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www.vodacom.com

How to get the most out of our integrated report:

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These icons will help you quickly spot the areas where we are doing well and where we're not doing well.

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

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

This icon tells you that a term is explained in the Glossary starting on page 93.

This QR code link will take you to information that is suitable to view on your smartphone.

About this report

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

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

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

20 for our operating subsidiaries.

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

Improving our integrated reporting

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

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

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

Feedback on last year's report

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

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

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

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

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

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

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

Towards full combined assurance

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

88 for the auditor's assurance report.

GRI self-assessment

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

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

Forward-looking statements

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

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

How we've performed

for the year ended 31 March

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

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

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

See glossary for explanation of terms used.

What's most material for us

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

Network quality

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

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

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

Reliance on the South African market

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

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

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

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

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

Competition

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

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

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

Relationships with governments and regulators

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

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

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

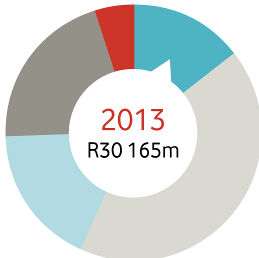
We continue to **align our strategies** with the national objectives of the countries in which we operate.

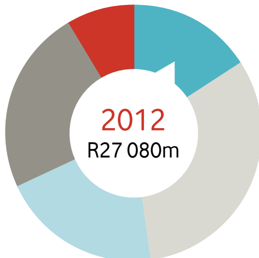
Talent and succession

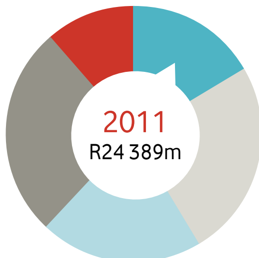
Having the right people with the right skills is essential for the delivery of our strategy. In line with our growth strategy, we're investing in the skills needed to resource our new market opportunities and diversify our service offering. We're also making sure that our people are **empowered and accountable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

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

Value distributed:







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

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

The value we've created

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

Investing in our business

We invested

R9 456m

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

Investing in our people

We distributed

R4 427m

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

Contributing to our countries

Our corporate tax contributions amounted to

R5 337m

(2012: R5 449 million).

Returns for our providers of finance

Our providers of finance received

R12 697m

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

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

1 Our customers

Deliver an unmatched customer experience.

No. 1 corporate brand on social media in South Africa

26

2 Our growth

Drive data, new services and new opportunities.

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

29

3 Our operations

Make our processes and businesses more efficient.

Leveraging scale from Vodafone Procurement Company

32

4 Our people

Build a diverse and talented team.

2ppts improvement in Engagement Index

34

5 Our reputation

Transform society and build stakeholder trust.

No. 1 in RepTrak™ pulse survey on reputation

36

Chairman's statement

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

Peter Moyo

R38 billion

invested in network infrastructure in the last five years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interview with the CEO

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

Shameel Joosub

We radically transformed our
customer offerings
to provide simple worry-free products and pricing.

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

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

How has Vodacom's commercial strategy changed?

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

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

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

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

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

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

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

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

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

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

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

What were the highs and lows this year?

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

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

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

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

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

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

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

What's keeping you awake at night?

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

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

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

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

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

Interview with the CFO

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

Ivan Dittrich

EBITDA grew well ahead of revenue at

10.9%,

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

What stood out in this set of results?

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

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

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

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

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

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

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

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

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

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

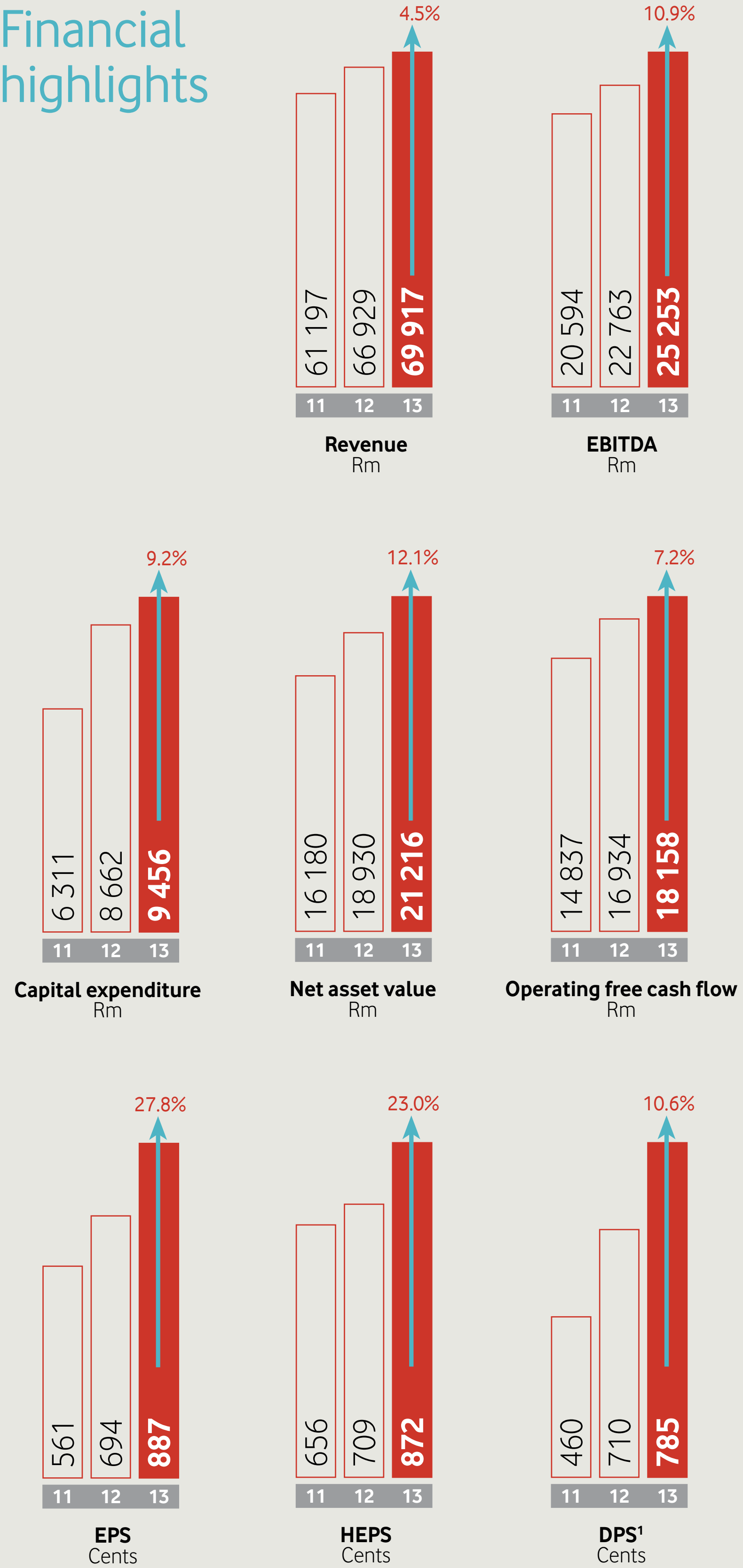
Our investment in renewing our radio access network and providing our own transmission is reducing our network running costs. We're also benefitting from leveraging Vodafone's scale benefits, moving more of our purchases to the Vodafone Procurement Company where it makes sense to do so. I believe there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

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

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

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

Financial highlights

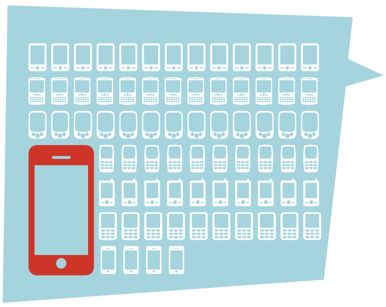


1. Total dividend declared for the financial year.

What's happening in our industry

To continue creating value over the longer term, our strategy positions the Group to be responsive to, and a leader in, the ever-evolving mobile landscape. Looking ahead to the next five years, we are ready to manage and capitalise on the broader global industry trends discussed below[1].

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



Between 2012 and 2017, it's expected that there will be some

3 billion new connections

globally, with Africa accounting for 20% of this growth.

for Vodafone studies and research affecting the mobile industry.

Growth in connections

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

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

Data growth

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

Limited spectrum

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

Industry innovation

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

Increasing competitiveness

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

Regulatory

South Africa

Spectrum

The availability of additional spectrum remains one of the most pressing concerns for mobile operators. The Independent Communications Authority of South Africa ('Icasa') has postponed licensing new spectrum in the 2.6GHz and 800MHz bands until after the Department of Communications ('DoC') publishes its over-arching policy directive for spectrum licensing in the information and communication technology ('ICT') sector.

Access to this spectrum is crucial for mobile operators to roll out long-term evolution ('LTE') optimally. It is also necessary for us to play our part in helping the government achieve broadband access for all and deliver on its 2020 broadband goals. In line with these national objectives the government recently published a draft National Broadband Policy for comment.

ICT Sector Code

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

Mobile termination rates

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

Licence fees

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

International

Tanzania

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

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

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

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

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

DRC

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

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

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

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

Mozambique

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

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

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

Lesotho

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

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

Southern African Development Community

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

What we live for

Our reason to get up in the morning: knowing that what we do has the potential to change things for the better, and that we have the opportunity to do things better every single day by innovating.

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

Our Purpose

Why we exist

Connecting you, creating possibilities, changing lives

Our Vision

Where we are going

Best network, best value, best service

vodacom

Our Way

How we need to do it

Speed, Simplicity and Trust

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

Our Strategies

What we need to do

Working smarter to:

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

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

10 year

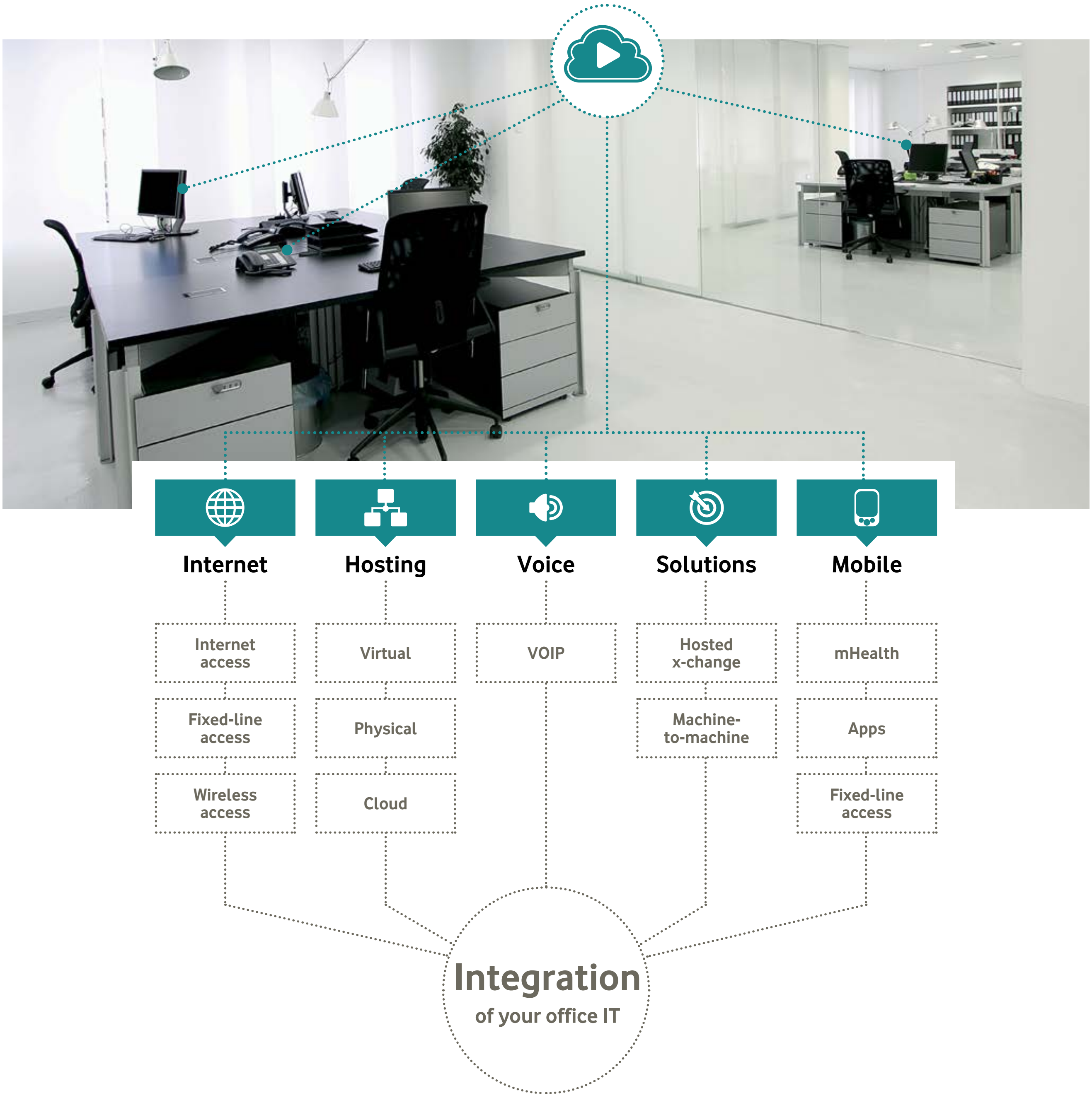
anniversary of Vodacom DRC.

What we do

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

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

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



Where we operate

From our roots in South Africa, we've grown our operations to include networks in Tanzania, the Democratic Republic of Congo ('DRC'), Mozambique and Lesotho. We also offer business managed services to enterprises in over 40 countries across Africa. Vodacom is majority owned by Vodafone, one of the world's largest mobile communications companies by revenue. We're listed on the JSE Limited and our head office is in Johannesburg, South Africa.

DRC

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

South Africa

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

Central offices for Vodacom Business Africa.

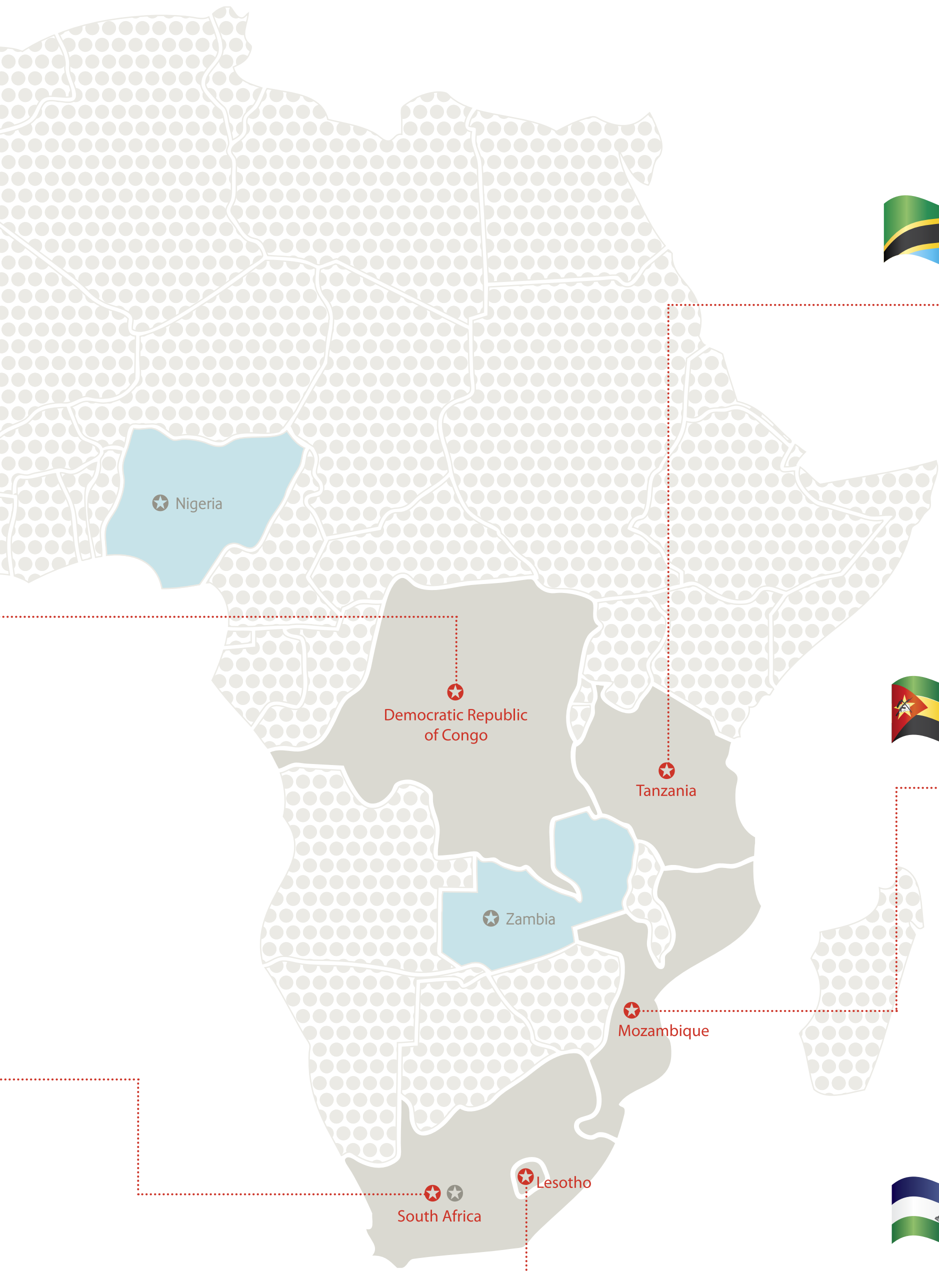
Points of presence

Formal

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

1. Includes unique M-Pesa agents.

The formal points of presence include Vodacom owned and franchise shops, service providers and private outlets, retailers that purchase directly from Vodacom and M-Pesa agents that are unique to M-Pesa sales only.



Tanzania

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

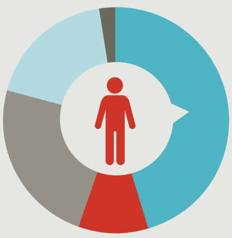
Mozambique

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

Lesotho

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

Informal



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

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

How we're managed

Ethics

For our Social and Ethics Committee report go online

We're committed to being ethical and responsible. Our values, one of which is trust, guide our behaviour. To succeed, there must be trust among us, and between us and our customers, other industry players, business partners, regulators, government authorities and our many other stakeholders. Our code of conduct, which sets out our business principles and policies and gives guidance on how to apply them, also guides our interactions with all we come into contact with in our business dealings.

Key developments

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

Governance

For our corporate governance report, go to page 68

Good governance is fundamental to business sustainability. We continue to make sure that our governance structures support effective decision-making and robust control, and are aligned to changing requirements as well as local and international best practice.

Key developments

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

Risk management

For our risk management report, go to page 64

There is no opportunity without risk. We have the right structures in place to identify, monitor and manage our risks effectively. Risk is managed at three distinct levels in the Group – the line manager at operational level, the Risk Group and the Risk Management Committees within each operation.

Key developments

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

Remuneration

For our remuneration report, go to page 73

Our remuneration policy aims to attract and retain leaders of the highest calibre, while making sure that our executives are compensated according to their performance. This is measured not only in terms of financial and strategic delivery but also how faithfully they apply our business principles.

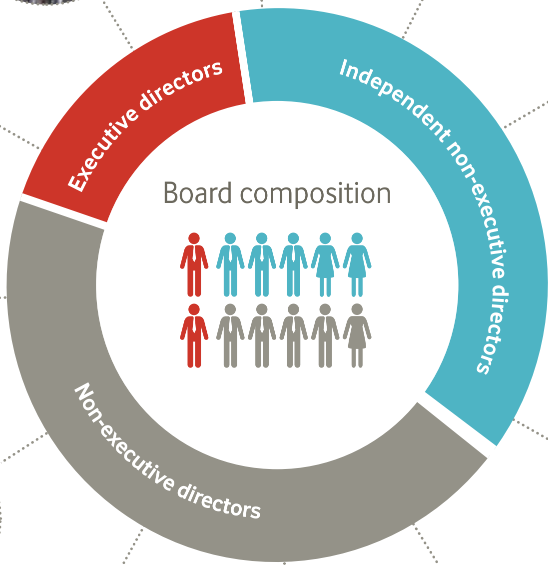
Key developments

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


6.3m
active smartphones and tablets in South Africa.

Who governs us

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



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

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

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

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

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

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

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

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

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

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

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

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

Board structure

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

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

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

Who leads us

Executive Committee

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

82% 18%
45% 55%
73% 27%

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

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

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

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

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

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

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

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

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

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

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

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

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