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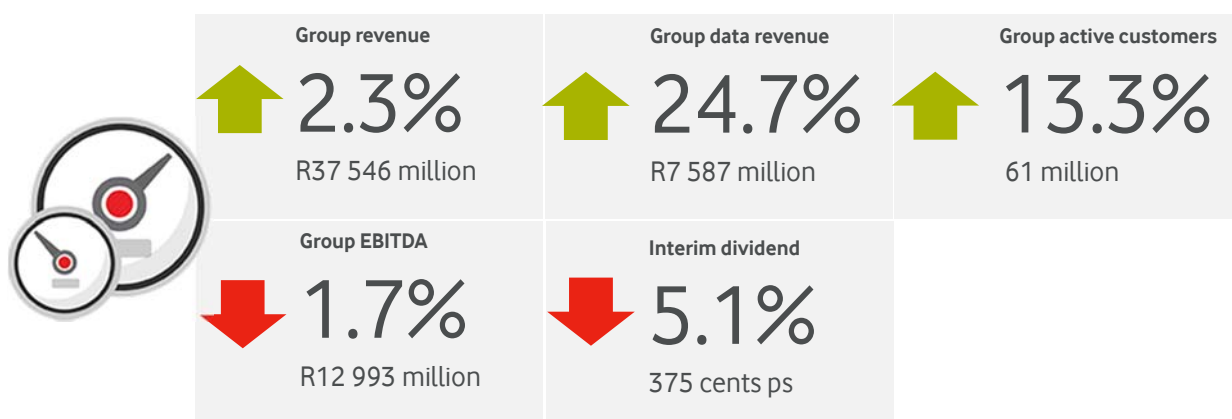



## Highlights

### 1993

Vodacom was awarded a licence to operate a GSM cellular network in South Africa and switched on its operations in March 1994, just in time for the country's first democratic elections highlights

## Performance



Challenging environment


Regulatory challenges

Intensifying competition

Challenging macro environment

Pressure on SA consumer spending

Pressure on costs

5



Operating review

1996

Vodacom launched the world's first prepaid service on Intelligent Network platforms




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## South Africa: Growth impacted by steep MTR cuts

Key indicators	H1 2015	% change
Service revenue (Rm)	23 437	(1.3)
Revenue (Rm)	30 171	0.1
EBITDA (Rm)	10 844	(5.1)
Active customers ('000)	32 613	8.2
Active data customers ('000)	16 679	17.4
Smartphones ('000)	7 955	21.1

- Service revenue up **2.9%** excluding impact of 50% cut in MTRs
- Data revenue up **21.6%**
- **8.2%** growth in active customers



## International: Solid performance under intense competition

Key indicators	H1 2015	% change
Service revenue (Rm)	7 366	<b>13.0 (5.6*)</b>
Revenue (Rm)	7 575	<b>12.7 (5.1*)</b>
EBITDA (Rm)	2 187	<b>21.1 (12.2*)</b>
Active customers ('000)	28 367	<b>19.8</b>
Active data customers ('000)	9 188	<b>51.5</b>
Active m-pesa customers ('000)	7 037	<b>25.9</b>

- Competition pressure on voice revenue offset by **41.0%** data growth
- **2pts** EBITDA margin expansion to **28.9%**
  - MNO EBITDA margin **30.5%**
- **#1** in all markets

\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base).





# 3

## Strategic review

### 2001



Vodacom continued its impressive growth, reaching **5 MILLION** customers

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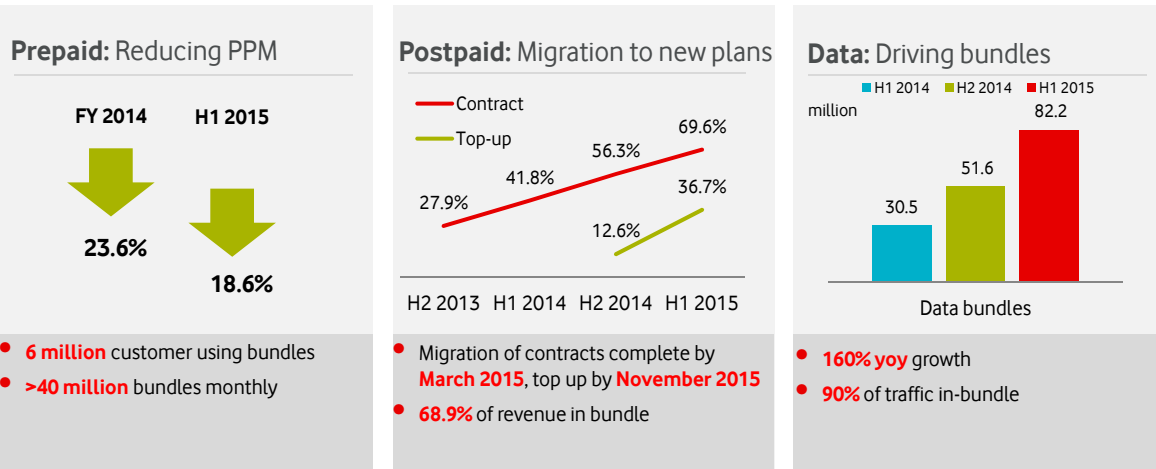
## Strategic pillars

 <h3>Customer</h3> <p>Clear NPS leadership</p> <p>Best value Best network experience Best service</p>	 <h3>Growth</h3> <p>Diversify revenue to deliver growth</p> <p>Grow data Grow new services Grow international Grow enterprise</p>	 <h3>Operations</h3> <p>Deliver cost and process efficiency</p> <p>Process efficiencies Cost efficiencies</p>	 <h3>People</h3> <p>Best talent, best practice</p> <p>Best talent Best people</p>	 <h3>Reputation</h3> <p>Transform society and build stakeholder trust</p> <p>Transforming society Building trust</p>
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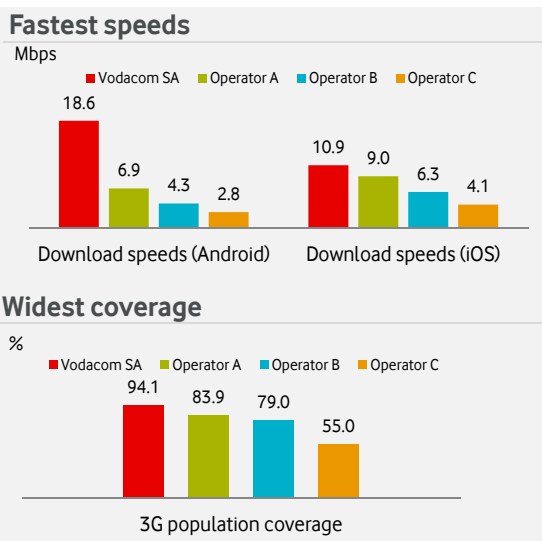


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## SA customer: Successful pricing transformation



## SA customer: A clear lead in network experience



Source: Ookla (3mth average to September)

### Quality

- Launched HD voice
- Completed 6 year radio access renewal program
- Lowest drop call rate
- Best operator for data and voice services<sup>1</sup>



(1) Morgan Stanley Alphawise survey of 1500 smartphones users



## SA customer: Best service and improved efficiency

...in store



- **> 50%** new store format
- **10%** uplift overall retail experience

...online



- **1.1 million** MyVodacom app users
- In app biometric verification
- **71%** of base on e-bills

...customer care

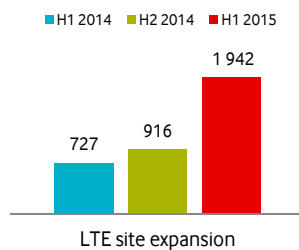


- IVR Voice verification
- Call volumes reduced **11.1%**



## SA growth: Driving data uptake

**Network:** widest coverage



- **94.1%** 3G coverage
- **17.4%** increase in active data customers

**Devices:** affordability



- Vodacom Kicks smartphone **< \$50**
- **< R1 000** Vodacom Smart tab
- **21.1%** growth in active smartphones

**Services:** content driving data



- Data traffic increased **>75%**



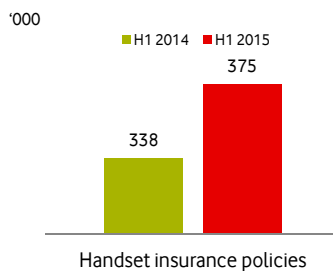
## SA growth: Expanding new services

### m-pesa: revamped



- Easier registration
- Wider distribution
- Improved functionality
- Airtime incentives

### Insurance: expanded products



- **+35%** yoy growth in revenue
- **Vodacom Life** cover
- **Family funeral** cover

### mCommerce: more to come

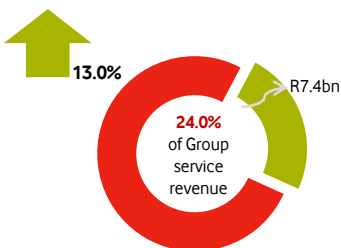


- **1.5 million** customers
- **>R60 million** in vouchers



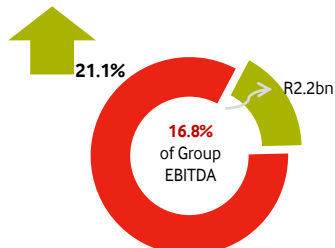
## International growth: Strong and increasing contribution

### Service revenue



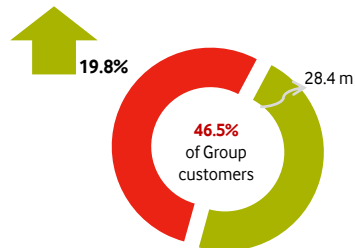
- Contribution up from **21.6%** to **24.0%**

### EBITDA



- EBITDA contribution up **16.8%** from **13.7%**
- Mobile network operations margin **30.5%**

### Active customers



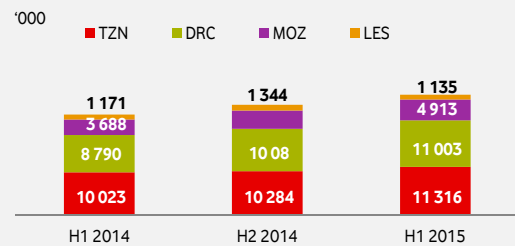
- Active customers now **46.5%** of Group



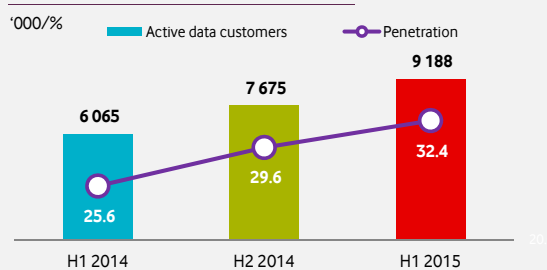


## International growth: Continued solid execution of strategy

### Active customers



### Active data customers

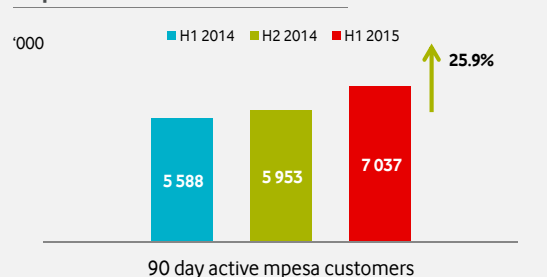


- Active customers up **19.8%**
- **61.2%** growth in outgoing traffic
- **32.4%** of active customers using data
- **First** to launch LTE in Lesotho



## International growth: Expanding m-pesa

### M-pesa customers

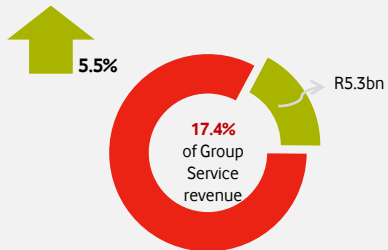


- M-pesa revenue up **29.7%** to contribute **8.7%** to International service revenue
- **\$1.5 billion** monthly transactions in Tanzania
- Tanzania launched **m-pawa** – savings and loans
- Widening ecosystem in all markets



## Group Enterprise: Gaining credibility and scale

### Enterprise service revenue



- 18% growth in Cloud, Hosting, VPN services in South Africa

- 2 000 m<sup>2</sup> data centre capacity
- FTTB accelerating
- MPLS network to 28 countries
- Neotel
  - Competition Commission and ICASA review
  - Target March 2015 close

### Peter's business is Ready

vodacombusiness.co.za

Vodacom  
Power to you



## People: Serious about transformation



**Yolanda Cuba**

Chief officer: Strategy and Business Development



**Murielle Loriloux**

MD: Vodacom DRC



**Lillian Barnard**

Chief sales officer: Enterprise business unit

### Leadership

- Increasing women representation at senior levels

### Developing pipeline

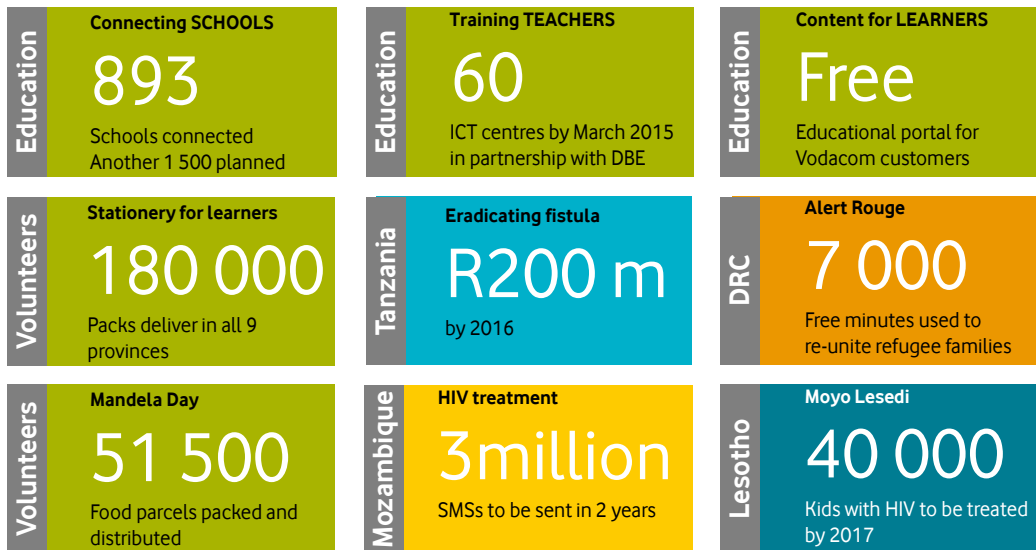
- >R60 million on skills development in SA
- Placed 8 of 12 Female Leaders in Waiting programme participants

### Driving transformation

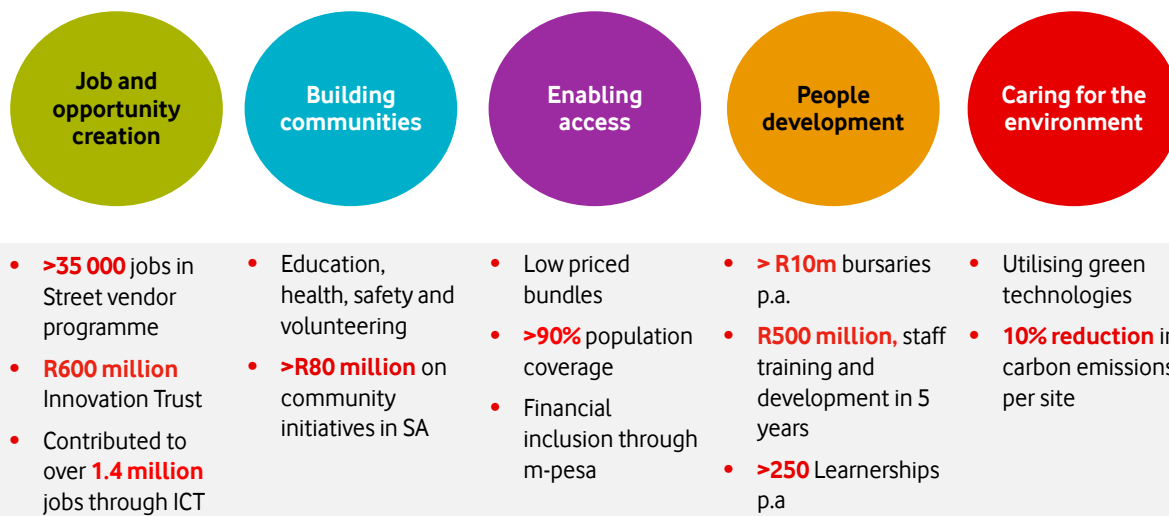
- South Africa
  - 73% of staff are black
  - 43% of staff are female




## Reputation: Mobiles for good



## Sustainability






# 4

## Financial review

### 2005



Vodacom was the first operator to launch **BlackBerry®** push email, enabling South Africans to join the worldwide e-mail and Internet-on-the-move revolution

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## Group income statement

R million	H1 2015	H1 2014	% change	% change*
<b>Revenue</b>	<b>37 546</b>	<b>36 688</b>	<b>2.3</b>	<b>1.0</b>
Service revenue	30 725	30 213	1.7	0.2
<b>EBITDA</b>	<b>12 993</b>	<b>13 221</b>	<b>(1.7)</b>	<b>(1.8)</b>
<b>Operating profit</b>	<b>9 430</b>	<b>9 998</b>	<b>(5.7)</b>	<b>(5.0)</b>
Net finance charges	(397)	(454)	(12.6)	
<b>Profit before tax</b>	<b>9 033</b>	<b>9 544</b>	<b>(5.4)</b>	
Taxation	(2 731)	(2 913)	(6.2)	
<b>Net profit</b>	<b>6 302</b>	<b>6 631</b>	<b>(5.0)</b>	
<b>Attributable to:</b>				
Equity shareholders	6 190	6 487	(4.6)	
Non-controlling interests	112	144	(22.2)	
HEPS (cents)	415	439	(5.5)	
Weighted average shares in issue (million)	1 466	1 466		

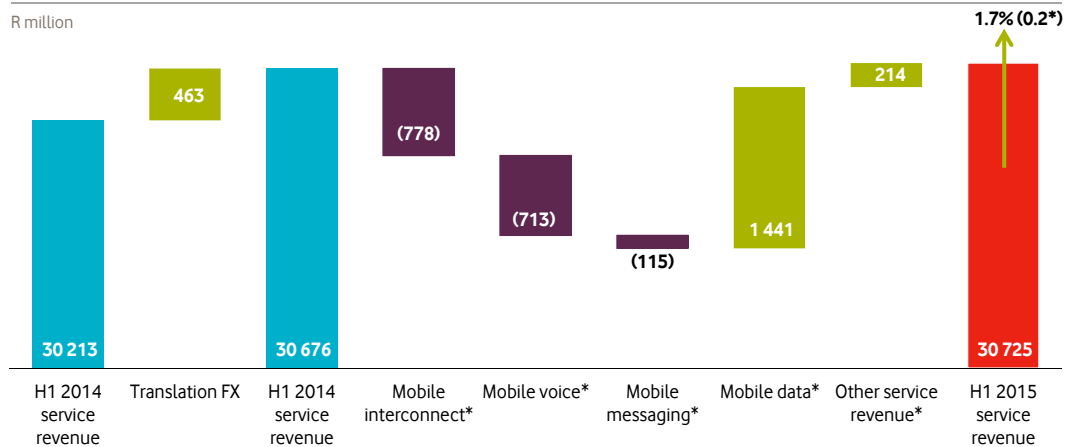
\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency



## Strong data growth offsets declines in voice and interconnect

Group service revenue normalised growth by category

R million



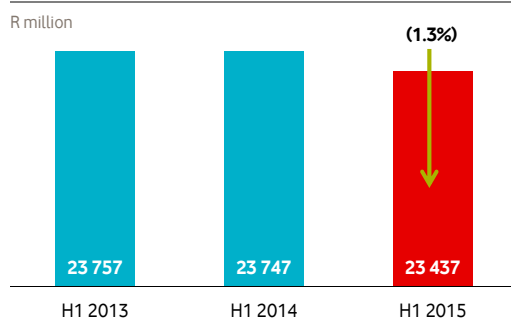
\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency



## Positive underlying growth in a tough environment

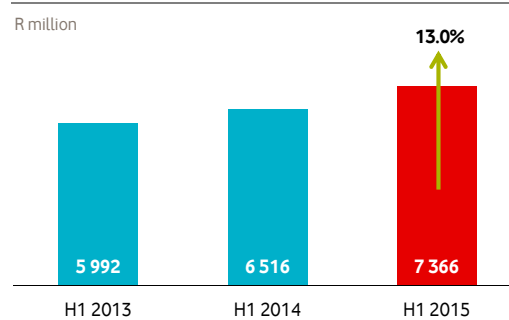
SA service revenue

R million



International service revenue

R million



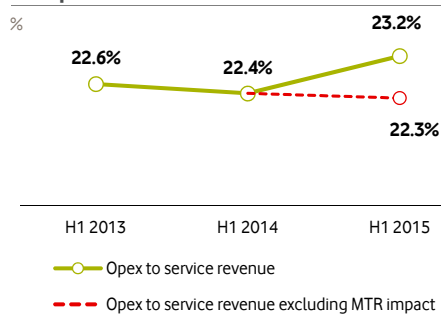
- 2.9% growth in SA service revenue excluding MTR cuts

\* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency

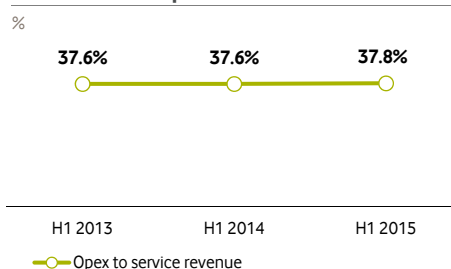


## Cost efficiency program maintaining stable opex

SA opex as % of service revenue \*



International opex as % of service revenue \*\*



\* Represents opex excluding trading forex

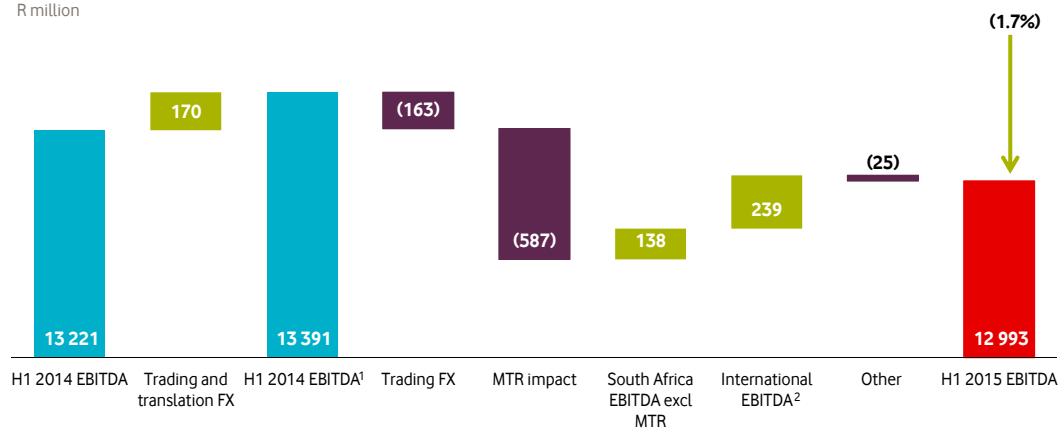
\*\* Represents normalised growth at constant currency



## Group EBITDA impacted by MTRs

Group EBITDA

R million



1. Restated to 2015 foreign exchange rates

2. Excluding trading foreign exchange and at a constant currency



## Adequate debt capacity

### Group net finance charges

R million	H1 2015	H1 2014
Net finance costs	(486)	(315)
Remeasurement of loans	(14)	(13)
Gain on remeasurement	34	44
Gain/(loss) on derivatives <sup>1</sup>	69	(170)
<b>Net finance charges</b>	<b>(397)</b>	<b>(454)</b>
<b>Average cost of debt (%)</b>	<b>7.1</b>	<b>6.8</b>

### Group net debt

R million	H1 2015	H1 2014
Bank and cash balances	2 858	3 392
Bank overdrafts	(1 802)	(720)
Borrowings and net derivative financial instruments	(17 062)	(14 635)
<b>Net debt</b>	<b>(16 006)</b>	<b>(11 963)</b>
<b>Net debt/EBITDA (times)</b>	<b>0.6</b>	<b>0.5</b>
<b>Average debt</b>	<b>(17 542)</b>	<b>(14 371)</b>

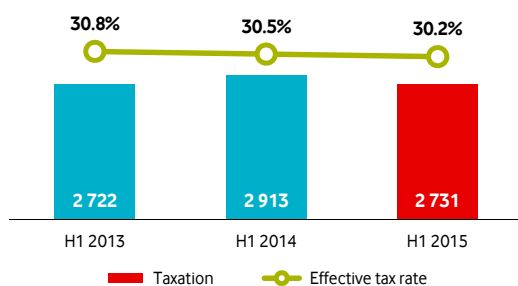
1. Mainly revaluation of foreign currency exchange contracts



## Group effective tax rate remains stable

### Group tax

R million



### Group tax reconciliation

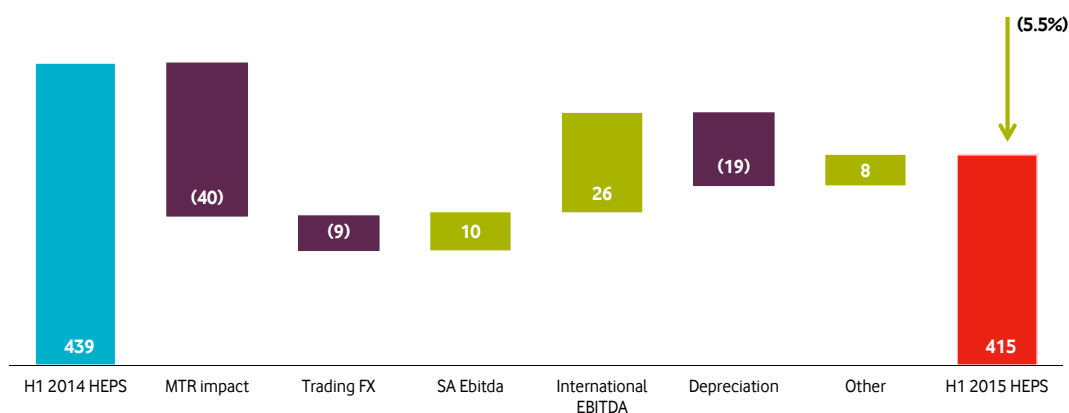
R million	2014	Rate (%)
<b>Profit before tax</b>	<b>9 033</b>	
Normal tax	2 529	28.0
Non-deductible expenditure	163	1.8
Withholding tax	72	0.8
Minimum alternative taxes	21	0.2
Other	(54)	(0.6)
<b>Total tax expense/effective tax rate</b>	<b>2 731</b>	<b>30.2</b>



## Group HEPS impacted by MTRs and higher depreciation

### Group HEPS

R million



## Group statement of financial position

R million	H1 2015	FY 2014	Movement
<b>Assets</b>			
Property, plant and equipment	33 373	30 802	2 571
Intangible assets	5 712	5 369	343
Other non-current assets	2 457	1 783	674
Current assets	21 373	22 787	(1 414)
<b>Total assets</b>	<b>62 915</b>	<b>60 741</b>	<b>2 174</b>
<b>Equity and liabilities</b>			
Total equity	21 306	23 743	(2 437)
Borrowings	17 054	13 750	3 304
Other liabilities	24 555	23 248	1 307
<b>Total equity and liabilities</b>	<b>62 915</b>	<b>60 741</b>	<b>2 174</b>
<b>Net asset value</b>	<b>21 306</b>	<b>23 743</b>	<b>(2 437)</b>

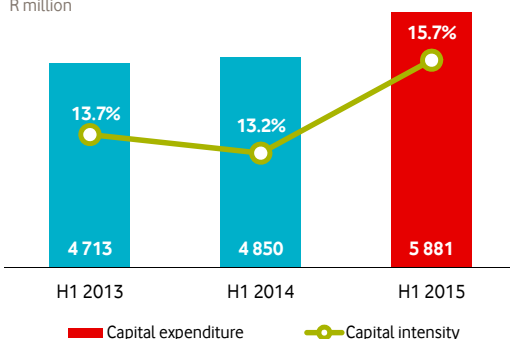




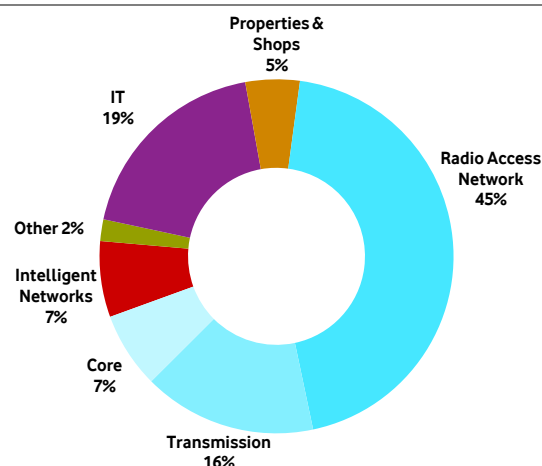
## Good progress with accelerated capex program

### Group capital expenditure

R million



### SA capex breakdown

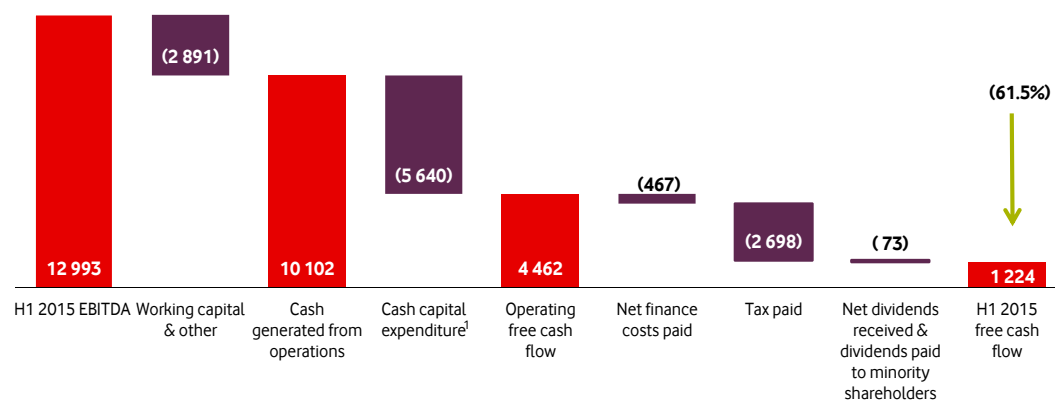


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## Group free cash flow impacted by MTRs and increased capex

### Group free cash flow

R million



1. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments, net of cash flow from disposals

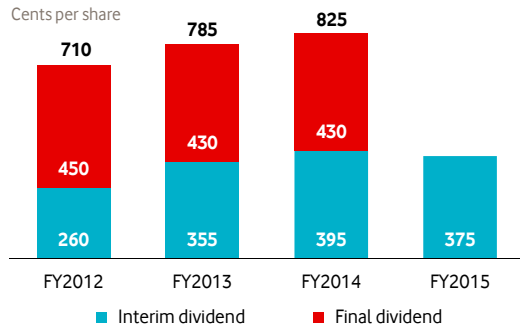


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## Dividend policy unchanged

### Dividend per share

Cents per share

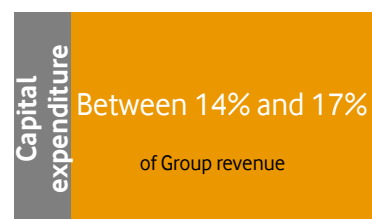
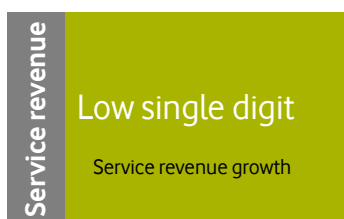


- Interim dividend declared of **375** cents per share
- Pay-out ratio of at least **90%** of HEPS maintained



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## Group medium term (3 year) guidance



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## H2 priorities

### Capex acceleration program

- 3G where we have voice, LTE acceleration
- FTTB scale up
- International coverage

### Pricing transformation

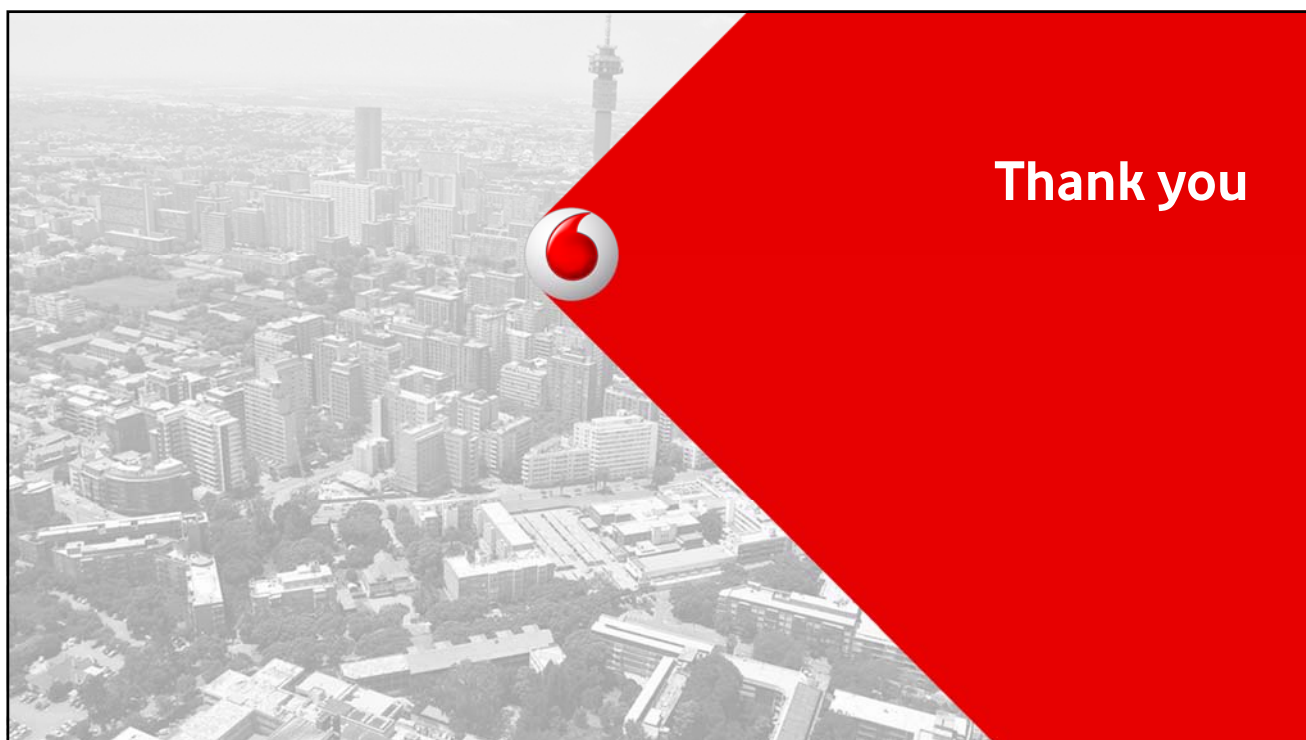
- Postpaid migration, top-up transformation
- Increase prepaid bundles
- Worry free usage of data

### New products

- m-pesa acceleration
- More digital lifestyle services

### Execute on M&A

- Migrate Nashua Mobile customers
- Close Neotel



## Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population (million)	54	51	69	27	2
GDP per capita* (USD)	6 520	678	329	621	1 090
GDP growth estimate* 2014 (%)	2.0	7.1	8.7	7.3	4.8
Estimated mobile penetration (%)	145	60	40	45	70
Ownership (%)	93.75	82.15	51	85	80
License expiry period	2029	2031	2018/2032*	2018/2026*	2016
Active customers (thousand)	32 613	11 316	11 003	4 913	1 135
ARPU (rand per month)	112	44	32	50	46
ARPU (local currency per month)	R112	TZS6 821	USD3.0	MZN146	LSL46
Minutes of use per month	123	162	43	128	53

\* The Economist Intelligence Unit

\* 2018 relates to the 2G license and 2026 /2032 relates to the 3G license



## Impact of foreign exchange

### Revenue

YoY % growth

H1 2015	Reported	Normalised*
South Africa	0.1	0.1
International	12.7	5.1
Group	2.3	1.0

### EBITDA

YoY % growth

H1 2015	Reported	Normalised*
South Africa	(5.1)	(3.9)
International	21.1	12.2
Group	(1.7)	(1.8)

### Average exchange rates

	H1 2015	H1 2014	% change
USD/ZAR	10.66	9.74	9.4
ZAR/MZN	2.92	3.10	(5.8)
ZAR/TZS	155.86	167.00	(6.7)
EUR/ZAR	14.36	12.82	12.0

### Operating profit

YoY % growth

H1 2015	Reported	Normalised*
South Africa	(7.0)	(5.6)
International	13.5	4.3
Group	(5.7)	(5.0)

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



## Definitions

<b>Active customers</b>	Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
<b>Active data customers</b>	Number of unique customers who have generated revenue related to any data activities in relation to mobile data revenue (this excludes SMS and MMS messaging users) in the reported month. A user is defined as being active if they are paying for a contractual monthly fee for this service or have used the service during the reported period.
<b>ARPU</b>	Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
<b>Contribution margin</b>	Revenue less direct expenses as a percentage of revenue.
<b>EBITDA</b>	Earnings before interest, taxation, depreciation, amortisation, impairment losses, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets.
<b>Free cash flow</b>	Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid, net finance charges paid and net dividends received/paid to minority shareholders.
<b>HEPS</b>	Headline earnings per share.
<b>International</b>	International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho as well as the operations of Vodacom International Limited, Vodacom Business Africa and Gateway Carrier Services.
<b>MOU</b>	Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
<b>Normalised (*)</b>	Represents normalised growth excluding foreign exchange gains/losses and at a constant currency from on-going operations.
<b>Operating free cash flow</b>	Cash generated from operations less additions to property, plant and equipment and intangible assets and proceeds on disposal of property, plant and equipment and intangible assets.
<b>RAN</b>	Radio access network.
<b>South Africa</b>	Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPV's.
<b>TSR</b>	Total shareholder returns consist of the aggregate share price appreciation and dividend yield.
<b>Traffic</b>	Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.








## Forward-looking statements

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

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



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Results for the six months ended 30 September 2014

