Integrated report

for the year ended
31 March 2018

The future is exciting.

Ready?

vodacom

Who we are

Vodacom is a leading African communications company providing a wide range of services, including mobile and fixed voice, messaging, data, financial, Enterprise IT and converged services to over 103 million[1] customers

From our roots in South Africa in 1993, we have grown our mobile network business to include operations in Tanzania, the DRC, Mozambique, Lesotho and Kenya. Our mobile networks cover a total population of over 284 million[1] people. Through Vodacom Business Africa (VBA), we offer business-managed services to enterprises in 32 countries. Vodacom is majority owned by Vodafone (64.5% holding), one of the world's largest communications companies by revenue.

Our strategy

Our purpose

Why we exist

To connect everybody to live a better today and build a better tomorrow

Our vision

Where we are going

To be a leading digital company that empowers a connected society

Our way

How we need to do it

Speed, simplicity and trust

Our strategies

What we need to do

Segmented Propositions

We develop a deep insight of our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.

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Best Customer Experience

We provide the most engaging customer experience, blending the best of technology and human interaction in a personal instant and easy way.

Page 24

Best Technology

We are the leading telco through the best network and IT excellence, with digital at the core.

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Digital Organisation and Culture

We build an organisation of the future where digital is first for all employees, underpinned by innovation, agility and new skills.

Page 32

Our Brand and Reputation

We are a purpose-driven brand cementing our reputation for accelerating socioeconomic transformation by empowering the digital lives of our customers.

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1. Including our associate holding of 34.94% in Safaricom.

Contents

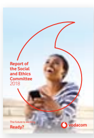
How to get the most out of our Integrated report:

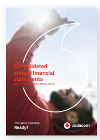
This icon tells you where you can find related information in our report.

This icon tells you where you can find more information at www.vodacom.com

This icon tells you where you can find more information on our parent Vodafone Group Plc's website at www.vodafone.com

Other sources of information available online


Report of the Social and Ethics Committee


Consolidated annual financial statements

Vodacom's 2018 integrated reporting suite
Our 2018 integrated reporting process comprises the following reports:

- Integrated report
- Consolidated annual financial statements
- Report of the Social and Ethics Committee
- Public finances report
- Operational reports

These are all available at www.vodacom.com

Delivering societal value through our core purpose

The United Nations Sustainable Development Goals (UN SDGs) set a long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. Vodacom is committed to playing its role, as a private sector company, in the attainment of these goals, supporting governments to build better societies. Our core purpose is to connect everybody to live a better today and build a better tomorrow. By providing increased access to reliable and accessible data and voice services, we are making an enormous contribution to national and global developmental objectives.

Vodacom has identified and prioritised the following seven Sustainable Development Goals, where we believe we can have the most meaningful impact. Our approach to delivering on these goals is reviewed in our suite of integrated reports, with most detail provided in our Report of the Social and Ethics Committee.

Your feedback please!

We'd really value your feedback on our Integrated report. Please use this QR code link which will take you to a quick-and-easy feedback form on your smartphone.

To our investors and other interested stakeholders

If you're interested in Vodacom's ability to generate sustained financial returns, if you wish to assess how we've performed in the past year and to understand what our strategic plans are for long-term growth and value creation, then this report is for you.

We know that many investors and analysts don't merely rely on a company's financial statements to make their assessment of the company's current and future performance. While the financials are critically important, we would suggest that you read this report together with the financials to make an informed assessment of a company's capacity to deliver long-term growth.

To appreciate Vodacom's ability to generate long-term value, it is important not only to look back at our past performance, but also to look forward – to reflect on how we see the future operating context, and to assess how we are positioning the Company to ensure its success in a rapidly changing business environment. Recognising that our ability to deliver value is ultimately dependent on the quality of our relationships, and on the health of the societies and economies in which we operate, it is also essential to understand how we are managing these relationships, and what we are doing to deliver social value. This Integrated report seeks to answer these questions by providing the information needed to make an informed assessment of our ability to create value over time.

Prepared in accordance with the IIRC's International <IR> Framework, our Integrated report provides a concise, material and frank assessment of our strategic path for achieving strong financial performance and for delivering on our core purpose: connecting everybody to live a better today and build a better tomorrow. This report describes our business model, identifies those issues that have a material impact on how we create value, assesses our performance (our achievements and disappointments) over the past year, and describes our strategic framework for long-term growth, reviewing how we propose to deliver financial and societal value in an increasingly dynamic business sector.

As a Board, we have applied our collective mind to the preparation and presentation of the information in this report. We believe that the report addresses all material matters, and presents a balanced and fair account of the Group's performance for the financial year 1 April 2017 to 31 March 2018, as well as an accurate reflection of our core strategic commitments for the short, medium and long term. We have applied our judgement regarding the disclosure of Vodacom's strategic plans, and have ensured that these disclosures do not place Vodacom at a competitive disadvantage. On the recommendation of the Audit, Risk and Compliance Committee, the Board approved the Integrated report and the consolidated annual financial statements on 1 June 2018.

We encourage our stakeholders to read this report and to share any feedback on our disclosure, our performance and our strategic roadmap for delivering value.

Jabu Moleketi Jabu

Shameel Joosub Shameel

Vivek Badrinath Vivek

David Brown David

Michael Joseph Michael

Priscillah Mabelane Priscillah

Saki Macozoma Saki

Thoko Mokgosi-Mwantembe Thoko

John Otty John

Marten Pieters Marten

Ronald Schellekens Ronald

Till Streichert Till

1. Where we only have data for our South African operation (which represents 77.3% of service revenue and 91.4% of EBIT), we indicate this with (#).
2. We've used (*) to indicate normalised growth which presents performance on a comparable basis. This excludes merger and acquisition activity and adjusting for trading foreign exchange and foreign currency fluctuations on a constant currency basis (using the current year as base).

How we provided value in 2018

For our customers

We reduced the cost of data

21.6% ↓ In South Africa

Mozambique	11.1% ↓
DRC	27.3% ↓
Tanzania	27.9% ↓
Lesotho	29.4% ↓

Extended our network population coverage

3G 99.4%
2G 99.9% in SA

4G
1st African operator with >80% 4G coverage in SA

In our International operations we added:

4G sites	261
3G sites	454
2G sites	253

Provided the best customer experience, as measured by the net promoter score (NPS), in all our markets

In our societies

R20.8 billion
cash contribution to public finances

32.3 million customers
provided with access to our M-Pesa financial service (including Safaricom)

7.7 million customers
on our Siyakha platform using Facebook flex

Level 3
Black Economic Empowerment contributor status in South Africa

R30.8 billion
weighted spend on BEE-status suppliers

R9.8 billion
spend to >51% women-owned suppliers

For our employees

Total of
7 554 employees

Invested
R5.6 billion
in wages and benefits

Invested
R287 million
on skills development

Encouraging diversity in South Africa:

- 74% Employees are black
- 43% Employees are women
- 67% Executive Committee are black
- 56% Senior managers are black

For providers of financial capital

R13.0 billion
paid in dividends to equity shareholders

R2.8 billion
paid in interest to debt funders

332.6%
shareholder return since listing in 2009[1]

1. Source: FactSet

Where we operate

South Africa

Ownership	**100%[1]**
Population[3] (estimate)	**57.4 million**
GDP growth[3] estimate	**1.4%**
Customers	**41.6 million**
ARPU[4] (local currency per month)	**R101**
Licence expiry period	**2029**
Service revenue market share	**50.5%**
Coverage[6]	**99.9%**
NPS	**#1**
Points of presence – formal[7]	**9 950**
Points of presence – informal	**53 222**
Number of employees	**5 007**

Tanzania

Ownership	**61.6%[2]**
Population[3] (estimate)	**59.1 million**
GDP growth[3] estimate	**6.5%**
Customers	**12.9 million**
ARPU[4] (local currency per month)	**TZS6 086**
Licence expiry period	**2031**
Coverage[6]	**88.3%**
NPS	**#1**
Points of presence – formal[7]	**132 623**
Points of presence – informal	**16 802**
Number of employees	**537**

DRC

Ownership	**51%**
Population[3] (estimate)	**84.0 million**
GDP growth[3] estimate	**2.7%**
Customers	**11.8 million**
ARPU[4] (local currency per month)	**USD2.9**
Licence expiry period[5]	**2028/2032**
Coverage[6]	**49.8%**
NPS	**#1**
Points of presence – formal[7]	**20 020**
Points of presence – informal	**287 288**
Number of employees	**578**

Mozambique

Ownership	**85%**
Population[3] (estimate)	**30.5 million**
GDP growth[3] estimate	**3.6%**
Customers	**6.1 million**
ARPU[4] (local currency per month)	**MZN241**
Licence expiry period[5]	**2018/2026**
Coverage[6]	**48.5%**
NPS	**#1**
Points of presence – formal[7]	**22 260**
Points of presence – informal	**8 250**
Number of employees	**530**

Lesotho

Ownership	**80%**
Population[3] (estimate)	**2.3 million**
GDP growth[3] estimate	**3.5%**
Customers	**1.4 million**
ARPU[4] (local currency per month)	**LSL70**
Licence expiry period	**2036**
Coverage[6]	**97.3%**
NPS	**#1**
Points of presence – formal[7]	**6 122**
Points of presence – informal	**8 994**
Number of employees	**209**

Vodacom Business Africa

Angola	Djibouti	Malaysia	Singapore
Benin	Equatorial Guinea	Mauritius	South Africa
Botswana	France	Mozambique	Swaziland
Burkina Faso	Gabon	Namibia	Tanzania
Cameroon	Ghana	Nigeria	Uganda
Côte d'Ivoire	Kenya	Rwanda	United Kingdom
Democratic Republic of Congo (DRC)	Lesotho	Senegal	Zambia
	Madagascar	Sierra Leone	Zimbabwe
	Malawi		

Notes:
1. 6.25% held indirectly through structured entities which are consolidated in terms of IFRS 10: Consolidated Financial Statements as part of the BBBEE transaction.
2. In August 2017, Vodacom Tanzania Public Limited Company successfully listed 25% of shares through an IPO on the Dar es Salaam Stock Exchange, thereby diluting the Vodacom Group shareholding in that company.
3. Bureau for Economic Research (BER) and the Economist Intelligence Unit (EIU). Gross Domestic Profit (GDP) relates to real GDP growth.
4. Total average revenue per user (ARPU) is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
5. 2018/2028 relates to the 2G licence and 2026/2032 relates to the 3G licence.
6. 2G coverage.
7. Formal points of presence include Vodacom owned and franchised shops, service providers and private outlets, retailers that purchase directly from Vodacom, M-Pesa agents and ATMs.

What we offer

We have over 73.8 million customers using our wide range of products and services. Our core consumer products and services include voice, messaging and data across mobile and fixed networks, while continuing to transform and expand into new verticals, including financial services, self-service sales care and entertainment offerings. We also provide various communication solutions to our Enterprise customers in the public sector, and amongst large, medium and small enterprises. These include connectivity and unified communication services, Cloud and Hosting, managed mobility, data security and the Internet of Things (IoT).

Our products and services (outputs)

Consumer products

Voice
Mobile
Fixed

Data
Mobile broadband
Mobile internet
Fixed
Fibre

Messaging
SMS and MMS

Enterprise

Unified communications
Voice
Messaging
Video

Cloud and Hosting

Connectivity
Wireless
Fixed
Mobile
Fibre

Managed mobility
Internet of Things (IoT)

Security

Managed services
Mezzanine
XLink
Stortech

Consumer services

Financial and digital services
M-Pesa
M-Pawa
Insurance
mHealth
mAgriculture
Airtime advance
Savings

Self-service care
MyVodacom app
Vodacom online
Unstructured Supplementary Service Data (USSD) self-help

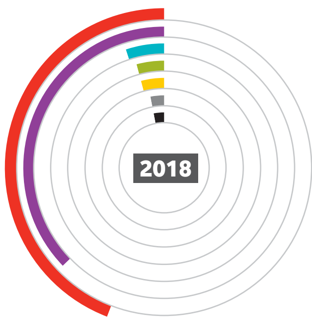
Entertainment
Music streaming
Video entertainment
Gaming
Sports

Customers (million)

	2018	2017
South Africa	41.6	37.1
Tanzania	12.9	12.7
DRC	11.8	10.4
Mozambique	6.1	5.1
Lesotho	1.4	1.5

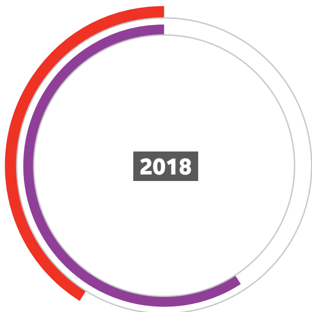
Revenue (million)

	2018	2017
South Africa (R)	69 967	64 729
Tanzania (TZS)	977 994	933 292
DRC (USD)	428	407
Mozambique (MZN)	17 635	14 641
Lesotho (LSL)	1 255	1 116



Group service revenue

	2018	2017
Mobile voice	**44%**	47%
Mobile data	**37%**	33%
Fixed service revenue	**5%**	4%
Mobile interconnect	**4%**	4%
Mobile messaging	**4%**	4%
M-Pesa	**3%**	3%
Other service revenue	**3%**	5%



Group mobile customer revenue

	2018	2017
Mobile contract revenue	**41%**	42%
Mobile prepaid revenue	**59%**	58%

> It gives me pleasure to present Vodacom's Integrated report, in my first year as Chairman. After eight years on the Board, it is an honour for me to be serving in this role at such an exciting time in the Company's journey, as it pursues its ambitious strategy in the digital space.

Chairman's statement

This has been an eventful year for Vodacom, with some significant developments within the Company and across our markets, accompanied by encouraging performance across the Group.

In August 2017, we completed the largest transaction in our history, the R42 billion acquisition of a strategic stake in Safaricom. The transaction has diversified our financial profile, and positioned the Company as a serious financial services player in Africa with R1.3 trillion moving through the M-Pesa system, enabling us to drive further adoption of the successful mobile money service, M-Pesa, across our operations, and providing a very valuable platform for delivering on our vision of empowering a connected society.

In the same month, Vodacom Tanzania became the first telecommunications company to list on the Dar es Salaam Stock Exchange. This was the largest listing in the exchange's 19-year history, raising TZS476 billion (around R2.9 billion), and involving the participation of more than 40 000 individual Tanzanian investors and all the major pension funds. Vodacom's compliance with the listing requirements, reflects the company's clear commitment to contributing to Tanzania's growth and development.

Our International operations

It has been pleasing to see the strong performance this year throughout our International operations, despite various regulatory, macroeconomic and/or currency-related challenges in most of these markets. This performance has been underpinned by good progress in data monetisation and strong M-Pesa penetration, both of which present significant opportunities for further growth, supported by additional network roll-out and an expanded product portfolio in the Enterprise space.

Phillip Jabulani Moleketi

We believe that some of the markets are ripe for consolidation in the telecoms sector, and that Vodacom is well positioned to realise potential associated opportunities.

South Africa

In South Africa, the year was characterised by volatility in the political, regulatory and economic environment. In February 2018, a new administration under the incoming President Cyril Ramaphosa was appointed. We are committed to engaging actively with this new administration, and to work with them in identifying opportunities which harness the full potential of ICT in achieving national and global developmental objectives. Accelerating socioeconomic transformation by broadening access to connectivity lies at the heart of Vodacom's Vision 2020 strategy. For this potential to be realised, however, it is critical that there is a regulatory and policy framework that is conducive to the long-term investment in network infrastructure needed to increase connectivity and bring down prices. Access to spectrum and providing certainty on licences to operate are fundamental to any such investment.

In our recent engagements with government, where CEO Shameel Joosub has played an active role, we have highlighted our concerns regarding the draft Electronic Communications Amendment Bill, and we have proposed a constructive alternative 'hybrid model'. We believe that a hybrid approach, establishing a competitive wholesale open-access network (WOAN) alongside the opportunity for spectrum access for current operators, would address the government's transformation mandate and have a greater positive impact in driving down the cost to communicate. We have been encouraged by the new administration's commitment to an evidence-based approach to rule making, and look forward to continuing our engagement with them in the hope of finding the best way forward on this issue.

A core part of our vision of empowering a connected society is our commitment to playing a leadership role in driving Broad-Based Black Economic Empowerment in the country. A significant development this year will be the conclusion of our BEE deal. This significant transaction builds on a strong tradition of promoting employment equity, supplier development, retail transformation, skills development and social investment. Our acknowledged performance in these areas is evidenced by Vodacom consistently outperforming all other network operators, and being rated this year as the 'Most Empowered Black-Managed Company' on the JSE. Ten years ago, Vodacom executed a R7.5 billion BEE deal, one of the largest deals at the time. This deal is maturing in October 2018, and to replace this we will be concluding a new deal, mainly with existing holders, which has over 82 000 investors. The underlying shares to this deal will now be at the Vodacom Group level, allowing exposure to the Group's International operations, greater transparency and improved price discovery.

Governance and strategy

Following Peter Moyo's retirement in July 2017, we have been joined on the Board by Saki Macozoma, who brings fresh insight and valuable experience, having served previously as chairman of Liberty Life Holdings and Standard Bank, as well as past president of Business Leadership South Africa. We are privileged to have a very talented Board of 12 directors that have the necessary depth and diversity in skills, experience and perspective to hold the executive team to account on the development and execution of its strategy.

The Board had a valuable opportunity this year to undertake a comprehensive review of Vodacom's Vision 2020 strategy. During a dedicated two-day Board discussion in December 2017, we engaged not only with the responsible Vodacom executives, but also directly with individual employees involved in developing and implementing various elements of the strategy. This more 'experiential' approach greatly assisted us in our role of overseeing the strategy process, enabling us to engage in some productive and robust conversations with the executive team, and helping to further refine the ambitions and activities.

As outlined in more detail in this report, Vodacom has a bold ambition of transforming the business into a 'leading digital company', protecting and growing its existing activities in the more traditional telecoms area, while diversifying into adjacent new business in the digital space. Realising this ambition will require developing critical skills and competencies in such areas as Big Data analytics and Artificial Intelligence. It will require having the right networks and technologies in place, as well as the right organisational culture to deliver significant digital innovation and yet maintain a strong, people-centred customer focus. In our Board discussions, we have highlighted the importance of finding the right balance in managing time and resources, between retaining market leadership in our current core business and investing in potentially radical new opportunities.

Acknowledgements

On behalf of the Board I would like to express our appreciation to the executive team and all of the Vodacom employees for their invaluable contribution to the Company's success. I would also like to thank our business partners, shareholders and other stakeholders for their ongoing engagement and support.

As a leading African mobile network operator, Vodacom is operating in an incredibly dynamic and exciting time. I am confident that we have the right strategy and leadership team in place to deliver on our vision of becoming a leading digital company, empowering a connected society. I look forward to working with my colleagues on the Board to ensuring that the Company delivers on this vision.

Jabu

Phillip Jabulani Moleketi

Chairman

1 June 2018

CEO's statement

This has been an excellent year for Vodacom, with our impressive financial results achieved through the successful execution of our strategy underpinned by delivering on a strong cost-efficiency drive.

This pleasing performance has been accompanied by Vodacom securing an outright net promoter score (NPS) lead over all our competitors in all our operations.

During the year, we completed the transformative R42 billion acquisition of a strategic stake in Safaricom, and in the same month we became the first (and currently only) telecommunications company to list on the Dar es Salaam Stock Exchange, a record-breaking listing involving the participation of more than 40 000 Tanzanian investors.

This year, we improved our BEE score and achieved a Level 3 BEE contributor status. This reflects our commitment to implementing meaningful and sustainable transformation.

South Africa

Our industry-leading application of Big Data and machine learning, created to deliver personalised bundle offers based on customer behaviour, continues to differentiate us from our competitors. Through our 'Just 4 You' platform we have accelerated the uptake of bundle offers, driving the sale of 2.3 billion bundles in the year, up 51.3%. Customers using bundles have grown 13.9% to 18.7 million. Data bundles sold increased 54.7% to 766 million, with the average monthly data usage on smartphones increasing 18.4% to 784 MB, driven in part by a 44.8% increase in 4G customers to 7.3 million. Enterprise service revenue grew 10.8%, and our Enterprise mobile customer base increased 6.9% year-on-year to 1.3 million customers. We achieved impressive results in growing our customer base through our segmented propositions in the youth (Vodacom NXT LVL) and emerging market (Vodacom Siyakha) segments. We more than doubled the number of customers on our Youth platform to 3.3 million, and saw 7.7 million low-income customers on our Siyakha platform using Facebook flex in the first year. Our financial services strategy is also gaining momentum with our insurance direct recharge offering.

The 4.9% rise in service revenue growth is particularly pleasing given the revenue impact associated with reducing out-of-bundle data prices by as much as 50% in October last year, as well as the early phase investments in new revenue streams, including fibre, content propositions and financial services. As part of our commitment to democratising data, we have reduced our effective rate for data by 21.6% year-on-year, and by 42.5% over the last three years. Our accelerated rural coverage programme was instrumental in Vodacom becoming the continent's first operator to reach 80% population coverage on a 4G network.

Shameel Aziz Joosub

International

In our International operations, it was a particularly good year for Mozambique and Lesotho, while our commercial efforts in Tanzania and the DRC continue to show strong momentum. This portfolio produced a 7.4% increase in normalised service revenue on the back of rising customer numbers, strong demand for data, and the continued accelerated uptake of M-Pesa.

Revenue from mobile money continues to be a significant contributor to the Group. The combined customer base, including Safaricom, grew 11.5% in the past year and now exceeds 32.3 million. During this period, M-Pesa customers processed transactions worth R1.3 trillion, making it the biggest mobile money platform across the continent. The total transaction revenue from M-Pesa across the portfolio is R10.2 billion, which is significant. M-Pesa revenue is flying with a growth rate of 30.4%* and 11.7 million customers in the International portfolio, and 14.2% M-Pesa revenue growth and 20.5 million customers in Safaricom.

Despite a turbulent political context, Safaricom delivered net profit growth of 14.1% for the year, supported by strong growth in data and M-Pesa revenues, and a 5.1% increase in customers to 29.6 million. Vodacom's portion of the eight-month profit contribution from Kenya's leading telco was R1.5 billion.

We are seeing the benefits of our significant strategic investment in Safaricom. As part of our commitment to growing our financial services, we are building on Safaricom's extensive M-Pesa experience to expand our merchant payment system in Tanzania, and to get each of our other mobile money markets to the same level of sophistication. We are working closely with Safaricom to enable them to enhance their platforms through our skills and IT systems in Big Data and machine learning.

Positioning Vodacom for a digital future: Our Vision 2020 strategy

We believe that digitisation offers exciting opportunities for us to extend revenue streams beyond connectivity, as well as unparalleled potential to accelerate social transformation. Our Vision 2020 strategy has five key strategic elements, aimed at delivering on our core vision of being a leading digital company that empowers a connected society.

1. Segmented propositions

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Using machine learning, Big Data and analytics, we will be deepening our understanding of consumer behaviour, and developing highly-personalised offerings, with the ultimate goal of achieving relevant offers for the segment of one. In the Consumer space, we are targeting opportunities to monetise and grow data usage by developing Consumer digital services in digital content, financial services, Consumer IoT, and specific partnerships in areas such as e-Commerce, e-Education and e-Health. To drive Enterprise growth, we are focusing on building our core sales channel, expanding our Cloud and security business, and becoming the IoT solutions partner of choice. The key objective is to protect and grow traditional revenue streams, while expanding to complementary adjacent services.

2. Best customer experience

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Our goal is to provide the most engaging customer experience, blending the best of technology and human interaction in a personal, instant and easy way, substantially enhancing the quality of service. We are investing in Big Data and analytics, chat bots, online self-service and IT-based customer engagement and management tools, and will be further modernising and digitising our retail channel. We will be building on the early successes of our segment-based county, cluster and micro-cluster model, to drive our targets to secure and consolidate our leadership in market share per segment and county. Our goal is to be the NPS leader in all markets, with distinct leadership in digital interactions.

3. Best technology

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In modernising our network, and as part of our smart capex drive, we will be growing our connectivity footprint expanding 4G coverage, providing 5G readiness and utilising Big Data intelligence and an Agile culture to deliver smart network planning and smart network operations. We are deepening our IT capabilities and implementing an IT acceleration programme. Our key measure of success will be our Network NPS score, measuring customer experience on our networks.

4. Digital organisation and culture

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We have begun the process of digitising our own organisation, built on a culture that fosters organisational agility and collaborative working, that attracts and develops the rights skills, talent and diversity, and that uses Big Data and analytics to leverage data for improved decision-making. This year we have enhanced our core team of data engineers, data scientists and modellers, and will be looking to double our capacity in the next year. We measure our success in applying digital in our new ways of working, through our employee engagement score and particularly how we adopt digital in our mindset as a business.

5. Our brand and reputation

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Our strategic objective is to ensure that Vodacom is the customer brand of choice, with a strong purpose-driven brand and a deserved reputation for accelerating socioeconomic transformation through digital solutions, and for showing leadership in promoting BEE in South Africa. We have prioritised seven of the global UN Sustainable Development Goals (SDGs), where we believe we can have the most meaningful impact, by democratising data, extending the coverage and quality of our network, and providing digital products and services aimed at promoting financial inclusion, education, agriculture, and healthcare. We are targeting to remain the industry leader as measured by our Reputation Index survey.

Outlook

Regulatory and policy developments remain an important challenge across all our markets. In South Africa, we have had constructive engagements with government and the regulator, where we have highlighted our concerns regarding the draft Electronic Communications Amendment Bill. While we fully support government's ambitious objectives for the sector – in terms of increasing the affordability and reach of broadband, and accelerating economic transformation – we are concerned that the nature of the proposed new WOAN would have significant negative consequences. We have proposed an alternative 'hybrid model' – comprising a competitive WOAN with the opportunity to access spectrum for current operators – which we believe would have a greater positive impact in broadening connectivity, driving down costs and accelerating transformation.

Access to spectrum remains a critical need in making our communication services more affordable and in delivering new technological advances to customers across our markets. We will continue to engage constructively in these processes with regulators and government to ensure a speedy and fair resolution for the industry at large.

Looking ahead, we are encouraged by renewed economic and political stability in most of our markets. I believe that our investment and efforts to drive revenue diversification and digital transformation across the Group are having the desired effect, and that Vodacom is well placed to realise and share the significant opportunities associated with the increasingly rapid uptake of digital technologies. I remain confident that we have both the right strategy and the right team to drive exciting growth opportunities as we seek to change people's lives through building a connected society.

In closing, I wish to thank my colleagues on the Board and the executive team for their guidance and assistance over the year, and Vodacom's employees across our markets for their commitment in delivering on our strategy. The future is exciting. We're ready.

Shameel

Shameel Aziz Joosub
Chief Executive Officer

1 June 2018

Our business model

What we do

We secure access to spectrum, invest in mobile and fixed networks and information technology (IT), develop and widely distribute products and services tailored to our market segments, and run a strong customer care and brand programme.

These activities enable us to ensure revenue growth and high levels of cash generation, which is used to re-invest in the resources and relationships we rely on to do business.

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend on accessing spectrum, which we strive to secure at a competitive price through proactive engagement with governments and regulators. As part of our Vision 2020, we are building on our substantial investment in network infrastructure by expanding into fixed broadband assets (cable and fibre), and investing in IT services, Big Data, machine learning and analytics, customer relationship capability, mobile finance and online resources.

Procurement activities

We leverage off the global purchasing power and responsible procurement practices of the Vodafone Procurement Company, enabling the purchase of responsibly manufactured network equipment and handsets on favourable terms. We balance the benefits of global purchasing with our commitment to promoting economic opportunities in our host countries and driving BEE in South Africa.

Product and service development

To maintain revenue growth and diversity, and drive market share, we constantly seek opportunities to develop new products, services and pricing models. We are driving a segmented customer approach to cater for each customer's needs, wants and behaviours in both the Consumer and Enterprise markets. We place a strong emphasis on protecting customer privacy, and to mitigating the risk of data theft or loss. We are implementing the Agile methodology across various departments in the organisation to ensure that we can respond faster in a constantly changing environment.

Customer service

Providing 'the best customer experience' is a key strategic priority and an important source of market differentiation. We seek to constantly deepen our understanding of our customers and their needs, and to provide various ways for our customers to interact with our service teams.

Sales and distribution

We use various sales and distribution channels, including wholesale distributors, retailers, franchise stores, direct sales partners, call centres, street vendors, online and app channels and informal resellers. Our aftersales value chain of Vodacom repair centres and regional repair hubs has positioned us as market leaders in the aftersales community. Through container shops and informal traders we provide important opportunities for small-scale entrepreneurial businesses.

The future is exciting. **Ready?**

Managing our brand and reputation

We build a brand with purpose, developing and maintaining a reputation as a company that empowers a connected society and that shows leadership in promoting broad-based societal transformation. External reputation surveys show that the iconic Vodacom brand is consistently one of the most recognised and trusted brands across our footprint.

How we create value

Our profit formula

We generate profit by efficiently utilising mobile and fixed-line assets to provide our Consumer and Enterprise customers with voice, data, messaging and related services. Our competitive differentiation lies in the quality of our network, the nature of our products and services, the extent of our regional footprint, the quality of the relationships we have with key stakeholders, and our proven ability to manage our cost base.

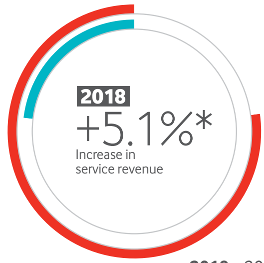
Our **revenues**

Most of our revenue comes from selling mobile data, voice and messaging services to individual consumers, with the balance coming from the sale of these mobile services, coupled with connectivity and network provision services to our Enterprise customers. The recent decline in mobile voice revenue has been more than offset by significant growth in data revenue, fuelled by the increased uptake of smart devices, improved network coverage, more affordable data bundles and enhanced digital content. Our Vision 2020 strategy aims to diversify these revenue streams even further in key verticals such as financial services, IoT, digital services and Enterprise.

Key **revenue** differentiators

- Consistent investment in infrastructure resulting in being rated first in network quality in four of our five countries of operation.
- A diverse and widespread distribution network across all our operations.
- Industry-leading customer value management systems, people and processes.
- Effective use of Big Data for personalised offers to customers to better suit their needs and behaviours.
- Competitive and compelling product offerings targeted by segment.
- Ability to offer vertically integrated solutions.
- M-Pesa, Africa's largest mobile payment platform.
- Leveraging off global enterprise relationships for pan-African service delivery.
- Best-in-class customer service support systems.
- Ability to leverage off our relationship with Vodafone, driving global best practice in performance.

Group service revenue composition



	2018	2017
Consumer service revenue	77%	78%
Enterprise service revenue	23%	22%

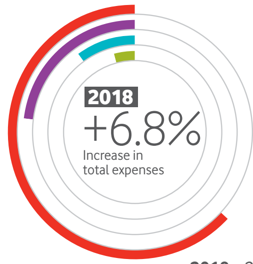
Our **costs**

We have a strong track record of optimising expenses and converting revenue into cash flow. We have achieved significant results in limiting cost growth through our 'Fit for growth' programme, managing staff expenses, publicity spend and other operating expenses. This has been enabled through an improved culture of cost containment across the business. Our resulting strong cash flow helps us to maintain a high level of capital re-investment, primarily in our network infrastructure to maintain our leading position in network coverage, call quality and data speed in all our markets. In addition to investing in the future prosperity of the business, cash generated from our activities allows us to maintain shareholder returns, with our dividend policy of at least 90% of adjusted headline earnings before accounting for any impact from the Safaricom acquisition and a flow through of any Safaricom dividends, net of withholding tax.

Key **cost** differentiators

- Leveraging global best practice on cost optimisation through our 'Fit for growth' programme where we benefit from and share best practice with Vodafone.
- Benefiting from the purchasing power of Vodafone Procurement Company.
- Consistent investment in network, delivering continuous improvement in operating costs through more efficient technologies and network innovation.
- Robust governance processes for approving investments and reviewing product, cost and investment decisions.

Group total expenses composition



	2018	2017
Direct expenses	63%	61%
Other opex	23%	24%
Staff expenses	10%	11%
Publicity expenses	4%	4%

Our investment case

Despite the strong drive to reduce the price of voice and data, we see significant opportunity for sustained revenue growth by protecting and growing traditional service of voice, data and messaging across our core markets, while driving the uptake in new verticals, including financial services, entertainment, fibre and building on our existing well-established differentiators.

- We have a leading network and strong brand presence in each of our markets.
- Each market has a young, growing population with significant scope for further data and digital adoption, in both the Consumer and Enterprise segments.
- We have a demonstrated reputation for strong management execution and capital allocation, delivering best-in-class return on capital employed (ROCE).
- We have a strong balance sheet and good cash flow generation to support further investment.
- The global shift to digital is presenting significant market opportunities, that telcos are particularly well placed to benefit from both in Consumer and in digitising the business for Enterprise.
- We are globally recognised for our leadership in providing mobile financial services and innovative digital services in an emerging market context.
- We have embraced Big Data and machine learning to drive revenue growth through personalised offers to customers.

How we sustain value

Investing in the resources and relationships impacting value.

Key resources	Key inputs
People, culture and governance (Human and intellectual capital) The technical and managerial skills, productivity and wellbeing of our people – coupled with a company culture and governance systems that foster innovation and compliance – are critical to our long-term success. Investing in our people is one of the most significant costs to our business, impacting short-term financial capital, but generating longer-term returns in all capital stocks. The anticipated changing nature of work, and the increasing role of digital and Artificial Intelligence may result in some pressure on certain traditional job functions.	- **7 554** employees. - **R278 million** invested in employee and leadership training. - Strong global brand.
Quality relationships with key stakeholders (Social and relationship capital) A positive reputation and quality relationship with customers, regulators, investors, suppliers and communities is the foundation of our ability to generate revenue. We believe in maintaining strong relationships with all our stakeholders. We see our role in society as positively contributing to societal issues like education, health and security. Investing in social capital often requires short- and medium-term financial capital inputs, but generally generates positive return across most capitals.	- **73.8 million** customers. - Informed engagement with regulators. - Investor confidence. - Positive supplier relationship. - Trusted brand.
Network and IT infrastructure (Manufactured capital) Our network infrastructure, data centres, distribution infrastructure and software applications are an important source of competitive differentiation. Investing in building and maintaining this infrastructure requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. Over the long term, the investments in manufactured capital typically generate net positive outcomes.	- **20 139** base station sites. - South Africa **91.9%**, International **87.5%** self-provided fibre and microwave connections. - **R11.6 billion** invested in strengthening our networks and IT infrastructure.
Financial capital (Financial capital) Which includes shareholders' equity, debt and re-invested capital – is a critical input in executing our business activities and in generating, accessing and deploying other forms of capital. Balancing the short-term interests of investors with longer-term growth objectives, and with some of the interests of other stakeholder groups, remains a critical objective and often involves balancing certain trade-offs.	- **R263 billion** market capitalisation. - **0.6 times** net debt to EBITDA ratio to execute growth. - **R14.2 billion** free cash flow. - **R703 million** interest earned. - **R42 billion** investment in Safaricom.
Natural resources (Natural capital) We require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing natural capital inputs diminish financial and natural capital over the shorter term. Some environmental outcomes impact negatively on human and social capital.	- Radio spectrum (700, 800, 900, 1 800, 2 100, 2 300, 2 600 MHz bands). - **501 GWh** electricity#. - **3 910 892 litres** of fuel#. - **203 516 kl** of water#.

South Africa only.

Activities to sustain value	Outcomes (2018)	
• Providing competitive remuneration and personal development opportunities. • Investing in technical skills and leadership development, employee wellness and safety. • Implementation of various health and safety initiatives. • Promoting employee diversity to address inequalities and improve customer appreciation. • Upskilling employees for digital transformation. • Implementing Agile business processes across all business units. • Improving our reputation as a quality employer of data scientists.	✓ R5.5 billion[1] invested in wages and benefits. ✓ 75% black and 48% female representation in senior management in South Africa. ✓ 9.0% voluntary staff turnover. = 78 Employee Engagement Index. ✗ 3 contractor fatalities in the DRC.	Page 32
• Differentiating our customer offering through network quality, positive customer experience, and tailored products and services. • Engaging actively with regulators, pursuing full compliance and driving a societal contribution. • Ensuring transparent investor communication. • Delivering social value through enhanced connectivity and services in inclusive finance, education, health and security.	✓ Net promoter score (NPS) leader in all markets. ✓ R16.5 billion total cash contribution to public finances. ✓ R31.2 billion weighted spend on BEE-status suppliers in South Africa. ✓ 11.8 million M-Pesa customers. ✗ Lost customers due to customer registration requirements in Tanzania.	Page 14
• Maintaining our network and IT leadership through targeted investment. • Enabling 2G, 3G and 4G on same network equipment through radio access network modernisation programmes. • Developing systems and process to enable Big Data analytics.	✓ Rated first for network quality in four out of five of our markets in network NPS. ✓ 782 new 2G sites. ✓ 1 334 new 3G sites. ✓ 1 165 new 4G sites. ✓ 54 247 fibre end points passed.	Page 28
• Optimising capital allocation. • Diversifying revenue growth areas. • Driving 'Fit for growth' cost programme. • Maintaining strong corporate governance structures and finance team. • Purchasing power on network equipment, devices and operating expenditure through Vodafone Procurement Company. • Employing smart capex deployments.	✓ Revenue up 6.3% to R86.4 billion. ✓ EBITDA up 5.3% to R32.9 billion. ✓ Cash generated from operations: R32.3 billion. ✓ Headline earnings per share: 923 cents. ✓ Total dividend per share declared: 815 cents. ✓ R2.8 billion paid to debt funders in interest.	Page 38
• Strong focus on energy efficiency of our network. • Identify opportunities to use IoT to promote resource efficiency through smart metering. • Recycling handsets and network equipment.	✓ 22 million GJ energy saved at our buildings in South Africa. ✓ 349 tonnes of e-Waste recycled. ✓ 871 solar-operated sites. ✓ 628 457 tonnes CO_2 emissions (Scope 1, 2, 3), 8% decrease from last year.	Page 34

1. Excludes staff expenses of R821 million (2017: R742 million) capitalised against property, plant and equipment. Includes dividends of R44 million (2017: R44 million) relating to the forfeitable share plan which was offset against the forfeitable share plan reserve.

Our operating environment

Seizing the opportunities, mitigating the risks

We have identified four significant trends that have a material impact on our business model. Our Vision 2020 strategy has been developed to ensure that we are best positioned to seize the opportunities and mitigate the risks associated with each of these trends.

The 'Fourth Industrial Revolution' – reshaping business models

- Developments in Artificial Intelligence, Big Data analytics and blockchain technology – accompanied by the growth in connected homes, autonomous vehicles, smart cities and the Internet of Things (IoT) – are disrupting traditional business models, presenting a major source of business risk, as well as new opportunities for value creation.
- Digitally connected consumers are becoming more activist customers, increasing their use of data and expecting highly-personalised interactions, while at the same time becoming very protective of data privacy.
- Together, changing digital technologies and consumer expectations are transforming business sectors and challenging many traditional business assumptions; the digitisation of many industry sectors presents significant opportunities in particular for ICT companies.
- In the mobile sector, the fastest growth area is in data, driven by increasing uptake of smart devices, improved networks, connected devices and the increased availability of data content. The greatest demand for mobile services is coming from emerging markets, where there is a young population base, higher economic growth, less fixed-line infrastructure, and significant further scope for mobile penetration.

Implications for our strategy

Our Vision 2020 – and our various strategic big bets – positions Vodacom to be a leading digital company, realising the substantial opportunities beyond our traditional revenue streams. We are rethinking our future networks and technology, redefining customer engagement, developing a company culture that attracts the best digital talent, and exploring innovative opportunities to drive positive social change in financial services, Enterprise, education, healthcare and agriculture.

Mobile internet users

2017 3.3bn

2025 5.0bn

Penetration rate (% of the population)

2017 43%

2025 61%

Source: GSMA Intelligence, The mobile economy 2018

A changing competitive landscape

- The telecommunications and mobile sector continues to be increasingly competitive, including non-traditional new sources.
- In our countries of operation there are typically two to five mobile network operators (MNOs), each of which is seeking strong competitive differentiation, through capital investment in networks, sometimes an aggressive price play, enhancing the customer experience for targeted segments, and/or developing new digital offerings.
- Over-the-top (OTT) services are prevalent in all markets. They have the effect of driving up data revenue, but also affect services such as messaging and voice which substitutes revenue from these traditional services.
- As we move towards being a digital enterprise, we are facing greater competition for new customers and employees from various non-traditional sources. These include new competitors, and potential collaborators, in the provision of technology, networks and infrastructure, and in the development and distribution of new digital products and services.
- As we provide content services we will be competing and collaborating with new competitors in entertainment, gaming and music services.

Implications for our strategy

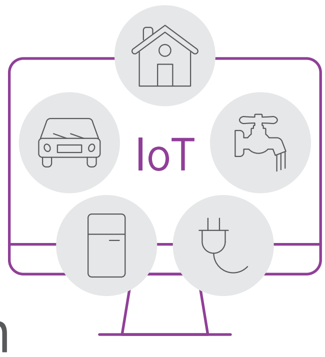
This growing competition, sometimes from unexpected sources, underlines the importance of ensuring that we are fast and flexible. Our Vision 2020 strategy aims to harness digital to drive clear competitive differentiation identifying opportunities for innovation, ensuring that we proactively deliver the best customer experience, and instilling an Agile culture across the organisation. In many instances, we are identifying innovative opportunities for collaboration and partnership for mutual benefit, rather than traditional competition.

IoT

2017 7.5bn

Total connections

2025 25.1bn



Source: GSMA Intelligence, The mobile economy 2018

Regulatory intervention and policy uncertainty

We continue to face regulatory challenges across our operations, with implications for revenue growth and cost efficiency. Significant regulatory and policy developments (by country), include:

- **South Africa:** The Electronic Communications Amendment Bill and the associated delay in licensing of spectrum bands; and End-User and Subscriber Service Charter Regulations by ICASA.
- **Tanzania:** National security and customer SIM registration; mobile financial services licences and regulations; tax revenue collection systems; and mobile termination rates (MTR) review.
- **DRC:** Communications Bill introducing changes to licence regimes; national security and customer SIM registration regulations; MTR regulation; temporary social media bans; and new taxes.
- **Mozambique:** M-Pesa recapitalisation requirements; 2G licence renewal; imminent spectrum auction; and national security.
- **Lesotho:** Renewal of mobile financial services licence; national security and customer SIM registration regulations; and VAT increase in FY2019.

Implications for our strategy

Anticipating, informing and responding to regulatory and policy developments requires that we develop and maintain proactive relations with governments, informed by mutual trust and respect, and a shared understanding on the need for more inclusive economic development. Our Vision 2020 strategy places a strong emphasis on democratising data access, and empowering a connected society.

Further details on our regulatory matters can be found in our Regulatory report at www.vodacom.com

Macroeconomic and political uncertainty

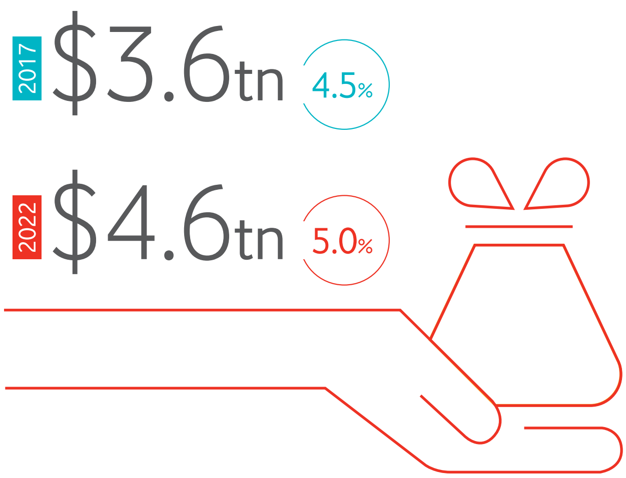
Challenging macroeconomic conditions in each of our markets is impacting investment, consumer disposable income, revenue growth and operating costs.

- In **South Africa,** our largest market, we have felt the impact of flat GDP growth rates, credit ratings downgrade, fiscal deterioration and volatile exchange rates, coupled with the political uncertainty in the run-up to the ANC leadership election in December 2017. The outcome of that election, and subsequent change in the country's political leadership, led to some renewed business and investor confidence.
- In our **International operations,** we are seeing an easing of inflationary pressures in some markets, and evidence that economic growth is likely to accelerate slightly. There is an increasing polarisation of politics across most markets, with some of them facing election uncertainties. In all of these markets telcos are facing sustained pressure from the introduction of new taxes.

Implications for our strategy

Continuing challenges in macroeconomic indicators highlight the importance of maintaining a strong efficiency drive, as well as providing strategically segmented products and services across consumer income groups, including those specifically aimed at low-spend customers. In South Africa we are seeing strong uptake in our Siyakha platform, while our M-Pesa mobile money offering continues to deliver strong growth across our International operations. We believe our strategic big bets are well placed in the context of the current and anticipated macroeconomic environment.

Mobile industry contribution to GDP



Source: GSMA Intelligence, The mobile economy 2018

Our key relationships

As a company we do not operate in isolation: our ability to deliver value depends on the contribution and activities of a range of different stakeholders.

In the table below, we briefly outline those stakeholder groups who have a substantive impact on our ability to create value, outlining how they impact on value and identifying some of their primary interests relating to our business activities.

Government and regulators

Provide access to spectrum and operating licences, the basis for creating value.

Impose regulatory measures with potential cost implications.

Means of engagement

- Proactive engagement with key stakeholders across governments on key topics.
- Participation in consultations and public forums.
- Submission and engagement on draft regulations and bills.
- Engagement through industry consultative bodies.
- Publication of policy engagement papers.
- Partnering on key programmes in education, health and gender-based violence.
- Hosting workshops across key stakeholders to improve understanding of the industry.

Priority interests

- Ensuring spectrum is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in underserviced and rural markets.
- Establishing licence certainty in our operating environments.
- Promoting opportunities for job creation and socioeconomic development (including transformation and localisation).
- Protecting consumer interests on service quality, costs and privacy.
- Regulatory compliance on issues such as mobile termination rates, price, security, safety, health and environmental performance.
- Contribution to the tax base.

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Customers

Purchase our products and services, providing the basis for revenue growth.

Means of engagement

- Call centres, retail outlets and online.
- MyVodacom app, messaging and USSD channels.
- Net promoter score (NPS) feedback interviews and focus groups.
- Social media interaction.
- Vodacom website.

Priority interests

- Better value offerings.
- Faster data networks and wider coverage.
- Making it simpler and quicker to deal with us.
- Converged solutions for business customers.
- Managing the challenge of data-usage transparency.
- Privacy of information.
- Feedback on service-related issues.

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Investors and shareholders

Provide the financial capital needed to sustain and grow.

Means of engagement

- Investor interactions, including roadshows, conferences and meetings.
- Investor days.
- Annual and interim reports.
- SENS announcements.
- Monthly and quarterly operational reviews with our parent company Vodafone.
- Investor relations page on our website.

Priority interests

- Strategy to ensure sustained financial performance of South African and International operations.
- Responsible investment to ensure growth, and to manage the risks and opportunities in our markets.
- Rationale for Safaricom acquisition.
- Responsible allocation of capital.
- Sound corporate governance practices.
- Transparent executive remuneration.
- Stable dividend policy.

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Employees

Their skills and involvement determine our ability to realise our vision of becoming a leading digital company that empowers a connected society.

Means of engagement

- Internal website.
- Newsletters, internal magazine and electronic communication.
- Employee Consultative Council with senior leaders and employee representation.
- Employee hotline.
- Leadership roadshows.

Priority interests

- Clear career paths and opportunities for career development.
- More knowledge sharing across the Group.
- Building the coaching capability of leaders.
- Better understanding of reward structures.
- Competitive remuneration.
- Digital upskilling.
- New ways of Agile working.

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Suppliers

Impact on our ability to cost-effectively provide products and services.

Means of engagement

- Supplier forums.
- Ongoing site visits.
- Audits.
- Business unit interaction.
- Tenders and request for proposals.

Priority interests

- Timely payment and fair terms, including quicker payment terms for qualifying smaller suppliers.
- BEE compliance.
- SMME/BEE supplier development.
- Improving health and safety standard.
- Partnering on environmental solutions.

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Communities

Add to the longer term viability of our markets by strengthening the socioeconomic context in which we operate.

Means of engagement

- Public participation where new base stations are required.
- Vodacom Foundation partnering with communities.
- Open days at universities.
- Investing and connecting computer centres in schools and teacher training centres.

Priority interests

- Access to mobile voice and data services.
- Access to basic services such as finance, health and education.
- Free-to-use social media, education and job sites.
- Investment in infrastructure.
- Responsible expansion of infrastructure.

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Business partners

A key interface with our customers, they are custodians of our brand and reputation, and critical to ensuring effective delivery of our objective of delivering the best customer experience.

Means of engagement

- Annual business partner conference.
- Bi-annual franchise roadshows.
- Quarterly franchisee council committee meetings.
- One-on-one business meetings.
- Training sessions on new products and services.
- Store, franchise and retail visits.

Priority interests

- Fair treatment.
- Top management involvement with customers.
- Making it simpler and quicker to deal with us.

Media

Critical role in keeping stakeholders informed of business developments, new products and services and the impact of our business operations.

Means of engagement

- Face-to-face and telephonic engagement.
- Interviews with CEO and key executives.
- Media releases and product-related publicity.
- Roundtables.
- Product launches.

Priority interests

- Being informed of key activities and offerings.
- Transparency.

Data costs

The issue: The cost of accessing communications services in general – and data in particular – remains a prominent concern for consumers and policy makers. Following the high-profile #datamustfall social media campaign launched in South Africa in 2016, the Competition Commission and ICASA have both launched processes relating to the cost and nature of data services.

Material stakeholder groups: Customers; government; industry regulators; and media.

Our response: We recognise the imperative of further lowering data prices, while not compromising our ability to make the investments in network and IT infrastructure needed to broaden and improve service delivery. We have various initiatives in place to reduce data costs and encourage customers to optimise their bundles and data usage; these include:

- Providing customers with bundles for varying periods of validity at affordable pricing (down to 3c per MB for a one-day, 1GB package);
- Reducing our out-of-bundle rates by up to 50%;
- Improving our in-bundle and out-of-bundle smart notifications for customers in line with ICASA's recommendations, and launching a data refill service to manage out-of-bundle pricing;
- Running targeted consumer campaigns to increase awareness on how to buy maximum-value bundles, check balances and more efficiently manage data usage; and
- Making data more affordable through various propositions that lower the cost barrier, such as Facebook flex (a low data, free version of Facebook without photos and video) and Siyakha (a platform offering access to zero-rated career, education and health websites).

Stakeholder 'hot topics' in 2018

Delivering social transformation

The issue: South Africa, our largest market, has some of the highest levels of inequality, unemployment and poverty in the world. Given the need to promote greater economic inclusion in the country, the South African government has highlighted its commitment to implement 'radical economic transformation'. In terms of the ICT sector, this is reflected in key provisions of the National Integrated ICT Policy White Paper and the Electronic Communications Amendment Bill. In our other markets there is similar pressure from government, regulators and consumers to further broaden access to digital services.

Material stakeholder groups: Government; industry regulators; employees; business peers; and customers.

Our response: Our Vision 2020 includes a clear commitment to removing barriers to digital access, and to deliver the significant societal benefits associated with improved connectivity. We are committed to playing a transformative role in the provision of financial services, education, healthcare and agriculture, and to demonstrating leadership in promoting BEE in South Africa. Our existing initiatives to accelerate socioeconomic transformation include:

- Our M-Pesa product that provides affordable access to financial services to more than 32.3 million (including Safaricom) customers, increasing savings, reducing poverty and opening up valuable economic opportunities;
- Our substantial investment in extending networks into rural areas across our countries of operation;
- Promoting commercially viable mobile agricultural solutions through our Connected Farmer platform, and delivering measurable education and health benefits through our mobile data initiatives;
- Our Siyakha platform, offering zero-rated health, education and career portals for low-income consumers in South Africa;
- Our investments in enterprise development, preferential procurement, skills development and employee diversity resulting in Vodacom consistently being recognised for leading BEE performance; and
- A retail transformation strategy that encourages greater 'black' ownership of our franchise channel.

Customer privacy

The issue: As our customers become increasingly connected, and as the ability to track and analyse consumer behaviour becomes more sophisticated, the need to ensure the full and effective protection of customer privacy and personal data has become more critical. This issue has received increased prominence globally.

Material stakeholder groups: Customers; government; industry regulators; and media.

Our response: Respecting the customer's right to privacy remains a top priority for us and is integral to our Code of Conduct. Our customers' rights are balanced against those of various security and enforcement agencies that are legally entitled and required to request customer information, and to instruct us to suspend service in certain circumstances. We manage such requests in accordance with Vodafone policies, procedures and guidelines, and with applicable local laws and regulations. As part of the Vodafone Group, we contribute to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight regarding demands from law enforcement agencies in 28 countries. In South Africa, we abide by the Protection of Personal Information Act (POPIA).

Network quality and coverage

The issue: Maintaining network quality and performance is an essential source of competitive differentiation. Unplanned disruptions in network performance negatively impacts consumer sentiment, which is sometimes rapidly disseminated on social media.

Material stakeholder groups: Customers; government and regulators; suppliers; employees; and media.

Our response: To cater for the significant increase in data usage, we have invested R11.6 billion across our markets to widen our 3G and 4G data coverage, improve voice quality and increase data speeds. In South Africa, our 3G coverage has increased to 99.4% of the population and 4G coverage to 80.1%, with high-speed transmission extended to 92% of our sites. Routine network quality tests confirm that we lead in most quality indicators. Our International mobile operations now have 7 288 2G sites, 5 258 3G sites, and 609 4G sites. Accessing spectrum remains a critical factor in further improving network quality and coverage, and reducing data costs.

Investors' perspectives on Vodacom's performance

We engage regularly with our major investors; the following is a summary of some of their key sentiments over the past year.

The 'Bulls' – seeing the upside in our performance

- Strong management execution.
- Positive earnings contribution from Safaricom.
- Solid capital allocation, delivering best-in-class return on capital employed (ROCE).
- Strong network investment.
- Sustained data growth potential, indicating future growth opportunities.
- Significant fibre and enterprise opportunity over the past year to supplement growth.
- Strong balance sheet capacity and cash flow generation, to support both dividend and future acquisitions.
- Generally improved investor sentiment following the appointment of President Cyril Ramaphosa.

The 'Bears' – identifying areas of concern

- Concerns that the Electronic Communications Amendment Bill threatens the current business model.
- Impacts of ICASA's pricing regulation and comments from government on data pricing in South Africa.
- General political and macroeconomic uncertainty impacting confidence.
- Potential impacts on anticipated BEE deal.

Vision 2020: Our strategy

Our vision is to be a leading digital company that empowers a connected society

- We will disrupt through technology while delivering world-class digital solutions.
- We will remove barriers to access as we evolve to the gigabit society, while transforming education, healthcare, financial services and agriculture.

Delivering on our strategy

Empowering the digital lives of our customers

Connecting everybody to live a better today and build a better tomorrow

Strategic objective	How we measure success	Goal to 31 March 2020	Performance at 31 March 2018	Owner
Page 20 **Segmented Propositions** We develop a deep insight of our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.	Service revenue growth rate (%)	Mid-single digit	3.4%	→ Chief Officer: CBU → Chief Officer: Vodacom Business → Chief Operating Officer: International Business
	Revenue contribution (%) from digital services (IoT, infotainment, advertising)	5.0%	3.2%	
Page 24 **Best Customer Experience** We provide a seamless, frictionless, personalised, digital experience to our customers.	Net promoter score (NPS)	#1 in all markets	#1 in all markets	→ Chief Officer: Commercial Operations → Chief Officer: Consumer Sales and Distribution
	Digital NPS	#1 in all markets	not yet measured	
Page 28 **Best Technology** We are the leading telco through the best network and IT excellence, with digital at the core.	Network NPS	#1 in all markets	#1 in all markets #2 in Tanzania	→ Chief Technology Officer
Page 32 **Digital Organisation and Culture** We build an organisation of the future where digital is first for all employees, underpinned by innovation, agility and new skills.	Employee Engagement Index	80	78	→ Chief Human Resources Officer
	Employee Digital Index	80	77	
Page 34 **Our Brand and Reputation** We are a purpose-driven brand with a deserved reputation for accelerating socioeconomic transformation by empowering the digital lives of our customers.	Brand leadership position	#1 in South Africa	#1 in South Africa	→ Chief Officer: Corporate Affairs → Chief Officer: Legal and Regulatory → Chief Officer: CBU
	Reputation survey	#1 in all markets	#1 in all markets	

Achieving these ambitions, requires us to

- **Optimise value from our existing telco activities** – ensuring we get the basics right to realise the significant remaining value from the latent demand across our markets.
- **Diversify and transform the business by growing into adjacent businesses in the digital space** – delivering on our strategic big bets to become a leading digital company.
- **Develop the capabilities and skills to become the leading digital company** – investing appropriately in our strategic enablers to drive digital transformation and deliver exceptional customer service.

Our strategic big bet

- Scaling M-Pesa (International operations) (page 21) and financial services (South Africa) (page 22).
- Consumer digital services and fibre leadership (page 22).
- Digitalising of corporates (Enterprise, digital and IoT) (page 23).

Our Strategic Enablers

Digitising our activities
- Digitising and optimising the customer experience (page 27).

Leadership in technology
- Modernising our network and investing in IT (page 31).

Big Data
- Leveraging data through Big Data analytics (page 33).

Deserved trust and reputation
- Accelerating socioeconomic transformation through digital solutions (page 35).

Delivering on our strategy – 2017 at a glance

- ✓ Sustained strong performance in M-Pesa, the world's leading mobile money provider.
- ✓ Good early growth in financial services in our South African market.
- ✓ Consolidated our strong potential to deliver in IoT.
- ✓ Progress in building a good team in Big Data analytics.
- ✓ Positive developments in each of our segmented propositions.
- ✓ Maintained strong reputation across our markets.
- ✓ Secured strong mutually-beneficial partnerships with leading global digital players.
- = Ongoing challenge in ensuring internal organisational culture shift to fully embrace digital.
- = Initial progress in establishing Vodacom as a work destination of choice for new skills, especially in Big Data.
- ✗ Missed growth targets in Consumer content as a result of unanticipated change in suppliers.
- ✗ Scaling fixed/fibre remains a challenge in a very dynamic market.
- ✗ Delays in 4G licences in International markets hindering data acceleration opportunity.

Segmented Propositions

We develop a deep insight of our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.

Vodacom Vision 2020

We deepen our understanding of customers' needs, and provide compelling propositions to meet these needs. We:

Lead in targeted segments by using Big Data analytics.

Monetise mobile data through targeted Consumer digital offerings.

Drive Enterprise growth through digital and solution sales, and IoT.

Leading in targeted segments

We have made good progress this year in building and monetising the base through our segmented propositions in the following areas:

- **Youth (Vodacom NXT LVL):** Over the last year, we grew our Youth customer market share significantly, doubling the number of customers on NXT LVL to three million, with stronger ARPU uplift and more data usage. Customer appreciation remains healthy as we maintain our top position on Youth NPS with a healthy margin. Our affinity building communications, mostly delivered through the NXT LVL TV show – which sought to enable youth to their NXT LVL through a music show format – was a number one trend on social media through the 10-week duration of the show.
- **Emerging Segment (Vodacom Siyakha):** Focused on low-income customers in the emerging prepaid segment, our Siyakha platform facilitates digital inclusion through affordable price packages, entry-level smartphones, and targeted offers and content. Siyakha has been focusing on four pillars: social connectivity, health, education and jobs. Our Mum and Baby service, launched in March 2017, has shown particularly encouraging uptake with more than one million customers benefiting in the year; paving the way to build on this success and deepen our focus on women as a segment. We celebrated Siyakha's first year anniversary at the beginning of February 2018, having improved over 7 million lives through technology and free services under these four pillars.
- **High Value (Vodacom Red):** Our aim is to drive multiple data device penetration and extend the content portfolio, while excelling in service recognition. Our efforts to live up to our 'Expect More' promise with Red has yielded positive results in the past year, significantly growing our customer market share by 2ppts. This was achieved in a highly competitive environment. The focus on customer CARE initiatives, coupled with various exclusive services and rewards for Red customers, has led to much higher NPS scores from our Red customers.

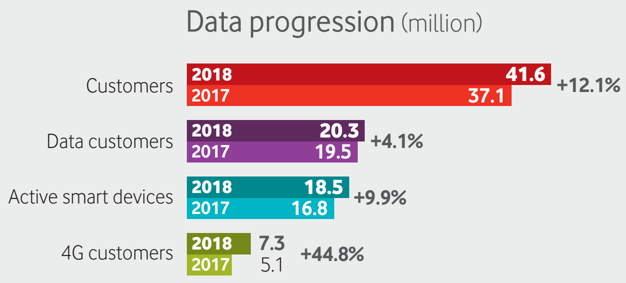
Looking to the future, we will be making greater use of Big Data and analytics (page 33) to deepen our understanding of consumer behaviour as we strive to develop highly-personalised product and service offerings within these segments, with the ultimate goal of achieving relevant offers for the segment of one. In addition to driving growth in the above three segmented areas, we will be further broadening our brand affinity in the emerging market segment, and adding new segments, starting with women.

We have continued to show strong performance in each of the four focus areas of our accelerated data growth strategy:

Commercial network roll-out

- We further increased our addressable 3G and 4G base by extending our network coverage and capacity in South Africa, Tanzania and Lesotho, and our 2G and 3G coverage in the DRC and Mozambique (page 30).
- In South Africa, 4G customers increased 44.8% to 7.3 million and our 4G network now covers 80.1% of the population, the first operator in Africa to achieve this feat.

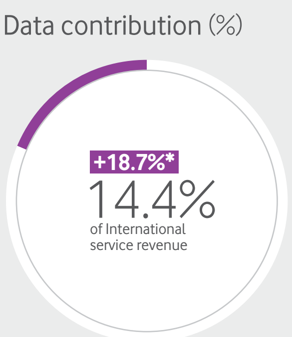
South Africa



Device penetration

- This year in South Africa, there were 11.6 million 3G devices on our network, while the number of 4G devices increased 46.4% to 7.9 million. We are looking to realise the significant upside from the 1.8 million data customers not yet using smart devices, by driving down smart device prices and accelerating device financing opportunities.
- Our device strategy, of offering more affordable devices, has assisted in increasing smartphone penetration in our International markets to 31.9% from 24.9% in the prior year. There has been particularly strong success in Mozambique, with penetration levels at 50.4%, driven by the success of Vodacom branded device offers.

International



R2.7bn capital investment

Data traffic up **+65.2%**

51.5% of customers are using data

Bundle engagement

- In South Africa, our industry leading application of Big Data and machine learning, created to deliver personalised bundle offers based on customer behaviour, continues to differentiate us from our competitors. Through our 'Just 4 You' platform we have accelerated the uptake of bundle offers, driving the sale of 2.3 billion bundles in the year, up 51.3%. Of these, 62.2% of bundle purchases were made through the 'Just 4 You' platform. Customers using bundles have grown 13.9% to 18.7 million.
- Data bundles sold increased 54.7% to 766 million. The increase in average monthly data used by customers on smart devices increased 18.4% to 784 MB. Average data consumption increases when migrating from a 2G to a 3G device and 4G device once again highlighting the value in encouraging customer migration to 3G and 4G devices.

Upselling digital services to existing users

- Digital services represented 3.2% of service revenue, a 24.3% increase on the prior year, reflecting our progress in increasing the availability and appeal of our digital products and services.

Strategic big bet

Scaling M-Pesa

Today, 32.3 million customers in our International operations and Safaricom rely on our service, making us the continent's leading mobile money provider, alleviating financial uncertainty and contributing to achieving the UN Sustainable Development Goals.

M-Pesa remains a strong growth driver in our International operations, with customers up 18.0% this year to 11.8 million. In Tanzania, 428 000 customers[1] are using our successful M-Pawa savings and loans product, developed in partnership with the Commercial Bank of Africa. There has also been a further steady uptake of our International Money Transfer (IMT) services. We continuously add new services to the platform entrenching consumer payment behaviour. In Tanzania, we have introduced lipa kwa M-Pesa, our merchant payment solution, showing very strong merchant take up. This platform gives customers the convenience to transact with M-Pesa at more points of sale. The equivalent of over USD160 million was transacted through this system alone this year. In Mozambique, we have expanded our agent network to more than 20 000 agents, while in the DRC and Lesotho we continue to incentivise customers to increase uptake. On average, USD1.9 billion was processed monthly through the M-Pesa system.

We see substantial further opportunities for M-Pesa revenue growth in our International markets, building on our leading market presence and platforms, and harnessing the opportunities associated with emerging disruptive technologies such as machine learning, Artificial Intelligence and blockchain settlement solutions. Our strategic stake in Safaricom, the current leader in the mobile money business, gives us access to knowledge, expertise and know-how in helping us to further accelerate adoption across our other markets. We will be looking to consolidate our market leadership in Consumer and Enterprise markets, accelerate the monetisation of services, expand our ecosystems, ensure a stable and favourable compliance landscape, and drive growth into higher value-add financial services.

1. 30-day active customers.

Strategic big bet

Scaling financial services in South Africa

We see significant potential in providing compelling offerings in the following areas:

Insure

Our existing segmented insurance portfolio, covering life, funeral and various short-term insurance offerings has grown steadily over the past year, generating revenue of approximately R625 million from 950 000 policies. With insurance remaining largely underpenetrated in South Africa, we see a substantial opportunity in growing and digitising our insurance offerings, building on the advantages we enjoy as a telco.

- We have a sizeable existing customer base, and a wealth of customers insights that will be leveraged for lead generation and conversion, and for developing highly-personalised product offerings.
- We have a strong direct billing relationship with customers, and multiple channels available for engaging with customers, with digital being the biggest and most efficient.
- Insurance is a sector particularly open to digital disruption, presenting exciting opportunities for digital players in terms of product innovation, underwriting, pricing and customer journey digitisation.

Enabled by our growing Big Data capabilities, we are exploring opportunities to develop products for both our existing and new customer base across our markets.

Pay

We currently have 290 000 customers utilising the Vodacom Express Recharge platform for direct recharges which has seen direct voucher sales increasing by 43.2% to R631 million. Growing direct voucher purchases through our express recharge platform will have a positive impact on cash flow, as well as margin improvement for Vodacom. We are also in the process of developing our own digital payment products, which will not only improve operating margins but also create new revenue streams in the future. In addition to the Consumer proposition, we are simultaneously developing Business to Business (B2B) payments processing capability that will be offered to our Enterprise customers.

Advance

Our Airtime Advance product achieved substantial growth in the past year by leveraging sophisticated AI capabilities. Total value of airtime advanced through this product increased from R1.8 billion to R2.7 billion, representing 43.8% growth for the year. We have expanded the Advance options to also include data bundles.

Strategic big bet

Consumer digital services and fibre leadership

We have established dedicated acceleration units to identify and realise new opportunities for monetising data and growing data usage by developing Consumer digital services in a range of areas, including:

- **Digital content:** We aim to provide the best digital experience across our six chosen verticals: video, music, sports and gaming, digital advertising, e-Commerce, as well as delivering a compelling ecosystem of third-party propositions. We made good progress this year in most verticals and will now focus on building scale, with a particular focus on exponentially growing digital advertising, video and the above ecosystems. This year, we secured a 25.2% growth in content-related revenue, and a 76.0% increase in unique content-users.
- **Consumer IoT:** We continue to develop product and service offerings in areas such as home automation and security, pet trackers, and personal accessories and wearables.
- **e-Commerce and related e-Services:** We are also developing new data monetisation opportunities through targeted partnerships in areas such as e-Commerce, e-Education, e-Health and e-Sport.

We are placing a strengthened focus on 'owning the household' through a three-part strategy:

- Providing the best network in mobile and fibre.
- Ensuring the most compelling household/family propositions.
- Delivering the best customer experience.

Making progress on rolling out fibre:

We progressed our fibre roll-out this year, covering more estates and business parks. We have 54 247 homes and business passed and 15 846 connected with fibre or fibre-like services. Looking to the future, we will be identifying opportunities for co-build, and are confident that we will deliver our fibre roll-out targets.

Driving Enterprise growth

Vodacom Business delivered another solid performance, with mobile market share remaining strong, continued growth in the fixed-line business and further delivery in Internet of Things (IoT).

- ✓ In South Africa, Enterprise service revenue grew 10.8%, now contributing 25.7% of service revenue.
- ✓ The Enterprise mobile customer base increased 6.9% year-on-year to 1.3 million customers, driven predominately by growth in the small and medium enterprise (SME) and public sector markets.
- ✗ Mobile revenue was negatively impacted by the slower roll-out of services from the National Treasury contract, with ARPU declining as we implemented the increased discount coupled with an unexpected lag in onboarding of new departments.
- ✓ Service revenue growth from fixed services increased 55.6%, driven by the inclusion of wholesale transit revenue (a new low margin business), IPVPN revenue growth of 7.5%, Cloud and Hosting revenue growth of 17.2% and other connectivity growth of 30%.
- ✓ We extended fibre capillarity through partnerships with existing providers, and extended Cloud and Hosting through the successful launch of the SME Business Place. We also have extended our hybrid Cloud capabilities to private and public entities.
- ✓ Our IoT business continues to grow, with revenue up 11.1% to R758 million. As Low Power Wide Area Network (LPWAN) technologies and use cases become more ubiquitous across the globe, we consolidated our leadership position for LPWAN in narrowband IoT (NB-IoT) technology. This year, we executed the first billing projects on the Vodacom IoT enablement platform, digitalising several commercial buildings to enable a 'Smart Building' service. We also executed IoT service projects in smart utility management services, cold chain management and smart asset management, combining IoT hardware, connectivity and platforms. In health, we achieved a milestone of 10 million stock reads on our stock visibility solution platform, reducing the number of stock-outs in the national health system.
- ✓ Our mobility and managed services solution have also gained traction. Vodacom Business is partnering with the South African Department of Education to improve access and learning to students, especially in rural areas. We have now rolled out over 46 000 laptops, tablets and interactive white boards together with Vodacom E-Learning Managed Service in various rural schools.
- = At year-end we had a 13 point lead in Enterprise NPS score over our nearest competitor, increasing our lead in small and medium enterprises. We have actions in place to improve our lead with a goal of securing a 15 point lead.

Strategic big bet

Enterprise, digital and IoT

To drive Enterprise growth to 2020, we are focusing on three strategic investment areas:

- **Build our core sales channel:** We will continue to defend our lead in mobile, through pricing transformation, strong network performance, and the expansion and enhancement of our product portfolio. At the same time, we will work to position Vodacom as a market leader in fixed data and fixed voice (VOIP) through our targeted investment in fibre and fixed wireless capillarity, and in next generation networks. In South Africa, we have contracted with a leading national retailer in the FMCG sector for expanding our fibre network. This is an excellent example of Vodacom's capability in delivering fibre solutions at a national scale. In our International markets, we will further expand our ecosystem to support M-Pesa for Enterprise.
- **Cloud and security:** We will grow our Cloud business, with emphasis on the application level versus infrastructure products. We will continue to attract large global brands through co-location, with a strong pipeline of new opportunities. In addition, we will look to partner with hyperscale Cloud providers – such as Microsoft Azure, Amazon Web Services, Alibaba and Google – whose platforms are used by many of our existing customers. We will also expand our professional capability to assist our customers in migrating their existing workloads, as well as building new capabilities on the new platforms. We will expand our security capability to a richer solution set. The investment in our own Cyber Intelligence Centre has provided great insight from customers on the market appetite for an evolved security strategy. On Big Data, we will launch our own retail analytics capability, providing new insights from AI and machine learning.
- **Market leadership in IoT:** Our goal is to become the IoT solutions partner of choice, building on Vodafone's recognised leadership in this area and its extensive resources in Africa. Vodacom was awarded the 2018 Africa Technology Innovation Award for its NB-IoT technology deployment. We will be extending our IoT connectivity leadership in all vertical markets, providing end-to-end services across the full IoT value chain: connecting things; collecting the data; analysing the data; and taking action on this data. We continue to identify opportunities in hardware, connectivity management, and in developing and providing services in areas such as Big Data analytics, application enablement, and Cloud and Hosting. In doing so, we are leveraging off the deep vertical expertise developed in conjunction with our subsidiaries XLink and Mezzanine. We currently have 3.6 million machines or things connected to our network.

Best Customer Experience

We provide the most engaging customer experience, blending the best of technology and human interaction in a personal, instant and easy way.

Vodacom Vision 2020

We digitise and simplify the customer experience, substantially enhancing the quality of service by:

- Using Big Data analytics, machine learning and AI to provide a complete 360 degree view of the customer.
- Providing customers with a seamless, fully integrated one-channel experience, ensuring consistent, personalised and efficient customer engagement, both online and in-store, with digital the dominant support channel and MyVodacom app the channel of choice.
- Developing high-technology stores of the future that use biometric and IoT-enabled services, and augmented and virtual reality.
- Increasing the use of automation, robotics and biometrics to optimise the customer experience and achieve operational efficiencies across our engagement channels.

Providing the most engaging customer experience across all channels creates an important source of competitive differentiation. In line with our vision of becoming a leading digital company, our goal is to digitise the customer experience and substantially enhance the quality of service we provide, so that we lead in net promoter score (NPS) in each of our markets.

Optimising the customer experience

Our approach to optimising the customer experience has been guided, since May 2015, by our CARE initiative, an ambitious three-year programme across the Vodafone Group that focuses on four key areas:

C **Connectivity that is reliable and secure**
'Network satisfaction guaranteed'

A **Always excellent value**
'Control your costs with no surprises'

R **Rewarding loyalty**
'Extra rewards and better service'

E **Easy access**
'Always available, ask only once'

Our Performance

C **Connectivity – We will guarantee network satisfaction in terms of speed, reliability and coverage, and take a proactive approach in monitoring and maintaining coverage, call and data quality.**

- We were the first African operator to extend 4G coverage to more than 80% of the population.
- Introduced Wi-Fi Calling, allowing customers to make calls and send SMSs over Wi-Fi, and make calls at local South African rates when abroad.
- Achieved solid uptake of our Vodacom Business Booster app, a full feature service offering for our SME market.
- Launched iFLIX partnership in Tanzania providing our customers with unlimited access to thousands of local and international TV shows and movies via the iFLIX app.
- Developed and rolled out the Vodacom Virtual Chief Information Officer (CIO) initiative, providing small business with proactive monitoring, full remote and on-site support.
- Further roll-out in Tanzania of Connected Farmer, a Cloud-based web and mobile software solution that links enterprises to smallholder farmers.

A **Always excellent value – We aim to ensure that customers have full control of their spend, and do not have any surprises from bill shock.**

- Further uptake of our award-winning MyVodacom app allowing customers to view balances, buy bundles and manage accounts, free of charge. In South Africa, we have more than two million users.
- Improved our in-bundle and out-of-bundle smart notifications for customers, and launched a data refill service to manage out-of-bundle pricing.
- Enhanced our International roaming offers, with daily fee Travel Saver prepaid and Data Travel bundles, and broadened our International prepaid data-roaming footprint from 64 to 180 countries.
- Offered Enjoy More – Worry Free bundles for Showmax and DSTV.
- Launched Vodacom Business Data, a 12- or 24-month contract with a unique auto-activating data bundle feature ensuring that users are never out-of-bundle.
- Positive uptake of Vodacom AssistSuites, a web-based application that allows small businesses to plan their communications with customers.
- Implemented enhanced alert notifications in the DRC on voice bundles, and enabled customers to set a limit on out-of-bundle usage to better manage their spend.
- Launched new 'Just 4 You' bundles in Lesotho to improve simplicity.
- Launched phase II of the MyVodacom app in Tanzania, adding additional valuable features.

R **Reward loyalty – We reward long-term customers, and enhance our existing contract and prepaid loyalty programmes.**

- Ran a successful summer campaign, SHAKE Everyday, with more than 156 million prizes offered with a 56% redemption rate to 19.6 million unique subscribers.
- Launched a rewards promotion to encourage uptake of the MyVodacom app, where 10 customers per day could win 100 gigs of data valid for 30 days.
- Siyakha Price Plan rewards customers up to R10 000 free funeral cover, and an additional 50% of recharges back as Siyakha extra airtime.
- Launched Vodacom Trade Direct, our business-to-business web-based platform that allows both buyers and sellers to come together in a secure and reliable online environment.
- In the DRC, we have seen significant uptake in our 'Just 4 You' offering, with machine learning informing highly-personalised offers based on customers' behaviour.
- In Tanzania, we sent out more than one million personalised birthday messages and free gifts (airtime and data) to customers on their birthday.

E **Easy access – We will maximise the efficiency and quality of customer support by digitising our customer experience and maintaining a segmented approach to deliver customer excellence.**

- In response to a 200% increase in total social media queries from customers over the last 12 months, we launched a specialist Social Media Command Centre that can quickly scale up or down to meet online customer needs.
- Launched an enhanced Airtime Advance service, enabling customers to undertake multiple advances to increase their access to voice and data offerings.
- Implemented fingerprint authentication to enhance the logon process for MyVodacom app.
- Introduced a new retail app allowing customers to complete an upgrade in store in half the usual time.
- Introduced a converged self-service portal for corporates.
- Launched Red Family Share, a convenient data sharing solution for high-value Red clients that allows them to share their data with up to six other Vodacom friends and family members.
- Successfully rolled out our front-line operational excellence programme called Flight in Tanzania and Mozambique and an improved Knowledge Base portal in Tanzania, Mozambique and Lesotho, resulting in marked improvements in our first call resolution rates.
- We launched the MyVodacom app in Tanzania, the DRC and Lesotho.

Digi-CARE

As part of our Vision 2020 commitments, we will be adapting the definition of the four CARE pillars to make them more digitally specific:

- C **Connectivity that is smart and secure**
- A **Always excellent value**
- R **Real-time relevant rewards**
- E **Easy, personal and instant access**

Through digi-CARE we will be looking to provide the most engaging digital customer experience, blending the best of technology and human interaction in a personal, instant and easy way.

Driving a positive customer experience in our retail operations

South Africa

We have continued to drive our Vision 2020 across our retail activities this year, embedding a digital culture and delivering digital capabilities to maintain market differentiation through the quality of our end-to-end service offerings.

- ✓ Rolled out the Vodacom Retail app to 265 stores with 832 tablets in circulation, enabling customers to do paperless upgrades instantaneously with a sales consultant, halving the transaction time.
- ✓ Delivered the Qnomy queue management system to 195 stores across the country.
- ✓ Rolled out the Vision 2020: Digital Now! Customer Now! training to 1 173 front-line staff in 195 stores.
- ✓ Extended our Perfect Start Up practice into Chatz stores and independent dealers, with more than 400 stores now adopting these enabling services.
- ✓ Successfully completed 20 stores as part of the transformation strategy of our Vodacom 4U channel, repositioning the brand for the youth segment. We are on track to complete around 90 stores in three years.
- ✓ Digitally enhanced 187 of our Vodacom Shop stores with LFD commercial screens, LED projecting signage, and digital integrated panels.
- ✓ Maintained a strong focus on our differentiated after-sales model, driving our repair avoidance strategy and first-line repair resolution through TechZone, resolving more than 200 000 first-line technical services within 24 hours and processing on average 650 000 repairs within five days.
- ✓ Through our 'Fit for growth' initiative, we moved 1.2 million customers from a paper-based billing solution onto an e-Billing platform solution, achieving savings of R38 million.

International

We have continued to enhance our activities across our International operations, building on earlier progress in driving our ambitious CARE initiative.

- ✓ We have made further progress in rolling out new store formats in all our markets, as well as additional investment in improving our customer call centres. We continue deepening our use of digital as a means of further enhancing the customer experience, primarily through our 'Just 4 You' offering.
- ✓ We have had good uptake on our registration app aimed at improving the customer experience and mitigating the negative impact of the significant customer registration requirements in Tanzania, the DRC and Mozambique.
- ✓ In Tanzania, Mozambique and Lesotho our new Knowledge Base Portal is enabling our front-line staff to more readily access information on all our products and services. This has increased efficiency in customer handling and further improved the customer experience through our knowledgeable call centre and retail staff.

Delivering leadership on NPS

To measure the quality of the customer experience, we use the NPS based on one question: "How likely would you be to recommend Vodacom to a friend, family member or colleague?" Vodacom ended the year leading in NPS in all of our markets, for the first time, which is a significant achievement.

- In **South Africa**, at year-end we ranked number one in both Consumer and Enterprise NPS, with a 10 and 13 point gap respectively against our nearest competitor.
- In the **DRC**, we have a 4 point gap ahead of our nearest competitor, taking the lead in the market for the first time in over six months. We are leading the market on all customer care attributes.
- In **Tanzania**, we have a 13 point gap to our nearest competitor, despite heavy competitive pressure in the form of price cuts by competitors.
- In **Mozambique**, we maintained a stable headline NPS at 65 points, with a lead of 4 points, driven by improvements across most emotional attributes.
- In **Lesotho**, we maintained a lead in headline NPS at 70 points, leading in most functional and emotional attributes.

Our NPS performance rating

Country	2018	2017	2016
South Africa	1st	1st	1st
Tanzania	1st	3rd	2nd
DRC	1st	1st	4th
Mozambique	1st	2nd	1st
Lesotho	1st	1st	1st

Strategic Enabler

Digitising and optimising the customer experience

We have six strategic priorities aimed at blending the best of technology and human interaction in a personal, instant and easy way:

- **Driving digital:** Our goal is to drive digital sales transactions, both in absolute numbers and as a percentage of total sales, across our various digital channels. We are investing in richer and more intelligent interfaces, Big Data analytics, and IT-based customer engagement and management tools to optimise the customer experience and achieve greater efficiencies across all channels. We have made valuable progress in our drive to get customers to start their sales journey online, and finishing in-store to collect their device.
- **Store of the future:** We will be further modernising and digitising our retail channel, providing a retail model that is globally aligned, locally segmented and that creates a consistent emotional connection for customers to the Vodacom brand. We will be showcasing our digitally transformed retail channel experience with the reopening of our flagship Vodacom World, providing customers with a more personalised experiential journey, and demonstrating the potential in the areas of IoT and technology.
- **One-channel:** Our aim is to provide a seamless, fully integrated one-channel experience, creating a phenomenal customer experience ensuring that Vodacom is incredibly simple to do business with.
- **Channel economics:** We will be reducing reliance on the traditional wholesale channel, and optimising the channel mix by encouraging a shift to digital, using Big Data analytics to drive efficiencies across all channels.
- **Segment and counties:** Building on the early successes of our segment-based county, cluster and micro-cluster model, we will be using this model to drive our targets to secure and consolidate our leadership in market share per segment and county.
- **Terminal and logistics:** We will maintain our strong focus on driving penetration of smartphones, reducing the usage of 2G devices, and embedding Consumer IoT uptake.

To track our progress on digitising the customer experience we use the digital NPS key performance indicator to measure our customers' digital exposure to our brand campaigns, digital touch points, offerings and services.

Best Technology

We are the leading telco through the best network and IT excellence, with digital at the core.

Vodacom Vision 2020

To deliver on our vision of being the leading digital telco we:

Modernise our networks and grow our connectivity footprint; implement Big Data and Artificial Intelligence (AI) technologies for superior analytical capabilities and transform technology processes to underpin all decision-making with strong and data-driven insights.

Accelerate our IT strategy implementation programme and continue embedding Agile culture into the way we work.

The modern digital customer expects more than just seamless connectivity from a network provider; they also expect to have access to self-help services, real-time management of spend, and instant access to online content and services, anytime, anywhere. They also expect organisations to quickly adapt to their evolving digital needs, wants and behaviours. To deliver on our ambition of being a leading digital organisation, we need to invest in the latest network technologies, Big Data analytics and scalable smart-IT systems. This will enable our customers to remain confidently connected with a personalised, digital experience.

Our performance

Across the Group we invested R11.6 billion this year in infrastructure, realising a capital intensity of 13.4%. Major investment programmes included expanding our network coverage in 2G and 3G across all our markets and 4G in South Africa, Tanzania and Lesotho, as well as improving the overall network performance and customer experience. As a result, we have maintained a strong lead in terms of net promoter score (NPS) for network quality and network coverage in all of our markets, except Tanzania where we also made significant progress in closing the gap to our main competitor. At the same time, we delivered substantial cost savings through our Technology Efficiency programme. A key focus across our markets this year has been responding to instances of increased investment from the competition, to ensure that we maintain a differentiated network experience.

South Africa

We further extended our voice and high-speed data coverage

- ✓ 2G remains at over 99.9% of population.
- ✓ 3G extended to 99.4% of population.
- ✓ 4G extended to 80.1% of population, the first in Africa to reach >80% coverage.
- ✓ Expanded our 4G+ roll-out in key areas, where different frequencies are combined to provide faster 4G speeds and increase capacity.
- ✓ Extended rural coverage by adding 101 rural sites this year to towns that never had coverage before.
- ✗ Access to sub 1 GHz 4G spectrum (700/800 MHz) will enable more cost-effective expansion of 4G to rural areas and will improve deep indoor 4G coverage.
- ✗ Further expansion of our 4G+ footprint has also been limited by spectrum constraints.

We worked on enhancing our network performance and improving the customer experience

- ✓ Enabled more than 85% of our 3G sites with dual carrier technology to improve data speeds and selectively re-farmed our 900 MHz spectrum for UMTS900 upgrades on key sites to improve deep indoor coverage and extend our rural 3G coverage footprint.
- ✓ Leveraged our national roaming agreement with Rain to provide an improved data experience for our 4G customers.
- ✗ We experienced an unfortunate challenge with the outsourced maintenance of our mobile network, following the decision by an incumbent supplier to terminate their contract which has been in place since March 2016. During the final months of the contract, network performance was negatively impacted as the previous incumbent exited the relationship. We have accelerated the onboarding of a new, experienced supplier since February 2018, and network performance levels are improving.
- ✗ Although we achieved good progress in improving our overall network availability, we continue to experience some challenges relating to power outages and vandalism.
- = Our main competitor closed the network performance gap during the past year, through their sustained accelerated investment programme over the past few years. We continue to execute on firm initiatives to ensure that we continue to provide the best network experience in South Africa despite the accelerated investment programme of our competitor.

We upgraded and expanded our network infrastructure to expand our reach and capabilities

- ✓ Increased the percentage of base stations with self-provided high-capacity microwave transmission to 91.9%, to handle the growth in data traffic.
- ✓ Continued to modernise our core network systems, leveraging virtualisation technologies for improved flexibility, performance and reliability.
- ✓ Implemented a Customer Experience Management system to enable an end-to-end view of our customer experience on a single platform. This enables us to detect customer experience issues, understand root causes, and initiate the best action to fix the problem.
- ✓ Significantly grew our fibre to the home and business footprint (FTTx), with over 54 247 end-points passed; by implementing an end-to-end digital approach to service delivery and network planning. This helped to drive significant reductions in both our FTTx connection costs and time to connect.
- ✓ Launched the first commercial NarrowBand Internet of Things (NB-IoT) network in Africa, and made good progress in further enhancing the capabilities of our Internet of Things (IoT) platform to support true end-to-end application capabilities and propositions.
- ✓ Achieved ~90% of our Enterprise microwave and fibre access delivery targets.

We made sustained investments in IT to support our digital telco ambitions

- ✓ Initiated the separation of legacy back-end IT systems from new, front-end digital services to create a platform that can handle high volumes and faster transactions in order to improve customer experience. This new digital experience layer will also improve time-to-market for integration between our network and third-party digital service providers, benefiting our customers by providing easy access to exciting new digital services.
- ✓ Continued investment in Cloud infrastructure and migrating applications, IT services and network functions onto our Cloud platforms to enhance flexibility and improve scalability, availability and performance of services.
- ✓ Enhanced and further simplified our IT platform architecture by leveraging standard Application Programmable Interfaces (APIs) thereby ensuring re-usability and ease of integration between internal systems and with third parties.
- ✓ Successfully implemented the first stage of our Big Data journey with a focus on machine learning as a service and real-time contextualisation aimed at enhancing our successful 'Just 4 You' programme and driving personalisation down to a segment of one.
- ✓ Continued the evolution of our customer relationship management (CRM) and billing systems with improved functionality, and completed the Consumer contract and top-up customer migrations to our new CRM system.
- ✓ Used Robotic Process Automation and AI to automate the handling of network failure queries via email and instant messaging through bots.
- ✓ Made further progress in assessing and implementing data protection controls and processes to address cyberthreats associated with newer technologies such as Cloud and IoT, and to ensure compliance with new privacy and protection laws.

We continued to securely connect our Enterprise customers

- ✓ Increased network capillarity, with more Enterprise customers securely connected on-net through both fixed and mobile technologies such as fibre, microwave and mobile 3G/4G. This was complemented with the OneNet Business suite enabling our customers to experience the benefits of a fully unified communications service (converged mobile and fixed telephony).

- Our Cloud services continued to evolve with the expansion of Infrastructure-as-a-Service (IaaS), as well as a SAP-certified Platform-as-a-Service (PaaS) offering, including continuous improvement in customer self-service capabilities.
- Internet of Things (IoT) is one of the key strategic growth areas of the business and our existing global IoT capabilities and footprint will be enhanced with IoT end-to-end application capabilities and propositions. We have completed a few class-leading solutions for Enterprise customers, leveraging off our investment in a ThingWorx® IoT platform – this early success will be expanded to develop and mature further new IoT applications and solutions.

South Africa maintaining our lead

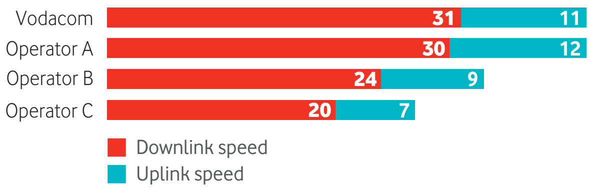
+9ppts ahead

of nearest competitor network NPS

2017 MyBroadband Awards Winner

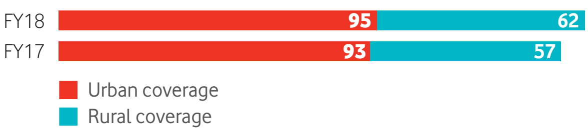
'Best Mobile Network'

Benchmark data performance[1] – 4G
(Mbps)



1. Source: Ookla (January 2018 – March 2018).

4G Population coverage
(%)



International operations

Our capex investment translated into expanded network coverage, and improved network performance and availability, across our International markets.

We extended network coverage

- Grew our coverage to more than 7 200 2G sites and 5 200 3G sites across our markets.
- Almost doubled our 4G-enabled sites in Tanzania with aggressive refarming of 1800 MHz spectrum. An auction for 700 MHz spectrum to enable wider and more cost-effective 4G coverage expansion and deeper indoor penetration is scheduled to take place during June 2018.
- Continued to seek out opportunities to gain access to 4G spectrum in Mozambique to improve our data services.
- The DRC was granted a 4G licence on 11 May 2018.

We delivered performance improvements

- Achieved significant improvements in data download speeds in Tanzania despite a significant increase in traffic, and reflected in the improvements in both crowd sourced download speed measurements from Ookla and also seen by an improvement in our Network NPS.
- Ensured that we are 100% single Radio Access Network (RAN) compliant in our International markets, thus ensuring our radio network equipment technology agnostic.
- Achieved compliance with the Vodafone Global Network Resilience policy; this policy has been extended to include the fixed network, as well as IT services and ensures that our operations are able to quickly recover from major disasters.

We strengthened our IT capability

- Ensured that all our markets now have the IT capability to support our personalised pricing offer 'Just 4 You', as well as other contextual marketing offers.
- Successfully launched the MyVodacom app in the DRC, Lesotho and Tanzania to drive the adoption of self-service, improve customer satisfaction and deliver greater operational efficiencies.
- Launched the M-Pesa app in Tanzania, making it quicker and easier to conclude mobile money transactions on smartphones.
- Progressed in evolving contextual marketing capabilities, with real-time triggers and machine learning, and enhanced online capabilities in all International markets.

International fending off the competition

Data speeds[2] (Mbps)

	Vodacom	Next best competitor
Tanzania	13.3	9.9
DRC	6.1	5.7
Mozambique	7.7	6.2
Lesotho	18.9	16.1

1st in all operations

Coverage (%)

		Vodacom	Next best competitor
Tanzania	3G	46	26
	4G	13	9
DRC	3G	28	27
Mozambique	3G	41	17
Lesotho	3G	98	70
	4G	68	35

1st in all operations

2. Source: Ookla March 2018.

Network NPS across our markets

Vodacom continues to show leadership with respect to Network NPS across all International markets, except Tanzania where customer perception continues to be influenced by aggressive pricing offers of a recent entrant to the market. The gap to the nearest competitor has been steadily closed during the year, mainly due to our continued investment and subsequent improvement in network quality, availability and coverage.

	Overall network NPS position	
Country	2018	2017
South Africa	#1	#1
Tanzania	#2	#3
DRC	#1	#1
Mozambique	#1	#2
Lesotho	#1	#1

Strategic Enabler

Modernising our network and investing in IT

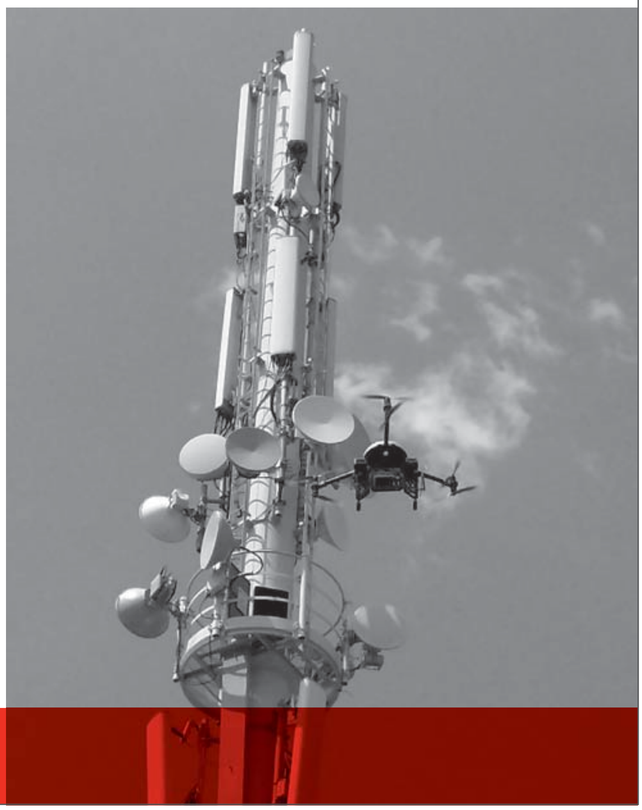
To deliver on our Vision 2020 of being the leading digital telco, we will be modernising our network to support the latest technologies, use data analytics and AI to improve our planning and operations capabilities and deepen our IT capabilities.

Modernising our network and improving our planning and operations capabilities:

- We will modernise our RAN across all of our markets, ensuring that we will be ready to deploy the latest technologies and offer the best customer experience across our 2G, 3G and 4G networks. Key to the transformation is to ensure our network supports higher speeds, lower latency and a massive number of simultaneous connections for IoT.
- Evolve our core network, by deploying technologies such as software defined networks (SDN) and network function virtualisation (NFV) in order to ensure that we drive on-demand scalability and flexibility of network resources.
- Continue to roll-out a national IoT network and develop new IoT applications and solutions.
- A key focus will be to enable smarter planning and operational capabilities. Network planning will be driven by deep insights across multiple dimensions and network operations will be made more efficient through predictive performance analysis.

In deepening our IT capabilities and implementing our IT acceleration programme, we will:

- Scale Agile development methodologies and automated testing to improve time-to-market and the overall quality of our products and services.
- Insource critical digital skills and knowledge to ensure sustainability and maturity in terms of digital resources and capabilities.
- Drive Cloud migration and application adoption to ensure benefits such as on-demand resource optimisation, scalability and flexibility are achieved.
- Strengthen our ability to harness Big Data analytics and machine learning to drive predictive analytics and automation capabilities in order to enhance customer experience and improve operational efficiencies.
- Identify and realise opportunities for using robotics and cognitive automation to automate routine and rule-based tasks; this will include deploying our virtual workforce (Robotic Process Automation) with robots being deployed in selective areas, as well as launching our full live chatbot for contract customers via the MyVodacom app and online portal.
- High-volume customer journeys are optimised for the best possible digital experience.
- Improve our cybersecurity measures and controls, ensuring that our customers stay confidently and securely connected.



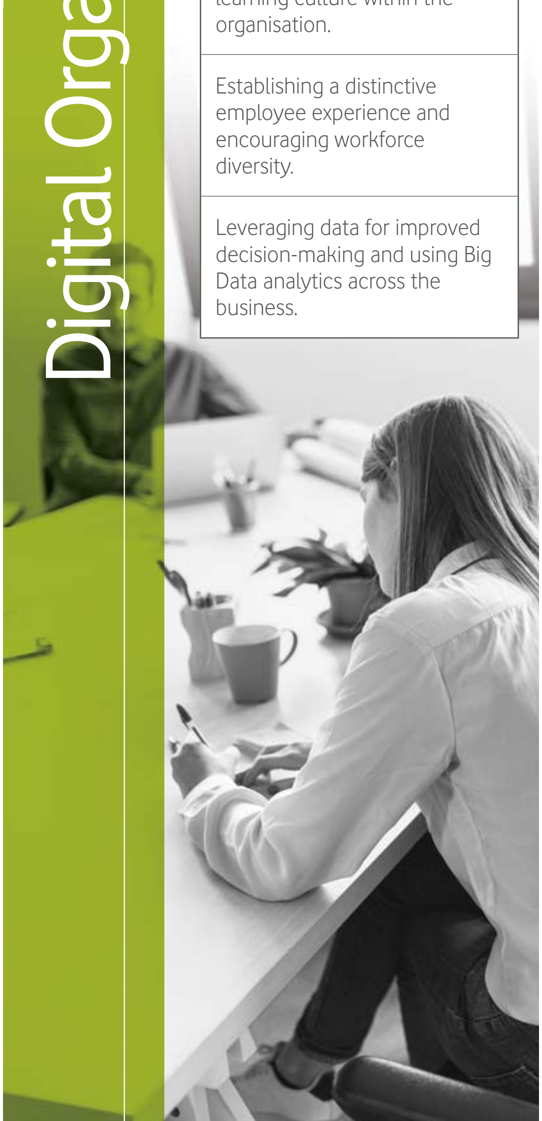
Digital Organisation and Culture

We build an organisation of the future where digital is first for all employees, underpinned by innovation, agility and new skills.

Vodacom Vision 2020

We digitise the organisation, and ensure the right people and culture by:

- Creating an Agile, future-focused organisation that drives simpler, faster execution.
- Accelerating digital skills and a learning culture within the organisation.
- Establishing a distinctive employee experience and encouraging workforce diversity.
- Leveraging data for improved decision-making and using Big Data analytics across the business.



Becoming a leading digital company requires a digital transformation within our own organisation, built on a culture that fosters organisational agility and collaborative working, that attracts and develops the rights skills, talent and diversity, and that uses Big Data and analytics to inform decision-making.

Creating an Agile, future-focused organisation

In delivering on our ambition of being a leading digital organisation, we are placing a strong emphasis on embedding a culture where the attributes of speed, simplicity and trust inform how we work.

We have further streamlined our operating model, organisational structure and decision-making processes, with the goal of promoting a more Agile, future-proof way of work. We have placed a particular focus this year on embedding Agile structures, principles and tools in our operating model, establishing various collaborative cross-functional 'digital accelerator' teams and scaling these across the organisation. This Agile planning framework is improving the quality of engagement across business units, increasing the level of Executive Committee member inputs, and encouraging greater alignment and accountability on mutually-agreed outcomes and performance indicators.

Accelerating digital skills and a learning culture

This year, we invested R287 million in the training and development of our employees. We invested an additional R21.4 million in our various executive and leadership development courses, targeted at high-potential future leaders across the organisation.

In addition to developing skills internally, we have a strong focus on identifying, nurturing and attracting the talent needed to deliver our digital ambitions, with a particular emphasis on areas such as Big Data and analytics, customer value management, IoT, IT security and Cloud. This year, we recruited 76 graduates in South Africa and 55 across our International operations; 61% of the South African recruits are female, and 86% are black Africans. We continue to engage with leading universities, contributing to the development of ICT and digital-related course content, and working actively to identifying emerging young talent.

Further details are provided in our Report of the Social and Ethics Committee at www.vodacom.com

Establishing a distinctive employee experience

Our resourcing policy provides a framework for promoting good practice and equality in recruitment and performance management. We appoint employees based on objective criteria for skills, experience, qualifications and competencies, with preference given to employees from under-represented groups. The current key focus is on attracting and retaining digital, actuarial and Big Data skills to ensure that we are ready for the new wave of AI in a highly competitive market for skills. As part of our shift to digital, this year our South African business migrated to the digital-based Global Resourcing Process, significantly boosting the efficiency of our recruitment.

We strive to create a culture of recognition that motivates employees to deliver performance above-and-beyond what is expected, not only in terms of individual performance, but also with the aim of encouraging more effective teamwork and reward our top performers accordingly.

Each year we conduct an annual People Survey, undertaken by independent consultants, to track how engaged, well managed and 'included' our employees feel. We compare our scores with a high-performing peer group and other Vodafone Group companies to assess whether we are creating the right environment for our people to excel and grow. This year, our overall workforce participation rate was 88%, unchanged from last year.

	2018	2017	2016
Engagement Index	78	79	76
Digital Index	77	–	–

Despite the slight decline in our Engagement Index (from 79 to 78), we remain on par with the high-performing peer group that we benchmark ourselves against, the results suggest that employees remain motivated and proud to work for Vodacom. Areas identified as requiring greater focus include driving improvement around speed and simplicity in the business, supporting employee progression and recognition, as well as ongoing employee communication and engagement on People Survey actions. We have approved various actions in response to the results, including: undertaking dedicated CEO-led employee interactions and targeted leadership engagements, enabling line managers to recognise staff achievements, and increasing our focus on employees' individual development plans. We have also rolled out a focus group initiative ('#haveyoursay') that seeks to solicit deeper employee inputs across all organisational levels, and to co-create solutions to some of the challenges identified in the survey.

Aligned with our ambition of embedding a digital culture, the People Survey also includes a measure of the digital experience we offer our employees and customers. This year, we obtained a score of 77 on the Digital Index, which is on par with the Vodafone Group. We will be driving the digital culture agenda through various initiatives that form part of a comprehensive transformation plan.

Encouraging workforce diversity

We place a strong emphasis on encouraging diversity within our organisation, not only to address historic imbalances, but also to enhance our ability to serve our diverse customers more effectively by broadening our pool of experiences, perspectives and ideas. As a company with roots in South Africa, we are committed to delivering on the objectives of BEE and employment equity. In our South African operation, Black representation in the workforce is 74%, with 67% at the Executive Committee level and 56% at senior management level. Women represent 43% of the workforce, with 31% at senior management level. We have various initiatives aimed at promoting gender diversity and supporting women in progressing their careers at Vodacom. These include our flagship female leadership programme undertaken in partnership with the Gordon Institute of Business Science, our women in leadership programme with the North West University, and the Women's Network Forum initiative aimed at promoting cross-gender understanding and an inclusive culture.

Our safety performance

We are saddened to report the loss of life of three Vodacom contractors this year, in a road traffic accident in the DRC. On 19 November 2017, a Vodacom contractor driver and two passengers were fatally injured in a collision with an oncoming truck. All other markets recorded a fatality free year.

Road-related accidents remain our principal safety risk, accounting for 43% of all incidents this year, followed by electrical fires (11%) and slips, trips and falls (11%). Contractors account for 67% of all reported incidents. We are continually focusing on initiatives to enhance and improve our risk mitigation methods. This year, we conducted 'deep dive' audits on all our high-risk suppliers to assess their road risk controls and promote compliance with our stringent standards. Our lost time injury frequency rate was 0.03, a further improvement on our performance in prior years (2017: 0.05 and 2016: 0.11).

Further details are provided in our Report of the Social and Ethics Committee at **www.vodacom.com**

Strategic Enabler

Leveraging data through Big Data analytics

Harnessing the power of Big Data analytics is a critical enabler to delivering on our growth strategy.

We are looking to replicate the success we have already achieved with machine learning through our 'Just 4 You' offering and smart notifications – and take this to scale, investing in the people and platforms needed to accelerate our Big Data analytics, and to develop our capacity to provide machine learning as a service. This year, we have enhanced our core team of data engineers, data scientists and modellers, and will be looking to double our capacity in the next year. We also have made substantial investments in the platform and technologies that enable Big Data storage and real-time processing.

Our early efforts in machine learning and partial adoption of Artificial Intelligence have already delivered material increases in profit margin, contributing for example to 'Just 4 You' deal enhancements, valuable leads in fibre sales, preventing proactive churn on post-pay, and informing customer value management interactions. We are looking to broaden the use of Big Data across the business, to optimise call centre performance through enhanced voice recognition, to combine customer information for deeper analytics, and to more effectively track competitor offerings to improve our competitiveness.

Our Brand and Reputation

We are a purpose-driven brand cementing our reputation for accelerating socioeconomic transformation by empowering the digital lives of our customers.

Vodacom Vision 2020

We maintain the strength of Vodacom's purpose-driven brand and a reputation for promoting social transformation through:

- Driving brand and reputation leadership in all our markets.
- Accelerating socioeconomic transformation and sustainability through digital solutions.
- Showing leadership in promoting BEE in South Africa.

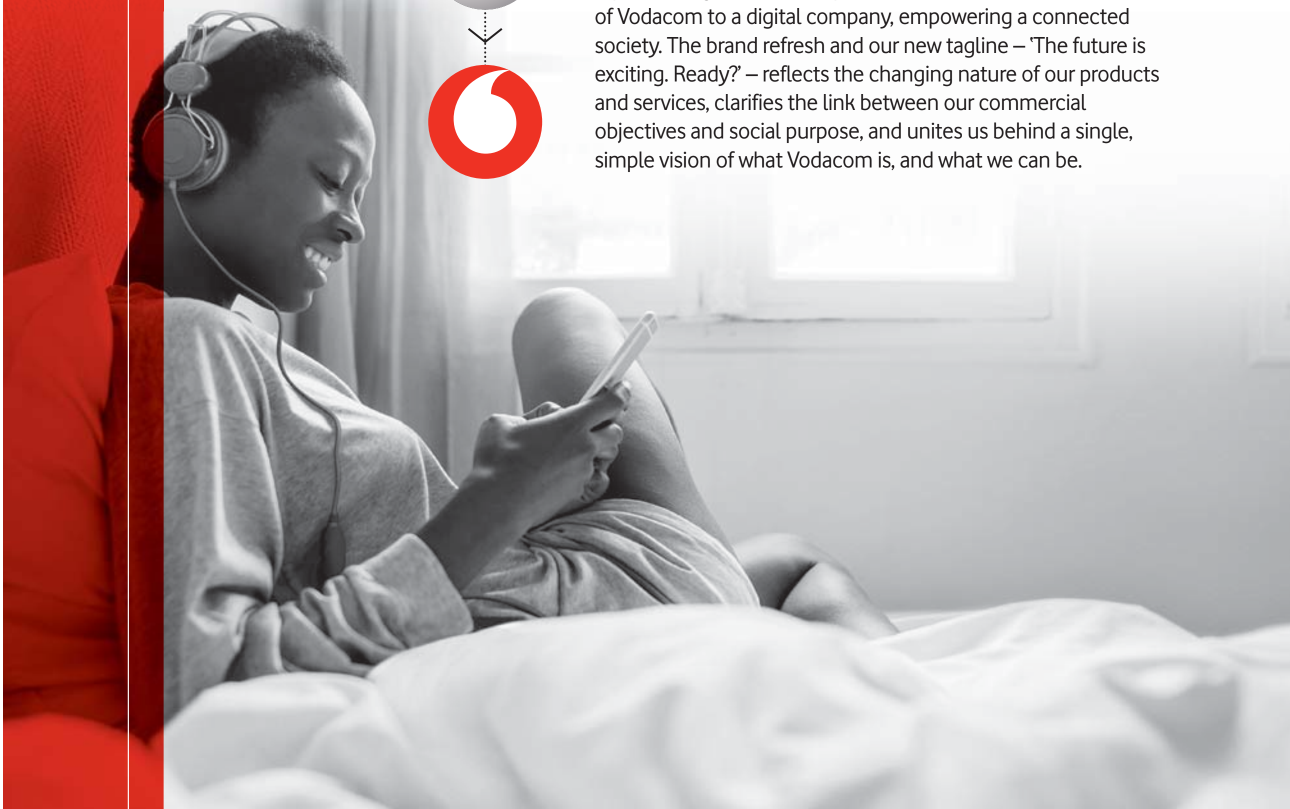
Our goal is to ensure that we build trust with all our stakeholders, and that Vodacom remains the customer brand of choice, with a brand that reflects our core purpose: 'connecting everybody to live a better today, and build a better tomorrow'. Maintaining a strong purpose-driven brand, and a deserved reputation for promoting socioeconomic transformation and sustainability, is a critical enabler of our Vision 2020 strategy.

Vodacom Brand Refresh

The future is exciting.

Ready?

Since our inception in 1994, the Vodacom brand has become synonymous with a culture of innovation and partnership, reflecting our role in accelerating the growth of mobile connectivity in our markets across Africa. In 2011, we changed our iconic blue and green brand to align more closely with Vodafone. This year, we launched a brand refresh programme, repositioning the brand as part of our Vision 2020 transformation of Vodacom to a digital company, empowering a connected society. The brand refresh and our new tagline – 'The future is exciting. Ready?' – reflects the changing nature of our products and services, clarifies the link between our commercial objectives and social purpose, and unites us behind a single, simple vision of what Vodacom is, and what we can be.



Brand and reputation leadership

Managing our reputation

We measure the strength of our reputation annually through our corporate Reputation Survey across all markets, with the intent of measuring how stakeholders perceive our performance in relation to our competitors and peer companies and track material issues.

The survey is conducted by an independent research company and invites all our key stakeholders – employees, general public (our customers and non-customers), regulators, government officials, key business accounts, the media and NGOs – to provide their view on our reputation, performance and overall trust in the Company. Our primary objective is to assess our reputational standing and proactively identify issues and concerns that affect stakeholder perceptions.

Strong performance on Reputation Index

Over the past three years, the survey confirmed Vodacom as a reputational leader in the telecoms sector across all markets. The latest 2018 results indicate that across all markets we retained our number one position as a reputational leader in the telecoms sector with stakeholders rating us higher than our peers and other non-telecommunications brands.

Vodacom score by country	2018	2017	2016
South Africa	8.0	7.9	7.5
Tanzania	8.0	8.4	7.9
DRC	7.3	7.5	7.6
Mozambique	8.2	8.3	8.3
Lesotho	7.3	8.1	8.4

- **South Africa:** We increased our lead as the top-of-mind reputational leader in the telecoms sector, maintaining our lead on the second rated operator compared to the previous year. The findings highlighted the continuing need to focus on the general public as a stakeholder group.
- **Tanzania:** We are the top-of-mind reputation leader in the country and have a strong lead on reputation amongst telecom peers. Employees continue to be the biggest driver of our Reputation Index while we need to work on improving perceptions amongst the general public, regulators, government officials and the media.
- **DRC:** We increased our position as reputational leader across all companies and maintained a measurable gap between our telecoms peers. Overall impression and trust continues to be highest amongst employees and there have been improvements amongst the general public and NGOs.
- **Mozambique:** We have reclaimed top-of-mind reputational leadership and maintained our lead over telecoms peers. Overall impression and trust has improved amongst the general public, key accounts and NGOs. There has been consistent scores in perceptions by other stakeholders.
- **Lesotho:** We increased our lead as a top-of-mind reputation leader. Despite this, the research highlighted the need to improve overall impression and trust across all telecoms companies; neither us nor our competitor were seen as stand-out performers.

Across all our operations, executive teams proactively manage our reputation with quarterly meetings that review developed reputation management plans.

Our Strategic Enablers

Accelerating socioeconomic transformation through digital solutions

- Our Vision 2020 is to be 'a leading digital company that empowers a connected society'. We aim to disrupt through technology, delivering world-class digital solutions and removing barriers to access, as we evolve to the gigabit society. By democratising data, extending the coverage and quality of our network, facilitating access to smart devices, and driving pricing transformation with segmented customer propositions, we are making an enormous contribution to national developmental objectives and the global UN Sustainable Development Goals (UN SDGs).
- As part of our commitment to accelerating socioeconomic transformation, we have identified and prioritised the seven UN SDGs, where we believe we can have the most meaningful impact. Following is an overview of some of our initiatives this year.

Good health and wellbeing

3 GOOD HEALTH AND WELL-BEING

- Through our subsidiary, Mezzanine, we have developed a mobile platform that allows healthcare professionals to utilise secure mobile devices to send treatment plans to patients, manage patients' medical records and monitor the availability of dispensary stocks, all in real time.
- Vodacom's Mum and Baby platform, launched this year as part of our Siyakha platform, has helped almost one million subscribers access vital maternal healthcare information, through free access to videos and SMS covering a range of health topics.
- In Tanzania, we provide free text messages with maternal health advice for pregnant women and mothers with new-borns. In partnership with USAID, we have launched a network of 100 taxi drivers to respond to toll-free emergency calls from pregnant women needing to get to hospital, with the drivers paid using M-Pesa.
- In Lesotho, we are using a text-to-treatment model to get more HIV-positive pregnant women and children onto treatment programmes, with M-Pesa facilitating patients' transport.
- Through the Vodacom Foundation we are a long-standing supporter of various non-profit organisations in the health arena.

Quality education

- Our flagship mobile education programme (mEducation), developed in partnership with the South African Department of Basic Education, provides ICT equipment and free internet access to 3 000 schools and 92 teacher centres across South Africa, and we have trained over 150 000 teachers on the use of ICT in the classroom.
- As part of our commitment to reduce the cost to communicate and to contribute to free education, we have entered into partnership with 19 universities to zero-rate online access to curriculum content provided by these universities. More than 340 000 learners have free access to quality digital educational content through Vodacom e-School.
- In April 2017, we were awarded the contract to supply a school management solution to the Eastern Cape Department of Education to help with the administration of over 5 000 predominantly rural schools. Our tailored solution enables the Department to collect reliable and consistent data about each school, helping to ensure that resources are being deployed in areas of greatest need.
- Through our Siyakha platform, we offer low-income South Africans zero-rated content on specific education, health and employment websites.
- In Tanzania, our Instant School initiative is a free education platform providing digitised educational material for primary and secondary school learners country-wide; launched in 2017, we have 30 000 learners registered on the platform. We also support educational initiatives in our other markets in the DRC, Mozambique and Lesotho.

Gender equality

- In 2014, in partnership with the South African Department of Social Development (DSD), we established a 24-hour call centre providing counselling to victims of gender-based violence; this year, we extended its services, supplying laptops to 23 of the DSD's 'safe door shelters' to empower gender-based violence survivors with ICT skills training.
- Following the encouraging adoption of the Siyakha Mum and Baby product, we will be expanding our offerings with the 'Digital Mom' segmented proposition aimed specifically at women in low-income communities.
- Through our groundbreaking M-Pesa product in Kenya, Tanzania, the DRC, Mozambique and Lesotho, we provide affordable access to mobile financial services to more than 32.3 million customers, many of them women in remote rural areas.

Good jobs and economic growth

- The Vodacom Youth Academy focuses on youth skills development by providing basic computer skills, IT essentials, enterprise development and business skills. The academy has benefited 966 trainees since its inception four years ago.
- Over the last two years, we have been progressively allocating our fibre-to-the-home work directly to SMMEs; since last year, we have also been engaging SMMEs that are >51% black-owned to undertake our long fibre work on critical routes.
- In October 2017, we launched an online trade portal, creating a platform for Small, Medium and Micro Enterprises (SMMEs) to express interest to provide goods/services to Vodacom and/or to become channel partners.
- We have supported 12 entrepreneurs through Vodacom Lesotho's Innovation Park, a technology-based business incubator for young entrepreneurs in Lesotho.

Sustainable cities and communities

- We currently have 3.8 million active connections providing IoT solutions in the transportation, industrial, energy, residential, property and healthcare sectors, covering end-to-end services across the full IoT value chain: connecting things; collecting the data; analysing the data; and taking action on this data (page 23).
- We have continued our partnership with GIZ, which provides an IoT-based solution to support smallholder farmers in South Africa. With an estimated combined investment amount of around R21 million over three years, our Cloud-based web and mobile software Connected Farmer platform will link thousands of smallholder farmers to the agriculture value chain, improving agriculture productivity, addressing food security, creating jobs and increasing incomes in the agriculture sector.
- In keeping with our commitment to increase rural coverage, this year, we brought network coverage to the remote town of Noenieput in the Northern Cape, the culmination of many years of work of feasibility studies and planning for the network infrastructure development.
- Extended rural coverage by adding 101 rural sites to towns that never had coverage before.

Climate action

- We have 6 000 sites that are either free cooled or built as outdoor cabinet sites. These sites consume R72 million less energy.
- We have 871 solar-operated sites across the Group.
- We launched a new head office in Lesotho, the first of its kind 'green building' in the country; the roof is covered with solar panels generating the primary source of power for the building.

Partnerships

- All of our activities in the above areas involve partnerships with business peers, government agencies, technology providers, civil society organisations, academia and/or community representatives – aimed at identifying and implementing innovative ways of using mobile and data to make a significant social contribution.

Vodacom Group on track to transformational heights

Vodacom is committed to transformation through the implementation of Broad-Based Black Economic Empowerment (BBBEE).

This commitment was recognised this year when Vodacom Group was awarded the Independent Top Empowered Companies Award for the Most Empowered Black-Managed Company, as well as achieving a recognition award from the BBBEE Commission for being the first company in South Africa to report fronting practices identified through its procurement processes.

Vodacom South Africa exceeded its target of Level 4 and attained a Level 3 BBBEE status, while its subsidiary Stortech retained its Level 1 rating. This resulted in the Group having a significant improvement in its overall scorecard points, moving from 101.91 points to 108.03 points.

BBBEE results for Vodacom Group

We achieved significant improvement this year in scores across the majority of the elements, resulting in an overall increase in score of 6.12 points.

Scoring element	Target points	Achieved points 2018	Achieved points 2017	Variance
Ownership	25	**16.20**	16.17	0.03
Management control	23	**15.72**	14.79	0.93
Board representation	8	**5.83**	5.33	0.50
Top management representation	5	**4.33**	4.33	–
Employment equity	10	**5.56**	5.13	0.43
Skills development	20	**19.55**	17.27	2.28
Enterprise and supplier development	50	**44.79**	41.68	3.11
Procurement	25	**20.55**	18.00	2.55
Supplier development	10	**7.54**	8.68	(1.14)
Enterprise development	15	**16.70**	15.00	1.70
Socioeconomic development	12	**11.77**	12.00	(0.23)
Total	130	**108.03**	101.91	6.12

Ownership

The Group has an effective black ownership of 17.56%, a nominal increase from the previous year of 17.19%, resulting in a score increase of 0.03 points – 16.20 out of 25.

Management control

The Group exceeded the previous year's score of 14.79, with a score of 15.72 out of 23, as a result of transformational changes in its occupational levels under employment equity.

Skills development

Our consolidated training spend increased from R175 million to R248 million, with more than R8.5 million invested in the development of black youth living with disabilities, R5 million more than the prior year. This resulted in an impressive total score of 19.55 out of 20 points.

Enterprise and supplier development

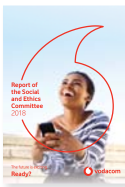
This element has three sub-sets: procurement, supplier development (2% net profit after tax (NPAT) spend target), and enterprise development (3% NPAT spend target). Under procurement, Vodacom's commitment is demonstrated in the shift of spend to BBBEE-status suppliers and black-owned suppliers.

We spent R173 million on supplier development, up from R151 million in the prior year, targeted on developing SMMEs within Vodacom's supplier base; this included investing R14 million towards the transformation of our retail franchisee base, which resulted in 24 Vodacom shops changing ownership to black individuals. Under enterprise development, more than R388 million was invested in developing black-owned ICT SMMEs outside of Vodacom's business. The collective score for this element was 44.79 out of 50 – three points higher than the previous year.

Socioeconomic development

The Group fell slightly short of obtaining full points.

Our Report of the Social and Ethics Committee 2018



Vodacom's separate Report of the Social and Ethics Committee 2018 provides a more detailed review of the activities that we are taking to accelerate socioeconomic transformation in the markets in which we operate. The report reviews the progress we have made in 'empowering a connected society', reflecting on our performance in implementing seven of the UN Sustainable Development Goals, and it assesses our activities in 'being a leading digital company' by ensuring our operations are responsible, ethical and accountable.

The Report of the Social and Ethics Committee is available at www.vodacom.com

This year saw Vodacom achieving a number of significant milestones.

CFO's statement

Till Streichert

We diversified the economic portfolio of the Group with the acquisition of a stake in Safaricom in Kenya, and we widened our shareholder reach through the listing of Vodacom Tanzania, which attracted more than 40 000 local individual investors. We delivered total ZAR shareholder return of 6.2%, and will be returning a total dividend of more than R14 billion back to shareholders this year.

Our strategy of best network, best service and best value, has resulted in our operations in South Africa, delivering robust service revenue growth despite a low GDP growth environment, while our International segment growth also improved throughout the year. This growth was supported by an additional 7 million customers coming onto the Vodacom network across our operations. The combined reach of Vodacom and Safaricom has expanded to 103 million customers across Africa.

Net profit increased 18.6% to R15.6 billion, boosted by the Helios Towers Tanzania sale and our share of attributable profit from Safaricom. Safaricom contributed R1.5 billion to profit for the first eight months, after deducting the amortisation of fair valued assets.

Headline earnings per share (HEPS) remained constant at 923 cents per share, impacted by the dilution from 233.5 million shares issued to acquire the Safaricom stake. The Board resolved to declare a final dividend of 425 cents per share, bringing the full year dividend to 815 cents per share.

South Africa delivering under economic uncertainty

Vodacom South Africa delivered service revenue growth of 4.9%. This was achieved amidst a backdrop of economic growth of ~1% during the year, and reduced effective pricing in both voice and data through our bundle strategy.

During the year, concerns surrounding South Africa's macroeconomic environment led to the sovereign credit rating downgrade in April 2017. To manage the potential interest rate volatility, we took a balanced and neutral approach and re-negotiated our fixed-to-floating debt exposure to ~50% on existing loans, thereby creating stability in finance costs. This approach has provided us with a natural hedge, allowing us to balance protection when interest rates increase, as well as going with the market when rates decrease.

Our pricing transformation strategy continues to show progress. Reducing out-of-bundle spend for customers has been core to this, and was achieved by improving customer data usage notifications, reducing out-of-bundle rates by as much as 50%, introducing more value offers on contract plans, and increasing bundle adoption through personalisation through 'Just 4 You'. Our strategy provides a more service-focused approach that presents customers with specific bundles to suit their individual needs.

The opportunity for data growth remains strong building on the 12.8% growth achieved in the context of changes in out-of-bundle rates. In the year ahead, the focus will shift to implementing ICASA's recently published End-User and Subscriber Service Charter Regulations, which will reduce out-of-bundle spend and exposure for customers. We will offset the negative financial impact through elasticity, driving our data device strategy, and other commercial actions through our personalised bundle offers to customers. Although these actions have a short-term impact on revenue growth, we believe that, together with our bundle strategy, they are necessary to ensure sustainable growth. What makes me confident is that our average smart device usage of 784 MB per user is still three to four times lower than in many other developed markets.

Our Enterprise strategy to deliver a holistic product offering to business has reported double-digit growth at 10.8%, now contributing 25.7% to our revenues. Service revenue from fixed services increased 55.6%, driven by the inclusion of wholesale transit revenue (a new low margin business) connectivity revenue, and Cloud and Hosting services. Enterprise mobile customer revenue was flat with a slow take-up amongst new departments as part of the government contract we were awarded in September 2016. The sign-up of new departments is set to offset the increased discounts as part of this contract, and it is expected that the sign-up from these contracts will accelerate in the year ahead.

International growth accelerating

Our strategic focus areas of data and M-Pesa delivered pleasing growth of 7.4%*, with service revenue reaching R16.8 billion. Tanzania delivered on their strategy in a highly competitive environment, resulting in good revenue and customer growth. Mozambique and Lesotho produced excellent results, with solid execution in data and M-Pesa monetisation. The DRC has seen an improvement, with stabilisation in currency and the macroeconomic environment.

We are making good headway in meeting the growing demand for data, by expanding our data networks, improving customers' network experience in high-demand areas, and investing in business intelligence solutions for smart product offers. Our affordable smart device strategy, coupled with 'Just 4 You' propositions in each of our markets, is helping to monetise data demand which remains a priority in our International markets.

M-Pesa revenue grew strongly, contributing 13.8% to International service revenue. We now have 11.8 million M-Pesa customers. We will continue to drive M-Pesa through new solutions such as lipa kwa M-Pesa in Tanzania and growing our agent network in Mozambique.

Safaricom

Safaricom finished the year with good momentum despite a relatively volatile political environment. Service revenue grew 10.0% and EBIT grew 12.6%. Underpinning the results was strong expansion of Safaricom's customer base and strong growth in both data and M-Pesa revenue. The continued good performance of Safaricom demonstrates how we strategically undertook to diversify the Group's economic exposure and earnings profile in a single transaction by acquiring a stake in a premier East African telecom operator.

Going forward, we will be deepening our relationship with Safaricom to ensure that we grow value for both businesses. Our focus areas will be expanding the M-Pesa ecosystem, and developing our International operations to get to the same levels of sophistication as Safaricom. We will share our Big Data learnings with Safaricom, both in personalised offers, and finally expand on our Enterprise opportunity, especially in East Africa.

Embracing Big Data, Artificial Intelligence and machine learning

A key pillar in improving stakeholder value is to deliver deeper insights in the business through Big Data analysis, machine learning and improved reporting. In finance, our strategy is to drive digitisation of our reporting frameworks, with the aim of delivering better business insights, facilitating swifter decision-making, and using robotics automation to improve the efficiency of repetitive processes.

The adoption of IFRS 15 has been a significant project for the finance team and was successfully implemented for all our markets. During the 2019 financial year, we will start reporting our results on an IFRS 15 accounting basis, while we will still disclose the existing IAS 18 basis for comparative purposes.

Delivering shareholder returns

Over the past three years, we have returned R38 billion in dividends to our shareholders, maintaining an average dividend yield of 5.4%. Vodacom's return on capital employed (ROCE) rebased from 45.4% to 30.5% due the acquisition of Safaricom which added R42 billion to our asset base.

Protecting shareholder value and delivering long-term shareholder return requires us to adhere to highest standards of corporate governance and financial control. The recent series of governance failures in South Africa, involving large corporates, public institutions and audit firms, has destroyed shareholder value. Restoring trust through evidencing good governance and control is paramount.

We have adopted the King IV framework and have well-developed Board and governance structures at Vodacom Group. We have similar Board and governance structures in our operating companies outside of South Africa. Our Code of Conduct provides standards for integrity, competence, responsibility, accountability, fairness and transparency, and sets the tone from the top. We have dedicated programmes to promote our corporate values, business principles and the Code of Conduct within the organisation. Our Chairman's ethical leadership event remains an important event in the ethics calendar for each year. We invite ethics leaders such as Professor Mervyn King or Advocate Thuli Madonsela to address staff and senior leadership on aspects of ethics and accountability. Our combined assurance model allows for various levels of defence.

Looking ahead

The rapidly evolving telecommunications landscape, together with market uncertainty, requires Vodacom to be more agile and innovative. Our Vision 2020 strategy that we embarked on last year is taking shape, with clear progress being made throughout the Company.

Our balance sheet remains strong, further boosted by the acquisition of Safaricom, providing us with sufficient capacity to leverage, and enabling us to execute our growth strategy and realise potential merger and acquisition (M&A) opportunities where these contribute to adding shareholder value.

Over the next three years, we are targeting Group service revenue growth of mid-single digit, Group EBIT growth of mid-to-high single digit, and capital intensity of 12% – 14% of Group revenue. These targets are on average, over the next three years, and are on a normalised basis in constant currency, excluding spectrum purchases and any M&A activity. This assumes broadly stable currencies in each of our markets, as well as stable macro and regulatory environments. These targets exclude the effects of adopting IFRS 15 and IFRS 16.

In closing, I would like to thank the Board for their continued guidance throughout the year.

Till

Till Streichert

Chief Financial Officer

1 June 2018

Tax and our contribution to public finances

We are committed to act with integrity in all matters related to tax, including a policy of full transparency with all tax authorities and the payment of all taxes properly due under the law wherever we operate.

We strongly support global and local tax transparency requirements and we are comfortable that our tax governance framework is aligned to these requirements.

We are committed to:

- Complying fully with all relevant regulatory obligations in line with our broader social responsibilities and our stakeholders' expectations;
- Acting with integrity in all tax matters in line with our Tax Code of Conduct, disclosing all relevant facts to tax authorities in all countries in which we operate under a policy of full transparency based on open and honest relationships with those authorities;
- Pursuing clarity and predictability on all tax matters, wherever feasible; and
- Seeking to protect shareholder value in line with our broader fiduciary duties.

We will not:

- Seek to establish arrangements that are artificial in nature, are not linked to genuine business requirements and would not stand up to scrutiny by the relevant tax authorities; and
- Artificially transfer profits from one jurisdiction to another to minimise tax payments; or pay more tax than is properly due under a reasonable interpretation of the law and upon receipt of a lawful demand.

The value we create through our contribution to the economy

We are a major investor, taxpayer, employer and purchaser of local goods and services, and contribute to value creation in our countries of operation through capital investment and the provision of income, incentives and benefits to our employees.

In 2018, Vodacom's external revenue[1] generated was R86.7 billion, on which we made a profit before tax of R22.1 billion[2] (excluding dividends). The Group's tax charge of R6.5 billion was 7% higher than the prior year (2017: R6.1 billion), in line with growth in profit before tax (if adjusted for the profit of associate from Safaricom). The Group's effective tax rate (ETR) decreased to 29.6% in 2018 from 31.7% in 2017. In the prior year, our ETR was elevated by 1.4ppts in relation to a once-off capital allowance adjustment, for the disposal of passive network assets to Helios Towers in Tanzania. This year, the ETR benefited from the inclusion of our share of the after tax profits from Safaricom in the Group's profit before tax. When we compare our total corporate taxes paid in actual cash terms, to our profit before tax, our actual cash paid ETR was in line with the South African statutory tax rate of 28%. We therefore paid R0.28 in corporate tax for every R1 we generated in profit in our countries of operation in 2018.

In cash terms we contributed more than R20.8 billion to the public finances of governments on the African continent, compared to R16.1 billion of cash passed to governments in 2017, of which a significant number relates specifically to the telecommunications industry.

The difference between the total contribution to public finances of R20.8 billion (2017: R16.1 billion) and the tax charge of R6.5 billion (2017: R6.1 billion) relates to a multitude of taxes other than corporation tax and the inclusion of 34.94% of Safaricom's contributions to public finances. 39.94% of Safaricom's after tax profits is included in the Group's profit before tax. The year-on-year increase in the total contribution to public finances is primarily related to the increase in service revenue and profits.

Total tax contributions made to governments across our countries of operation

Country	Rm	Country	Rm
South Africa	11 207	Zambia	58
Kenya	4 507	Ghana	21
Tanzania	2 231	Mauritius	15
DRC	1 753	Cameroon	12
Mozambique	659	Ivory Coast	7
Lesotho	274	Angola	6
Nigeria	93		

For further information, read our Public Finances report 2018 on www.vodacom.com

Cash contribution to public finances

R9.9 billion direct tax contribution

R9.7 billion indirect tax contribution

R1.2 billion direct non-tax contribution

+

Other value adding financial contributions

R11.6 billion investing in infrastructure

7 554 full-time employees direct investment in our people

R121 million investing in our communities

R5.6 billion[3] distributed to employees in salaries and benefits

1. External revenue is the sum of revenues generated from transactions with independent parties (all transactions with the Vodacom and Vodafone Group entities were excluded).
2. Profit before tax represents the total profit before tax in each country, excluding dividend income less expenses.
3. Excludes staff expenses of R821 million (2017: R742 million) capitalised against property, plant and equipment. Includes dividends of R44 million (2017: R44 million) relating to the forfeitable share plan which was offset against the forfeitable share plan reserve.

Condensed consolidated income statement

for the year ended 31 March

Rm	2018	2017
Revenue	**86 370**	81 278
Direct expenses	**(33 669)**	(30 483)
Staff expenses	**(5 509)**	(5 472)
Publicity expenses	**(1 913)**	(1 971)
Other operating expenses	**(12 441)**	(12 193)
Share-based payment charges	**(130)**	(75)
Depreciation and amortisation	**(9 959)**	(9 251)
Impairment losses	**(4)**	(84)
Net profit from associate and joint venture	**1 507**	1
Operating profit	**24 252**	21 750
Profit on sale of associate	**734**	–
Finance income	**703**	777
Finance costs	**(2 811)**	(2 818)
Net loss on remeasurement and disposal of financial instruments	**(785)**	(481)
Profit before tax	**22 093**	19 228
Taxation	**(6 531)**	(6 102)
Net profit	**15 562**	13 126
Attributable to:		
Equity shareholders	**15 344**	13 418
Non-controlling interests	**218**	(292)
	15 562	13 126

Revenue increased 6.3% (7.8%*), as a result of higher contributions from data revenue and Enterprise services and boosted by equipment sales.

Total expenses increased 6.8% as a result of higher equipment costs, costs related to our roaming agreement with Rain and increases in wholesale transit expenses (a new lower margin business area). Included in other operating expenses is a foreign exchange gain of R56 million (2017: foreign exchanges loss of R331 million).

R1.5 billion net profit from Safaricom for eight months.

Profit on sale of associate investment in Helios Towers Tanzania (HTT).

Net finance costs of R2.1 billion has remained relatively consistent as average gross debt in the year was relatively flat and cost of debt was flat at 8.3%.

FEC mark-to-market revaluation losses and remeasurement of foreign cash balances.

Taxation is 7% higher driven by increased profitability.

Non-controlling interest allocation increased mainly due to a strong performance in Tanzania boosted by HTT sale, a strong performance in Mozambique and Lesotho, and the new contribution from Safaricom.

Cents	2018	2017
Basic earnings per share	**947**	915
Diluted earnings per share	**919**	886

Basic earnings per share increased 3.5% supported by a strong contribution from operating profit and the contribution from Safaricom.

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2018	2017
Net profit	**15 562**	13 126
Other comprehensive income[1]		
Foreign currency translation differences, net of tax	**(5 867)**	(1 633)
Total comprehensive income	**9 695**	11 493
Attributable to:		
Equity shareholders	**9 943**	11 647
Non-controlling interests	**(248)**	(154)
	9 695	11 493

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations.

Condensed consolidated statement of financial position

as at 31 March

Rm	2018	2017
Assets		
Non-current assets	**96 543**	52 127
Property, plant and equipment	**40 529**	40 181
Intangible assets	**9 073**	9 186
Financial assets	**430**	424
Investment in associate	**44 076**	–
Investment in joint venture	**6**	5
Trade and other receivables	**724**	905
Taxation receivable	**106**	66
Finance receivables	**1 320**	1 161
Deferred tax	**279**	199
Current assets	**34 822**	29 011
Financial assets	**4 532**	3 489
Inventory	**1 243**	1 268
Trade and other receivables	**14 819**	13 489
Non-current assets held for sale	**14**	114
Finance receivables	**1 463**	1 556
Tax receivable	**213**	222
Bank and cash balances	**12 538**	8 873
Total assets	**131 365**	81 138
Equity and liabilities		
Fully paid share capital	**42 618**	*
Treasury shares	**(1 792)**	(1 670)
Retained earnings	**28 731**	26 396
Other reserves	**(5 089)**	(663)
Equity attributable to owners of the parent	**64 468**	24 063
Non-controlling interests	**6 184**	(1 067)
Total equity	**70 652**	22 996
Non-current liabilities	**28 130**	31 423
Borrowings	**24 071**	27 613
Trade and other payables	**978**	815
Provisions	**388**	360
Deferred tax	**2 693**	2 635
Current liabilities	**32 583**	26 719
Borrowings	**8 220**	3 762
Trade and other payables	**23 958**	22 700
Provisions	**161**	188
Tax payable	**221**	47
Dividends payable	**23**	22
Total equity and liabilities	**131 365**	81 138

* Fully paid share capital of R100.

Increase from net additions of R9.6 billion, mostly offset by depreciation of R8.0 billion and foreign currency exchange translation of R1.1 billion.

Includes net additions of R1.9 billion mainly for computer software, offset by amortisation of R1.9 billion and foreign exchange of R170 million.

Acquisition of interest in Safaricom.

Investment of proceeds from the Initial Public Offering (IPO) in Tanzania and increases in deposits from M-Pesa customers.

Increase as a result of increased equipment sales and prepaid voucher sales.

Disposal of Helios Towers Tanzania (HTT).

Increase mainly due to the cash proceeds from the IPO in Vodacom Tanzania and the sale of HTT in Tanzania.

The purchase consideration for the investment in Safaricom was settled by the issuance of 233 459 781 Vodacom Group Limited shares to the value of R42.6 billion.

Movement mainly from foreign currency translation and change in subsidiary holdings due to Vodacom Tanzania's listing.

Portion of loans moved to current liabilities. Borrowed an additional R1 billion from Vodafone.

Current portion of Vodafone loans, which are anticipated to be re-financed.

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
31 March 2016 – Audited	24 158	(1 134)	23 024
Total comprehensive income	11 647	(154)	11 493
Dividends	(11 657)	(91)	(11 748)
Repurchase, vesting and sale of shares	(134)	–	(134)
Share-based payments	123	–	123
Changes in subsidiary holdings	(74)	312	238
31 March 2017 – Audited	**24 063**	**(1 067)**	**22 996**
Total comprehensive income	**9 943**	**(248)**	**9 695**
Dividends	**(13 009)**	**(393)**	**(13 402)**
Shares issued on acquisition of subsidiary and associate net of share issue cost	**42 618**	**–**	**42 618**
Repurchase, vesting and sale of shares	**(269)**	**–**	**(269)**
Share-based payments	**138**	**–**	**138**
Changes in subsidiary holdings	**984**	**1 788**	**2 772**
Acquisition of subsidiary and associate	**–**	**6 104**	**6 104**
31 March 2018 – Reviewed	**64 468**	**6 184**	**70 652**

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	2018	2017	
Cash generated from operations	32 299	31 791	
Tax paid	(6 194)	(6 051)	
Net cash flows from operating activities	26 105	25 740	Increase driven by strong EBITDA performance.
Cash flows from investing activities			
Additions to property, plant and equipment and intangible assets	(10 825)	(11 689)	Decrease due to lower capital expenditure.
Proceeds from disposal of property, plant and equipment and intangible assets	187	73	
Acquisition of subsidiary and associate (net of cash and cash equivalents acquired)	(410)	(285)	Acquisition of interest in Safaricom.
Proceeds on disposal of associate	797	–	Proceeds from HTT disposal.
Dividends received from associate	1 988	–	Share of Safaricom dividend.
Finance income received	859	689	
Repayment of loans granted	–	295	
Other investing activities[1]	(1 122)	(1 278)	
Net cash flows utilised in investing activities	(8 526)	(12 195)	
Cash flows from financing activities			
Borrowings incurred	1 124	4 000	R1 billion loan from Vodafone.
Borrowings repaid	(107)	(1 568)	Mainly finance lease repayments.
Finance costs paid	(3 182)	(2 699)	
Dividends paid – equity shareholders	(13 010)	(11 657)	
Dividends paid – non-controlling interests	(393)	(91)	Impacted by R246 million minority dividend on Vodafone Kenya Limited investment.
Repurchase and sale of shares	(269)	(134)	
Changes in subsidiary holdings	2 770	240	Cash inflow from Vodacom Tanzania listing in current year.
Net cash flows utilised in financing activities	(13 067)	(11 909)	
Net increase in cash and cash equivalents	4 512	1 636	
Cash and cash equivalents at the beginning of the year	8 873	7 751	
Effect of foreign exchange rate changes	(847)	(514)	
Cash and cash equivalents at the end of the year	12 538	8 873	

1. Consists mainly of the movement in restricted cash deposits of R821 million (2017: R836 million) as a result of M-Pesa-related activities.

Our segment performance

South Africa

South Africa delivered a robust performance, despite ongoing data pricing transformation and a low economic growth environment. Service revenue increased 4.9% to R54.6 billion, supported by strong customer additions, a higher contribution from data revenue and growth in Enterprise services. Revenue grew strongly by 8.1% to R70.0 billion, as a result of equipment revenue growth of 15.2%, underpinned by smart device sales which constitute 70.0% of total devices sold, in line with our strategy of driving the uptake of smart devices.

We continue to see positive outcomes from our segmented acquisition strategy. Our Youth proposition, NXT LVL, has now attracted over 3.3 million new and existing Youth customers. The expansion of our new Siyakha platform is helping improve the lives of customers, through products such as zero-rated career portals, Facebook flex, free health information for expectant mothers and prepaid funeral cover. These propositions, supported by personalised value offers through our 'Just 4 You' platform have seen us attracting 4.5 million new customers this year, closing at 41.6 million, up 12.1%. Prepaid customers increased 4.3 million, up 13.4%, supporting the 6.4% prepaid customer revenue growth. We added 229 000 contract customers. Progress on our pricing transformation strategy has resulted in short-term pressure on contract ARPU, which declined 4.4% to R390. This was as a result of higher roll over of unused data bundles as we continue to migrate customers to 'more value' contracts, with 43.4% of the base now signed up for these contracts. ARPU was also impacted by changes in deal structures in the first half of the year, and a reduction of the out-of-bundle data rates in October 2017.

Our industry leading application of Big Data and machine learning, created to deliver personalised bundle offers based on customer behaviour, continues to differentiate us from our competitors. Through our 'Just 4 You' platform we have accelerated the uptake of bundle offers, driving the sale of 2.3 billion bundles in the year, up 51.3%. Of these, 62.2% of bundle purchases are made through the platform. Customers using bundles have grown 13.9% to 18.7 million.

Data revenue grew strongly at 12.8% to R23.4 billion, contributing 42.8% of service revenue. This represents strong growth as we transform pricing for customers by reducing out-of-bundle spend. This was achieved by improving customer data usage notifications, reducing of out-of-bundle rates by as much as 50%, and introducing more value offers on our contract plans. In the second half, 12% of data revenue was out-of-bundle revenue, down from 22% in the first half of last year. Data traffic growth remains robust at 43.7%. This was enabled through growing our data network coverage and capacity, as well as focusing our device strategy on increasing 3G and 4G device uptake. 4G customers on our network increased 44.8% to 7.3 million, while the average megabyte per smart device increased 18.4% to 784 MB. Our bundle strategy continues to resound well with our customers, who have a choice of buying appropriate bundles based on validity period or size to suit their needs. Data bundle purchases increased 54.7% to 766 million. Improved in-bundle usage and reduction in out-of-bundle prices has helped us to reduce the overall effective price per megabyte by 21.6% this year.

Enterprise service revenue grew 10.8%, now contributing 25.7% of service revenue. Mobile Enterprise customer revenue was flat, as the upgrade cycle on the government tender awarded to Vodacom in October 2016 progressed well, while new sign-ups to compensate for the greater discount were slower than originally anticipated. We expect this trend to improve in the year ahead. Service revenue growth from fixed services increased 55.6%, driven by the inclusion of wholesale transit revenue (a new low margin business), connectivity revenue and Cloud and Hosting services.

EBITDA grew 4.7% to R28.1 billion and delivered a margin of 40.1%. We have contained inflationary pressures on operating expenses, through cost-saving initiatives under our 'Fit for growth' programme, maintaining total operating expense growth of 2.1%, which is 2.8ppts below service revenue growth. EBITDA margins have, however, contracted 1.3ppts, impacted by the roaming agreement with Rain diluting margins by 0.7ppts, as we move cost of capacity to direct expenses from depreciation; the increased contribution from lower margin handset sales has impacted margin by 0.8ppts. EBIT growth of 2.6% was below EBITDA growth as a result of higher growth in depreciation and amortisation costs, in line with our capital expenditure guidance to deliver our network leadership position.

Our capital expenditure of R8.9 billion was focused on widening our network coverage, improving network performance to support increased data demand and enhancing overall customer experience. Significant investment was made in our IT systems with deep machine learning capabilities aimed at providing a seamless and personalised customer experience, enabling us to deliver on our strategic ambition of being the leading digital telco in South Africa. We have extended our 3G population coverage to 99.4% and 4G coverage to 80.1%, up from 75.8% a year ago. Vodacom is now the first African operator to extend 4G coverage to more than 80% of its population.

	Year ended 31 March		% change
South Africa	**2018**	**2017**	**2017/2018**
Service revenue (Rm)	**54 622**	52 071	**4.9**
Revenue (Rm)	**69 967**	64 729	**8.1**
EBITDA (Rm)	**28 088**	26 815	**4.7**
EBIT (Rm)	**21 124**	20 593	**2.6**
Data revenue (Rm)	**23 355**	20 696	**12.8**
Capital expenditure (Rm)	**8 884**	8 471	**4.9**
Customers[1] (thousand)	**41 635**	37 131	**12.1**
Prepaid customers (thousand)	**36 275**	32 000	**13.4**
Contract customers (thousand)	**5 360**	5 131	**4.5**
Data customers[2] (thousand)	**20 347**	19 549	**4.1**
IoT connections[3] (thousand)	**3 628**	2 979	**21.8**
Total ARPU[5] (rand per month)	**101**	111	**(9.0)**
Prepaid ARPU (rand per month)	**58**	62	**(6.5)**
Contract ARPU (rand per month)	**390**	408	**(4.4)**
Number of employees	**5 007**	5 038	**(0.6)**
NPS (position relative to competitors)	**1st**	1st	
Service revenue market share (%) #1	**50.5**	51.0	

1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. Internet of Things (IoT) connections, is the remote wireless interchange between two or more predefined devices or a central station without direct relationship with an end customer, in order to support a specific business process or product.
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.
5. 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 mobile customers.

Our segment performance

International

Service revenue increased by 0.3%, with strong normalised growth of 7.4%* to R16.8 billion with pleasing growth in our strategic focus areas of data and M-Pesa. Reported numbers have been impacted by the strengthening of the rand against each country's currency.

Tanzania continued to execute on its strategy, delivering good revenue and customer growth despite a highly competitive environment. We have continued to invest in enhanced registration processes and to suspend customers until they update personal registration details, as required by law. Mozambique and Lesotho delivered strong results supported by good execution in monetising growing demand in data and M-Pesa, while performance in the DRC has improved as the currency and economic environment began stabilising in the second half of the year. Our focus on improving customer experience by addressing points of detraction has resulted in NPS leadership in all markets, in line with our strategy of providing the best customer experience.

We added 2.5 million customers for the year, up 8.6% to 32.2 million. This was supported by good customer growth in the DRC, up 13.8%, recovering to levels seen prior to the disconnections done in 2016 in compliance with customer registration requirements, while Mozambique grew customers by 18.7%.

Data revenue grew strongly by 12.0% (18.7%*). We continue to make excellent progress in meeting the growing demand for data, by expanding our data networks to new areas and constantly improving the network experience in high-demand areas such as major towns and cities. We are actively driving access to more affordable smart devices, especially Vodacom-branded devices resulting in smartphone adoption rates increasing to 31.9%. Our digital social media partnerships, as well as bundled offers through 'Just 4 You' allowed us to tailor targeted data propositions to better monetise the data demand, all of which resulted in an increase of 3.6 million data customers, to 16.6 million, up 27.5%. Data monetisation remains a key focus area in all markets as demand grows rapidly.

M-Pesa revenue grew strongly by 19.6% (30.4%*) to R2.3 billion, contributing 13.8% of International service revenue. We added 1.8 million customers for the year, reaching 11.8 million. We continuously add new services to the platform

expanding consumers' payment options. In Tanzania, we have introduced lipa kwa M-Pesa, our merchant payment solution, which is showing very strong merchant take up. This platform gives customers the convenience to transact with M-Pesa at more points of sale. The equivalent of over USD160 million was transacted through this system this year. In Mozambique, we have expanded our agent network to more than 20 000 agents, while in the DRC and Lesotho we continue to incentivise customers to increase uptake. On average, USD1.9 billion was processed monthly through the M-Pesa system.

The EBITDA margin improved 2.0ppts, while EBIT increased 27.2% (26.5%*) to R2.1 billion, and EBIT margin expanded by 2.5ppts to 12.0%. We have entrenched a culture of strong cost containment in all our operations, leveraging from programmes such as 'Fit for growth'. Improved revenue growth, savings on commissions from airtime purchases through M-Pesa, continued savings in network operating expenses, and improving foreign exchange rates, are key drivers for margin growth.

Capital expenditure of R2.7 billion was focused on improving customer experience on our networks by extending voice and data coverage, improving data network speeds and investing in Business Intelligence tools to drive growth. We rolled out additional 4G sites in Tanzania and Lesotho and expanded 3G coverage in the DRC and Mozambique. As part of our digital transformation, we continue to invest in enhancing our IT systems to support our personalised pricing offers and to deliver on our segmentation strategy.

	Year ended 31 March		Year-on-year % change	
International	**2018**	**2017**	**Reported**	**Normalised***
Service revenue (Rm)	**16 828**	16 775	0.3	7.4
Revenue (Rm)	**17 460**	17 350	0.6	7.9
EBIT (Rm)	**2 096**	1 648	27.2	26.5
EBITDA (Rm)	**4 930**	4 545	8.5	
Data revenue (Rm)	**2 429**	2 168	12.0	
M-Pesa revenue (Rm)	**2 327**	1 945	19.6	
Capital expenditure (Rm)	**2 707**	2 833	(4.4)	
Customers[1] (thousand)	**32 194**	29 655	8.6	
Data customers[2] (thousand)	**16 573**	12 997	27.5	

Safaricom

During the year, we concluded our acquisition of a 34.94% indirect stake in Safaricom, the number one mobile operator in Kenya. In the eight months since acquisition, Safaricom has contributed a profit of R1.5 billion which represents the net amount of earnings from Safaricom of R1.9 billion and an amortisation charge of R383 million in relation to fair valued assets and before minority interest.

Safaricom finished the year with great momentum, reporting annual service revenue growth of 10.0% to KES225 billion and EBIT growth of 12.6% (18.3% excluding a once-off adjustment in the prior year relating to a KES3.4 billion excise duty refund) to KES79 billion. Underpinning the results was strong expansion of Safaricom's customer base by 5.1% to 29.6 million customers. Strong growth in both data and M-Pesa revenue continues as data customers increased by 6.2% to 17.7 million customers, and 30-day active M-Pesa customers increased 8.0% to 20.5 million. M-Pesa revenue grew 14.2% while data revenue grew by 24.0%. M-Pesa revenue contributed 28.0% to service revenue, while data revenue contributed 16.2% to service revenue. Investment in capital expenditure of KES36.4 billion resulted in 3G sites increasing 18.9% and 4G sites increasing 49.4% year-on-year.

These results are available on www.safaricom.co.ke/investor-relation/financials/reports/financial-results.

Tanzania

	2018	2017
Revenue (TZSm)	**977 994**	933 292
EBIT (TZSm)	**96 895**	97 260
Customers[1] (thousand)	**12 899**	12 653
Data customers[2] (thousand)	**7 345**	6 463
MOU per month[4]	**163**	157
Total ARPU[5] (rand per month)	**35**	38
Total ARPU[5] (TZS per month)	**6 086**	6 003
Number of employees	**537**	525
NPS (position relative to competitors)	**1st**	3rd
Customer market share	**#1**	#1

Despite a challenging trading environment, good execution of network investments, customer value management, promotional offers, and targeted M-Pesa and data propositions, all contributed to this year's solid performance.

As expected, the 42% reduction in the mobile termination rate, and measures to improve customer registration compliance weighed on revenue growth in the final quarter. This was largely offset by an intensified focus on cost containment and the sale of our equity stake in Helios Towers Tanzania.

Our segmented marketing approach, coupled with digital social media partnerships and smartphone campaigns, accelerated demand for mobile data services, leading to a gain of over 882 thousand data customers and data revenue growth of 34.7%.

Targeted propositions and ecosystem development increased customer spend across our M-Pesa base and escalated revenue growth to 16.7%. Our network of over 6 300 active merchants makes M-Pesa the most convenient payment choice, outgrowing the number of payment card terminals across the country. Of the USD17.5 billion of payments made across the M-Pesa system in Tanzania, the equivalent of over USD160 million was transacted through our new merchant platform which we established during the year.

We also launched high-speed 4G services in five cities, near doubling the number of 4G sites deployed across our network, while consistently providing our customers with the fastest average download speeds available in Tanzania.

Going forward, we see an opportunity to prioritise investments over the short term to further our leadership in data and M-Pesa user experience.

We believe that our M-Pesa customer base will continue to expand as we focus on building greater activity through our lipa kwa M-Pesa merchant platform and establishing new partnerships which enhance the mobile money ecosystem.

We expect further increases in smartphone penetration, stimulated by the continuation of partnership-led, low-cost smartphone campaigns. In addition, given that the expansion of our network's capacity through spectrum acquisition is a core component of our long-term strategy, we will seek to obtain additional spectrum to provide the benefits of a superior 4G data user experience to a greater number of communities across Tanzania.

DRC

	2018	2017
Revenue (USD'000)	**428 169**	407 413
EBIT (USD'000)	**12 578**	12 664
Customers[1] (thousand)	**11 821**	10 388
Data customers[2] (thousand)	**4 825**	3 705
MOU per month[4]	**39**	49
Total ARPU[5] (rand per month)	**38**	49
Total ARPU[5] (USD per month)	**3**	4
Number of employees	**578**	617
NPS (position relative to competitors)	**1st**	1st
Customer market share	**#1**	#1

Vodacom DRC returned to growth this year, in spite of the challenging operating context, as political instability and a deteriorating macroeconomic environment undermined consumption. We were heavily affected by the impact that the decoupling of the Congolese franc from the US dollar, which lead to a de-facto price inflation, had on consumer spending.

Performance improved in the second half of the year, as the currency and economic environment began to stabilise and we took measures to more regularly align pricing to the official currency exchange rate. We continued to deliver on our strategic priorities, maintaining first position while increasing our lead on NPS. Revenue increased 5.1%, driven by the 81.8% increase in M-Pesa revenue. We added 1.4 million customers in the year, while M-Pesa customers increased by 32.9% to 1.9 million and data customers increased 30.2% to 4.8 million. Robust customer growth was as a result of strong focus on network expansion, customer experience, brand and the delivery of customer-focused offerings through 'Just 4 You'.

M-Pesa has been a big driver of growth this year as we expanded the M-Pesa ecosystem and improved customer experience by leveraging of the new M-Pesa platform. We launched a new service called 'M-Pesa Bureau de Change' that allows customers to convert their money to Congolese franc or US dollar, simplifying the process for customers to perform financial transactions in a volatile foreign exchange environment.

We worked relentlessly on our network, with daily focus on network KPIs to improve customer experience. We rolled out additional sites and improved network availability and quality. We made our network 4G ready and have launched the service in May 2018 after obtaining the 4G licence.

We are optimistic about the slight recovery in the mining industry which is being enhanced by copper and cobalt price increases.

Key focus areas for the year ahead include driving customer value management through enhancing our 'Just 4 You' personalised offers, developing strategic partnerships to drive our content proposition to drive data uptake and renegotiating key supplier contracts to deliver on our 'Fit for growth' cost-saving initiatives. We are focusing on the M-Pesa person to person (P2P) ecosystem.

Mozambique

	2018	2017
Revenue (MZNm)	**17 635**	14 641
EBIT (MZNm)	**4 158**	2 568
Customers[1] (thousand)	**6 108**	5 146
Data customers[2] (thousand)	**3 730**	2 280
MOU per month[4]	**143**	121
Total ARPU[5] (rand per month)	**51**	45
Total ARPU[5] (MZN per month)	**241**	216
Number of employees	**530**	485
NPS (position relative to competitors)	**1st**	2nd
Customer market share	**#1**	#1

Vodacom Mozambique continued its excellent performance in the year delivering revenue growth of 20.4% and even stronger EBIT growth of 61.9%. Voice revenue continued to grow strongly, up 18.5% mainly as a result of the 18.7% increase in customers to 6.1 million as we continued to build on our strong brand, increase coverage roll-out and drive improved customer experience and value propositions through our customer value management activities. All these initiatives enabled us to improve our NPS performance, ending the year at first position with a 4 point lead.

Data revenue grew 30.6% and data customers increased 63.6% to 3.7 million. Data traffic increased 68.7% as we continue to drive data uptake through Vodacom-branded smart devices. 50.4% of our 30-day customers are using smartphones.

M-Pesa revenue more than doubled, supported by the 1.1 million increase in M-Pesa customers and higher number of transactions per active customer driven by ecosystem expansion as we added more services to the M-Pesa platform. 51.0% of our customers are using M-Pesa.

EBIT growth was supported by the robust revenue contribution, a stronger metical against all major currencies and implemented cost-efficiency initiatives to counter inflationary pressures and high energy costs.

We are in the process of renewing our 2G licence expiring at the end of August 2018. The Mozambique Council of Ministers has approved the 800 MHz spectrum auction, which we plan to participate in; once obtained we would be able to begin the roll-out of 4G.

In the year ahead, we will concentrate our efforts on increasing our customer value management activities through segmented and personalised offerings, collaborate to provide our customers with more reasons to consume data and drive efficiencies through the 'Fit for growth' cost containment activities.

Lesotho

	2018	2017
Revenue (Rm)	**1 255**	1 116
EBIT (Rm)	**475**	426
Customers[1] (thousand)	**1 366**	1 468
Data customers[2] (thousand)	**673**	549
MOU per month[4]	**86**	82
Total ARPU[5] (rand per month)	**70**	61
Number of employees	**209**	207
NPS (position relative to competitors)	**1st**	1st
Customer market share	**#1**	#1

Vodacom Lesotho continued its strong growth momentum, increasing revenue by 12.5%, supported by strong growth in voice and data revenue.

Data revenue increased 25.1%, supported by a 22.6% increase in data customers to 673 000 and a 53% increase in megabyte used per customer, arising from our device strategy of providing customers with access to better low-cost smart devices. Data revenue growth was achieved despite the 29.4% decrease in price per megabyte, in line with our commitment to reduce the cost to communicate.

M-Pesa remains a strong growth area with revenue increasing by 43.5% attributed to a 24.0% increase in M-Pesa customers and a >40% growth in most ecosystem products, including pay bill transactions and airtime purchases.

EBIT increased 11.5% supported by strong revenue growth and key focus on cost savings on commissions paid, through our 'Fit for growth' initiatives.

Looking ahead, data monetisation remains a key priority. We have invested heavily on our customer value management systems and are utilising these systems to provide further value through 'Just 4 You'. Our recently launched NXT LVL youth proposition is expected to drive uptake into this data-centric segment. We are looking to make a bigger play on content driven in part by locally produced content and live events. We continue to focus on the M-Pesa ecosystem expansion with the launch of the financial services in a phased approach offering group savings and loans, as well as other exciting offerings planned for the year.

Five-year historic review

31 March	2018	2017	2016	2015	2014	Compound growth %
Summarised income statement (Rm)						
Revenue	**86 370**	81 278	80 077	74 500	73 219	4.2
Operating profit	**24 252**	21 750	21 059	19 235	20 394	4.4
Net finance charges	**(2 893)**	(2 522)	(2 215)	(1 384)	(809)	37.5
Profit before tax	**22 093**	19 228	18 844	17 851	19 585	3.1
Taxation	**(6 531)**	(6 102)	(5 934)	(5 341)	(5 918)	2.5
Net profit	**15 562**	13 126	12 910	12 510	13 667	3.3
Non-controlling interest	**(218)**	292	7	162	(424)	(15.3)
EBITDA	**32 898**	31 238	30 345	26 905	27 314	4.8
EBIT	**23 109**	22 126	21 696	19 516	20 731	2.8
Summarised statement of financial position (Rm)						
Non-current assets	**96 543**	52 127	51 085	45 954	37 954	26.3
Current assets	**34 822**	29 011	27 618	25 353	22 787	11.2
Equity and reserves	**70 652**	22 996	23 024	21 643	23 743	31.3
Non-current liabilities	**28 130**	31 423	29 909	23 050	12 010	23.7
Current liabilities	**32 583**	26 719	25 770	26 614	24 988	6.9
Net debt	**19 892**	22 484	21 287	16 760	8 052	25.4
Capital expenditure	**11 594**	11 292	12 875	13 305	10 779	1.8
Summarised statement of cash flows (Rm)						
Cash generated from operations	**32 299**	31 791	29 800	26 198	28 901	2.8
Tax paid	**(6 194)**	(6 051)	(5 456)	(4 979)	(5 298)	4.0
Net cash flows from operating activities	**26 105**	25 740	24 344	21 219	23 603	2.6
Net cash flows utilised in investing activities	**(8 526)**	(12 195)	(13 680)	(13 131)	(9 375)	(2.3)
Net cash flows utilised in financing activities	**(13 067)**	(11 909)	(11 644)	(5 043)	(14 719)	(2.9)
Net increase/(decrease) in cash and cash equivalents	**4 512**	1 636	(980)	3 045	(491)	n/a
Cash and cash equivalents at end of the year	**12 538**	8 873	7 751	8 870	5 792	21.3
Performance per ordinary share (cents)						
Basic earnings per share	**947**	915	881	864	903	1.2
Headline earnings per share	**923**	923	883	860	896	0.7
Diluted headline earnings per share	**895**	894	860	840	894	0.0
Net asset value per share	**4 104**	1 545	1 547	1 470	1 612	26.3
Dividends per share[1]	**815**	830	795	775	825	(0.3)
Profitability and returns (%)						
EBITDA margin	**38.1**	38.4	37.9	36.1	37.3	
EBIT margin	**26.8**	27.2	27.1	26.2	28.3	
Operating profit margin	**28.1**	26.8	26.3	25.8	27.9	
Effective tax rate	**29.6**	31.7	31.5	29.9	30.2	
Net profit margin	**18.0**	16.1	16.1	16.8	18.7	
Return on equity[2]	**34.7**	55.7	55.9	56.2	60.4	
Return on capital employed[3]	**30.5**	45.4	48.2	50.1	62.1	
Liquidity and debt leverage (times)						
Interest cover[4]	**8.6**	7.7	9.6	11.1	19.3	
Net debt to EBITDA	**0.6**	0.7	0.7	0.6	0.3	
Current ratio[5]	**1.1**	1.1	1.1	1.0	0.9	
Quick ratio[6]	**1.0**	1.0	1.0	0.9	0.9	

Notes:
1. Total dividend declared for the financial year.
2. Return on equity is calculated by dividing net profit attributable to equity shareholders by shareholders' equity.
3. Return on capital employed (before tax) is calculated by dividing adjusted statutory operating profit by the average of total assets less current liabilities.
4. Interest cover ratio is calculated by dividing earnings before interest and tax for the year by finance costs for the year.
5. The current ratio is calculated by dividing current assets by current liabilities.
6. The quick ratio is calculated by dividing current assets, excluding inventory, by current liabilities.

Five-year historic review per segment

31 March	2018	2017	2016	2015	2014	Compound growth %
South Africa						
Revenue (Rm)	**69 967**	64 729	62 279	59 203	59 314	4.2
EBITDA (Rm)	**28 088**	26 815	25 016	22 837	23 087	5.0
EBIT (Rm)	**21 124**	20 593	19 430	17 779	18 563	3.3
Capital expenditure (Rm)	**8 884**	8 471	8 747	8 646	6 858	6.7
EBITDA margin (%)	**40.1**	41.4	40.2	38.6	38.9	
EBIT margin (%)	**30.2**	31.8	31.2	30.0	31.3	
Capex intensity (%)	**12.7**	13.1	14.0	14.6	11.6	
Customers[1]	**41 635**	37 131	34 178	32 115	31 520	7.2
Number of employees	**5 007**	5 038	5 009	5 228	4 829	0.9
Total ARPU (rand per month)[2]	**101**	111	112	113	125	(5.2)
International						
Revenue (Rm)	**17 460**	17 350	18 356	15 747	14 356	5.0
EBITDA (Rm)	**4 930**	4 545	5 385	4 104	4 256	3.7
EBIT (Rm)	**2 096**	1 648	2 296	1 756	2 172	(0.9)
Capital expenditure (Rm)	**2 707**	2 833	4 090	4 654	3 919	(8.8)
EBITDA margin (%)	**28.2**	26.2	29.3	26.1	29.6	
EBIT margin (%)	**12.0**	9.5	12.5	11.2	15.1	
Capex intensity (%)	**15.5**	16.3	22.3	29.6	27.3	
Customers[1]	**32 194**	29 655	27 127	29 533	25 969	5.5
Number of employees	**2 360**	2 351	2 338	2 372	2 210	1.7
Total ARPU (rand per month)[2]						
Tanzania	**35**	38	39	42	45	(6.1)
DRC	**38**	49	42	32	35	2.0
Mozambique	**51**	45	54	52	58	(3.2)
Lesotho	**70**	61	62	53	46	11.1
Total ARPU (local currency per month)[2]						
Tanzania (TZS)	**6 086**	6 003	5 972	6 530	7 213	(4.2)
DRC (USD)	**2.9**	3.5	3.0	2.9	3.4	(3.9)
Mozambique (MZN)	**241**	216	169	149	172	8.8

Notes:
1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
2. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.

Who governs us

We have a unitary Board with 12 directors, the majority of whom are non-executive directors. Our Chairman is an independent non-executive director.

Board structure

Executive directors

Mohamed Shameel Aziz Joosub (47)
Appointed CEO in September 2012
- Commercial strategist.
- Strategy business leadership.
- Strong ICT experience.
- International operational experience.
- Sound financial expertise.

S

Till Streichert (44)
Appointed CFO in August 2015
- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

Independent non-executive directors

Phillip Jabulani Moleketi (60)
Chairman of the Board[1]
Appointed in November 2009
- Corporate leadership.
- Understands public sector relations.
- Corporate and strategic leadership experience.
- Strong financial acumen.
- Government relations experience.

N S

Thoko Martha Mokgosi-Mwantembe (56)
Appointed in May 2009
- Strategic marketing focus.
- Expertise in innovation.
- ICT sector experience.

N R

David Hugh Brown (55)
Appointed in January 2012
- Corporate leadership experience.
- Financial expertise.
- Corporate governance expertise.
- Considered as a financial expert for purposes of the ARCC.

A R

Bafelelang Priscillah Mabelane (45)
Appointed in December 2014
- Strategic leadership expertise.
- Financial expertise.
- Business leader.
- Considered as a financial expert for purposes of the ARCC.

A

Sakumzi Justice Macozoma[2] (60)
Appointed in July 2017
- Business leadership.
- Financial expertise.
- Corporate leadership experience.

A S

Non-executive directors

Ronald Adrianus Wilhelmus Schellekens (54)
Appointed in February 2009
- Expertise in human resources best practice.
- Understands corporate best practice.
- International operational experience.

N R S

Michael Joseph (72)
Appointed in May 2009
- Understands innovation.
- Strategy and business leadership experience.
- Emerging markets expertise.

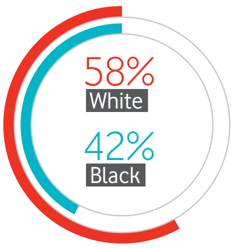
John William Lorimer Otty (54)
Appointed in September 2012
- Sound financial governance background.
- Extensive telecoms knowledge.
- Emerging market insight.

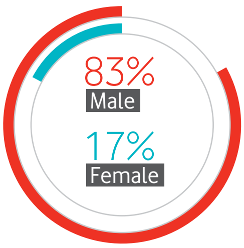
Marten Pieters (64)
Appointed in October 2015
- Extensive sector knowledge.
- Executive leadership background.
- Strategic leadership experience.

Vivek Badrinath (48)
Appointed in December 2016
- Extensive telecommunications and technology knowledge.
- Expertise in Information Systems.
- Emerging market expertise.

N R

A Audit, Risk and Compliance Committee (ARCC)
R Remuneration Committee
N Nomination Committee
S Social and Ethics Committee





1. Phillip Jabulani Moleketi was appointed Chairman of the Board in July 2017. Mthandazo Peter Moyo resigned effective 18 July 2017.
2. Sakumzi Justice Macozoma was appointed to the Board in July 2017, replacing Phillip Jabulani Moleketi.

Who leads us

Executive Committee

CEO

Mohamed Shameel Aziz Joosub (47)
Chief Executive Officer

Joined Vodacom in March 1994.

CFO

Till Streichert (44)
Chief Financial Officer

Joined Vodacom in February 2014/Vodafone in January 2008.

Technology

Andries Delport (53)
Chief Technology Officer

Joined Vodacom in June 1996.

Consumer: Sales and Distribution

Jorge Mendes (44)
Chief Officer: Consumer Sales and Distribution

Joined Vodacom in May 2000.

Human Resources

Matimba Mbungela (46)
Chief Human Resources Officer

Joined Vodacom in January 2003.

Commercial Operations

Errol van Graan[1] (44)
Chief Officer: Commercial Operations

Joined Vodacom in February 2018.

Strategy and New Business

Nadya Bhettay (44)
Chief Officer: Strategy and New Business

Joined Vodacom in June 2005.

Legal and Regulatory

Nkateko Nyoka (55)
Chief Officer: Legal and Regulatory

Joined Vodacom in October 2007.

Corporate Affairs

Takalani Netshitenzhe (49)
Chief Officer: Corporate Affairs

Joined Vodacom in September 2016.

Consumer Business Unit

Nyimpini Mabunda (42)
Chief Officer: Consumer Business Unit

Joined Vodacom in September 2016.

International Business

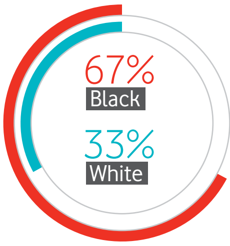
Diego Gutierrez[2] (41)
Chief Operating Officer: International Business

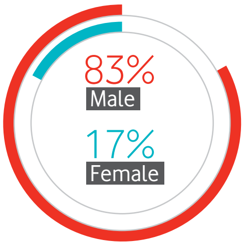
Joined Vodacom in August 2017.

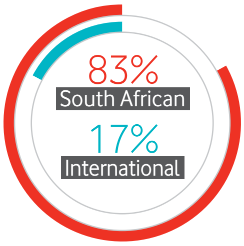
Vodacom Business

William Mzimba[3] (49)
Chief Officer: Vodacom Business

Joined Vodacom in May 2018.







1. Errol van Graan was appointed Chief Officer: Commercial Operations on 1 February 2018.
2. Diego Gutierrez was appointed Chief Operating Officer: International Business on 1 August 2017.
3. William Mzimba was appointed Chief Officer: Vodadom Business on 1 May 2018.

Further detailed biographies of the Board and the Executive Committee are available at www.vodacom.com

Statement of compliance

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

The King IV Report on Corporate Governance for South Africa 2016, released on 1 November 2016, advocates an outcomes-based approach, and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture;
- Good performance;
- Effective control; and
- Legitimacy.

The application of King IV is on an apply and explain basis and the practices underpinning the principles espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures governing corporate conduct. The Board is satisfied that in the main, Vodacom has applied the principles set out in King IV, the detail of which is set out below and outlined in the King IV principles schedule.

For details of King IV Codes go to www.vodacom.com

Corporate governance structure

The following diagram shows the Group's governance structures as at 31 March 2018:

BOARD

Board committees

- Nomination Committee
- Remuneration Committee
- Social and Ethics Committee
- Audit, Risk and Compliance Committee
- Executive Committee

CEO

Executive Committee

- Finance
- International Business
- Technology
- Vodacom Business
- Consumer Business Unit
- Commercial Operations
- Corporate Affairs
- Legal and Regulatory
- Human Resources
- Strategy and New Business
- Consumer: Sales and Distribution

Ethical leadership

The Board accepts collective responsibility for defining how ethics and ethical behaviour should be implemented in Vodacom. This includes setting out the conduct of individual Board members to ensure that they act with integrity, competence, responsibility, accountability, fairness and transparency. These characteristics set the tone from the top to support an ethical culture within Vodacom.

Board leadership and committees

Board

Vodacom has a unitary Board of 12 directors, of whom five (including the Chairman) are independent non-executive directors, five are non-executive (but not independent as they represent Vodafone), and two are executive directors. King IV recommends that the governing body (Board) should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. The Board is satisfied that the balance of knowledge, skills, experience, and diversity on the Board is sufficient and does not require additional independent voices. The Board acknowledges the requirement for race and gender representation in its membership. Vodacom has adopted a formalised policy on the promotion of race and gender diversity at Board level. The Nomination Committee regularly reviews Board and committee succession to ensure we have the right skills, continuity and experience for the future. The Board has an agreed process and policy in place for appointing directors. The Board has evaluated the performance of the Chief Executive Officer through the Nomination Committee and is satisfied with the outcome of the evaluation. The Board has delegated to the Chief Executive Officer to oversee that the key management functions are headed by individuals with necessary competence and authority and adequate resources.

Accountability

The Board takes overall responsibility for Vodacom's success. Its role is to exercise leadership and sound judgement in directing Vodacom to achieve sustainable growth and act in the best interests of shareholders.

In line with best practice, the roles of Chairman and Chief Executive Officer are separate. The Chairman is responsible for leading the Board, while the Chief Executive Officer is responsible for the operational management of the Group.

The Board charter details the responsibilities of the Board, which include:

- Appointment of the CEO and CFO;
- 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
- Information and 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 employment terms and conditions and a six-month notice period. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Any director appointed to fill a temporary vacancy must retire at the first annual general meeting following their appointment.

Chairman

The memorandum of incorporation requires the Board to re-elect the Chairman annually. The Board is comfortable that the Chairman is able to perform the duties of this office effectively. Mr Jabu Moleketi was appointed as Chairman of the Company with effect from Wednesday 19 July 2017. His re-election as Chairman of the Board will be considered at the July 2018 meeting.

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 an 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. Two special Board meetings were convened during the year.

Corporate governance report | continued

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

Name of director	12 May 2017	14 June 2017 Special	19 July 2017 Telecon	24 Aug 2017 Special	28 Sep 2017	10 Nov 2017 Telecon	7 Dec 2017	30 Jan 2018 Telecon	29 March 2018
PJ Moleketi[1]	✓	✓	✓	✓	✓	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓	✓	✓	✓	✓	✓
V Badrinath	✓	✓	✓	✓	✓	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓	✓	✓	✓	✓
M Joseph	✓	✓	✓	✓	✓	✓	✓	✓	✓
BP Mabelane	✓	✓	✓	✓	×	✓	✓	✓	✓
SJ Macozoma[2]	–	–	✓	✓	✓	✓	✓	✓	✓
TM Mokgosi-Mwantembe	✓	✓	✓	✓	✓	✓	✓	✓	✓
MP Moyo[3]	✓	✓	–	–	–	–	–	–	–
M Pieters	✓	✓	✓	✓	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓	✓	✓	✓	✓
JWL Otty	✓	✓	✓	✓	✓	✓	✓	✓	✓
T Streichert	✓	✓	✓	✓	✓	✓	✓	✓	✓

Notes:
1. PJ Moleketi appointed as Chairman on 19 July 2017.
2. SJ Macozoma appointed 19 July 2017.
3. MP Moyo retired on 18 July 2017.

Board committees

The non-executive directors contribute their extensive experience and knowledge to 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, King IV, the Listings Requirements of the JSE Limited and governance best practice.

Executive Committee

During the year, the Executive Committee included the Chief Executive Officer (Chairman), Chief Financial Officer, Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Operating Officer: International Business, Chief Technology Officer, Chief Officer: Legal and Regulatory, Chief Officer: Strategy and New Business, Chief Officer: Consumer Business Unit, Chief Officer: Consumer Sales and Distribution, Chief Officer: Commercial Operations and Chief Officer: Vodacom Business.

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 strategy of the Group;
- Developing the annual budget and business plans for the Board's approval; and
- Developing, implementing and monitoring policies and procedures, internal controls, governance, risk management, ethics and authority levels.

Audit, Risk and Compliance Committee

Current members: DH Brown (Chairman), BP Mabelane, SJ Macozoma

For details of the activities of the Audit, Risk and Compliance Committee, which can be found in its standalone report in the consolidated annual financial statements go to www.vodacom.com

Remuneration Committee

Current members: TM Mokgosi-Mwantembe (Chairman), V Badrinath, DH Brown, RAW Schellekens

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.

The membership of the Remuneration Committee does not comply fully with King IV or the JSE Listings Requirements, which advocate 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. Vivek Badrinath, who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific, has oversight over Vodacom, and Ronald Schellekens is the Vodafone Human Resources Director. Both provide useful insights to the performance of the Chief Executive Officer and the senior management. This assists with the evaluation of performance for reward purposes. To address non-compliance with the JSE Listings

Requirements, it was agreed with the JSE that the Chairman of the committee would have a casting vote in the event of any deadlock or dispute that could arise. The mandate of the committee was revised accordingly. The Chief Executive Officer and Chief Human Resources Officer attend the meetings by invitation. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

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

Name of director	9 May 2017	5 Sep 2017	9 Nov 2017	1 Feb 2018 Special	28 Mar 2018
TM Mokgosi-Mwantembe	✓	✓	✓	✓	✓
V Badrinath	✓	✓	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓

For details of the activities of the Remuneration Committee, which can be found in the Remuneration report, go to www.vodacom.com

Nomination Committee

Current members: PJ Moleketi (Chairman), V Badrinath, TM Mokgosi-Mwantembe, RAW Schellekens

The Nomination Committee's duties include identifying and evaluating suitable potential candidates for appointment to the Board, as well as candidates for the position of Chief Executive Officer and Chief Financial Officer. The authority to appoint directors remains a function of the Board. The committee also makes recommendations on the composition of the Board in terms of the mix of skills, size and the number of committees required, and it reviews and approves executive succession.

The membership of the Nomination Committee does not comply fully with King IV or the JSE Listings Requirements, which advocate a majority of independent non-executive directors. Of the non-executive directors on the committee, only half are independent. Jabu Moleketi, 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. Vivek Badrinath, who is the Vodafone Regional CEO for Africa, Middle East and Asia Pacific, has oversight over Vodacom, and Ronald Schellekens is the Vodafone Human Resources Director. As mentioned earlier, both provide useful insights to the performance of the Chief Executive Officer and other senior management. This assists with the review of the succession plans for management. To address non-compliance with the JSE Listings Requirements, it was agreed with the JSE that the Chairman of the committee would have a casting vote in the event of any deadlock or dispute that could arise. The mandate of the committee was revised accordingly. The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

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

Name of director	9 May 2017	5 Sep 2017	9 Nov 2017	28 Mar 2018
PJ Moleketi[1]	–	✓	✓	✓
V Badrinath	✓	✓	✓	✓
TM Mokgosi-Mwantembe	✓	✓	✓	✓
MP Moyo[2]	✓	–	–	–
RAW Schellekens	✓	✓	✓	✓

Notes:
1. PJ Moleketi appointed as Chairman on 19 July 2017.
2. MP Moyo retired on 18 July 2017.

The committee's key focus areas during the year included:
- Succession planning in respect of the senior leadership team;
- Reviewing the composition and mix of skills of the Board;
- Evaluating candidates for the positions of Chairman, annual review of the independence of directors, Lead independent director, Chief Operating Officer: International Business; Chief Officer: Commercial Operations and Chief Officer: Vodacom Business;
- Appointing a Lead independent director (per King IV); and
- Updating the committee charter to accommodate King IV.

Social and Ethics Committee

Current members: SJ Macozoma (Chairman), PJ Moleketi, RAW Schellekens, MS Aziz Joosub

There were no changes to the composition of the Social and Ethics Committee during the year. Key executives attend meetings by invitation but have no vote, including the Chief Risk Officer, Group Company Secretary (Ethics Officer), Chief Human Resources Officer, Chief Officer: Corporate Affairs, Chief Officer: Legal and Regulatory, Chief Officer: Strategy and New Business and Chief Officer: Commercial Operations.

As required by the Companies Act, No 71 of 2008 (as amended) and King IV, 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 (BBBEE), Employment Equity and the Organisation for Economic Co-operation 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;
- Customer relations;
- Labour and employment, including skills development; and
- Safety, health and environmental issues.

The Social and Ethics Committee met four times during the year with attendance as follows:

Name of director	25 April 2017	30 Aug 2017	6 Nov 2017	13 Mar 2018
SJ Macozoma[1]	–	–	✓	✓
PJ Moleketi[2]	✓	✓	✓	✓
MP Moyo[3]	✓	–	–	–
RAW Schellekens	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓

Notes:
1. SJ Macozoma appointed as Chairman of Committee on 28 September 2017.
2. PJ Moleketi stepped down as Chairman on 28 September 2017, but remained a member of the Social and Ethics Committee.
3. MP Moyo retired on 18 July 2017.

The committee's key focus areas during the year included:

- Noting the impact of the South African Government's National Integrated ICT Policy White Paper;
- Maintaining of the progress of the Vodacom 'Doing what's Right' programme;
- Driving BBBEE in Vodacom South Africa;
- Maintaining good relations with consumers;
- Maintaining good relations with employees and achieving employment equity;
- Promoting and protecting the environment, health and safety;
- Preventing and combating bribery and corruption;
- Being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination; and
- Extending the reach and impact of our values and ethics through our business partners and supply chain.

For details on the activities of the Social and Ethics Committee, which can be found in the Report of the Social and Ethics Committee, go to www.vodacom.com

Board evaluation

To allow sufficient time for the Board to complete all actions arising from a board evaluation King IV recommends that a board evaluation be conducted every second year. Certain actions from Vodacom's Board evaluation conducted in 2016/2017 are still in progress. On this basis, Vodacom will conduct its next Board evaluation in early 2019.

Company Secretary

All directors have access to the advice and services of the Group Company Secretary, Sandi Linford, who is responsible to the Board for ensuring compliance with procedures and applicable statutes and regulations. For the Board to function effectively, all directors have full and timely access to information that helps them do their duties properly. This includes corporate announcements, investor communications and information about developments that may affect Vodacom and its operations. Directors have full access to management as required.

The Group Company Secretary is responsible for director training. The Group 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.

Share dealings

Vodacom has a share dealing policy requiring all directors, senior executives and the Group Company Secretary to obtain prior written consent from either the Chairman or Chief Executive Officer to deal in Vodacom Group shares. The Chairman has to obtain prior written clearance from the Chairman of the Audit, Risk and Compliance Committee. Closed periods are implemented as per JSE Listings Requirements, during which 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 relationships

Stakeholder engagement

The Board has delegated to management the responsibility to deal with stakeholder relationships in a proactive and constructive manner. There is an approved stakeholder policy in place.

For details of the initiatives and activities for the year, which are more fully reported on in the Report of the Social and Ethics Committee, go to www.vodacom.com

Shareholder relations

Vodacom proactively communicates its strategy and activities to shareholders through a planned investor relations programme which includes:

- Formal presentations of annual and interim results;
- Briefing meetings with major institutional shareholders after the release of results; and
- Hosting investor and analyst sessions.

Risk management

Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment and monitoring. The Board considers 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 risks facing the Group and, where appropriate, monitors mitigating actions.

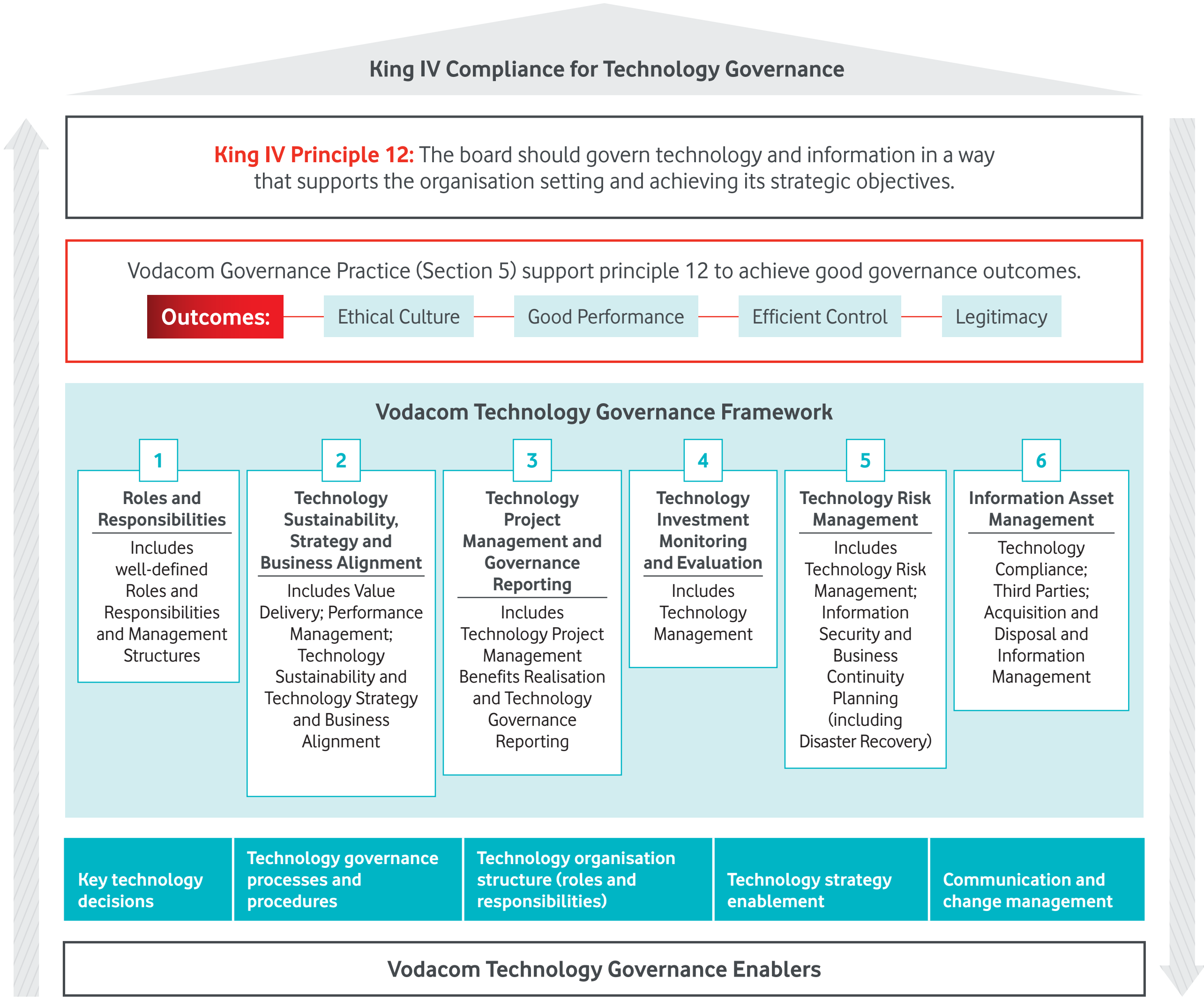
Internal control

Management implements appropriate internal controls to provide reasonable assurance on 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.

Technology and information governance

In line with King IV, technology and information governance forms part of our governance structures, policies and procedures. It forms part of the Group's strategic and business processes and is managed by the Chief Technology Officer.

The Vodacom Technology Governance Framework and Charter, which are mapped to the IT governance principles of King IV, have continued to be reinforced in the organisation. Each framework element is substantiated through demonstrable processes to align technology strategy and business needs, deliver value and manage performance, and to strengthen information security management, information management, risk management, business continuity management and compliance.



Vodacom Technology Governance Framework

Our attention in the past year has focused on putting mechanisms in place to ensure independent assurance of services provided by outsourced providers, and moving towards compliance of the Protection of Personal Information Act (POPIA). King IV acknowledges the rapid advances in technology and its potential to result in significant disruption, opportunity and risks. King IV recommends practices to assist the governing body with technology and information governance. The Board will consider the need to receive periodic independent assurance on the effectiveness of the organisation's technology and information arrangements including outsourced services.

The key areas of focus during the period included:

- Independent assurance of outsourced services;
- Protection of Personal Information Act; and
- Technology security, more specifically cybersecurity.

The planned areas of future focus relating to information and technology governance include:

- Mature King IV alignment and application;
- Continued focus on independent assurance of wider outsourced services; and
- Cybersecurity.

Vodacom has a mature risk management framework that is aligned with the ISO 31000 International Risk Management Standard and the requirements of South Africa's King IV Governance Code.

Our principal risks

We identify the key risks through our Principal Risks Framework, which provides the Executive Committee and Board with a robust assessment of the principal risks facing the Company. An embedded enterprise risk management process supports the identification of these principal risks. The risk appetite for each principal risk is reviewed and approved by the Board to enable informed risk-based decision-making.

The Group's risk heat map (Figure 1) sets out the top 10 principal risks as identified through the risk management process. This is supported by the risk and speed of impact report (Figure 2), reflecting the rate at which the Company will experience adverse financial impacts if the risk materialised.

Figure 1: Residual impact vs likelihood

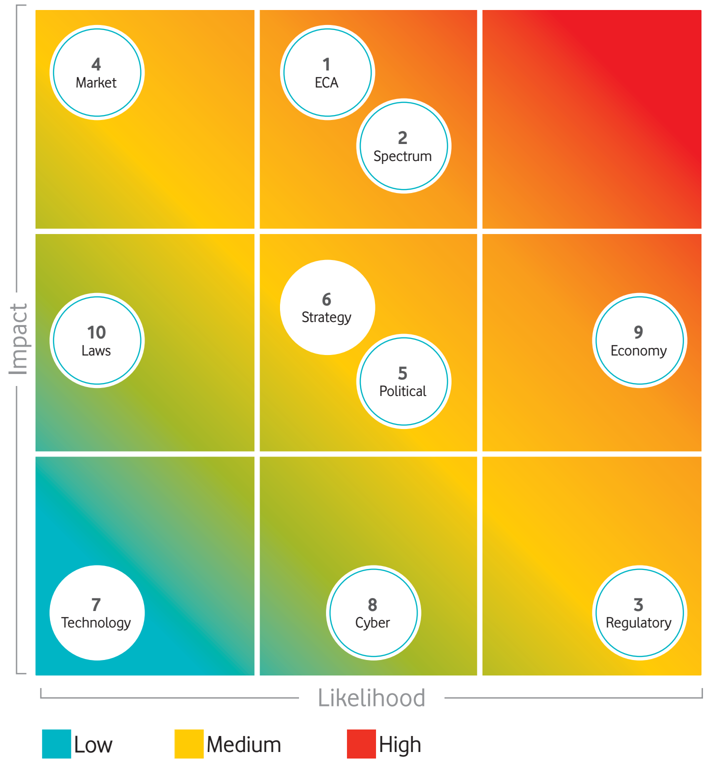
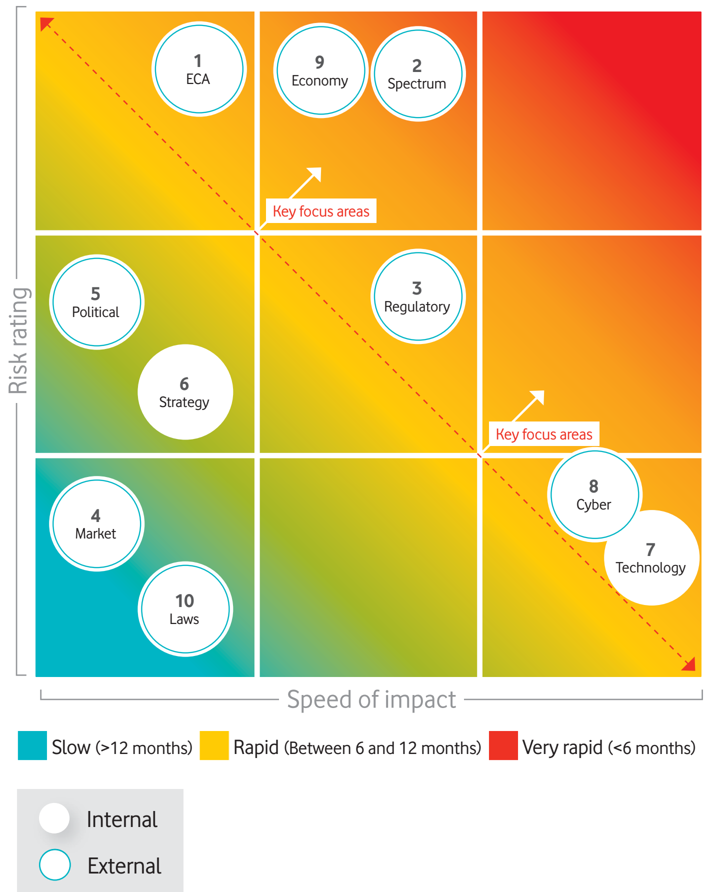


Figure 2: Risk and speed of impact



Our strategies

- Segmented Propositions — Page 20
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- Our Brand and Reputation — Page 34

Principal risk	Context	Mitigating actions	Strategic Objective
01 **Electronic Communications Amendment Bill (ECA Bill)/ Spectrum** **(South Africa)** Speed of impact: Rapid Rating: **New**	The ECA Bill proposes significant changes to the ICT operating environment, including the establishment of a wholesale open access network (WOAN) with uncertainty of how much spectrum will be allocated to the WOAN versus industry players. This Bill, if implemented in its current form has significant implications for elements of our business model.	• Engage actively with government and industry organisations to find appropriate solutions that achieve the underlying policy objectives. • Engage with industry players, business associations and other key stakeholders to develop joint proposals. • Proactively developed a hybrid WOAN proposal in conjunction with other operators. • Engaged with government and highlighted the potential negative implications for the economy, digital inclusion and the adoption of new technologies. • Plans in place to be ready for different scenarios.	Our Brand and Reputation; Best Customer Experience; Best Technology
02 **Spectrum/ Licence renewal** **(International markets)** Speed of impact: Rapid Rating: **Down (2017: 1)**	Failure to secure additional spectrum due to policy changes relating to the issuing of spectrum licences, non-renewal of existing licences, and/or increased competition for access to spectrum, would significantly impact our ability to increase capacity and deliver future network capabilities.	• Engage government and regulatory bodies, highlighting efficient allocation and resulting societal benefits of spectrum. • Actively participate in licence renewal processes and spectrum allocation processes. • Continuously evaluate and implement re-farming and optimisation strategies. • Proactive spectrum strategy, including potential acquisitions and strategic partnerships under applicable regulations.	Best Technology; Our Brand and Reputation; Best Customer Experience
03 **Adverse regulatory pressures with regards to data pricing** **(South Africa)** Speed of impact: Rapid Rating: **New**	The recently published amendments to the End-User and Subscriber Service Charter Regulations by ICASA regulating out-of-bundle data, as well as a recently launched inquiry by the Competition Commission of South Africa regarding data services, could have negative unintended consequences on our customers, and may prevent, distort or restrict competition.	• Agreed to implement the final regulations as published by ICASA. • We will offset negative financial impacts through elasticity of demand from data and other commercial actions. • Inform customers of their data usage, notify them of defined thresholds, and provide personalised up-sell offers in each usage notification. • Give customers the choice to opt in for out-of-bundle usage and charges and the option to rollover or transfer unused data. • Conduct awareness campaigns on data usage and recommended options available.	Our Brand and Reputation; Best Customer Experience

Our principal risks | continued

Principal risk	Context	Mitigating actions	Strategic Objective
04 **Market disruption** **(All markets)** Speed of impact: Slow Rating: **New**	We are experiencing intensified competition from a variety of new and existing technology providers, new market entrants and competitors.	• Monetise the network and personal data assets by using Big Data and real-time analytics to provide personalised services to customers. • Implement pricing strategies to manage the decline of traditional voice revenue through migrating voice to data. • Established a team that analyses and provides insight into customer behaviour to better position our offerings and further segment our customers with relevant offers and services. • Ensure superior customer service strategy in place.	
05 **Adverse political measures and regulatory pressures** **(All markets)** Speed of impact: Slow Rating: **Up (2017: 7)**	Stringent requirements set by the regulator or government legislation could have an impact on Vodacom's profitability, growth and services in our operating countries. Recent significant regulatory and policy changes include mobile termination rates, new mobile financial services licences and regulations, DRC's sub-contracting law, BEE compliance and the Electronic Communications Amendment Act in South Africa.	• Specialist legal, regulatory and government relations teams at Group and in all operations. • Engage external advisors and legal counsel to support our activities. • Engage key stakeholders, and utilise targeted intelligence reports, to understand material legislative changes. • Proactive engagement with government and other key stakeholders to communicate key messages and proposals on how policy/regulatory decisions positively and negatively impact the sector. • Participate in broader government objectives and public interest through national industry associations, the GSMA and other influential national/international organisations. • Regulatory Compliance Policy and a related combined assurance programme in place to ensure that all risks are documented and assessed and that action plans are in place and tracked.	
06 **Failure to deliver on strategic projects in regards to fibre and convergence** **(South Africa)** Speed of impact: Slow Rating: **Up (2017: 8)**	Failure to deliver on new services will negatively affect the future growth of the organisation. Key projects such as our roll-out of fibre or converged projects could impact on Vodacom's ability to remain competitive.	• New divisions established to focus on strategic projects relating to fibre and digital services. • Review options to assist in the growth of our fibre offerings either through build or buy. • Review and monitor our current revenue streams so that we are able to proactively implement controls to manage potential substitution.	
07 **Technology failure** **(All markets)** Speed of impact: Very rapid Rating: **Down (2017: 4)**	Our customer value proposition is based on the reliable availability of our high-quality network. A major failure in critical network or information technology assets – for example, through natural disasters, insufficient preventative maintenance, or malicious attack – would have a profound impact on our customers, revenues and reputation.	• Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place. • Investments to ensure adequate redundancy capabilities where feasible. • Comprehensive insurance policies in place. • Self-provided transmission links on critical routes in our networks to reduce reliance on external parties.	

Our strategies

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Principal risk	Context	Mitigating actions	Strategic Objective
08 **Cyberthreat** **(All markets)** Speed of impact: Very rapid Rating: **Down (2017: 2)**	An external cyberattack, insider threat or supplier breach – malicious or accidental – could result in service interruption and/or the breach of confidential data, with resulting negative impacts on customers, revenues and reputation, and potential costs associated with fraud and/or extortion.	• World-class monitoring centres to identify attacks timeously. • Conduct detailed scenario planning on an ongoing basis. • Ensure that networks and infrastructure built with security in mind. • Implement controls based on world-class industry standards. • Continuous improvement programmes in place to mitigate against risks. • Assurance programme that incorporates both internal and external reviews of third parties that hold data on our behalf. • Layers of security control applied to all applications and infrastructure that store or transmit confidential personal and business voice and data.	
09 **Unstable economic and market conditions** **(All markets)** Speed of impact: Rapid Rating: **Down (2017: 6)**	The mobile communications industry is often subject to unpredictable and higher direct and indirect taxes in our countries of operation. Other volatile macroeconomic conditions – such as fluctuating foreign exchange and inflation rates – can weaken Consumer and Enterprise spend, reducing revenue and impacting negatively on operating costs and capital expenditure.	• Comprehensive stakeholder relations strategy in all our operations. • Specialised tax management capability, and seek expert tax advice as needed. • Adjust our products and services to continue to serve customer needs. • Group Treasury Policies applied in all our markets. • Include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth, and changes in interest, inflation and exchange rates. • Implemented a global cost-savings programme to combat the effects of inflationary pressure on costs.	
10 **Non-compliance with laws and regulations** **(All markets)** Speed of impact: Slow Rating: **Down (2017: 9)**	We operate in a complex and heavily regulated environment. A breach of regulatory requirements could expose Vodacom to significant financial and reputational damage.	• All new products and services are reviewed for compliance with all applicable laws and regulations before being approved for launch. • All distribution channel agreements are updated to continuously comply with legislative requirements. • Subject matter experts in our legal and regulatory teams at a local and global level who advise on strategy and manage policy and risk issues. • Policy of zero-tolerance towards bribery by any employee or third party operating on our behalf. • Robust, proportionate, risk-based controls to prevent, detect and report money-laundering and terrorist financing. • Combined Assurance Programme on regulatory compliance, governed by the Group Audit, Risk and Compliance Committee.	

Remuneration report

This report summarises Vodacom's remuneration philosophy and policy for executive and non-executive directors. It also provides a description as to how the policy has been implemented.

The detailed Remuneration report, including full disclosures is published in a separate Remuneration report online at www.vodacom.com

Letter from the Chairman of the Remuneration Committee (RemCo):

Dear shareholders

As members of the RemCo, our focus is to assist and advise the Board on matters relating to the remuneration of senior management. We ensure that the remuneration philosophy and policy supports the Group's strategic targets to enable the recruitment, motivation and retention of senior executives, with the aim of maximising shareholder value and complying with legislation and the requirements of King IV.

This report sets out Vodacom's remuneration philosophy and policy for non-executive directors and executive directors. It also provides a description of how the policy has been implemented, and discloses payments made to non-executive and executive directors during the year.

The committee has considered the disclosure requirements of King IV (both principles and practice notes) and has produced the following report, which complies with the King IV requirements while being conscious of disclosing individual or market sensitive information.

During the course of the year, we reviewed the roles and accountabilities within the Group Executive Committee and sought legal opinion regarding the definition of prescribed officer. Based on all the available information the RemCo is of the opinion that only the roles of CEO and CFO meet the requirements of prescribed officer.

I would like to thank my fellow RemCo members for their continued support, and look forward to the challenges that lie ahead.

Thoko Martha Mokgosi-Mwantembe
Chairman of the Remuneration Committee

In accordance with the requirements of King IV, this report is divided into the following three sections:

Section 1:
Background statement regarding committee considerations and decisions.

Section 2a:
Our remuneration philosophy, policy and framework for the current year.

Section 2b:
Our remuneration philosophy, policy and framework for FY2019.

Section 3:
Implementation and remuneration disclosure of the CEO, CFO and non-executive directors.

Section 1:

Background statement regarding committee considerations and decisions

Business performance and the impact on our short-term and long-term incentives

The Group's financial performance was good and we delivered a solid set of results. This is testament to the calibre of management and employees that work for the Group. Management had a tough set of targets to achieve, relating to service revenue, EBIT, operating free cash flow and customer appreciation. Customer growth and the strong demand for data were two of the key drivers of success, along with excellent execution in our Enterprise business. More detail on the actual achievement against these targets is provided later in the report.

The targets and the extent to which they are achieved have a direct impact on the long- and short-term incentives payable to executives.

Achievement of policy objectives

The committee believes that the Vodacom remuneration policy remains fit for purpose and achieves the high-level objectives of 'attraction, retention and performance motivation' of our staff. During the continuous assessment of specific factors and metrics, the following two policy changes were implemented for the 2018 reporting period:

- Changing EBITDA to EBIT as one of the elements of the financial targets in the short-term incentive (STIP) scheme, with the aim of ensuring greater focus on capital discipline; and
- Increasing the weighting of direct telecommunications sector competitors to approximately 25% within the TSR peer group for the long-term incentive (LTIP) scheme to ensure a more representative comparison of performance to direct market competitors.

No changes were made to the remuneration mix for executives, either at target or at maximum award levels.

The key decisions we took this year were to:

- Approve increases and adjustments for executives, senior management, and employees;
- Review the configuration of both STIP and LTIP schemes, and make changes where appropriate;
- Approve short-term incentives for executives, senior management, and employees;
- Evaluate the LTIP vesting conditions for the 2014 scheme, and approve final vesting ratios;
- Set performance conditions for long- and short-term incentives for 2018; and
- Review remuneration developments in local and global best practice.

Independent external advisors:

The RemCo contracted the services of Vasdex Associates (Pty) Limited for independent external advice. The committee is satisfied with their independence and objectivity.

Shareholder voting

As required by King IV and the JSE Listings Requirements, Vodacom will put a dual vote to shareholders regarding: a) approval of the remuneration policy; and b) implementation of the policy. Should either vote receive 25% or more votes against, Vodacom will take the following steps:

- Issue a SENS announcement regarding the outcome of the voting results;
- Invite shareholders to engage with Vodacom regarding their dissatisfaction with either of the votes;
- Schedule collective and/or individual engagements with concerned shareholders to record their concerns and objections firsthand;
- Assimilate all responses and schedule RemCo sessions to analyse concerns and issues raised with the aim of formulating changes to policy and implementation where required; and
- Develop a formal response to shareholders, which articulates the concerns raised, the details of where changes will be made to address concerns raised, and provides detailed responses for areas where Vodacom, despite the shareholder feedback, believes their current policy and/or implementation is adequate.

Voting at the July 2017 annual general meeting (AGM)

Results of shareholder voting at the most recent AGMs are indicated below.

	2017	2016
Approval of the remuneration policy	94.20%	99.22%
Implementation of the remuneration policy	94.20%	n/a
Non-executive directors' fees	99.76%	99.77%

RemCo has taken note of the reduction in the percentage in favour of the remuneration policy from 99.22% in 2016 to 94.20% in 2017. On analysis, the following were determined to be the key issues for shareholders.

Issue	RemCo response
1. The Remuneration report provided no explanation for the significant guaranteed package increases to the CEO and CFO of 25% and 8% respectively	Shareholders are advised that at the time (towards the latter half of 2016 and early calendar 2017), it was public knowledge that a major competitor had initiated a search for a CEO and was also actively recruiting for other senior roles. The Board has a duty to all shareholders to ensure that Vodacom has adequate performance, recognition and retention mechanisms in place for key executives. To this end the RemCo proactively ensured that, after benchmarking and competitor reviews, the CEO and CFO were remunerated appropriately given market and performance considerations.
2. Retention shares are being granted to prescribed officers	Senior leadership team (SLT) members (including previously defined prescribed officers) continue to receive a proportion of LTIP awards in the form of retention shares. The Board and RemCo believe that it is a necessary policy in order to provide a degree of retention for the key talent of Vodacom who participate in the LTIP scheme. It should further be noted that the value of these retention shares is dependent on movements in share price and cash flow generation and, hence, they remain 100% aligned with shareholders' interests. Only 33% of the shares allocated are retention shares. The remaining 67% is linked to performance conditions.
3. Specific targets are not disclosed for the STIP and LTIP	A prior disclosure of targets for STIP and LTIP would amount to forecasting which is expressly prohibited by the JSE. The performance ranges around the business plan for both STIP and LTIP are disclosed in the policy section. This, together, with the AFS disclosure and disclosure of actual percentage achievement in the implementation section provides shareholders with all relevant information.

AGM vote:

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM in July 2018, details of which can be found in the notice of AGM:

- Binding vote on non-executive directors' fees;
- Advisory vote on the remuneration policy; and
- Advisory vote on the implementation report.

Section 2a:

Our remuneration philosophy, policy and framework for the current year

Our aim is to attract, retain and motivate executives of the highest calibre, while at the same time aligning their remuneration with shareholders' interests and best practice. Our approach to reward is holistic, balanced across the following elements:

- Guaranteed package (GP);
- Variable short-term incentive (STIP);
- Variable long-term incentive (LTIP);
- Various recognition programmes;
- Individual learning and development opportunities;
- Stimulating work environment; and
- Well-designed and integrated employee wellness programme.

Vodacom adheres to a 'total cost to company' philosophy, which we refer to as the guaranteed package (GP). All employees in South Africa, including executive directors, receive a GP based on their role in the Company and linked to their individual performance. Contributions to medical aid, retirement funding and insured benefits are included in the GP.

The above elements are underpinned and reinforced by our performance development (PD) and talent management processes. Our policy is to reward our executives for their contributions to our strategic, financial and operating performance. To be a top employer in our industry we need to attract, develop and retain top talent and intellectual capital, both locally and internationally.

On an annual basis, we conduct remuneration benchmarking and award increases in the GP according to the market, individual performance and potential. Individual performance and potential assessment is determined through our talent management and performance development processes. The outcome of these processes also influences the awarding of short- and long-term incentives in the future.

Our short-term incentive, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives and the employee performance against their objectives set by line management. The pool available for short-term incentives is determined by financial performance of the Group against previously set and agreed targets.

Our long-term incentive, in the form of an annual share allocation, encourages ownership and loyalty, and supports our objective to retain valued employees. It is designed to align executive performance to shareholders' interests, as a portion of the award is subject to Group performance conditions. The scheme is a full ownership scheme; as a result, participants receive dividends from the award date although the value of the shares can only be realised after a three-year vesting period, to the extent that the vesting conditions have been met.

RemCo reviews the total pay mix of executives every year and decides on the proportion of total remuneration to be paid as GP, STIP and LTIP, as each of these elements is linked to creating shareholder value and the strategic progress made in the year.

Vodacom's reward framework:

Vodacom's reward framework comprises financial and non-financial elements, and is applied to all employees, including executive directors. The Vodacom reward framework is explained in the picture below:

My reward
at Vodacom

My remuneration
(Financial reward)

- Guaranteed package (GP)
- Short-term incentive (STIP)
- Long-term incentive (LTIP)
- Recognition
- Other, e.g. cellphone and data benefits

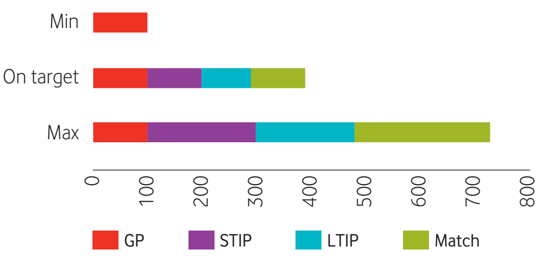
My non-financial
reward

- Employee benefits
- Work environment
- Learning and development
- Recognition
- Employee wellness programmes

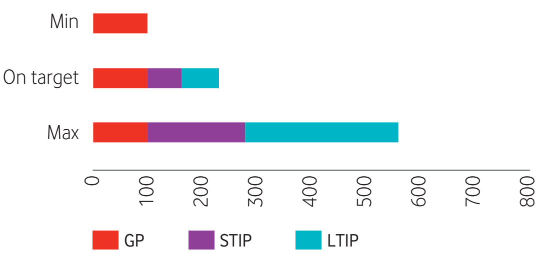
Pay mix

RemCo reviews the total pay mix of executives every year and decides on the proportion of total remuneration paid as part of the GP, or as STIP or LTIP. Each element is linked to creating shareholder value and the strategic progress made in the year. The RemCo also reviews targets and the on-target values for each element every year to ensure that it remains relevant, competitive, drives the right behaviours and enhances overall shareholder value. The pay mix for the CEO and CFO is shown below:

CEO (%)



CFO (%)



The pay mix indicated above is based on the following parameters and assumptions:

- As described later in the STIP section, the maximum STIP for the CEO is 2.0 times the target. This is the maximum business performance multiplier as no personal multiplier is applicable to the CEO.
- The CFO maximum STIP is 3.0 times the target since he may receive a maximum personal multiplier of 1.5 times in addition to the maximum business performance multiplier of 2.0 times.
- Similarly to the STIP, the CEO does not have an individual performance multiplier on LTIP; hence, maximum represents the face value shares awarded, whereas on target represents the number of shares that are anticipated to vest (50% of face value awarded).
- The CEO participates in a matching arrangement based on 1.0 times guaranteed package where, dependent on targets achieved, the match may rise to a maximum of 2.5 times guaranteed package.
- For the CEO dividends are received in cash on all outstanding unvested LTIP awards at each dividend declaration date. Since the dividend varies from period to period, it has not been included in the pay mix depiction indicated above.
- The CFO participates in the Vodafone share scheme and qualifies for dividend equivalent shares only at the end of the vesting period and only based on the vested portion of performance shares.

Benchmarking

To ensure we apply the right pay mix and remunerate our executives competitively, we use industry- and country-specific benchmarks. Fair and competitive reward is vital to being an employer of choice. RemCo sets the 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.

Executive directors and senior management remuneration

Benchmarking for executives within Vodacom is done for all elements of targeted remuneration, namely guaranteed package, target short-term incentive and target long-term incentive. Vodacom targets median remuneration for target performance.

The CEO is benchmarked against an executive remuneration survey provided by Mercer, as well as industry-specific comparators and disclosed information from peer group disclosure. The CFO is a secondee from Vodafone and is thus benchmarked in terms of the Vodafone executive remuneration policy. The balance of the Vodacom senior leadership team (SLT) are benchmarked against the annual executive survey provided by Mercer.

LTIP TSR peer group

Vodacom utilises the Indi25 as the most representative list of companies, which can be compared from perspectives of industry competitors, labour market and company size.

LTIP awards made during the year ending 31 March 2018, use the following peer group companies for the LTIP TSR vesting condition:

- Aspen Pharmacare Holdings
- Bidvest Group
- British American Tobacco Plc
- Compagnie Financiere Richemont AG
- Imperial Holdings
- Kumba Iron Ore
- LIFE Healthcare
- Mondi Ltd
- Mondi Plc
- Mr Price Group
- MTN Group
- Naspers
- Netcare
- Pioneer Food Group
- Remgro
- Sasol
- Shoprite Holdings
- Steinhoff International Holdings NV
- Telkom SA SOC
- The Foschini Group
- Tiger Brands
- Truworths International
- Woolworths Holdings

The RemCo approved an increase to the weighting of direct telecommunications sector competitors with effect from the June 2017 allocation, as a result the assessment of TSR is performed with two additional instances of MTN and Telkom respectively, in combination this equates to 25% of the TSR peer group.

Telkom is not currently present in the Indi25, but since it is a direct competitor for Vodacom, the RemCo took the decision to include Telkom in the LTIP TSR peer group, irrespective of whether it is in the Indi25 or not.

Non-executive director (NED) remuneration

NED fees are benchmarked annually against fees published by a peer group of companies in their respective most recent AGM notices. The peer group of companies for NED benchmarking is different from the TSR peer group, since the skills required from NEDs come from a pool of more appropriately sized companies, including financial services companies. Banks have, however, specifically been excluded, since their NED fees are noticeably higher than other industries. Vodacom targets to pay NED fees at the median of the following peer group companies:

- AngloGold Ashanti
- Anglo Platinum
- Aspen Pharmacare Holdings
- Bidvest Group
- Discovery Holdings
- Mediclinic
- MTN Group
- Naspers
- Sanlam
- Sasol
- Telkom SA SOC
- Tiger Brands
- Woolworths Holdings

Further details on our payments to non-executive directors are provided in our Remuneration report at www.vodacom.com

Executive contracts and policies

Executives have permanent contracts of employment. The notice periods applicable to members of executive management are:

Role	Notice period
CEO	12 months
Executive director	6 months

Payments for termination of office

The RemCo has the discretion to approve termination benefits to executive directors when required. The maximum termination benefit potentially payable will be limited to the notice period and a maximum of a six months ex-gratia amount. These benefits will not apply in the event of a normal voluntary resignation or retirement.

Remuneration framework

Guaranteed package (GP)

Within the context of our GP, Vodacom offers a selection of benefits that are both best practice and compliant with legislative practices. In terms of our total cost to company philosophy, any change in the price of a benefit or contribution level will not have a cost impact on the employer, but will affect the net remuneration of the employee.

Short-term incentives (STIP)

All employees, including executive directors, but excluding employees on a commission, quarterly or bi-annual bonus structure, participate in the annual STIP plan. STIP payments are discretionary and depend on financial performance and individual performance. Payments are made in cash in June each year.

Where annual targets are achieved in full, 100% of the on-target STIP will be paid. In instances where target goals are exceeded, the STIP is capped at a percentage of the guaranteed package. Where the STIP targets are not achieved in full, a pro rata STIP is paid only if the threshold performance level has been achieved. Where performance is below threshold, no STIP is payable.

Financial and personal multipliers are applied as separate multiples of the on-target percentages to determine the final award.

On-target and maximum STIP

The on-target and maximum STIP percentages are set out in the table below:

Role	On-target % of GP	Maximum % of GP
CEO	**100%**	**200%**
CFO	**60%**	**180%**

The maximum % of GP is based on a combination of the business performance multiplier and the personal multiplier.

Business performance multiplier

The business performance multiplier ranges from 0% – 200%. The metrics comprise three financial measures, which focus on the core operations of our business and one strategic measure, being customer appreciation.

Metric	2018 Weighting	2017 Weighting
Service revenue	**20%**	20%
EBITDA	**–**	20%
EBIT	**20%**	–
Operating free cash flow (OFCF)	**20%**	20%
Customer appreciation	**40%**	40%

The assessment of customer appreciation consists of the following metrics:

- Net promoter score (NPS) for both Consumer and Enterprise business units.
- Brand consideration.
- Churn, revenue market share and ARPU.

NPS is used as a measure of the extent to which our customers would recommend us, while brand consideration acts as a measure of the percentage of people who would consider a certain brand as their telecoms provider.

For executives, business performance is split between the relevant operating company and the Group. The Group business multiplier is used for the CEO and CFO, and for other SLT members the business multiplier is based on a weighted average of the multipliers for the relevant operating company and the Group.

Personal multiplier

The personal multiplier ranges from 0% – 150%. The personal performance multipliers are based on the performance of executives relative to their objectives.

As the CEO does not have a personal performance multiplier, his STIP is based on business performance only.

Determination of annual STIP award

The formula for determining the CEO's cash bonus is:

		(Target incentive)		(Business performance)
GTCE	X	100%	X	0% – 200%

The formula for determining cash bonus for the CFO is:

		(Target incentive)		(Business performance)		(Performance multiplier)
GTCE	X	60%	X	0% – 200%	X	0% – 150%

Long-term incentives (LTIP)

These incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance. The awards are made using a combination of Vodacom and Vodafone awards. Each of Vodacom and Vodafone awards may be made in performance vesting (performance vesting conditions in addition to time-based vesting) and retention shares (only time-based vesting).

The Vodacom awards are forfeitable shares (FSP) where the maximum number of shares is in issue at the time of award. Dividends are received on the maximum potential vested shares from the time of award. Vesting conditions will determine how many of the original awards are to be forfeited upon final vesting.

The Vodafone awards are in the form of conditional shares (CSP), where shares are only settled at the time of vesting and dividends, only accrue from that point onwards.

Vodacom performance FSP shares

Vodacom performance FSP shares vest in a range of 0% to 100% of number of shares awarded, where 50% is the target/anticipated vesting level.

Vodacom retention FSP shares

Vodacom operates in highly competitive markets where competitors are local and international, as well as spanning industries other than telecommunications. An element of the LTIP award, for employees other than the CEO, are retention awards and therefore only have time-based performance vesting conditions.

Vodafone retention and performance CSP awards

Details regarding performance conditions and vesting period for the Vodafone awards can be found in the 2018 Vodafone Remuneration report.

Further details of the 2018 Vodafone Remuneration report go to www.vodafone.com

On-target and maximum LTIP

The on-target and maximum LTIP percentages are set out in the table below:

Role	On-target % of GP	Maximum % of GP
CEO	90%	180%
CFO	70%	280%

The maximum % of GP represents the face value of awards on the date of the award. For executives other than the CEO, the maximum includes the effect of a maximum personal multiplier of 2.0 times at allocation and the business achievement at a potential maximum of 2.0 times at vesting.

Split of awards

Annual LTIP awards are split between Vodacom FSP (forfeitable shares) and Vodafone CSP (conditional shares) awards, as well as between retention and performance awards as follows:

Scheme	CEO	CFO
Vodacom FSP retention	–	–
Vodacom FSP performance	100%	–
Vodafone CSP retention	–	33%
Vodafone CSP performance	–	67%

The CEO does not receive Vodacom FSP retention awards and Vodafone CSP awards. This is due to the co-investment arrangement, which is described later.

The CFO is seconded from Vodafone and thus receives only Vodafone CSP awards. Although the CFO receives no Vodacom FSP awards, 33% of the vesting of the Vodafone CSP performance awards is linked to the Vodacom performance conditions.

Performance conditions for LTIP

Metric	Weighting Award 2018 Vesting 2021	Weighting Award 2017 Vesting 2020
Operating free cash flow	70%	70%
TSR relative to peer group	30%	30%

The targets for operating free cash flow is determined according to the achievement of the three-year budget plan. TSR achievement is calculated based on the position within the selected TSR peer group.

The vesting of Vodacom performance FSP shares is based on the following scale:

Scheme	Operating free cash flow	TSR relative to peer group
Min 0%	<-15% of OFCF	below 50th percentile of the index
Threshold 20%	Between -15% and target	at 50th percentile of the index
Target 50%	three-year plan	between 50th and 75th percentile of the index
Maximum 100%	three-year plan + 15%	75th percentile of the index

Personal multiplier

The personal multiplier ranges from 0% – 200%. The personal performance multipliers are based on the talent rating of the executive following the internal talent review process.

The CEO does not have a personal performance multiplier.

Matching arrangement

In addition to the annual award, the CEO is entitled to participate in a matching arrangement if he meets an annual co-investment requirement, which is subject to performance conditions. The additional incentives offered and associated conditions are:

- An additional award of Vodacom performance shares with an on-target value of 50% of his GP, provided that he invests in Vodacom shares to the value of 50% of his GP; and
- An additional award of Vodafone performance shares with an on-target value of 50% of his GP, if he invests in Vodafone shares to the value of 50% of his GP.

The CEO may only take advantage of the additional Vodafone share award if he has met the full Vodacom co-investment requirement. His investment in both Vodacom and Vodafone shares must be on an ever-increasing basis to qualify for the additional awards.

Both the Vodacom and Vodafone matching awards can vest in a range of 0% – 250% of target value.

Shareholder guidelines

The Board wishes to encourage individual shareholding in the Company by executives, as a tangible demonstration of their commitment to the Company and to align with shareholders' interests. As a result, we implemented a shareholding guideline policy for our executives, which require them to build up minimum levels of personal shareholding in the Group. Executives, excluding the CEO are required to hold 1.0 times of GP as a minimum personal shareholding. The CFO participates in a Vodafone-specific policy in this regard.

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 vesting cycle (six years). The participants will be granted a performance share for every three additional shares held. This award will be capped so that holdings of no more than double the minimum requirements will be recognised. The 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.

The YeboYethu Employee Participation Trust (the trust)

In July 2008, YeboYethu acquired 3.44% of Vodacom South Africa in our R7.5 billion BEE transaction. All permanent South African employees were able to participate in the trust. Of the 1.875 billion units available to the trust, 75% was allocated to employees on 1 September 2008. The remaining 25% was set aside for future employees on a sliding scale over the next five years from the date of inception. The allocation is weighted 70/30 in favour of black employees.

The Vodacom South Africa BEE ownership scheme matures in October 2018, at which time, the units held by employees will convert into YeboYethu ordinary shares.

Following the conversion of the units into YeboYethu shares, we will facilitate a process for employees to trade their shares on the Johannesburg Stock Exchange (JSE).

Section 2b

Our remuneration philosophy, policy and framework for FY2019

Following the introduction of a new Vodafone remuneration policy, the Vodacom RemCo decided to amend the Vodacom remuneration policy to more closely align the remuneration of the Vodacom CEO with other individuals on the Vodafone Executive Committee.

Current policy for Vodacom CEO

As indicated in the previous section outlining the current remuneration policy, the current structure of the Vodacom CEO long-term incentive remuneration is as follows:

- **A Vodacom base award** – forfeitable Vodacom shares equal to **90% of GP at target level**.
- **A Vodacom match award** – 1 for 1 match of up to **50% of GP**, based on the number of Vodacom shares co-invested for three years.
- **A Vodafone match award** – 1 for 1 match of up to **50% of GP**, based on the number of Vodafone shares co-invested for three years, provided the maximum level of co-investment in Vodacom shares was made.

The value of shares awarded is therefore **190% of GP** at target performance.

The long-term incentive remuneration for the Vodacom CEO is 100% performance based, therefore the following applies:

- **Vodacom base award** – vesting of up to **2.0 times** the target award based on Vodacom performance vesting targets being achieved, up to a maximum of **180% of GP**.
- **Vodacom match award** – vesting of up to **2.5 times** the target award based on Vodacom performance vesting targets achieved, being up to a maximum of **125% of GP**.
- **Vodafone match award** – vesting of up to **2.5 times** the target award based on Vodafone performance vesting targets achieved, being up to a maximum of **125% of GP**.

The value of shares awarded is therefore **430% of GP** at maximum performance.

Revised policy for Vodacom CEO

The revised LTIP policy for the Vodacom CEO is intended to simplify the structure through the removal of the matching arrangement and awards of Vodacom and Vodafone shares only. Providing the Vodacom CEO has met his share ownership goal, the annual awards at target would be:

- A **Vodacom award** – equal to **140% of GP**; and
- A **Vodafone award** – equal to **50% of GP**.

The value of shares awarded is therefore **190% of GP** at target performance.

The vesting conditions of the **Vodacom award** will be 200% of target and the vesting of the **Vodafone award** would be per the performance achievement levels approved by the Vodafone RemCo (currently 250% of target).

When evaluated against the potential vesting ranges applicable to the Vodacom and Vodafone awards, the following table illustrates the possible ranges as a percentage of GP:

% of GP	Minimum vesting = 0%	Threshold vesting	Target vesting = 100%	Maximum vesting 200% for Vodacom 250% for Vodafone
Vodacom award	0%	56.0%	140%	280%
Vodafone award	0%	22.5%	50%	125%
Total award	**0%**	**78.5%**	**190%**	**405%**

In order to ensure the Vodacom CEO maintains a high level of shareholder alignment, a minimum shareholding requirement is introduced as follows:

- **200% of GP** in Vodacom shares; and
- **100% of GP** in Vodafone shares.

The total share ownership guideline for the Vodacom CEO is thus **300% of GP**.

Should the Vodacom CEO not meet the minimum shareholding requirements at the time of the LTIP awards, then the award levels of the Vodacom and Vodafone awards will be reduced below the target award levels indicated.

Summary of changes

In summary, there is no change to the remuneration policy for FY2019 for all employees other than the Vodacom CEO. The only change implemented impacts the long-term incentive of the CEO where the structure is simplified through the removal of the matching components.

The targeted LTIP remuneration of 190% of guaranteed package remains unaltered from the current policy; however, the maximum potential for long-term incentives is reduced from 430% to 405%.

Section 3

Implementation and remuneration disclosure of the CEO, CFO and non-executive directors

The implementation report details the outcomes of implementing the approved policy in the current financial year, as detailed in section 2(a) of this report.

2018 GP

The annual salary review process undertaken by the committee analysed market benchmarking and risks associated with retention of key management personnel. In the light of this analysis, the committee approved the following increases for the CEO and CFO:

Executive directors	2018	2017	% increase	Currency
MS Aziz Joosub	**10 600 000**	10 000 000	6.0	ZAR
T Streichert	**359 531**	340 260	5.6	GBP

The GP figures above includes retirement fund contributions, medical aid and company car.

2018 STIP performance

The graphic below shows the extent to which the Group targets were met for the year that ended 31 March 2018.

Metric	Weight	Min 0%	Target 100%	Max 200%	Result %
Service revenue	20%				20.4
EBITDA	20%				21.3
Operating free cash flow	20%				21.2
Customer appreciation	40%				54.0

The overall achievement of target was 116.9%. The comparable Group STIP achievement for 2017 was 108.6%.

Based on a combination of Group and individual performance (as detailed in the remuneration policy) the resultant STIP awards for the CEO and CFO were:

Executive directors	2018	2017	Currency
MS Aziz Joosub	**12 391 400**	10 860 000	ZAR
T Streichert	**221 818**	199 390	GBP

The increase in STI is directly attributed to the improved business performance.

LTIP performance

Achievement of the 2018 LTIP represents the final vesting percentage for awards made in June 2015 where the three-year performance period concluded on 31 March 2018. These units will vest in June 2018 and will be disclosed in the table of single total figure of remuneration at the year-end share price of R153.07 for Vodacom shares.

Metric	Weight	Min 20%	Target 50%	Max 100%	Result %
Operating free cash flow	70%				51.8
TSR	30%				24.8

The overall achievement was 76.6%. The comparable Group LTIP achievement for 2017 was 53%.

Based on a combination of policy and talent rating (as detailed in the remuneration policy) LTIP awards were made to the CEO and CFO in June 2017.

Tables of single total figure of remuneration for FY2018

The following tables have been prepared in accordance with the provisions of King IV and practice notes and thus include an LTIP amount, a change from the prior year disclosure and restatement of prior year amount disclosed, based on previous LTIP awards where performance vesting metrics were concluded at the end of the current financial period ended 31 March 2018. The LTIP is valued at the year-end share price of R153.07 for Vodacom shares and GBP1.95 for Vodafone shares.

MS Aziz Joosub	2018 R	2017 R
GP	**10 450 000**	10 000 000
Other [1]	**4 800**	4 800
STI[2]	**12 391 400**	10 860 000
LTI[3]	**22 655 850**	15 990 647
FSP	**11 506 253**	7 706 552
FSP match	**6 694 364**	4 284 880
Vodafone match	**4 455 233**	3 999 215
Dividends[4]	**4 770 445**	4 024 495
Total (pre tax)	**50 272 495**	40 879 942
Total (post tax)[5]	**27 649 872**	22 483 968

T Streichert	2018	2017	Currency
GP	**353 320**	333 949	GBP
Other[1]	**2 093 752**	1 611 892	ZAR
Other[1]	**77 968**	67 309	GBP
STIP[2]	**221 818**	199 390	GBP
LTIP[3]	**116 589**	114 441	GBP
Vodafone shares	**116 589**	114 441	GBP
Dividends equivalent shares	**20 541**	21 125	GBP
Total (pre tax)	**790 236**	736 214	GBP
Total (pre tax)	**2 093 752**	1 611 892	ZAR

1. This includes the Vodacom mobile phone benefit. For assignees this amount includes the gross value of assignment allowances and educational benefits for children paid.
2. These amounts relate to the bonus payable in June 2018, which is derived from performance for the year ended 31 March 2018.
3. LTIP awards made in July 2015 will vest in July 2018.
4. Dividends are the total of cash receipts during the financial year based on previous unvested FSP LTIP awards and cash settled in lieu of dividends on Vodafone matching shares. This does not include dividends receipted on awards where the performance measurement period has been concluded such as the conditional benefit shares, co-investment contributions by the employee or matching awards, which have been settled previously.
5. Post tax values are indicative using a 45% rate of taxation rate being applicable to the gross amount for the CEO. The CFO, however, is taxed under a different regime, hence no post tax value is indicated for the CFO.

Payments to non-executive directors

Name	Director fee (R)	ARCC Chairman (R)	ARCC member (R)	RemCo Chairman (R)	RemCo member (R)	Nomination Committee member (R)	Social and Ethics Committee Chairman (R)	Social and Ethics Committee member (R)	Other committees (R)	Total (R)
2018										
PJ Moleketi[1,2,3,5]	1 930 081	–	52 218	–	–	–	62 661	–	25 000	2 069 960
DH Brown[1,2]	430 000	321 333	–	–	138 333	–	–	–	50 000	939 666
V Badrinath[4]	430 000	–	–	–	138 333	120 000	–	–	25 000	713 333
M Joseph[4]	430 000	–	–	–	–	–	–	–	25 000	455 000
BP Mabelane[2]	430 000	–	181 000	–	–	–	–	–	25 000	636 000
SJ Macozoma[1,2,3,6]	380 296	–	128 782	–	–	–	105 000	–	–	614 078
TM Mokgosi-Mwantembe[1,2]	430 000	–	–	243 333	–	120 000	–	–	25 000	818 333
MP Moyo[3,7]	686 290	–	–	–	–	–	–	–	–	686 290
JWL Otty[4]	430 000	–	–	–	–	–	–	–	25 000	455 000
M Pieters[4]	430 000	–	–	–	–	–	–	–	–	430 000
RAW Schellekens[4]	430 000	–	–	–	138 333	120 000	–	120 000	–	808 333
	6 436 667	321 333	362 000	243 333	414 999	360 000	167 661	120 000	200 000	8 625 993

Notes:

1. Fees excluding VAT paid from 1 June 2018.
2. Independent non-executive directors received an amount of R2 000 and R3 400 in September 2017, for incidental expenses while travelling to Board meetings held in Portugal.
3. Fees for a portion of the year.
4. Fees paid to Vodafone and not the individual director.
5. PJ Moleketi appointed as Chairman on 19 July 2017.
6. SJ Macozoma appointed on 19 July 2017.
7. MP Moyo retired on 18 July 2017.

Tables of outstanding share awards (number of shares)

MS Aziz Joosub

Financial year awarded	Date awarded	Date vesting	Opening balance	Granted in the year	Forfeited in the year	Settled in the year	Closing balance
Conditional benefit – restricted shares							
2014	May 2013	n/a	208 610	–	–	–	208 610
Vodacom FSP – with Company performance vesting conditions							
2015	Jun 2014	Jun 2017	95 482	–	(44 781)	50 701	–
2016	Jun 2015	Jun 2018	98 133	–	–	–	98 133
2017	Jun 2016	Jun 2019	108 099	–	–	–	108 099
2018	**Jun 2017**	**Jun 2020**		**108 591**	–	–	**108 591**
Vodacom matching award							
The CEO made the required investments in Vodacom shares, as per his co-investment requirement and as a result the following matching awards were awarded:							
2015	Jul 2014	Jul 2017	53 088	–	(24 898)	28 190	–
2016	Aug 2015	Aug 2018	57 094	–	–	–	57 094
2016	Nov 2015	Nov 2018	13 381	–	–	–	13 381
2017	n/a			–	–	–	–
2018	**Jun 2017**	**Jun 2019**	–	**87 126**	–	–	**87 126**
2018	**Jun 2017**	**Jun 2020**	–	**75 410**	–	–	**75 410**
Vodafone matching award at target level (100% vesting)							
In terms of the CEO co-investment requirement, the CEO made the following investments in Vodafone shares and as a result Vodafone made a matching award of performance shares to the equivalent value. The Vodafone matching award will vest based on actual targets achieved. The target range is 0% – 250%:							
2015	Jun 2014		95 863	–	–	104 347	–
2016	Sep 2015		82 391	–	–	–	82 391
2017	Jun 2016		99 797	–	–	–	99 797
2018	Aug 2017		**126 618**	–	–	–	**126 618**
YeboYethu units							
2009	Sep 2008		2 628 498	–	–	–	2 628 498
2016	Sep 2015		876 862	–	–	–	876 862

The CEO matching award for 2017 was not allocated, as Vodacom was restricted from purchasing shares. The award was, however, allocated in June 2017 with a two-year vesting period.

Tables of outstanding share awards (value of shares)

In the tables presented below, the value at award represents the face value of shares at the time of award. The value at year-end, after adjusting for share price movements and the targeted vesting level, thus represents the current estimate of value likely to accrue to participants based on the 31 March 2018 closing price of R153.07.

The column indicated by 'Settled in the year' represents the cash value of all awards that were settled per the disclosure requirements of King IV. Similarly, the column indicated by 'Forfeited in the year' represents the cash value forfeited by participants in the year.

MS Aziz Joosub

Financial year awarded	Date awarded	Value at award date	Estimated effect of share price[1]	Estimated effect of performance targets[2]	Forfeited in the year[3]	Settled in the year[3]	Value at year-end[4]	Currency
Conditional benefit – restricted shares								
2014	May 2013	23 669 391	8 262 542	–	–	–	31 931 933	ZAR
Vodacom FSP – with Company performance vesting conditions								
2015	Jun 2014	12 510 052	3 255 936	–	(7 394 248)	8 371 740	–	ZAR
2016	Jun 2015	13 140 009	1 881 210	(7 510 609)	–	–	7 510 610	ZAR
2017	Jun 2016	17 999 921	(1 453 207)	(8 273 357)	–	–	8 273 357	ZAR
2018	**Jun 2017**	**18 000 294**	**(1 378 270)**	**(8 311 012)**	–	–	**8 311 012**	**ZAR**
Vodacom matching award								
The CEO made the required investments in Vodacom shares, as per his co-investment requirement and as a result the following matching awards were awarded:								
2015	Nov 2014	6 950 021	1 762 251	–	(4 086 010)	4 626 262	–	ZAR
2016	Aug 2015	7 963 471	775 907	(4 369 689)	–	–	4 369 689	ZAR
2016	Nov 2015	2 000 058	48 172	(1 024 115)	–	–	1 024 115	ZAR
2017	n/a			–	–	–	–	ZAR
2018	**Jun 2017**	**14 442 206**	**(1 105 829)**	**(6 668 188)**	–	–	**6 668 189**	**ZAR**
2018	**Jun 2017**	**12 500 135**	**(957 126)**	**(5 771 504)**	–	–	**5 771 505**	**ZAR**
Vodafone matching award at target level (100% vesting)								
The Vodafone matching award will vest based on actual targets achieved. The target range is 0% – 250%. The value of Vodafone shares is disclosed at target level and as a result the impact of performance targets are not shown.								
2015	Jun 2014	187 891	27 123	–	–	234 043	–	GBP
2016	Sep 2015	170 549	(9 887)	–	–	–	160 662	GBP
2017	Jun 2016	221 550	(26 945)	–	–	–	194 605	GBP
2018	**Aug 2017**	**284 890**	**(37 985)**	–	–	–	**246 905**	**GBP**
YeboYethu units								
2009	Sep 2008						1 051 399	ZAR
2016	Sep 2015						350 745	ZAR

Notes:

1. The estimated effect of share price is based on the share price movement between the date of award and the closing price on 31 March 2018.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. Shares settled and forfeited in the year were at a price of R165.12 for FSPs and R164.11 for matching awards.
4. Value at year-end is based on the closing share price on 31 March 2018 of R153.07 for Vodacom shares and R0.40 for YeboYethu units.

Tables of outstanding share awards (number of shares)

T Streichert

Financial year awarded	Date awarded	Date vesting	Opening balance	Granted in the year	Forfeited in the year	Settled in the year	Closing balance
Vodafone shares – no Company performance vesting conditions							
2015	Jun 2014	Jun 2017	17 871	–	–	17 871	–
2016	Jun 2015	Jun 2018	17 392	–	–	–	17 392
2017	Jun 2016	Jun 2019	42 999	–	–	–	42 999
2018	**Jun 2017**	**Jun 2020**	–	**39 899**	–	–	**39 899**
Vodafone shares with Company performance vesting conditions							
2015	Jun 2014	Jun 2017	71 478	–	(38 326)	33 152	–
2016	Jun 2015	Jun 2018	69 562	–	–	–	69 562
2017	Jun 2016	Jun 2019	171 992	–	–	–	171 992
2018	**Jun 2017**	**Jun 2020**	–	**159 586**	–	–	**159 586**
Vodafone shares – matching award							
2017	Nov 2016	Nov 2019	21 449	–	–	–	21 449

Tables of outstanding share awards (value of shares)

T Streichert

Financial year awarded	Date awarded	Value at award	Estimated effect of share price[1]	Estimated effect of performance targets[2]	Forfeited in the year[3]	Settled in the year[3]	Value at year-end[4]	Currency
Vodafone shares – no Company performance vesting conditions								
2015	Jun 2014	33 919	6 164	–	–	40 083	–	GBP
2016	Jun 2015	41 219	(7 305)	–	–	–	33 914	GBP
2017	Jun 2016	97 608	(13 760)	–	–	–	83 848	GBP
2018	**Jun 2017**	**88 975**	**(11 172)**	–	–	–	**77 803**	**GBP**
Vodafone shares – with Company performance vesting conditions								
2015	Jun 2014	135 665	2 511	–	(63 818)	74 358	–	GBP
2016	Jun 2015	164 862	(29 216)	67 823	–	–	67 823	GBP
2017	Jun 2016	390 422	(55 037)	167 692	–	–	167 693	GBP
2018	**Jun 2017**	**355 877**	**(44 684)**	**155 596**	–	–	**155 597**	**GBP**
Vodafone shares – matching award								
2018	**Nov 2016**	**43 756**	**(1 930)**	**(20 913)**	–	–	**20 913**	**GBP**

Notes:
1. The estimated effect of the share price is based on the share price movement between the date of award and the closing price on 31 March 2018.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. Shares settled and forfeited in the year were at a price of GBP2.24.
4. Value at year-end is based on the closing share price on 31 March 2018 of GBP1.95.

Shareholding

Details of the beneficial interests of directors in Vodacom's ordinary shares (excluding interests in the long-term incentive plans) are set out in the Directors' report in the consolidated annual financial statements available online on www.vodacom.com

Funding of share plans and dilution details of the shares used for the FSP are set out in the consolidated annual financial statements and the Directors' report, which is available on www.vodacom.com

All awards granted under the FSP are settled through the shares purchased in the market and not by newly issued shares.

Compliance with policy

The disclosure presented in this report is based on awards to qualifying employees where all remuneration decisions have been made in total compliance with the remuneration policy as approved previously by shareholders. There have been no known deviations from policy in the current financial year.

Share information

Total shareholding

	March 2018	
	# of shares	% holding
Vodafone Investments SA (Pty) Limited	1 110 629 881	64.5%
Government Employees Pension Fund	200 978 440	11.7%
Wheatfield Investments 276 (Pty) Limited	15 421 231	0.9%
Institutional investors	306 337 015	17.8%
Retail positions	24 139 795	1.4%
Other[1]	63 907 419	3.7%
	1 721 413 781	100.0%

1. Balance of remaining holdings, including shares below analysis threshold. May include additional institutional/retail shareholdings.

Institutional shareholding (%)

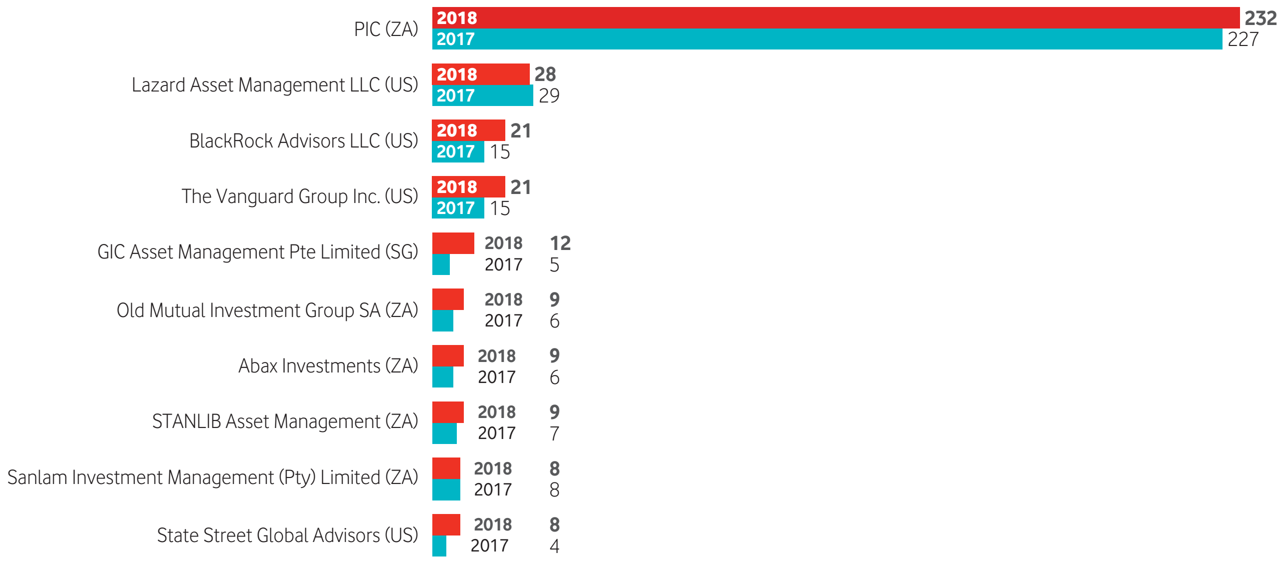
Vodacom share price closed at

R153.07

on 31 March 2018 with a high of R186.99 and a low of R134.96, during the year.

Total dividend declared (R million)

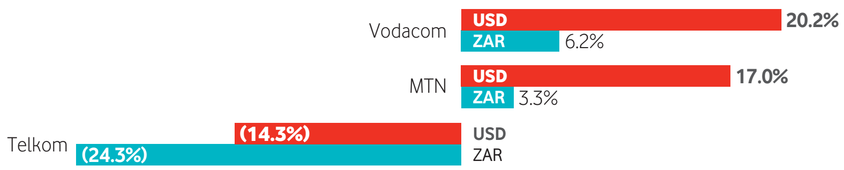
Top 10 institutional investors as at 31 March (millions of shares)



Source: JP Morgan Cazenove

Shareholder return for the year ended 31 March 2018

Total shareholder return (%)



Source: FactSet

Ticker symbol	VOD
ADR code	VDMCY
Stock exchange	JSE Limited
Shares in issue	1 721 413 781
Free float	21%
Transfer agent	Computershare

2018 Investor relations calendar

Tuesday **17 July 2018**	Vodacom Group AGM
Thursday **19 July 2018**	Q1 results for the quarter ended 30 June 2018
Monday **12 November 2018**	Interim results for the six months ended 30 September 2018

Disclaimer

Non-IFRS information

This report contains certain non-IFRS financial measures which have not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures.

Normalised growth

All amounts in this report marked with an '*' represent normalised growth which presents performance on a comparable basis. This excludes merger and acquisition activity and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using current year as base) (collectively 'foreign exchange'). 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.

Trademarks

Vodafone, the Vodafone logo, M-Pesa, Connected Farmer, Vodafone Supernet, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). Other product and Company names mentioned herein may be the trademarks of their respective owners.

Forward-looking statements

This Integrated report which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2018 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, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations, including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

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" (including in their negative form). 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 may or may not occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following: changes in economic or political conditions in markets served by operations of the Group; greater than anticipated competitive activity; higher than expected costs or capital expenditures; slower than expected customer growth and reduced customer retention; changes in the spending patterns of new and existing customers; the Group's ability to expand its spectrum position or renew or obtain necessary licences; the Group's ability to achieve cost savings; the Group's ability to execute its strategy in fibre deployment, network expansion, new product and service roll-outs, mobile data, enterprise and broadband; changes in foreign exchange rates, as well as changes in interest rates; the Group's ability to realise benefits from entering into partnerships or joint ventures and entering into service franchising and brand licensing; unfavourable consequences to the Group of making and integrating acquisitions or disposals; changes to the regulatory framework in which the Group operates; the impact of legal or other proceedings; loss of suppliers or disruption of supply chains; developments in the Group's financial condition, earnings and distributable funds and other factors that the Board takes into account when determining levels of dividends; the Group's ability to satisfy working capital and other requirements; changes in statutory tax rates or profit mix; and/or changes in tax legislation or final resolution of open tax issues.

All subsequent written or oral forward-looking statements attributable to the Company, to any member of the Group or to any persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable laws and regulations, Vodacom does not intend to update these forward-looking statements and does not undertake any obligation to do so.

Glossary

*	All amounts in this Integrated report marked with an '*' represent normalised growth which presents performance on a comparable basis. This excludes merger and acquisition activity and adjusting for trading foreign currency fluctuation on a constant currency basis (using the current year as base) (collectively 'foreign exchange').
#	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 wideband code division multiple access (CDMA) delivering voice and data services.
4G	4G technology offers even faster data transfer speeds than 3G/HSPA.

BEE
Black Economic Empowerment is a programme launched by the South African Government to redress the inequalities by giving previously disadvantaged groups opportunities previously not available to them. It includes measures such as employment equity, skills development, ownership, management, socioeconomic development and preferential procurement.

Churn
Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.

Consumer
A customer in their individual capacity accessing mobile and/or fixed products and services.

EBIT
Earnings before interest and taxation, impairment losses, profit/loss on disposal of investments, property, plant and equipment, and intangible assets, profit/loss from associate and joint venture, restructuring cost and BEE income/charge.

EBITDA
Earnings before interest, taxation, depreciation and amortisation, impairment losses, profit/loss on disposal of investments, property, plant and equipment and intangible assets, profit/loss from associate and joint venture, restructuring costs and BEE income/charge.

Enterprise
A customer that is a business or company accessing mobile and/or fixed products and services.

FTTx
The number of fixed-line connections in South Africa which includes Fibre to the Home (FTTH) and Fibre to the Business (FTTB).

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 and Vodacom Business Africa.

n/a
Not applicable.

n/m
Not measured.

RAN
Radio access network is part of a mobile telecommunications system which conceptually sits between the mobile phone and the base station.

Smart devices
Smart devices include smartphones, tablets and modems.

South Africa
Vodacom South Africa is commonly referred to as South Africa in the Integrated report. It relates to Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPVs.

TSR
Total shareholder returns consist of the aggregate share price appreciation and dividend yield.

Corporate information

Vodacom Group Limited

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

Secretary and registered office of Vodacom Group Limited

Sandi Linford

Vodacom Corporate Park
082 Vodacom Boulevard
Midrand 1685, South Africa
(Private Bag X9904, Sandton 2146, South Africa)
Telephone: +27 11 653 5000
Email: companysecretary@vodacom.co.za

Sponsor

UBS South Africa (Proprietary) Limited

(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley, Johannesburg 2196, South Africa
(PO Box 652863, Benmore 2010, South Africa)

Auditors

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View 2090, South Africa
(Private Bag X36, Sunninghill 2157, South Africa)

ADR depository bank

Deutsche Bank Trust Company Americas

c/o Ast and Trust Co
Peck Slip Station
(PO Box 2050, New York NY, 10272 – 2050)

Commercial bankers

First National Bank (a division of FirstRand Bank Limited)

(Registration number 1929/001225/06)
Corporate and Investment 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
30 Baker Street
Rosebank
Johannesburg 2001

Citibank, N.A.

(Registration number 1995/007396/10 Registered Bank)
(Incorporated under the National Banking Act
of the United States of America)
145 West Street
Sandown
Sandton 2196
(PO Box 1800, Saxonwold 2132, South Africa)

Transfer secretaries

Computershare Investor Services (Proprietary) Limited

(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Group investor relations

Telephone: +27 11 653 5000
Email: VodacomIR@vodacom.co.za
Website: www.vodacom.com

Group media relations

Telephone: +27 11 653 5000
Email: mediarelations@vodacom.co.za
Website: www.vodacom.com

Notice of annual general meeting

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
ISIN: US92858D2009 ADR code: VDMCY)
("Vodacom" or "the Company")

Notice is hereby given that the twenty-third annual general meeting of the Company will be held on Tuesday 17 July 2018, at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 10:00 to conduct the following business:

1. Adoption of the audited consolidated annual financial statements

To receive and consider the audited consolidated annual financial statements for the year ended 31 March 2018.

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 2018, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2018 are obtainable from the Company's website www.vodacom.com.

2. Election of directors

To elect by way of separate resolutions:

2.1 Mr SJ Macozoma as a director, having been appointed since the last annual general meeting of the Company is 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 SJ Macozoma be and is hereby elected as a director of the Company."

2.2 Ms BP Mabelane and Messrs DH Brown and M Joseph are obliged to retire by rotation at this annual general meeting in accordance with the provisions of the Company's memorandum of incorporation. Having so retired, Ms Mabelane and Messrs Brown and Joseph are eligible for re-election as directors. .

Ordinary resolution number 3

"RESOLVED THAT Ms BP Mabelane be and is hereby re-elected as a director of the Company."

Ordinary resolution number 4

"RESOLVED THAT Mr DH Brown be and is hereby re-elected as a director of the Company."

Ordinary resolution number 5

"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:

Sakumzi (Saki) Justice Macozoma (60)
Lead independent non-executive director
Chairman of the Social and Ethics Committee
Member of the Audit, Risk and Compliance Committee
(BA from the University of South Africa (Unisa))

Mr Sakumzi (Saki) Macozoma is a prominent businessman in South Africa. He is the chairman of Safika Holdings and Tshipi é Ntle and Ntsimbintle Mining and a director at Volkswagen South Africa. Saki was a former chairman of Liberty Life Holdings and deputy chairman of the Standard Bank Group. He is the past president of Business Leadership South Africa. Saki was a former managing director of Transnet, former chairman of the MTN Group and the Parliamentary Portfolio Committee for Communications. In 2012, he was recognised for his work in civil society where Unisa bestowed on him the Calabash award for his fight against oppression during the apartheid regime. The Calabash award is one of the highest honours that could be bestowed on an individual by Unisa. Saki was appointed to the Vodacom Group Board in July 2017.

Bafelelang Priscillah Mabelane (45)

Independent non-executive director
Member of the Audit, Risk and Compliance Committee and considered as a financial expert for purposes of this committee
(BCom (Hons), CA(SA), Dip in Tax)

Priscillah Mabelane is currently the CEO of BP Southern Africa (BPSA) a position she has held since September 2017. She most recently served as UK retail operations director for BP. Prior to this she was the chief financial officer of BPSA. Prior to joining BPSA, Priscillah was the executive director of finance at the Airports Company of South Africa (ACSA). She has held senior management roles in a number of large companies. These include Ernst & Young where she was a tax director, Eskom Holdings Limited where she held various roles in finance, tax and general management. She also served as a non-executive director at ACSA. Priscillah was appointed to the Vodacom Group Board in December 2014.

David Hugh Brown (55)

Independent non-executive director
Chairman of the Audit, Risk and Compliance Committee and considered as a financial expert for purposes of this committee and a member of the Remuneration Committee
BCom, CTA (UCT), CA(SA)

David was appointed as CEO of MC Mining Limited (previously Coal of Africa) effective from February 2014. He was previously the non-executive chairman from August 2012 and then the executive chairman. He is also currently a non-executive director of the Northam Platinum Limited board, as well as chairman of the Investment Committee and member of the Audit and Risk Committee. David has served as a member of the Accenture South Africa advisory board since 2012. He is a former non-executive director of Edcon Holdings Limited, as well as the former chairman of the Edcon Audit and Risk Committee. He is the former CEO of Impala Platinum Holdings Limited (Implats) and was chairman of Impala Platinum Limited and Zimplats Holdings Limited, the two major operating subsidiaries within the Implats Group. David was CEO from 2006 to 2012 and before that, he served as chief financial officer from 1999. Prior to that, David worked in the Information Technology sector for four years and for the Exxon Mobil Corporation in Europe for five years. He served his articles with EY. David was appointed to the Vodacom Group Board in January 2012.

Michael Joseph (72)

Non-executive director
BSc (UCT), Member of the Institute of Electrical Engineering and Electronic Engineers, Honorary Doctorate Letters from Africa Nazarene University

Michael Joseph is currently chairman of Kenya Airways, a position he has held since October 2016. He is also a non-executive director on the boards of Vodacom Mozambique, MFS Africa and Safaricom Public Limited Company. Michael was most recently (October 2017) employed by Vodafone Group Services Limited as the director of mobile money and was responsible for leading the strategic growth and development of the successful M-Pesa proposition across the Vodafone footprint. Michael was one of the first World Bank Fellows, appointed in March 2011 to advise governments, regulators and other institutions on mobile money and other ICT initiatives. Michael's most recent appointment in April 2017 is non-executive director of MFS Africa, a leading Pan-African Fintech company. Previously, Michael was the founding CEO of Safaricom Public Limited Company, steering the company from a subscriber base of less than 18 000 in 2000 to over 17 million subscribers at his retirement in November 2010, making it the most successful company in East Africa. This phenomenal growth straddling nearly a decade was notable for the launch of many innovative products and services and he was behind the launch of the highly successful launch and phenomenal growth of M-Pesa and its related services. He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks. He is also a keen conservationist and serves as chairman of Lewa Wildlife Conservancy, a leading conservancy in Northern Kenya. He was appointed to the Vodacom Group Board in May 2009.

3. Appointment of PricewaterhouseCoopers Inc. as auditors of the Company

To appoint PricewaterhouseCoopers Inc., 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 2019 is Mr D von Hoesslin.

Ordinary resolution number 6

"RESOLVED THAT PricewaterhouseCoopers Inc. be and are hereby 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 2018 as set on pages 66 to 77 of the Integrated report.

Ordinary resolution number 7

"RESOLVED THAT the remuneration policy for the year ended 31 March 2018 be and is hereby approved."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Vodacom undertakes to engage with shareholders as to the reasons therefor.

5. Implementation of the remuneration policy

To consider and approve the implementation of the remuneration policy, details of which are set out in the Remuneration report for the year ended 31 March 2018, set out on pages 66 to 77 of the Integrated report.

Ordinary resolution number 8

"RESOLVED THAT the implementation of the remuneration policy for the year ended 31 March 2018 be and is hereby approved."

Shareholders are reminded that in terms of King IV, the passing of this ordinary resolution is by way of a non-binding vote. Should 25% or more of the votes cast vote against this ordinary resolution, Vodacom undertakes to engage with shareholders as to the reasons therefor.

6. Appointment of the members of the Audit, Risk and Compliance Committee

To elect, by way of separate resolutions, the following independent non-executive directors, as members of the Company's Audit, Risk and Compliance Committee:

Ordinary resolution number 9

"RESOLVED THAT Mr DH Brown be and is hereby re-elected as a member of the Company's Audit and Risk and Compliance Committee."

Ordinary resolution number 10

"RESOLVED THAT Mr SJ Macozoma be and is hereby elected as a member of the Company's Audit, Risk and Compliance Committee."

Ordinary resolution number 11

"RESOLVED THAT Ms BP Mabelane 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:

7. Special business

7.1 General authority to repurchase shares in the Company

Special resolution number 1

"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 counterparty (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 authorisation thereto is given by the Company's memorandum of incorporation;

(g) the Company or its subsidiary may not repurchase ordinary shares during a prohibited period unless it has in place a repurchase programme where the dates and quantities of securities traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE ;

(h) 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

(i) 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 consolidated annual financial statements of the Group for the year ended 31 March 2018;
- 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; and
- 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.

Reason for and effect of special resolution number 1

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. During the 2018 financial year, the Company acquired 2 108 969 shares in the market for purposes of awards of the 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
Major shareholders	78

Share capital

Authorised
4 000 000 000 ordinary shares of no par value

Issued
1 721 413 781 ordinary shares of no par value

Directors' responsibility statement

The directors, whose names appear on page 54 collectively and individually accept full responsibility for the accuracy of the information pertained to this special resolution and certify to the best of the their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and this special resolution contains all the information required by the JSE Listings Requirements.

Material change

There has been no material change in the affairs of or financial position of the Company and its subsidiaries since year end.

7.2 Increase in non-executive directors' fees

Special resolution number 2

"RESOLVED THAT the level of non-executive directors' fees be increased by 5.5% with effect from 1 August 2018 on the basis set out as follows:

	Current fee R	Proposed fee R	Increase %
Chairman of the Board[1]	2 600 000	2 743 000	5.5
Lead independent directors	585 000	617 175	5.5
Member of the Board	450 000	474 750	5.5
Chairman of the Audit, Risk and Compliance Committee	322 000	339 710	5.5
Member of the Audit, Risk and Compliance Committee	184 000	194 120	5.5
Chairman of the Remuneration Committee	245 000	258 475	5.5
Member of the Remuneration Committee	140 000	147 700	5.5
Chairman of the Nomination Committee	210 000	221 550	5.5
Member of the Nomination Committee	120 000	126 600	5.5

Annual fees for all other committees such as the Social and Ethics Committee and any ad hoc committee shall be as follows:

Chairman	221 550
Member	126 600

1. This is an all in fee. The Chairman does not earn any other fees other than this despite being the Chairman of the Nomination Committee and member of the Social and Ethics Committee.

Ad hoc committees may be set up from time to time to deal with special items requiring attention by the Board. Instead of convening a full Board meeting, these ad hoc committees then meet to review the matter concerned.

Reason for and effect of special resolution number 2

The reason for proposing special resolution number 2 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 2 is the level of fees as set out above is increased with effect from 1 August 2018.

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 twenty-third annual general meeting is Friday 6 July 2018.

In accordance with the Act, shareholders attending the annual general meeting will need to present reasonable satisfactory identification such as an identity book, passport or drivers' licence.

Participation by way of electronic means

Shareholders or their proxies may participate in the annual general meeting by way of electronic means. Such shareholder (or proxy) will need to contact Mr Lebogang Ngcobo at Vodacom on +27 11 653 5922 by no later than 09:00 on Friday 13 July 2018 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 (Proprietary) Limited by no later than 10:00 on Monday 16 July 2018. Participants must dial the following number, five (5) minutes prior to start of the annual general meeting +27 11 535 3600.

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 shares, 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.

It is recommended that forms of proxy (which form may be found enclosed) should be forwarded to reach the transfer secretaries, Computershare Investor Services (Proprietary) Limited by no later than 10:00 on Monday 16 July 2018.

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

15 June 2018

Form of proxy

VODACOM GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1993/005461/06)
(ISIN: ZAE000132577 Share code: VOD)
ISIN: US92858D2009 ADR code: VDMCY)
("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 10:00 at Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa on Tuesday 17 July 2018.

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 the audited consolidated annual financial statements			
2.	**Ordinary resolution number 2** Election of Mr SJ Macozoma as a director			
3.	**Ordinary resolution number 3** Re-election of Ms BP Mabelane as a director			
4.	**Ordinary resolution number 4** Re-election of Mr DH Brown as a director			
5.	**Ordinary resolution number 5** Re-election of Mr M Joseph as a director			
6.	**Ordinary resolution number 6** Appointment of PricewaterhouseCoopers Inc. as auditors of the Company			
7.	**Ordinary resolution number 7** Approval of the remuneration policy			
8.	**Ordinary resolution number 8** Approval for the implementation of the remuneration policy			
9.	**Ordinary resolution number 9** Re-election of Mr DH Brown as a member of the Audit, Risk and Compliance Committee of the Company			
10.	**Ordinary resolution number 10** Election of Mr SJ Macozoma as a member of the Audit, Risk and Compliance Committee of the Company			
11.	**Ordinary resolution number 11** Re-election of Ms BP Mabelane as a member of the Audit, Risk and Compliance Committee of the Company			
12.	**Special resolution number 1** General authority to repurchase shares in the Company			
13.	**Special resolution number 2** Increase in non-executive directors' fees			

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

Signed at on 2018

Signature assisted by me (where applicable)

It is recommended that completed forms of proxy be lodged with Computershare Investor Services (Proprietary) Limited by no later than 10:00 on Monday 16 July 2018.

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 annual general meeting" but any such deletion must be initialled 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. It is recommended that forms of proxy must be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited (Computershare), Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 62053, Marshalltown 2107) by no later than 10:00 on Monday 16 July 2018. You may also email a completed form of proxy to proxy@computershare.co.za.
4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and voting in person at the meeting to the exclusion of any proxy appointed in terms of this form of proxy.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by Computershare or waived by the Chairman of the annual general meeting.
6. Any alterations or corrections made to this form of proxy must be initialled 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 (Proprietary) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196
PO Box 62053, Marshalltown 2107
Telephone: 011 370 5000
Call centre: 086 110 0918

About this report

Report boundary and scope

This report reviews Vodacom's strategy and business model, risks and opportunities, and operational and governance performance, for the financial year 1 April 2017 to 31 March 2018. The report covers the activities of the Vodacom Group and all our operating subsidiaries. Financial and non-financial data from our subsidiaries are fully consolidated. In assessing the risks, opportunities and outcomes that materially impact value creation we have looked beyond the financial reporting boundary to provide for the material interests of relevant stakeholders, and to address the significant risks, opportunities and impacts associated with our activities over the short term (less than 12 months), medium term (one to three years) and long term (beyond three years).

Reporting frameworks

Our reporting process has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements, the South African Companies Act, No 71 of 2008, and the GRI's Sustainability Reporting Standards. We have provided extracts from the consolidated annual financial statements (AFS) in this report. The full set of consolidated annual financial statements (AFS), as well as a suite of additional reports, are available online or can be requested from our Company Secretary.

Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Vodacom. The process of identifying and prioritising the material matters for inclusion in this report involved reviewing: Vodacom's business model; our interaction with the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural); our operating environment; and the interests of our key stakeholders as expressed during our normal business engagements with them. This report presents the identified material information through a clearly structured narrative that: reviews who we are and how we create value; identifies those issues that have a significant impact on value; and outlines our strategy and performance in ensuring long-term value creation. Additional information not material for this report, but of interest for other purposes, is provided in our other reports and on our website.

Integrated thinking

Integrated thinking is intrinsic to how we manage our business and to our internal strategy development and reporting practices. Our strategy and five strategic pillars have been developed to ensure that we manage the resources and relationships needed to create value over time. A considered assessment of the six capitals (as referred to in the IIRC's <IR> Framework) informed both our strategy and the internal materiality process used to determine the content and structure of this report. A review of our interaction with the key resources and relationships impacting value is presented on page 09.

Combined assurance

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. PricewaterhouseCoopers Inc. audited our consolidated annual financial statements 2018 and provided an unmodified opinion thereon. The extracts from the AFS in this Integrated report are from audited information, but are not themselves audited. PricewaterhouseCoopers Inc. have undertaken a limited assurance engagement on selected elements of our Scope 1, 2 and 3 greenhouse gas emissions that are reported in our Report of the Social and Ethics Committee. Those indicators that have been externally assured have been marked with a (^). Our Audit, Risk and Compliance Committee provides internal assurance to the Board on an annual basis on the execution of the combined assurance plan. The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Audit, Risk and Compliance Committee.

Board approval

As outlined at the front of this report, the Board has applied its collective mind to the preparation and presentation of the information in this report, which has been guided by the IIRC's International <IR> Framework. The Board believes that this report addresses all material issues and presents a balanced and fair account of the Group's performance for the reporting period, as well as an accurate reflection of our core strategic commitments for the short, medium and long term. The Board approved the Vodacom AFS and the Vodacom Integrated report on 1 June 2018.

vodacom