share	SA revenue market share	

RemCo considers the targets to be in line with Group strategy and market conditions.

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 standard expected value of FSP awards, as a percentage of the guaranteed package 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.

Individual	Expected value as % of GP
CEO	90
Executive directors	48
Prescribed officers	33

97 for executive participation in the FSP for 2011.

Similar LTI targets will be set for 2012. RemCo will decide on the specific targets at the time of award. The value of the awards is also likely to be similar to those granted in 2011.

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:

CEO	2 x GP*
Executive directors	1 x GP*
Prescribed officers	0.5 x GP*

* Guaranteed package

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 CEO will be granted one performance share for every two additional shares held, and the other 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 an accrued benefit in terms of their previous service contract will have the option to convert a portion of their benefit to shares for the purpose of meeting the Shareholding Guidelines provided that the requisite resolution is approved at the AGM. These shares ('Restricted Shares') are subject to the same conditions as those of the underlying accrued benefit.

Deferred bonus incentive scheme ('the scheme')

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.

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 members of the black public.

Executive contracts and policies

Service contracts

Executives have contracts of permanent employment with six-month notice periods, from November 2009.

Before this date they 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. In consideration of this amendment, executives were granted an additional number of shares under the FSP (with no company performance conditions) in November 2009 and July 2010.

Non-executive directors

Our business benefits from active non-executive directors who do a lot more than attend meetings.

Non-executive directors therefore get 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.

In the case that 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. RemCo reviews their fees in line with market benchmarks and recommends fee levels to the Board. Our memorandum of incorporation state that shareholders must approve these fees at the AGM. The current fee level was approved on 4 August 2011.

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 had been conducted by PricewaterhouseCoopers Inc in 2011. The fees were therefore not benchmarked again this year, but a modest increase of 4.5% was applied.

120 for the fees proposed for approval at the AGM.

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.

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 is 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

Our 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 Chief Executive Officer, Chief Financial Officer 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;
- determine and recommend to the Board the level of fees for non-executive directors;
- 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 2012, PricewaterhouseCoopers advised RemCo on remuneration matters.

Key developments

In 2012, 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 2013;
- approved regular yearly long-term incentives (including award levels and performance targets); and
- approved fee levels for non-executive directors.

Payments to executive directors and prescribed officers

The remuneration of executive directors and prescribed officers for 2011 and 2012 is disclosed below:

Remuneration (actual and accruals[1])

Executive directors

R	Guaranteed package	Other[2]	Short-term incentive[3]	Total
2012				
PJ Uys	**7 083 750**	**13 218**	**9 426 696**	**16 523 664**
RA Shuter[4]	**5 045 625**	**855 063**	**6 649 517**	**12 550 205**
SN Maseko[5, 6]	**2 905 000**	**2 701 092**	**2 967 378**	**8 573 470**
2011				
PJ Uys	6 728 125	17 578	6 445 123	13 190 826
MS Aziz Joosub	3 985 210	18 808	5 588 867	9 592 885
MS Aziz Joosub (as CEO of Vodafone Spain)	1 348 040	997 436	1 644 950	3 990 426
RA Shuter	4 786 875	25 989	5 419 282	10 232 146

Prescribed officers

R	Guaranteed package	Other[2]	Short-term incentive[3]	Total
2012				
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[7]	**£184 933**	**£45 417**	**£109 435**	**£339 785**
N Gough[7]	**–**	**517 916**	**–**	**517 916**

Notes:

1. This table excludes settlement of long-term incentives and accruals.
2. This includes leave encashment, mobile phone benefit, subsistence allowance, employee gifts and sign-on bonuses.
3. These amounts relate to the year ending 31 March but were paid in June.
4. Included in 'Other' is assignment allowances relating to his secondment to the Netherlands.
5. 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.
6. Appointed September 2011.
7. Appointed August 2011.

Long-term incentives and accruals

Details of the accrued 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 2012 are disclosed below:

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
PJ Uys										
Accrued benefit										**29 307 066**
Deferred bonus incentive scheme										
2005	5 583	–	5 583	–	698.58	1 415.01	1/7/2011	3 999 829	–	–
2006	5 015	–	–	5 015	897.35	–	–	–	777.02	3 896 755
2007	5 064	–	–	5 064	1 096.01	–	–	–	578.36	2 928 815
2008	4 854	–	–	4 854	1 257.85	–	–	–	416.52	2 021 788
FSP – no company performance conditions										
2010	102 379	–	–	102 379	58.69	–	–	–	108.15	11 072 289
2011	49 450	–	–	49 450	62.45	–	–	–	108.15	5 348 018
2012	–	36 301	–	36 301	85.07	–	–	–	108.15	3 925 953
FSP – with company performance conditions										
2010	96 622	–	–	96 622	29.46	–	–	–	73.20	7 072 730
2011	89 372	–	–	89 372	34.55	–	–	–	81.56	7 289 180
2012	–	75 003	–	75 003	41.17	–	–	–	102.92	7 719 309
YeboYethu units										
2009	1 701 701	–	–	1 701 701	1.00	–	–	–	0.164	279 079
Total								**3 999 829**		**80 860 982**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
RA Shuter										
Accrued benefit										**493 185**
FSP – no company performance conditions										
2010	88 735	–	–	88 735	58.69	–	–	–	108.15	9 596 690
2011	63 484	–	–	63 484	62.45	–	–	–	108.15	6 865 795
2012	–	20 662	–	20 662	85.07	–	–	–	108.15	2 234 595
FSP – with company performance conditions										
2010	34 219	–	–	34 219	29.46	–	–	–	73.20	2 504 831
2011	44 086	–	–	44 086	34.55	–	–	–	81.56	3 595 654
2012	–	42 690	–	42 690	41.17	–	–	–	102.92	4 393 655
YeboYethu units										
2010	1 339 074	–	–	1 339 074	1.00	–	–	–	0.164	219 608
Total								**–**		**29 904 013**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
SN Maseko										
FSP – no company performance conditions										
2012	–	74 142	–	74 142	90.37	–	–	–	108.15	8 018 457
YeboYethu units										
2012	–	1 942 845	–	1 942 845	1.00	–	–	–	0.164	318 627
Total								**–**		**8 337 084**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
ADJ Delport										
Accrued benefit										**12 108 504**
Deferred bonus incentive scheme										
2005	2 434	–	2 434	–	698.58	1 415.01	1/11/2011	1 743 791	–	–
2006	2 229	–	–	2 229	897.35	–	–	–	777.02	1 731 978
2007	2 281	–	–	2 281	1 096.01	–	–	–	578.36	1 319 239
2008	2 226	–	–	2 226	1 257.85	–	–	–	416.52	927 174
FSP – no company performance conditions										
2010	61 534	–	–	61 534	58.69	–	–	–	108.15	6 654 902
2011	22 351	–	–	22 351	62.45	–	–	–	108.15	2 417 261
2012	–	8 481	–	8 481	85.07	–	–	–	108.15	917 220
FSP – with company performance conditions										
2010	17 364	–	–	17 364	29.46	–	–	–	73.20	1 271 145
2011	16 061	–	–	16 061	34.55	–	–	–	81.56	1 309 935
2012	–	17 523	–	17 523	41.17	–	–	–	102.92	1 803 467
YeboYethu units										
2009	1 287 774	–	–	1 287 774	1.00	–	–	–	0.164	211 195
Total								**1 743 791**		**30 674 020**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
J Dennelind										
FSP – no company performance conditions										
2011	18 468	–	–	18 468	62.45	–	–	–	108.15	1 997 314
2012	–	8 340	–	8 340	85.07	–	–	–	108.15	901 971
FSP – with company performance conditions										
2012	–	17 232	–	17 232	41.17	–	–	–	102.92	1 773 517
YeboYethu units										
2012	–	668 471	–	668 471	1.00	–	–	–	0.164	109 629
Total								**–**		**4 782 431**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
NC Nyoka										
Accrued benefit										**1 697 268**
Deferred bonus incentive scheme										
2007	2 190	–	–	2 190	1 096.01	–	–	–	578.36	1 266 608
2008	2 042	–	–	2 042	1 257.85	–	–	–	416.52	850 534
FSP – no company performance conditions										
2010	58 799	–	–	58 799	58.69	–	–	–	108.15	6 359 112
2011	35 012	–	–	35 012	62.45	–	–	–	108.15	3 786 548
2012	–	8 974	–	8 974	85.07	–	–	–	108.15	970 538
FSP – with company performance conditions										
2010	7 367	–	–	7 367	29.46	–	–	–	73.20	539 264
2011	6 695	–	–	6 695	34.55	–	–	–	81.56	546 044
2012	–	18 541	–	18 541	41.17	–	–	–	102.92	1 908 240
YeboYethu units										
2009	1 928 567	–	–	1 928 567	1.00	–	–	–	0.164	316 285
Total								**–**		**18 240 441**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
R Kumalo										
Accrued benefit										**3 697 936**
Deferred bonus incentive scheme										
2007	1 779	–	–	1 779	1 096.01	–	–	–	578.36	1 028 902
2008	1 659	–	–	1 659	1 257.85	–	–	–	416.52	691 007
FSP – no company performance conditions										
2010	47 639	–	–	47 639	58.69	–	–	–	108.15	5 152 158
2011	28 809	–	–	28 809	62.45	–	–	–	108.15	3 115 693
2012	–	41 278	–	41 278	85.07	–	–	–	108.15	4 464 216
FSP – with company performance conditions										
2010	13 443	–	–	13 443	29.46	–	–	–	73.20	984 028
2011	13 867	–	–	13 867	34.55	–	–	–	81.56	1 130 993
2012	–	12 423	–	12 423	41.17	–	–	–	102.92	1 278 575
YeboYethu units										
2009	1 567 336	–	–	1 567 336	1.00	–	–	–	0.164	257 043
Total								**–**		**21 800 551**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
M Nkeli										
FSP – no company performance conditions										
2011	9 614	–	–	9 614	74.89	–	–	–	108.15	1 039 754
2012	–	4 655	–	4 655	85.07	–	–	–	108.15	503 438
FSP – with company performance conditions										
2012	–	9 618	–	9 618	41.17	–	–	–	102.92	989 885
YeboYethu units										
2012	–	1 238 940	–	1 238 940	1.00	–	–	–	0.164	203 186
Total								**–**		**2 736 263**

Award date	Number allocated in previous years	Number allocated in current year	Number settled in the current year	Closing number	Grant price R	Settled price R	Settlement date	Settlement value R	Current unit value R	Estimated value R
V Jarana										
Accrued benefit										**9 145 712**
Deferred bonus incentive scheme										
2007	1 129	–	–	1 129	1 096.01	–	–	–	578.36	652 968
2008	1 659	–	–	1 659	1 257.85	–	–	–	416.52	691 007
FSP – no company performance conditions										
2010	47 669	–	–	47 669	58.69	–	–	–	108.15	5 155 402
2011	18 774	–	–	18 774	62.45	–	–	–	108.15	2 030 408
2012	–	39 715	–	39 715	85.07	–	–	–	108.15	4 295 177
FSP – with company performance conditions										
2010	5 972	–	–	5 972	29.46	–	–	–	73.20	437 150
2011	5 450	–	–	5 450	34.55	–	–	–	81.56	444 502
2012	–	11 622	–	11 622	41.17	–	–	–	102.92	1 196 136
YeboYethu units										
2009	1 567 336	–	–	1 567 336	1.00	–	–	–	0.164	257 043
Total								**–**		**24 305 505**

Payments to non-executive directors

Fees paid to non-executive directors for 2011 and 2012 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
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**	**510 667**
K Witts[1, 3]	**116 667**	–	–	–	–	–	–	–	**116 667**

R	Director fee	ARC Chairman	ARC member	RemCo Chairman	RemCo member	Nomination Committee	BEE Sub Committee	Total
2011								
MP Moyo	1 033 333	–	–	–	–	–	–	1 033 333
P Bertoluzzo[1]	227 999	–	–	–	–	–	–	227 999
TA Boardman	227 999	206 667	–	–	103 333	–	–	537 999
M Joseph[1]	227 999	–	–	–	–	–	–	227 999
M Lundal[1]	227 999	–	–	–	103 333	39 167	–	370 499
P Malabie[3]	131 332	–	59 583	–	–	–	–	190 915
TM Mokgosi-Mwantembe	227 999	–	–	180 836	–	39 167	–	448 002
PJ Moleketi	227 999	–	103 333	–	–	–	52 500	383 832
NJ Read[1, 3]	116 000	–	–	–	–	–	–	116 000
RAW Schellekens[1]	227 999	–	–	–	103 333	39 167	–	370 499
RC Snow[1, 3]	111 999	–	–	–	–	–	–	111 999

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.

Our ARC Committee has approved the Combined Assurance Framework, which lays the foundation for the model, during the year.

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 and goals for each strategy for the year ended 31 March 2012 with a view of identifying any deficiencies or management controls that need to be in place for the year ending 31 March 2013 to ensure a "reasonable assurance" opinion from auditors. Full assurance will be sought for the 2013 annual integrated report, with a view of publishing an audit report based on a "reasonable assurance" engagement.

Non-financial information: BBBEE

The South African Broad-based Black Economic Empowerment information was verified by Empowerlogic.

Non-financial information: ISO/OHSAS

Our South African operations are ISO 9001, ISO 14001 and OHSAS 18001 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 1 June 2012 and signed on its behalf:

MP Moyo
Chairman

PJ Uys
Chief Executive Officer

Independent assurance report to the directors of Vodacom Group Limited

for the year ended 31 March

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 2012, 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 2012 as disclosed on page 43 of the 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 on page 43 of the 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 on page 43 of the Report.
4. The percentage achieved in the Net Promoter Score for Vodacom (South Africa only) as at 31 March 2012 as disclosed on page 25 of the Report.
5. The percentage achieved in the Engagement index as disclosed on page 1, 5 and 31 of the Report.
6. The percentage achieved in the speed and simplicity score as disclosed on page 41 of the Report and the operating expenses to service revenue percentage as disclosed on page 1, 5 and 41 of the Report.
7. The number of active data customers reported as disclosed on page 37 of the Report.
8. The Reputation index achieved in the reputational survey as disclosed on page 45 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 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 engagement 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 judgementally 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 2012.

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

1 June 2012

Share information

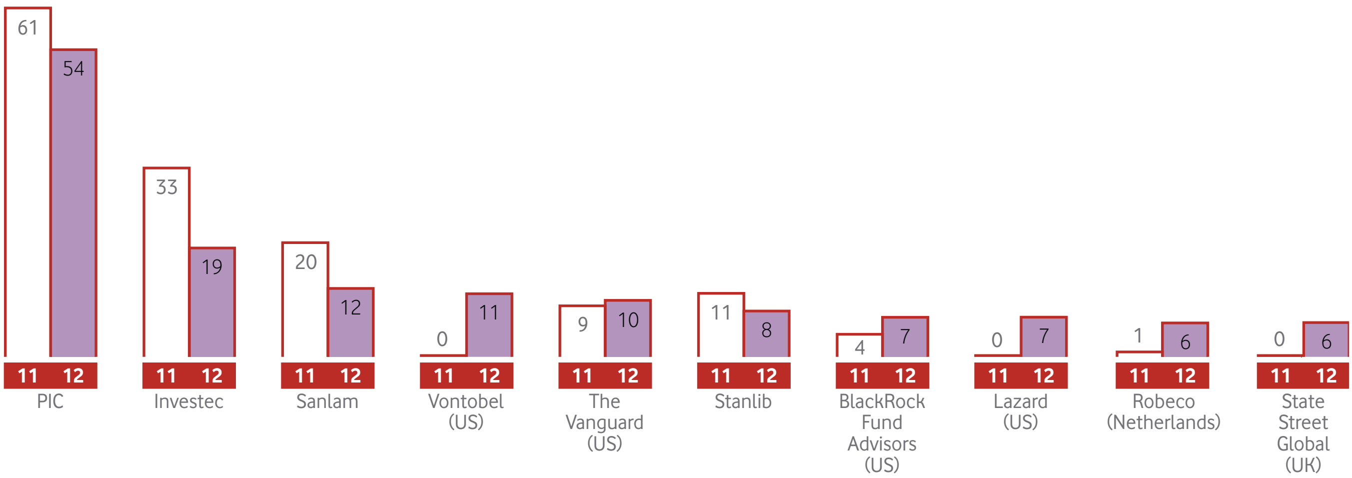
Ownership Overview

	March 2012	
	# of shares	% holding
Vodafone Holdings SA (Pty) Limited	967 170 100	65.00
Government of South Africa	207 038 100	13.91
Wheatfield Investments 276 (Pty) Limited	15 422 200	1.04
Institutional investors	255 136 500	17.15
Retail positions	36 635 800	2.46
Other	6 550 800	0.44
Total	1 487 954 000	100.00

Vodafone and government own approximately 80% of Vodacom's shares and the 20% of the free float is predominately held by institutional investors.

Top ten institutional investors as at 31 March

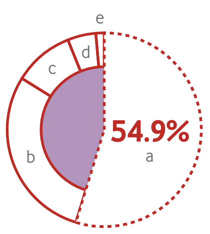
Millions of shares



Institutional investors' profile

- Shareholding by foreign investors increased to 45.1% compared to 21.9% a year ago (free float).
- Top institutional shareholder concentration reduced with the top 10 shareholders now representing 54% of the free float compared to 69% a year ago.
- Index investors continue to represent the largest investor group at 39.4% followed by value investors at 31.4% and growth investors at 21.0%.

Ownership overview



Regional institutional shareholder composition

a	South Africa	54.9%
b	North America	29.0%
c	UK and Ireland	10.1%
d	Continental Europe	4.8%
e	Rest of the world	1.2%

Investor relations calendar

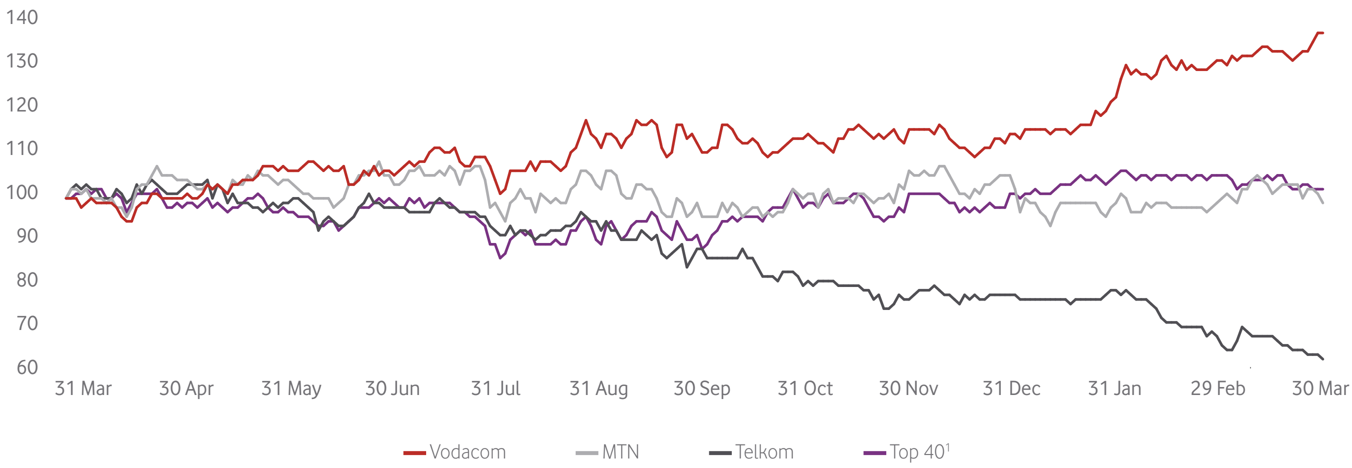
19 July 2012
Quarterly results
for the quarter ended 30 June 2012

20 July 2012
Vodacom Group AGM

12 November 2012
Interim results
for the six months ended
30 September 2012

Shareholder returns 2012

Share price performance

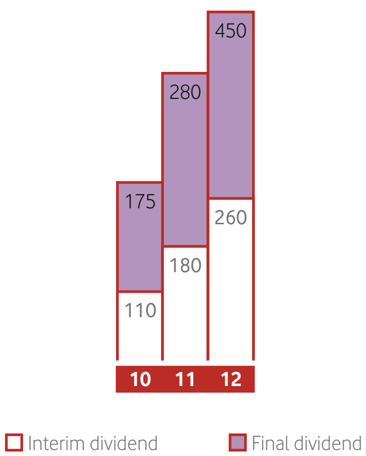


Commentary

- Vodacom's share price is up 36.2% for the year to close at R108.15 on 30 March 2012, with a high of R108.15 on 30 March 2012 and a low of R75.06 on 18 April 2011.
- A total of 482 million shares were traded during the year with an average of two million per day.
- The Vodacom share performed well again this year, ahead of our peers and the JSE Top 40 shares, delivering a total shareholder return of 45%.

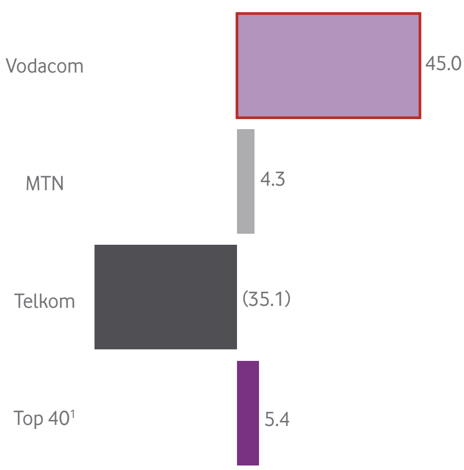
Dividend per share

Cents per share



Total shareholder returns

% return for the year ended 31 March 2012



1. FTSE/JSE Africa Top 40 index.

for dividend policy information refer to the directors' report in the consolidated annual financial statements online.

Non-GAAP information

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.

77 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.

78 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.

69 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 '*' represent normalised growth excluding trading foreign exchange and at a constant currency. 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.

66 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: ZAG000095449 JSE code: VOD004)
('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
Telefax: +27 11 848 8563
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 Capital, the investment banking
division of Absa Bank Limited,
affiliated with Barclays Bank Plc
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

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Forward-looking statements

This report which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2012 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.

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 trading foreign exchange and at a constant currency. Also refer to the normalised growth reconciliation on page 66.
#	Information pertaining to South Africa only.
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 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.
ADSL	Asynchronous (or asymmetric) digital subscriber line, a method of routing digital data on copper telephone wires, allowing high-speed internet access and simultaneous use of the line for voice transmission.
ARPU	Total ARPU is calculated by dividing the average monthly service revenue by the average monthly customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom customers. Total ARPU in prior years has been restated in line with the change in the basis of reporting customers.
BBBEE	Broad-based Black Economic Empowerment is a programme launched by the South African Government to redress the inequalities by giving previously disadvantaged economic 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. 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 total customers during the period.
Customers	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.

‡ Measurement criteria for assured KPIs.

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. 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.
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. 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 and net finance charges paid.
HEPS	Headline earnings per share. Refer to page 78 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, cellular 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.

‡ Measurement criteria for assured KPIs.

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 Limited.
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.
Mi-Fi	Mi-Fi is a portable broadband wireless device about the size of a credit card that combines functions of a modem, router and access point. The internal modem accesses a wireless signal and the internal router shares that connection among users and devices.
Microwave	It is a radio transmission using very short wavelengths.
MNOs	Mobile network operations includes the Group's cellular networks in South Africa, Tanzania, DRC, Mozambique and Lesotho.
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.
MOU	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly customers during the period. MOU in prior years has been restated in line with the change in the basis of reporting customers.
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.
Operating expenses to service revenue‡	Operating 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 the in financial results for the year ended 31 March.
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.

‡ Measurement criteria for assured KPIs.

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.
RICA	Regulation of Interception of Communications and Provision of Communication-Related Information Act.
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 challenges people to improve 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 (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPV's.
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 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.
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.
UMTS	Universal mobile telecommunications system is a 3G mobile technology that will deliver broadband information at speeds up to 2 mbps. Besides voice and data, UMTS will deliver audio and video to wireless devices anywhere in the world through fixed, wireless and satellite systems.
Vodacom M-Pesa	A mobile payment solution that enables customers to complete simple financial transactions by mobile phone.
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.
VPN	A virtual private network is a secure way of connecting to a private LAN at a remote location, using the internet or any unsecure public network to transport the network data packets privately, using encryption.
Wi-Fi	A Wi-Fi enabled device such as a smartphone can connect to the internet when within a range of a wireless network connected to the internet.

‡ 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 seventeenth annual general meeting of the Company will be held on Friday 20 July 2012, at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 11:00 to conduct the following business:

1. Adoption of audited annual financial statements

To receive and consider the annual financial statement for the year ended 31 March 2012.

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 2012, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2012 are obtainable from the Company's website www.vodacom.com.

2. Election of directors

To elect by way of separate resolutions:

2.1 Mr SN Maseko, Ms K Witts and Messrs DH Brown and IP Dittrich 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 2
"RESOLVED THAT Mr SN Maseko be and is hereby elected as a director of the Company."

Ordinary Resolution number 3
"RESOLVED THAT Ms K Witts be and is hereby elected as a director of the Company."

Ordinary Resolution number 4
"RESOLVED THAT Mr DH Brown be and is hereby elected as a director of the Company."

Ordinary Resolution number 5
"RESOLVED THAT Mr IP Dittrich be and is hereby elected as a director of the Company."

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

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

Ordinary Resolution number 7
"RESOLVED THAT Mr M Joseph be and is hereby re-elected as a director of the Company."

The profiles of the directors up for re-election appear in this notice of annual general meeting:

Sipho Nkosinathi Maseko (43)
BA, LLB (Wits)

Chief Operating Officer and executive director of Vodacom Group
Member of Vodacom Group Executive Committee
Managing Director of Vodacom South Africa
Sipho joined Vodacom as Managing Director in September 2011 after serving almost 14 years at BP Africa Limited where he held a number of senior positions including Chief Executive Officer and Chief Operating Officer for BP Downstream activities. He joined BP in 1997 after being with Werksmans Attorneys and the Financial Services Board. Sipho is also a director of the Centre for Development & Enterprise and was the chairman of the Sapref Board, a joint venture between Shell SA Refining and BP Southern Africa. In April 2012 his designation changed to Group Chief Operating Officer of Vodacom. He retained his role of managing director Vodacom South Africa.

Karen Witts (48)
MA in French with Business Studies (Edinburgh University), CA(UK)

Non-executive director

Karen is the Vodafone Regional Chief Financial Officer for Africa, Middle East & Asia Pacific. She joined Vodafone in June 2010 as the Regional CFO for Central Europe and Africa. Prior to joining Vodafone, Karen spent more than 10 years in BT Group in various corporate and operational CFO and general management roles, which included running a 30 000 strong engineering force, and managing a portfolio of communications business. Outside of telecoms, she has worked in banking, FMCG, manufacturing and media in global organisations. She was appointed to the Vodacom Group Board in November 2011.

David Hugh Brown (49)
BCom, CTA (UCT), CA(SA)

Independent non-executive director
Member of the Audit, Risk and Compliance Committee and the Remuneration Committee

David is currently the Chief Executive Officer of Impala Platinum Holdings Limited ('Implats'), Chairman of Impala Platinum Limited, the major operating subsidiary within the Implats group. In addition he is the Chairman of Zimplats Holdings Limited listed on the Australian stock exchange. Prior to joining Implats, David worked in the Information Technology sector for four years and for Exxon Mobil in Europe for five years. David was appointed to the Vodacom Group Board in January 2012.

Ivan Philip Dittrich (39)
BCom, Accounting Honours, CTA, CA(SA)

Chief Financial Officer and executive director of Vodacom Group
Member of the Vodacom Group Executive Committee

Ivan joined the Group on 15 June 2012 from Datatec where he had been the Chief Financial Officer since May 2008 and executive director on the board of Datatec since March 2008. Prior to that Ivan held a number of senior executive positions for the past 12 years at Datatec including that of group corporate director, corporate finance manager and Company Secretary. He successfully managed Datatec's dual listing in London in 2006. Prior to joining Datatec, Ivan worked for PricewaterhouseCoopers in London and Deloitte & Touche in South Africa.

Petrus Johannes Uys (Pieter) (49)
BSc, MSc and MBA (Stellenbosch)

Chief Executive Officer and executive director of Vodacom Group
Chairman of the Vodacom Group Executive Committee
Member of the Social and Ethics Committee
Non-executive Chairman of Vodacom South Africa

Pieter joined Vodacom in 1993 and held a number of senior positions including that of Managing Director of Vodacom South Africa from December 2001 to March 2005 and was the Chief Operating Officer of Vodacom Group, a post he held from April 2004 until his appointment as Chief Executive Officer of Vodacom Group in October 2008. He was appointed to the Vodacom Group Board in April 2004.

Michael Joseph (66)
BSc (UCT), Member of the Institute of Electrical Engineering and Electronic Engineers, Honorary Doctorate Letters from Africa Nazarene University

Non-executive director

Michael Joseph is employed by Vodafone Group Services Limited as the Director of Mobile Money. Previously, Michael was the CEO of Safaricom Limited from July 2000 when the company was re-launched as a joint-venture between Vodafone UK and Telkom Kenya until his retirement in November 2010. He has extensive international experience in company start-ups, the implementation and operation of large wireless and fixed-line networks, including operations in Hungary, Spain, Brazil, Peru, Argentina, Korea, the USA, Australia and the Middle East. Michael has been the recipient of many awards, including CEO of the year awarded by the Kenya Institute of Management, the Moran of the Order of the Burning Spear and the Elder of the Order of the Burning Spear (awards given by the President of Kenya to those who have made a positive impact in Kenya). He was appointed to the Vodacom Group Board in May 2009.

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 2013 is Mr PJ Smit.

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 2012 as set on pages 91 to 102 of the integrated report.

Ordinary Resolution number 9

"RESOLVED THAT the remuneration policy for the year ended 31 March 2012 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. Re-election 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 Ms A Kekana be and is hereby re-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:

Albertinah Kekana (39)

BCom (UCT), Postgraduate Diploma in Accounting (UCT), AMP (Harvard Business School), CA(SA)

Independent non-executive director
Chairman of the Audit, Risk and Compliance Committee
Albertinah is the former COO of Public Investment Corporation ('PIC'). She was a director, corporate finance at UBS Ag and served as an executive in corporate finance at the London office of NM Rothschild & Sons Limited. She is a director of Anglo Platinum, Mineworkers Investment Company and Development Bank of South Africa. She was appointed to the Vodacom Group Board in May 2011.

Phillip Jabulani Moleketi (Jabu) (54)

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.

6. Special business

6.1 Adoption of new memorandum of incorporation

Special resolution number 1

"RESOLVED THAT the company adopt a new memorandum of incorporation which memorandum of incorporation has been initialled by the Secretary for purposes of identification".

Reason for and effect of special resolution number 1

The new companies act – Companies Act, No 71 of 2008, as amended ('the Act') came into force on 1 May 2011.

The Act contemplates that a company's founding documents namely its memorandum of association and articles of association be combined into one document which is now referred to as the memorandum of incorporation ('MOI').

In essence, the content of the new MOI is based broadly on the current memorandum and articles of association however, the Act compared to the Companies Act of 1973 has a number of significant differences particularly with managing the rules of a company such as a repurchase of shares, notices of meetings, ability to hold shareholder meetings via electronic means, distributions and so on. In order for Vodacom Group Limited to align itself with the Act, it is necessary that a new MOI be adopted.

Salient features of the new MOI:

1. Any change in the authorised capital (increase or decrease) or any variation of rights attached to any share requires the approval of shareholders by way of special resolution before such change may be made. (Similar to the 1973 Act)
2. Any issue of shares (or a series of issues related to the same transaction) that involves 30% or more of the voting power of all the shares in issue will require approval by shareholders via special resolution. *(This is new)*
3. The introduction of a solvency and liquidity test which must be considered by the Board in respect of the following:
   - capitalisation of shares;
   - cash payment in lieu of a capitalisation award;
   - declaration of dividends;
   - repurchase of shares;
   - provision of financial assistance; and
   - any other distributions as defined by the Act.

   (This is new)
4. In general a repurchase of shares only requires authorisation via a Board resolution but a repurchase of shares from a director or prescribed officer or any company or person related to such director or prescribed officer must be approved by special resolution and a repurchase of shares which involves the acquisition of more than 5% of the issued shares of any particular class will be subject to Sections 114 and 115 of the Act. *(This is new)*
5. A record date must now be set for dividends, participation in general meetings and exercise of rights. *(This is new)*
6. 15 business days' notice is required for the convening of shareholder meetings. (1973 Act required 21/14 day's notice)
7. Shareholders may participate in meetings via electronic means. *(This is new)*
8. A resolution that could be voted on at a shareholders' meeting may instead be voted on in writing within a period of 20 days from date the resolution was presented to shareholders. *(This is new)*
9. Dividends must now be paid via electronic transfer.

A copy of the new MOI may be found on the Company's website, www.vodacom.com, together with a copy of the Company's current memorandum and articles of association.

The effect of special resolution number 1 is that the Company adopts a new MOI.

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 in 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 annual financial statements of the Group for the year ended 31 March 2012;
- 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;" and
- 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.

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	18 – 19
Major shareholders	106

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 823 063 ordinary shares (2011: 842 235), in the Company.

Directors' responsibility statement

The directors, whose names appear on page 18 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 that 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 18 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.

6.2 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 2012 on the basis set out as follows:

	Current R	Proposed R
Chairman of the Board	1 500 000	**1 600 000**
Members of the Board	280 000	**300 000**
Chairman of the Audit, Risk and Compliance Committee	210 000	**230 000**
Members of the Audit, Risk and Compliance Committee	130 000	**135 000**
Chairman of the Remuneration Committee	185 000	**185 000**
Members of the Remuneration Committee	105 000	**105 000**
Chairman of other committees	140 000	**140 000**
Members of other committees	80 000	**80 000**
Chairman of Social & Ethics Committee	–	**160 000**
Member of Social & Ethics Committee	–	**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 calibre 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 2012.

6.3 Financial assistance for any person envisaged in Section 44 of the Companies Act

Special resolution number 4

"RESOLVED THAT the Company be and is hereby authorised, in terms of a general authority contemplated in Section 44(3)(a)(ii) of the Companies Act, No 71 of 2008, as amended ('the Act'), for a period of two years from the date of this resolution, to provide direct or indirect financial assistance to any executive director or senior executive of the Company or a related or inter-related company for the purpose of or in connection with the purchase of securities of the Company, subject to the Board of directors of the Company being satisfied that:

(i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as defined by Section 4(1) of the Act);

(ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and

(iii) any conditions or restrictions in respect of the granting of the financial assistance have been complied with.

Reason for and effect of special resolution number 4

Prior to November 2009 executives had two year rolling contracts entitling them to one year's guaranteed package for every four years of service, subject to a maximum of 16 years, on termination of employment. This benefit only vests in the executive upon the termination of his or her employment, subject to the executive not being dismissed for disciplinary reasons and giving 12 months' notice of termination. With the introduction of the Forfeitable Share Plan in 2009, this benefit was amended. The benefits which accrued up to 26 November 2009 were based on the number of years' service to date, but remained payable only upon termination of employment. Apart from money market interest on the accrued benefit, no further termination benefits accrued after this date. The accrued benefit is disclosed in the Remuneration report. In consideration for the amendment, executives were granted additional shares under the Forfeitable Share Plan in November 2009 and July 2012 and the notice period for termination of employment was reduced to six months. Vodacom wishes to encourage individual share ownership by executive directors and certain senior executives to demonstrate their commitment to Vodacom and align their interests with those of the shareholders. To facilitate the acquisition of shares by executives, it is proposed that they may apply their above mentioned accrued benefit in order to acquire shares. The shares so acquired will be subject to the same restrictions as the accrued benefit, i.e. the shares will only vest in the executive upon the termination of his or her employment, subject to the executive not being dismissed for disciplinary reasons and giving six months' notice of termination. This has been interpreted as providing financial assistance for the purchase of shares in terms of Section 44 of the Act. The effect of special resolution number 4 is that executives may apply their accrued benefit to acquire shares in the Company.

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 seventeenth annual general meeting is Friday 13 July 2012.

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 driver's 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 (0) 11 653 5922 by no later than 09:00 Monday 16 July 2012 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 Thursday 19 July 2012. Participants must dial the following number, five (5) minutes prior to start of the annual general meeting +27 (0) 11 535 2601.

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 Thursday 19 July 2012.

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
1 June 2012

Form of proxy

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')

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 Friday 20 July 2012.

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 consolidated annual financial statements			
2.	**Ordinary resolution number 2** Election of Mr SN Maseko as a director			
3.	**Ordinary resolution number 3** Election of Ms K Witts as a director			
4.	**Ordinary resolution number 4** Election of Mr DH Brown as a director			
5.	**Ordinary resolution number 5** Election of Mr IP Dittrich as a director			
6.	**Ordinary resolution number 6** Re-election of Mr PJ Uys as a director			
7.	**Ordinary resolution number 7** Re-election of Mr M Joseph 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** Re-election of Ms A Kekana as a member of Audit, Risk and Compliance Committee of the Company			
13.	**Special resolution number 1** Adoption of new memorandum of incorporation			
14.	**Special resolution number 2** General authority to repurchase shares in the company			
15.	**Special resolution number 3** Increase in non-executive directors' fees			
16.	**Special resolution number 4** Financial assistance for any person envisaged in Section 44 of the Companies Act			

(Indicate with an 'X' or the relevant number of shares, in the applicable space, how you wish your votes to be cast). Unless otherwise directed the proxy will vote as he/she thinks fit.

Signed at ______________________________ on ______________________________ 2012

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 Thursday 19 July 2012.

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 Thursday 19 July 2012.
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

power to you