Vodacom
Integrated report
for the year ended 31 March 2017

Who we are

Vodacom is a leading African communications company providing a wide range of communication services, including mobile voice, messaging, data, financial and converged services to 66.8 million customers.

From our roots in South Africa, we have grown our mobile network business to include operations in Tanzania, the DRC, Mozambique and Lesotho. Our mobile networks cover a total population of over 220 million people. Through Vodacom Business Africa (VBA), we offer business managed services to enterprises in 32 countries. Vodacom is majority owned by Vodafone (65% 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 will develop a deep insight of our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.

Best Customer Experience

We will provide a seamless, frictionless, personalised, digital experience to our customers.

Best Technology

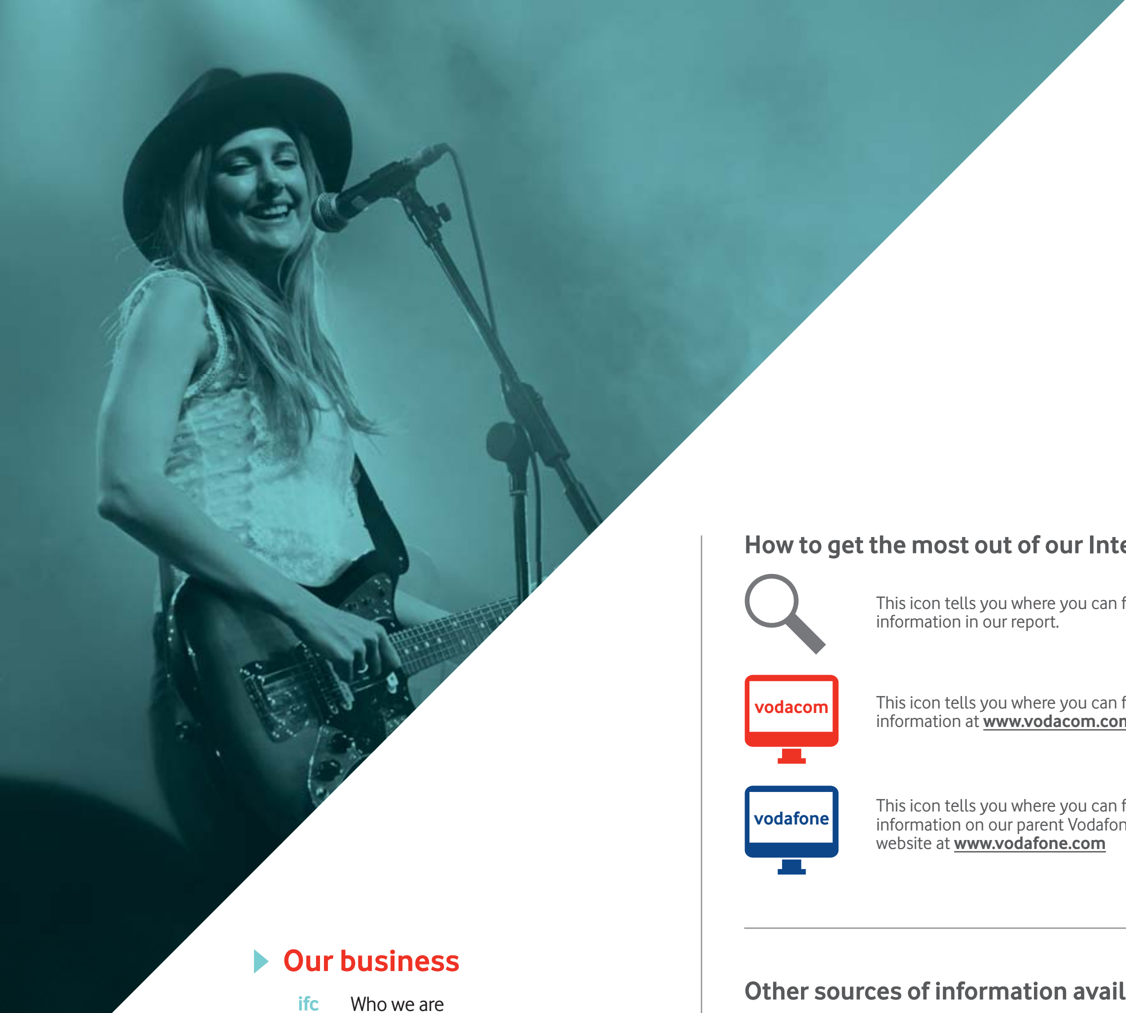
We will be the leading telco through the best network and IT excellence, with digital at the core.

Digital Organisation and Culture

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

Our Brand and Reputation

We will be a purpose-driven brand with a deserved reputation for leadership in driving social progress through transformational solutions.



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Our business

Operating context

Delivering on our strategy

Our governance structure

Administration

How to get the most out of our Integrated report:

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

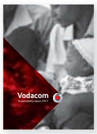
vodacom

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

vodafone

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



Sustainability report 2017

Consolidated annual financial statements 2017

- Integrated report
- Consolidated annual financial statements
- Sustainability report
- Public finances report
- Operational reports

These are all available at www.vodacom.com

Understanding value creation at Vodacom

How to read our report

This report has been developed to enable Vodacom stakeholders to make an informed assessment about our ability to create value over time. To facilitate such an assessment, we have structured the report with a clear narrative structure:

- Providing a high-level strategic and governance overview in the Chairman's statement.
- Introducing the company, outlining who we are, where we operate, what we do, and how we create value and sustain value.
- Providing an operational summary of our performance and strategy in the CEO's statement.
- Identifying the material matters that impact on value creation in terms of our operating environment, our key relationships, and the principal risks and opportunities facing the company.
- Reflecting on our strategic response to create value, and reviewing our performance and plans in terms of each of our strategic pillars, against our key financial indicators and across our operations.
- Reviewing our leadership team and governance and remuneration practices.

About this report

Vodacom Group Limited's Integrated report, prepared in accordance with the IIRC's International <IR> Framework, aims to provide our stakeholders with a concise, material and frank assessment of how we create value over time.

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 2016 to 31 March 2017. 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[1]. 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 four years) and long-term (beyond four 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 GRI's Sustainability Reporting Standards, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the South African Companies Act, No 71 of 2008. 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. Our 2016 Integrated report was awarded overall winner in the Chartered Secretaries Southern Africa Integrated report awards.

Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Vodacom. Written primarily for current and prospective investors, the report is of interest to any stakeholder who wishes to make an informed assessment of Vodacom's ability to create value over time. To identify and prioritise the material matters for inclusion in this report we undertook a structured process involving senior decisions makers from across the Group. The process involved a considered review of: 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 by them during our normal business engagements with them. The outcomes of this process were reviewed and signed off by the Audit, Risk and Compliance Committee. This report presents the identified material information through a clearly structured narrative. Additional information not material for this report, but of interest for other purposes, is provided in our other reports and on our website.

For our GRI content index go to **www.vodacom.com**

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 8.

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 2017 and provided an unmodified opinion thereon. The extracts from the AFS in this Integrated report are from audited information, but are not themselves audited. KPMG have undertaken a limited assurance engagement on selected key performance indicators for the year ended 31 March 2017 presented in this report and linked to our five strategic priorities. We also engaged KPMG to undertake a limited assurance engagement, for South Africa, on selected elements of our Scope 1, 2 and 3 greenhouse gas emissions that are reported in our Sustainability report 2017. 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

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 directors have applied their 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 Vodacom AFS and the Vodacom Integrated report on 2 June 2017.

Signed on the Board's behalf:

MP Moyo
Chairman

2 June 2017

Shameel Aziz Joosub
Chief Executive Officer

2 June 2017

1. Where we only have data for our South African operation (which represents 76.3% of service revenue and 85.8% of EBITDA), we indicate this with (#). We've used (*) to indicate normalised growth adjusted for trading foreign exchange and at a constant currency, using the current financial year as a base (collectively 'foreign exchange').

value created

For our customers

We've extended **3G coverage** to

99.2%

and **4G coverage** to

75.8%

of South Africans.

In our International operations we added:

284 4G sites **888** 3G sites **536** 2G sites

M-Pesa with

12.9 million customers and

M-Pawa with

1.2 million customers

are providing money transfer, savings and credit services to people outside the financial system.

To drive affordability, our blended average effective price per minute reduced

14.3%

and our average effective price per MB reduced

16.0% in South Africa and

Tanzania	32.5%	Mozambique	10.0%
DRC	29.3%	Lesotho	34.2%

For our providers of capital

Since listing on the JSE, we've delivered a total shareholder return of

307.4%

Source: Factset

We paid a total of **R14.5 billion** to equity shareholders and debt funders in 2017, with **R11.7 billion paid in dividends** and **R2.8 billion paid in interest.**

For our people

We spent

R277 million

on skills development and enrolled

128

graduates in our graduate programme across the Group.

We are serious about diversity in South Africa

73% of our employees are black, and 47% are women. 58% of our Executive Committee members are black.

In our societies

We contributed

R16.1 billion

total cash contribution to public finances.

Level 4

Black Economic Empowerment contributor status in South Africa.

In procuring goods and services **R24 billion weighted spend on BEE-status suppliers** and **R5.7 billion** to >30% black woman-owned suppliers in South Africa.

We spent

R114 million

on corporate social investment across the Group.

We launched the Siyakha platform to promote digital inclusion offering zero-rated content on specific education, health and employment websites, as well as a free, text-based version of Facebook.

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.

Chairman's statement

Peter Moyo

This has been another pleasing year for Vodacom, with significant value created for each of the company's stakeholders.

- For shareholders, Vodacom delivered a total shareholder return of 0.4% year-on-year, with headline earnings per share (HEPS) up 4.5% to 923 cents per share, and a final dividend of 435 cents per share, totalling 830 cents per share for the year.
- Customers have continued to benefit from the significant investment in the Vodacom network, and our activities in reducing voice and data costs, providing highly personalised packages, and expanding our product and service offerings in such areas as digital content, inclusive finance, insurance and the Internet of Things (IoT). Recognition of these benefits is reflected in Vodacom's leading performance in net promoter score (NPS) in South Africa, the DRC and Lesotho, and the various reputation awards that the Company once again received this year.
- In addition to the employment and personal development opportunities, Vodacom's 7 589 employees have enjoyed the benefits of working in a diverse and broadly representative office environment that recognises and rewards top performance, invests in talent development, and fosters a culture of employee engagement.
- The broader community has benefited from the increased levels of connectivity across all of Vodacom's markets, including digital-inclusion initiatives such as M-Pesa, our Siyakha platform and Vodacom e-school, as well as from our increased financial contribution in the form of public finances and tax contributions, procurement payments, and corporate social investments.

This substantial value generated and shared over the year reflects the effective execution of the Group's strategy, in the face of challenging market conditions across all operations.

Engaging with government in South Africa

This has been an eventful year in South Africa, both for business in general and for the telecoms sector in particular. The recent sovereign debt rating downgrade, the continuing political uncertainty, and weak levels of job growth, have placed a strain on the economy and on levels of business and consumer confidence. In the telecoms sector, we have seen strong consumer calls to reduce data prices, as well as some significant regulatory and policy developments.

We have engaged with government throughout the year on their Integrated ICT Policy White Paper, and more recently on the revised ICT sector code for Broad-based Black Economic Empowerment. Vodacom's Vision 2020 strategy shares government's underlying objective of broadening access to connectivity and realising the full potential of ICT as a means of achieving the country's developmental goals. In my review last year, I spoke of the closer dialogue that we were seeing between government and business, and of the expressed willingness of many government leaders to address some of business's key concerns. The need for such dialogue remains as important as ever. As an industry, the telecoms sector can play an instrumental role in driving further transformation and facilitating inclusive economic growth. For this to be fully realised, however, it is critical that we work together to find solutions that are in our collective interest, and that most effectively harness the power of the market to drive the innovation that the ICT sector can provide. It is, therefore, important that the carefully considered hybrid solution as proposed is accepted to move the industry forward and help government achieve its objectives.

A challenging year in our International markets

Our International operations have had a particularly challenging year, feeling the impact of high exchange rate volatility and regulatory changes in most of our markets, especially the customer registration requirements in the DRC, Tanzania and Mozambique. In each of these countries Vodacom has done the utmost to ensure compliance with these registration requirements, and has worked closely with regulators in an effort to maximise the efficiency of these processes.

The DRC remains the most challenging of our operations, facing continuing concerns around security and infrastructure, a significant weakening of the Congolese franc, and potential political instability around the proposed presidential elections. Given this tough operating context, it is encouraging that we have managed to regain most of the customer numbers disconnected in compliance with customer registration requirements in the prior year, regained market share, and successfully rolled out the Vodacom rebranding across the country.

In Mozambique, we had positive performance over the year, maintaining double-digit revenue growth despite challenging economic conditions, including the 55.8% depreciation of the metical against the rand. While we anticipate some further macroeconomic challenges in the year ahead, with the recent downgrade of the country's sovereign debt rating, we have a very strong base for further growth, with significant potential for data optimisation and further uptake of M-Pesa on the back of the new operating platform.

Tanzania has seen a year of two halves: the impact of the customer registration requirements and the challenging competition at the beginning of the year, has been offset by the continuing strong growth in data and M-Pesa over the second half. The team has put considerable effort into ensuring the first listing of a telecoms company on the Dar es Salaam stock exchange (DSE), reflecting its strong commitment to localisation. With a young population, strong GDP growth, and low levels of data penetration, the country presents exciting opportunities for data growth.

Lesotho had another excellent year, with strong revenue growth and good uptake of our targeted segmented propositions. Opportunities remain for further smartphone penetration and more utilisation of our 4G network.

Maintaining good governance

As Chairman of the Board my primary responsibility is to ensure that the Board provides an informed and objective oversight of the Group's strategy and performance, and that it delivers effectively on its fiduciary responsibilities. This year, we commissioned an independent evaluation of the Board's activities, and were reassured by their findings that the Board is doing well in fulfilling its duties. I believe that the Board's continued effectiveness reflects the skills, experience and diversity of its members, and their deep understanding of the Group's activities and operating context.

Although half of our non-executive directors represent Vodafone, and thus are not deemed independent as recommended by King IV, as a Board we are satisfied that the balance of power and objectivity on the Board is sufficient and does not require additional independent voices. To address non-compliance with the JSE Listings Requirements, we had agreed with the JSE that the respective Chairs of the Remuneration Committee and the Nomination Committee (neither of which has a majority of independent non-executive directors) would have a casting vote in the event of any deadlock or dispute.

During the year, we began to prepare for the succession planning of our independent directors and of the Chairman of the Audit, Risk and Compliance Committee. Given Vodacom's Vision 2020 strategy, which seeks to reposition the Company as an overtly digital organisation, as part of this succession planning we will be looking to bring on board new skills to ensure the effective oversight of this digitisation strategy.

Appreciation

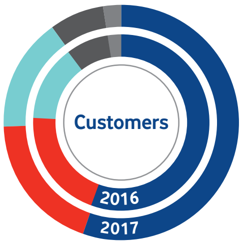
After eight years serving as Chairman of the Vodacom Board since listing on the JSE, I have decided to step down from the Board to take up the exciting opportunity of joining Old Mutual Emerging Markets as its CEO with effect from June 2017. I wish to express my deep gratitude to all my colleagues on the Vodacom Board and the executive team whom I have worked with throughout this time. It has been an incredible privilege to be a part of Vodacom's significant growth over this period.

I look forward to watching Vodacom's continued success as it repositions itself as a digital company that is committed to democratising Internet access, and providing the digital products and services that empower the lives of its customers.

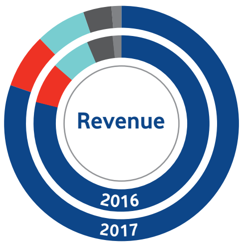
Peter Moyo
Chairman

2 June 2017

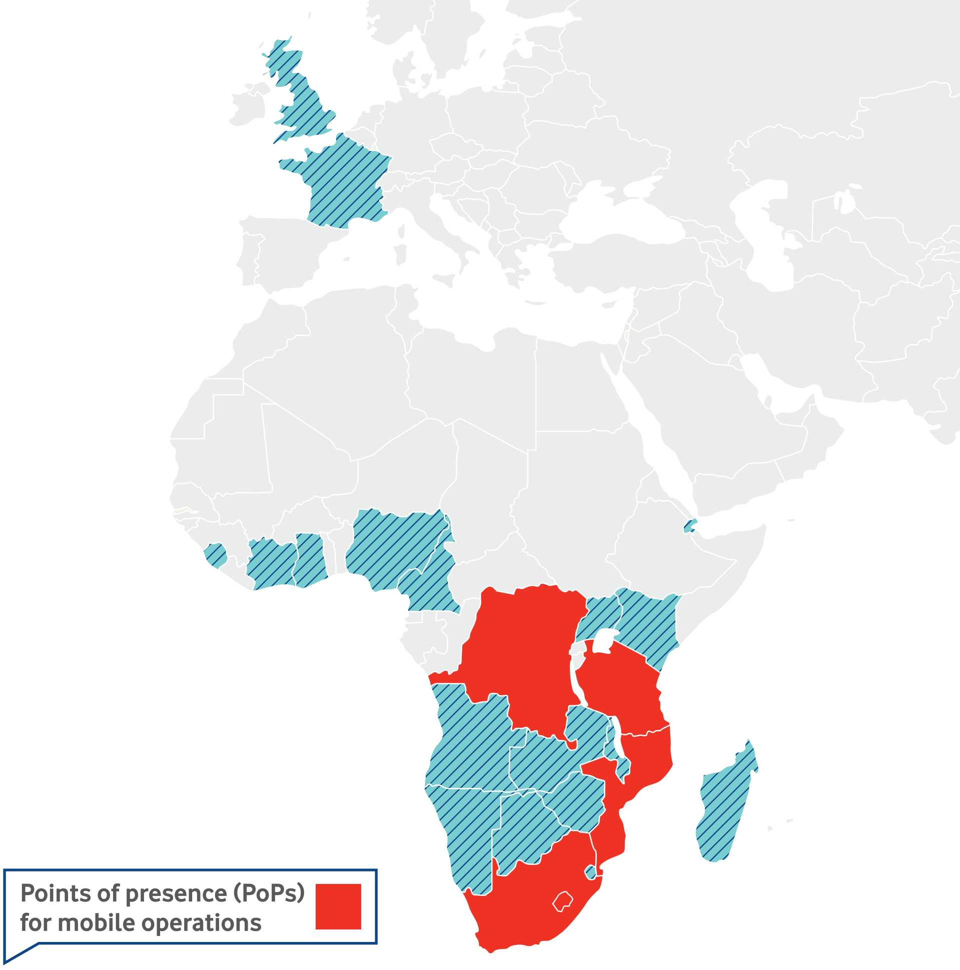
Where we operate



million	2017	2016
South Africa	37.1	34.2
Tanzania	12.7	12.4
DRC	10.4	8.5
Mozambique	5.1	4.8
Lesotho	1.5	1.4
Total	66.8	61.3



million	2017	2016
South Africa (R)	64 729	62 279
Tanzania (TZS)	933 292	923 347
DRC (US$)	407 413	429 605
Mozambique (MZN)	14 641	11 896
Lesotho (LSL)	1 116	1 027



South Africa

Ownership	93.75%[1]
Population[2] (estimate):	55 million
GDP growth estimate[2]:	0.3%
Customers:	37.1 million
ARPU[3] (local currency per month):	R111
Licence expiry period:	2029
Service revenue market share:	51.0%^
Coverage[5]:	99.9%
NPS:	1st
PoPs – formal:	10 048
PoPs – informal:	55 249

Tanzania

Ownership	82.15%
Population[2] (estimate):	55 million
GDP growth estimate[2]:	6.8%
Customers:	12.7 million
ARPU[3] (local currency per month):	TZS6 003
Licence expiry period:	2031
Customer market share:	30.9%
Coverage[5]:	88.0%
NPS:	3rd
PoPs – formal:	100 810
PoPs – informal:	14 522

What we offer

We have over 66.8 million individual customers using our wide range of products and services, all of which are available on either contract, top-up or prepaid. Our consumer products and services include voice, messaging and data across mobile and fixed networks, as well as financial services 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 and data security.

Our products and services

- Consumer products
- Enterprise
- Consumer services

Vodacom Business Africa

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

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. Bureau for Economic Research (BER) and the Economist Intelligence Unit (EIU). Gross Domestic Profit (GDP) relates to real GDP growth.
3. Total average revenue per user (ARPU) is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
4. 2018/2028 relates to the 2G licence and 2026/2032 relates to the 3G licence.
5. 2G coverage.

^ These items were the subject of the limited assurance engagement performed by KPMG.

DRC

Ownership	51%
Population[2] (estimate):	80 million
GDP growth estimate[2]:	4.2%
Customers:	10.4 million
ARPU[3] (local currency per month):	US$3.5
Licence expiry period[4]:	2028/2032
Customer market share:	38.9%
Coverage[5]:	49.1%
NPS:	1st
PoPs – formal:	11 859
PoPs – informal:	212 773

Mozambique

Ownership	85%
Population[2] (estimate):	29 million
GDP growth estimate[2]:	3.2%
Customers:	5.1 million
ARPU[3] (local currency per month):	MZN216
Licence expiry period[4]:	2018/2026
Customer market share:	47.6%
Coverage[5]:	43.9%
NPS:	2nd
PoPs – formal:	17 990
PoPs – informal:	5 700

Lesotho

Ownership	80%
Population[2] (estimate):	2 million
GDP growth estimate[2]:	2.1%
Customers:	1.5 million
ARPU[3] (local currency per month):	LSL61
Licence expiry period:	2036
Customer market share:	90.9%
Coverage[5]:	97.6%
NPS:	1st
PoPs – formal:	5 008
PoPs – informal:	7 212

Voice
mobile and fixed

Data
mobile broadband, mobile internet, fixed

Messaging
SMS and MMS

Unified communication
voice
messaging
video

Cloud and hosting

Connectivity
wireless
fixed
mobile

Managed mobility
Internet of Things (IoT)

Security

Financial services
M-Pesa
M-Pawa
insurance
mHealth
mAgriculture

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

Entertainment
music streaming
video entertainment
gaming
sports

%	2017	2016
Mobile voice	47	51
Mobile data	36^	32
Mobile interconnect	4	5
Mobile messaging	4	5
Other service revenue	9	7

%	2017	2016
Mobile contract revenue	42	42
Mobile prepaid revenue	58	58

What we do

We secure access to spectrum, invest in mobile and fixed telecommunications infrastructure, develop and distribute products and services tailored to our specific 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 reinvest in the resources and relationships we rely on to do business. This virtuous circle of investment, revenue growth, cash conversion and reinvestment generates value across our stakeholder groups and regions of operation, empowering the digital lives of our customers, and connecting everybody to live a better today and build a better tomorrow.

Our value chain activities

01 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 government and regulators. Securing access to spectrum remains a priority in all our markets. As part of our Vision 2020 strategy, we are building on our substantial investment in network infrastructure by expanding into fixed broadband assets (cable and fibre), and investing in IT services relating to data centres, big data analytics, customer relationship management capability, billing, mobile finance and online resources.

02 Procurement activities

We manage a significant supplier landscape with total procurement spend in 2017 of R32.7 billion. We leverage from 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 Black Economic Empowerment in South Africa.

03 Product and service development

To maintain revenue growth, ensure revenue 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 ensure that we cater for all customers' needs, wants and behaviours in both the consumer and enterprise markets. We strive to provide for customer concerns relating to privacy, and to mitigate the risk of data theft or loss. In developing our products and services, we recognise the importance of developing a company culture that fosters innovation and a 'customer first' attitude that enables the digital life of our customers.

04 Sales and distribution

We use various sales and distribution channels, including wholesale distributors, retailers, franchise stores, direct sales partners, street vendors and informal resellers. We have transformed almost all of our branded stores from transactional to experiential models to deliver an enhanced customer experience. Our value chain of Vodacom repair centres and regional repair hubs has positioned us as market leader in aftersales. Through container shops and informal traders we provide important opportunities for small-scale entrepreneurial businesses.

05 Customer service

Recognising that the quality of customer service creates a meaningful and sustainable differentiation, providing 'the best customer experience' is one of our key strategic priorities. We strive constantly to deepen our understanding of our customers and their needs across a range of consumer segments and geographic regions, and to provide targeted product and service offerings to meet their needs. Our ambition is to provide a seamless, personalised, one channel, digital customer experience, with exceptional customer service being our primary goal.

06 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 social transformation. We communicate our service offerings and maintain our strong brand presence through our marketing and brand strategy. The iconic Vodacom brand is an important driver of purchasing decisions for consumers and enterprise customers. This year, Vodacom DRC rebranded from blue to red, contributing to the remarkable improvement in net promoter score (NPS). External reputation surveys show Vodacom 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 fixed connectivity, cloud and hosting and fixed-line assets to provide our consumer and enterprise customers with valued voice, data, messaging and related services. Our competitive differentiation lies in the quality of our network, the nature of our products and services, the ability to use data analytics to extract value, 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

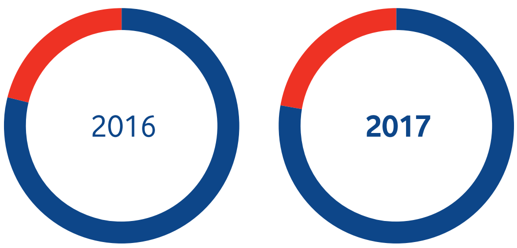
Most of our revenue comes from selling mobile data, voice and messaging services to individual consumers, with the balance coming from the sale of these mobile services, coupled with connectivity, cloud and hosting and network provision services to our enterprise customers. The decline in mobile voice revenue has been more than offset by significant growth in enterprise and data revenue, fuelled by the increased uptake of smart devices, improved network coverage, more affordable data bundles and enhanced digital content.

- 41.7% of our customer revenue is generated from customers who pay on a monthly basis via fixed-term contracts (contract), while the balance top up their airtime on a prepaid basis.
- 70.6% of mobile contract revenue is in-bundle, reducing exposure to the risk of discretionary spend in out-of-bundle usage.

Key **revenue** differentiators

- Rated first in network quality in three of our five countries of operation.
- A diverse and widespread distribution network across all our operations.
- Industry-leading customer value management (CVM) systems, people and processes.
- Personalised offers to customers to better fit their needs and behaviours.
- 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 (%)



%	2016	2017
Consumer service revenue	79	**78**
Enterprise service revenue	21	**22^**

+2.3% Increase in service revenue

^ These items were the subject of the limited assurance engagement performed by KPMG.

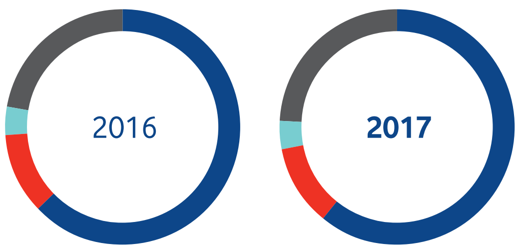
Our costs

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. We have also focused capital spend on our new billing system as we transition from a predominately mobile company to a unified communications provider.
In addition to investing in the future prosperity of the business, cash generated from our business allows us to maintain our generous shareholder returns, with our dividend policy of paying out at least 90% of HEPS.

Key **cost** differentiators

- Leveraging global best practice on cost optimisation through our Group-wide '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 (%)



%	2016	2017
Direct expenses	63	**61**
Staff expenses	11	**11**
Publicity expenses	4	**4**
Other opex	22	**24**

+0.3% Increase in total expenses

How we sustain value

Investing in the resources and relationships impacting value

Key resources

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.

Key inputs
- 7 587 employees.
- Trusted employee relations.
- Sound compliance and governance systems.
- Technical and managerial skills.

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. Maintaining quality relationships across all stakeholders may require trade-offs as we seek to address sometimes competing stakeholder interests.

Key inputs
- 66.8 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.

Key inputs
- 19 192 base station sites.
- South Africa 92.1%, International 86.0% self-provided fibre and microwave connections.
- R11.3 billion capital expenditure for the year, R37.5 billion in the past three years.

Financial capital
Financial capital – which includes shareholders' equity, debt and reinvested 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 an important objective.

Key inputs
- R226 billion market capitalisation.
- 0.7 times net debt to EBITDA ratio to execute growth.
- R11.4 billion free cash flow.
- R777 million interest earned.

Natural resources
Natural capital

We require natural capital such as land and energy to deploy and operate our manufactured capital. Accessing these inputs diminishes financial and natural capital, the impact of which is lowered through energy efficiency initiatives and site sharing.

Key inputs
- 501 GWh electricity#.
- 382 483 kl water#.
- 3.9 million litres fuel#.

South Africa only.

Activities to sustain value

- 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.

- 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 and health.

- Maintaining our network leadership through targeted investment.
- Enabling 2G, 3G and 4G on same network equipment through radio access network modernisation programmes.
- Progressing with customer billing transformation and migration to our new M-Pesa platform.
- Developing systems and processes to enable big data analytics.

- 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.

- Strong focus on energy efficiency of our network.
- Identify opportunities to use communications technology in enabling a low carbon economy.
- Recycling handsets and network equipment.

Outcomes (2017)

✔ R5.5 billion[1] invested in wages and benefits.
✔ R277 million invested in employee training.
✔ 75% black and 43% female representation in senior management.
✘ 1 contractor fatality.

✔ 17 point lead in net promoter score (NPS) in South Africa.
✔ R16.1 billion Group total cash contribution to public finances.
✔ R24 billion weighted spend with BBBEE suppliers.
✔ 12.9 million M-Pesa customers.
✘ Increased billing complaints as a result of challenges implementing new billing system.
✘ Lost customers due to customer registration requirements in some countries.
☐ Continuing engagement with government and regulators on regulatory and policy issues.

✔ Rated first for network quality three out of five of our markets in network NPS.
✔ R11.3 billion invested in strengthening network.
✔ 19 192 base station sites.
✔ Improvements in customer experience voice and data KPIs across all operations.
✘ Slower than anticipated fibre rollout.

✔ Revenue up 1.5% to R81.3 billion.
✔ EBITDA up 2.9% R31.2 billion.
✔ Cash generated from operations: R31.8 billion.
✔ Headline earnings per share: 923 cents.
✔ Total dividend per share declared: 830 cents.
✔ R2.8 billion paid to debt funders in interest.
✘ Weaker International performance due to customer registration requirements.

✔ 1.3 GWh energy saved at our buildings in South Africa.
✔ 68.5 tonnes of e-waste recycled.
✔ 976 solar-operated sites.
✘ 683 439 tonnes CO_2 emissions (Scope 1, 2 and 3). 18% increase from last year.

1. Excludes staff expenses of R742 million (2016: R687 million) capitalised against property, plant and equipment. Includes dividends of R44 million (2016: R41 million) relating to the forfeitable share plan which was offset against the forfeitable share plan reserve.

☐ Ongoing

CEO's statement

Shameel Aziz Joosub

Pleasing performance in a challenging context

This has been another year of pleasing performance in a challenging operating environment. Our South African business continues to perform well, supported by strong customer gains and good growth in data and enterprise services. As we expected, our International operations had a more difficult year. Growth slowed as a result of customer disconnections in the prior year, in compliance with customer registration requirements, and there was the added impact of high exchange rate volatility in some of our markets.

Group revenue increased 1.5% this year to R81.3 billion, with service revenue up 2.3% to R68.3 billion; normalised for the effects of foreign currency translation this was up 3.4%* and 4.4%* respectively, driven by a 16.4% increase in data revenue to R24.8 billion, and a 12.2% growth in enterprise revenue. In South Africa, customer growth was strong at 8.6%, with 3.0 million new customers. In our International operations, customers increased 9.3% to 29.7 million, signalling a return to positive net additions, after 4 million customers were disconnected due to customer registration requirements in the prior year. Group EBITDA grew 2.9% to R31.2 billion, up 7.1%*, excluding foreign currency translation impacts, with headline earnings per share up 4.5% to 923 cents per share, and a final dividend per share of 435 cents.

Our strong overall performance was achieved through the successful execution of our strategy of investing significantly in network infrastructure, providing segmented and personalised pricing plans, and targeting revenue growth in data, M-Pesa and enterprise, underpinned by our continuing cost-efficiency drive.

Over the past three years, we have invested R37.5 billion in network infrastructure, further expanding our 2G, 3G and 4G coverage, increasing data speeds, and reducing our dropped-call rate across the region. With our network quality being a key competitive differentiator, we have successfully monetised this investment and delivered the return on capital, maintaining a strong lead in NPS for network quality and coverage in all our markets other than Tanzania and Mozambique, both of which have shown significant improvement. Investment in our internal systems enabled the rollout of our initial activities in big data, such as our 'Just 4 You' platform, and included a complete overhaul of our customer back-end billing systems in South Africa.

In our South Africa segment we are seeing positive outcomes from our pricing transformation strategy and our personalised package offerings, with our 'Just 4 You' platform driving the sale of over 1.5 billion voice and data bundles over the year. Prepaid customers reached 32.0 million, up 9.3%, driven by the success of an improved value proposition through 'Just 4 You' offers, the successful launch of our Youth (NXT LVL) proposition and a highly engaging summer promotion. We added 218 000 contract customers during the year, and improved loyalty, evidenced in the low contract churn of 4.2%, and we increased contract ARPU by 2.8% to R408. As part of our commitment to democratising Internet access, we are driving down customers' data costs, reducing our effective rate for data by 16.0%, which over the last four years is a 54.1% decrease in data prices. We have introduced an enhanced smart notification service to pre-empt customers' out-of-bundle expenses, and we are running targeted consumer campaigns to increase awareness on how to purchase maximum-value bundles, check balances and more efficiently manage purchased data. We will launch other initiatives to address out-of-bundle pricing. In January this year, we launched our Siyakha platform in South Africa, offering very low-cost voice and data bundles, entry-level smartphones, and targeted content offerings, including free access to content on specific education, health and employment websites, and a free, text-based version of Facebook.

* Normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as base), (collectively 'foreign exchange').

We continue to make excellent progress in growing and monetising data through our four-pronged approach: having the best network; driving the sale of smart devices; offering affordable data bundles across all customer segments; and providing compelling reasons to consume data. We have extended our 3G and 4G population coverage to 99.2% and 75.8% respectively, expanded our high-speed transmission to 92.1% of our sites, and are making good progress on our fibre deployment by entering into strategic wholesale agreements with other network providers. We continued to promote the uptake of smart devices by providing financing and increasing availability of low-cost Vodacom-branded devices. By year end, the number of active smart devices on our network increased 18.0% to 16.8 million, with growth slightly slower than anticipated due to weaker local currencies. Data customers increased 8.3% in South Africa to 19.5 million, and 4G customers on the network increased 86.7% to 5.1 million, with the average monthly data usage on smartphones increasing 25.0% to 560MB, driven in part by a 16.0% reduction in the price per MB.

Enterprise revenue growth was strong at 12.7% (of which 2.8ppts relates to the impact of Autopage customer buy-backs in the prior year), supported by our fixed-line and business managed services, as well as our cloud and hosting revenue growth. We have secured the mobile voice and data communications contracts for national and provincial government departments for four years, enabling us to partner with government to support greater innovation. To drive enterprise growth, we are focusing on three principal investment areas: building market leadership in IoT; realising growth opportunities for digitalisation in the SME sector; and scaling converged services through our targeted investment in fibre, fixed wireless capillarity and next generation networks. This year, our fixed-line and business managed services revenue increased 8.3%, with cloud and hosting increasing 35.2%, and our IoT revenue up 19.1% to R662 million.

We continued to deliver significant operational efficiencies through our 'Fit for growth' programme, a Vodafone Group-wide initiative that allows us to leverage global best practice on optimising costs. We rebalanced our subsidies towards data-enabled devices, resulting in improved take up of data services and improved returns. We secured material savings across our retail and distribution operations, and also benefited from improved inventory management and reduced office accommodation expenses, as we rationalised offices and adopted the new ways of working.

This positive overall performance has been achieved despite the challenges experienced in our International operations, where service revenue declined 5.6% year-on-year; normalised for currency fluctuations, we delivered 2.2%* growth in these operations. Growth has been impacted by exchange rate volatility and by the expected slowed growth resulting from the disconnection of customers most notably in the prior year in compliance with customer registration requirements in the DRC, Mozambique and Tanzania. Short-term pressure remains, with signs of improvement in Tanzania, very strong execution in Mozambique and Lesotho, but a challenging macroeconomic environment in the DRC. We have introduced 'Just 4 You' personalised offers across all our operations and take up is progressing well, contributing to the demand for data with data customers increasing 29.3% to 13 million. We continue to focus on our commercial and network offering to drive data growth, ensuring customers have access to better low cost smart devices, especially Vodacom branded devices, increasing data network speeds and driving the adoption of data bundles. Our inclusive finance offering, M-Pesa, remains a significant source of growth: we now have 12.9 million M-Pesa customers across our operations, up 40.1% on the prior year, contributing to M-Pesa revenue growth of 19.4%. We are building on our success with M-Pesa through various new inclusive business initiatives that we are developing in agriculture, health and education.

Subsequent to year end, Vodacom Group has agreed terms with Vodafone to buy a strategic interest (34.94%) in Kenya's market-leading telco, Safaricom. Apart from being a household name in Kenya, Safaricom is a high growth, high margin, high cash generating business that operates in a high growth market with 28.1 million customers. Closer cooperation with a quality asset such as Safaricom will create further value and lead to mutually beneficial opportunities for both companies, such as best practice sharing, replicating Safaricom's success with M-Pesa, and creating new pan-African enterprise solutions in other East African markets. Safaricom's leading mobile money platform, M-Pesa, is an important driver of Kenyan economic growth, providing essential financial services to over 19 million customers. The proposed transaction will improve Vodacom Group's presence in East Africa, jointly increasing the company's growth in financial services customers to 29 million[1], making it a formidable player in financial services on the continent.

Positioning ourselves for a changing operating context

This year, we revised our strategy to ensure that we are best positioned to seize the opportunities, and manage the risks, of a rapidly changing marketplace, characterised by significant levels of digitalisation, highly connected consumers, and a changing landscape of competition and collaboration, with continuing regulatory challenges.

Recent developments in digital technology – in areas such as big data analytics, artificial intelligence and the rise of virtual and augmented reality, autonomous vehicles and the Internet of Things – present significant opportunities for business growth. Our new strategy positions Vodacom to be a leading digital company that empowers a connected society. Digitalisation offers valuable opportunities for us to extend revenue streams beyond connectivity, and requires us to rethink the networks and technology of the future, redefine customer engagement and develop a company culture that attracts the best digital talent. It also presents unparalleled opportunities to drive positive social change in areas such as education, healthcare, financial services and agriculture.

Our Vision 2020 strategy has five key strategic elements:

- **Segmented propositions:** Using big data analytics and machine learning, we will develop a complete 360 view of the customer, and develop personalised customer propositions to lead in our chosen segments. We have established dedicated acceleration units to develop product and service offerings for each of our targeted customer segments. Across each of these segments we are identifying new opportunities to monetise data and grow data usage by delivering relevant digital content

1. Number of unique customers who have generated revenue related to M-Pesa in the past 30 days.

services (in TV and video, music streaming, gaming, news and sport), as well as developing new offerings in areas such as mobile financial services, insurance and IoT. We have already achieved impressive results this year in the youth segment, with our recently launched NXT LVL campaign. Since launch in May 2016, we have achieved impressive results with more than 1.5 million youth customers on the platform with much stronger ARPU uplift and more data usage.

- **Best customer experience:** Our aim is to provide customers with a seamless and frictionless one-channel experience, ensuring consistent, personalised and efficient customer engagement, across all touch-points, with digital the dominant support channel and MyVodacom app the channel of choice. Having successfully delivered on our three-year retail strategy – transforming 97% of our Vodacom-branded stores, achieving a 10% year-on-year improvement in total NPS – we are placing greater focus on enhancing our digital customer channel. 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 experienced limited operational challenges this year in the transition to our new Customer 3D billing system, which is expected given the scale of this change. Although this caused a drop in our NPS score on billing, we retained our healthy lead in overall NPS.
- **Best technology:** We are preparing the network for the future to be the leading telco with the best network, and are placing an increased focus on technology and intelligent information systems to unlock big data capabilities and improve organisational agility. We will further expand both mobile and fixed connectivity (FTTx) and deploy new network technologies, while rolling out a national IoT network and developing new IoT applications and solutions. In November 2016, we commenced network build in the narrowband Internet of Things (NB-IoT), a low-power wide-area network technology that brings significant new opportunities for the types of IoT use cases that we are developing, including in e-health, connected agriculture, smart metering and logistics.
- **Digital organisation and culture:** Becoming a leading digital company requires a digital transformation within our own organisation. We have begun the process of transforming Vodacom into a truly digital organisation, with our investment in acquiring new skills and talent in areas such as big data, analytics, actuarial science and digital marketing. We have partnered with tertiary institutions to develop and access the required emerging skills for our digital future. To ensure that we capitalise most effectively on the rapid rate of change across the ICT sector, we are developing a culture of innovation and agile decision taking, simplifying our existing systems and processes, and empowering our people to use their skills and resources to develop and deliver innovative products and services through more collaborative structures.
- **Our brand and reputation:** Our aim is to ensure that Vodacom is the customer brand of choice, with a strong purpose-driven brand and a deserved reputation for responsible leadership. This year saw further progress in promoting financial inclusion, education, agriculture, and healthcare, through our business-driven partnership initiatives such as M-Pesa, the Connected Farmer platform, Vodacom e-school, and our various health-related mobile applications. Taken together with our corporate social investments activities, and our core business of connectivity, these initiatives are making an important contribution to national developmental objectives and the global UN Sustainable Development Goals. For example, on education, one of South Africa's most pressing development challenges, we have provided more than 220 000 learners with free access to relevant education content, supplied ICT equipment and Internet connectivity to 3 000 schools, trained over 100 000 teachers on the use of ICT, and equipped and connected 92 teachers across the country. We have continued to demonstrate leadership in Black Economic Empowerment (BEE) in South Africa, and are seeking to drive this further with a particular focus on promoting transformation across our distribution channels. I believe that our evident commitment to promoting transformation and driving digital inclusion are important contributors to the strength of the Vodacom brand and to the numerous brand and reputation awards that we received across markets and consumer segments.

Future outlook

The rapidly developing digital environment, and continuing political, regulatory and market uncertainty, highlights the need for us to be highly agile in our operations. The anticipated sustained pressure on consumers in most of our markets, underscores the relevance of taking a segmented consumer view, with highly personalised offerings. Regulatory and policy developments remain an important challenge across our markets. In South Africa, we held constructive engagements with government and the regulator on the ICT White Paper. We are fully committed to the overarching aims of the White Paper, and have a shared interest in promoting universal access to connectivity, ensuring the success of the proposed wireless open access network, and sharing the important social benefits that ICT provides. We will continue to engage with government and the regulator during the process to give effect to the objectives of the White Paper, with the aim of finding an optimal solution for all parties. We believe that the solution lies in a hybrid model which ensures that the industry gets spectrum to achieve key societal milestones while ensuring the success of the wholesale access network.

I believe that with our new Vodacom Vision 2020 strategy, and the steps we have already taken towards implementing the strategy, Vodacom is well placed to realise and share the significant opportunities associated with the increasingly rapid uptake of digital technologies. I am confident that we have both the right strategy and the right team to deliver on our core purpose: connecting everybody to live a better today and build a better tomorrow.

In closing, I would like to thank my colleagues on the Board and the executive team for their guidance and assistance over the year. Particular thanks to our Chairman, Peter Moyo, who will be stepping down from the Board after eight years of dedicated service. I wish him much success in his new role at Old Mutual.

Shameel Aziz Joosub
Chief Executive Officer

2 June 2017

Reviewing our performance against our previous three-year strategic goals

Three years ago we revised our Group strategy and agreed a set of five strategic objectives aimed at enhancing our competitiveness and delivering in our growth areas. Each of these objectives was accompanied by ambitious aspirational goals and targets. A summarised review of our performance on these targets is provided below. While we have not achieved all of the targets, we have nevertheless made significant progress in each of the targeted areas, and have built a very strong platform from which we can achieve our recently launched Vision 2020.

Strategic pillar	Measure	Status	31 March 2017	Progress at 31 March 2017	Progress at 31 March 2016	Progress at 31 March 2015
Customer	Market share	Achieved target	Market leader in all markets	#1 in all markets	#1 in all markets	#1 in all markets
Customer	NPS score	Partially achieved	#1 in all markets	#1 in all markets, except Tanzania (#3) and Mozambique (#2)	#1 in all markets, except Tanzania (#3) and the DRC (#4)	#1 in all markets, except Tanzania (#2) and the DRC (#3)
Customer	Brand leadership position	Achieved target	#1 in South Africa	Users[1]: 91%^ Non-users[2]: 36%^ #1 in South Africa	Users: 96% Non-users: 39% #1 in South Africa	Users: 95% Non-users: 36% #1 in South Africa
Growth	Data revenue contribution	Partially achieved	40% of Group service revenue	36.3%^	31.9%	26.7%
Growth	Enterprise contribution	Not achieved	30% of Group service revenue	22.4%^	20.5%	18.4%
Growth	Fixed-line connections	Achieved target	Increase number of connections	3 483^ connections	1 223 connections	Soft-launched
Growth	Non-South African entities' contribution	Not achieved	30% of Group service revenue	24.6%^	26.6%	24.6%
Growth	New services contribution	Partially achieved	5% of Group service revenue	4.8%^	4.2%	3.9%
Operations	Cost growth vs service revenue growth	Achieved target	0.5ppts lower than service revenue growth	1.2ppts^ lower	2.4ppts lower	2.2ppts higher
People	Engagement score	Partially achieved	80	79^	76	76
Reputation	Reputation survey	Achieved target	#1 in all markets	#1 in all markets	#1 in South Africa	Not measured

^ These items were the subject of the limited assurance engagement performed by KPMG.
1. Users are customers who are currently using the brand and will continue to use it.
2. Non-users are customers who are not using the brand and would consider using it in the future.

Achieved target. Partially achieved. Not achieved.

Our operating environment

We have identified four priority trends in our operating environment that have a material impact on our ability to create value. Vodacom's Vision 2020 has been developed to ensure that we are best positioned to manage the risks and realise the opportunities associated with each of these issues.

Digital disruption and the connected consumer

Digital technology is disrupting traditional business models and significantly reshaping consumer behaviour, presenting exciting new opportunities for value creation and a major source of business risk.

- The so-called 'fourth industrial revolution' is characterised by significant developments in artificial intelligence, big data analytics and blockchain technology, as well as the rise of connected homes, autonomous vehicles, smart cities and the 'Internet of Things'.
- Digitally connected consumers are changing key consumption patterns, significantly increasing their use of data and expecting highly personalised interactions, while at the same time being protective of access to personal data. They are using digital technology to become more discerning and activist customers, sharing their experience and views rapidly across social media.
- Together, digital technologies and the connected consumer are transforming most business sectors, challenging many traditional assumptions about business's relationships with customers and employees. The digitalisation 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 penetration of smartphones, wearable devices and tablets, as well as by improved networks and the increased availability of data content. Globally, it is anticipated that smartphone users will double and data usage will increase by 7 to 11 times by 2020. The greatest demand for mobile services is coming from emerging markets, where there is a young and growing population base, faster levels of economic growth, less fixed-line infrastructure, and low (but rapidly rising) mobile penetration.

Implications for our strategy: To succeed in this emerging digital era, our new strategy overtly positions Vodacom to be a leading digital company, empowering a connected society. Digitalisation offers valuable opportunities for us to extend revenue streams beyond connectivity, and requires us to rethink the networks and technology of the future, redefine customer engagement and develop a company culture that attracts the best digital talent. It also presents unparalleled opportunities to drive positive social change in areas such as education, healthcare, financial services and agriculture.

By 2020, in the global market there will be

5.7 billion

smartphones, growth of 1.9 billion from the end of 2016.

Source: GSMA Intelligence, The mobile economy 2017

The changing landscape of competition and collaboration

The telecommunications and mobile sector is proving increasingly competitive, including from some non-traditional new sources.

- In our countries of operation there are typically three to four mobile network operators, each of which is seeking strong competitive differentiation, through significant capital investment in networks, a strong price play, enhancing the customer experience for targeted segments, and/or developing new digital offerings.
- In most markets we are seeing an increased uptake in over-the-top (OTT) content, messaging and voice providers who use open Internet-based communication rather than existing operator-controlled cellular services.
- As we move towards being an overtly 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.

Implications for our strategy: This growing competition, sometimes from unexpected sources, underlines the importance of ensuring that we are both fast and flexible. In many instances, we recognise the benefit of identifying opportunities for collaboration and innovative partnerships, rather than traditional competition.

Mobile money is available in **85%** **of global markets** where less than **20%** of the population has access to a formal financial institution.

Source: GSMA Intelligence, The mobile economy 2017

Challenging macroeconomic conditions

The challenging macroeconomic and market environment in each of our operating countries is impacting consumer disposable income, revenue growth and operating costs.

- In South Africa, our largest market, the impact of the drought on the agriculture sector and flat GDP growth rates have weakened already poor employment opportunities and dented consumer spending. Business confidence continues to be impacted by political and policy uncertainty, and concerns regarding further rating downgrades.
- In our other operations, consumer spending-power has been affected by rising taxes and interest rates, local exchange rate depreciation, and a general increase in the cost of living. Sharply depreciating currencies – particularly in Mozambique and Nigeria – have widened exposure to foreign-denominated expenses, impacting the rollout of low-cost devices, and resulting in higher operating costs. Cost-efficiency measures have been further constrained by inflationary pressures, particularly in terms of wages and energy costs.

Implications for our strategy: These continuing challenges in macroeconomic indicators highlight the importance of maintaining a strong efficiency drive, which we have delivered through our cost-efficiency programme, as well as providing targeted products and services across consumer income groups. A key focus of our new strategy is on developing segmented propositions, including specifically for low-spend customers through initiatives such as Siyakha, which seeks to promote digital inclusion in the emerging prepaid segment.

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Mobile industry contribution to global GDP

2016 **$3.3tn** 4.4% GDP

2020 **$4.2tn** 4.9% GDP

Source: GSMA Intelligence, The mobile economy 2017

Increasing regulatory intervention and continuing policy uncertainty

We continue to engage with regulators across our operations, on challenges that could impact revenue growth and cost efficiency. Key regulatory and policy developments (by country) include:

- **South Africa:** The National Integrated ICT Policy White Paper; deferring the 'Invitation to Apply' for licensing of spectrum bands pending administrative judicial review proceedings; and the amended ICT Sector BEE Codes.
- **Tanzania:** Mandatory listing requirements; national security and customer SIM registration regulations; mobile financial services licences and regulations; new taxation requirements; quality of service regulations; and spectrum auction planned by end of 2017.
- **DRC:** Communications Bill introducing changes to licence regimes; national security and customer SIM registration regulations; price floor and MTR regulation; temporary social media ban; environmental approvals; and new taxation requirements.
- **Mozambique:** Communications Act introducing changes to licence regimes; renewal of our 2G licence; spectrum auctions; national security and customer SIM registration regulations; and a review of mobile termination rates.
- **Lesotho:** Renewal of mobile service licence; approval of M-Pesa G2 hosting; quality of service regulations; cybersecurity legislation; SIM registration regulations and mobile financial services regulations.

Further details on these legislative and policy developments are available in our country performance reports.

Implications for our strategy: Anticipating, informing and responding to regulatory and policy developments requires that we maintain a strong focus on developing positive and constructive relationships with government and regulators.

vodacom

Regulatory report (2017).
www.vodacom.com

What impacts value

The material interests of our key stakeholders

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.

	Material relationships	Means of engagement	Material interests
Government and regulators	Provide access to spectrum and operating licences, the basis for creating value. Impose regulatory measures with potential costs implications.	• 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.	▸ Ensuring spectrum is managed as a strategic resource, contributing to national broadband access and the digital economy, especially in underserviced and rural markets. ▸ 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.
Customers	Purchase our products and services, providing the basis for revenue growth.	• Call centres, retail outlets and online. • MyVodacom app, messaging and USSD channels. • Net promoter score (NPS) feedback interviews and focus groups. • Facebook and Twitter. • Vodacom website.	▸ 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.
Investors and shareholders	Provide the financial capital needed to sustain and grow.	• Investor interactions, including roadshows, conferences and meetings. • Investor days. • Annual, interim and quarterly results announcements. • SENS announcements. • Monthly and quarterly operational reviews with our parent Vodafone. • Investor relations section on our website.	▸ 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. ▸ Responsible allocation of capital. ▸ Sound corporate governance practices. ▸ Transparent executive remuneration. ▸ Stable dividend policy.

	Material relationships	Means of engagement	Material interests
Employees	Their skills and involvement determine our ability to realise our vision of becoming a leading digital company that empowers a connected society.	• Internal website. • Newsletters, internal magazine and electronic communication. • Employee Consultative Council with senior leaders and employee representation. • Employee hotline. • Leadership roadshows. • CEO mailbox.	• Clear career paths and opportunities for career development. • Improved knowledge sharing across the Group. • Simplicity, agility and engagement. • Building the coaching capability of leaders. • Better understanding of reward structures. • Competitive remuneration.
Suppliers	Impact on our ability to cost-effectively provide products and services.	• Supplier forums. • Ongoing site visits. • Audits.	• Timely payment and fair terms. • Broad-based Black Economic Empowerment (BBBEE) compliance. • Improving health and safety standards. • Partnering on environmental solutions.
Communities	Add to the longer term viability of our markets by strengthening the socioeconomic context in which we operate.	• Public participation where new base stations are required. • Change the World volunteer programme. • Vodacom Foundation partnering with communities. • Open days at universities.	• 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.
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.	• 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.	• 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.	• Face-to-face and telephonic engagement. • Interviews with the CEO and key executives. • Media releases and product-related publicity. • Roundtables. • Product launches.	• Being informed of key activities and offerings. • Transparency.

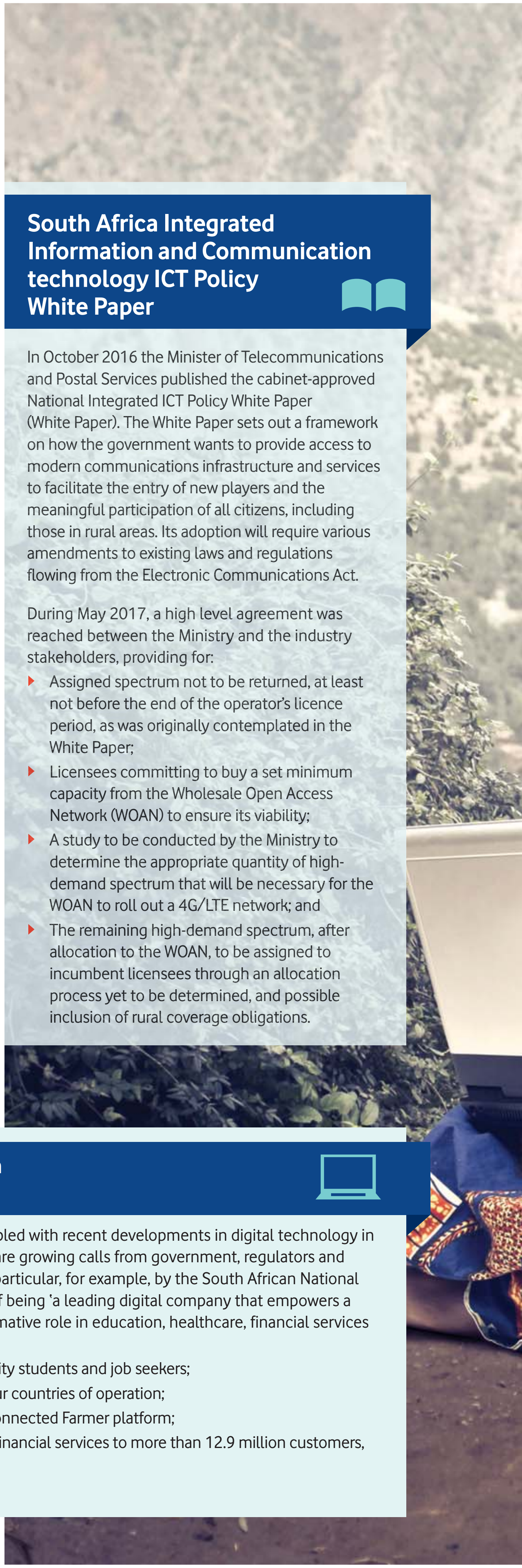
Stakeholder 'hot topics'

Communication costs (#datamustfall)

The cost of accessing communications services remains an ongoing concern for customers and policy makers. In South Africa, the cost of data received particular attention following a #datamustfall campaign launched in September 2016 by a South African radio personality. This culminated in hearings at a Parliamentary Portfolio Committee on the suggested social impacts of perceived high data costs, where we highlighted the impact of our pricing transformation strategy, and our personalised packages aimed at giving customers greater value. We have various initiatives in place aimed at driving down the cost of data and encouraging customers to optimise the use of bundles. These initiatives include:

- Reducing our out-of-bundle rates for prepaid tariffs by 25% (from R2/MB to R1.50/MB), and our out-of-bundle rate for all contracts to R1. Further price decreases are planned for this year;
- Running targeted consumer campaigns to increase awareness on how to buy maximum-value bundles, check balances and more efficiently manage purchased data;
- Empower customers to keep track of data usage and optimise value by providing free access to the MyVodacom app;
- Improving our in-bundle and out-of-bundle smart notifications for customers;
- Appropriately size customers' bundle needs by recommending personalised offers to customers which are determined based on the customer's previous usage behaviour; and
- Providing zero-rated (free) access for Vodacom customers to certain propositions through Siyakha (a platform that assists in addressing the cost to communicate for those that need it most). These include career, education and health websites, as well as Facebook Flex, a free, text-based version of Facebook.

South Africa Integrated Information and Communication technology ICT Policy White Paper



In October 2016 the Minister of Telecommunications and Postal Services published the cabinet-approved National Integrated ICT Policy White Paper (White Paper). The White Paper sets out a framework on how the government wants to provide access to modern communications infrastructure and services to facilitate the entry of new players and the meaningful participation of all citizens, including those in rural areas. Its adoption will require various amendments to existing laws and regulations flowing from the Electronic Communications Act.

During May 2017, a high level agreement was reached between the Ministry and the industry stakeholders, providing for:

- Assigned spectrum not to be returned, at least not before the end of the operator's licence period, as was originally contemplated in the White Paper;
- Licensees committing to buy a set minimum capacity from the Wholesale Open Access Network (WOAN) to ensure its viability;
- A study to be conducted by the Ministry to determine the appropriate quantity of high-demand spectrum that will be necessary for the WOAN to roll out a 4G/LTE network; and
- The remaining high-demand spectrum, after allocation to the WOAN, to be assigned to incumbent licensees through an allocation process yet to be determined, and possible inclusion of rural coverage obligations.

Increasing access and delivering social transformation through digital services

Given the obvious social benefits associated with improved connectivity, coupled with recent developments in digital technology in such areas as education, healthcare, financial services and agriculture, there are growing calls from government, regulators and consumers to further improve access to digital services. This is evidenced in particular, for example, by the South African National Integrated ICT Policy White Paper. Vodacom's Vision 2020 outlines our goal of being 'a leading digital company that empowers a connected society', removing barriers to access digital and playing a transformative role in education, healthcare, financial services and agriculture. We already have many initiatives in place, including:

- Our Siyakha platform, offering zero-rated portals for school learners, university students and job seekers;
- Substantial investments in extending our networks into rural areas across our countries of operation;
- Promoting commercially viable mobile agricultural solutions through our Connected Farmer platform;
- Our groundbreaking M-Pesa programme that provides affordable access to financial services to more than 12.9 million customers, many of whom live in remote rural areas; and
- Driving the availability of high-quality low-cost smartphones and tablets.

Network quality and coverage

We recognise that network quality and performance is a significant source of competitive differentiation. To cater for the significant increase in data usage, we have invested R11.3 billion across all our markets to widen our 3G and 4G data coverage, improve voice quality and increase data speeds. In South Africa, our network offers the widest coverage and the fastest data experience across the country; at yearend our 3G coverage increased to 99.2% of the population and 4G coverage to 75.8%. We also extended our high-speed transmission to 92.1% of our sites. Routine network quality tests confirm that we lead in almost all quality indicators. Our International operations now have 7 070 sites comprising 7 035 2G, 4 804 3G and 348 4G sites with high-speed transmission extended to 86% of sites.

> **"Network quality and performance are major drivers of churn in the region. Operators have clear opportunities to monetise strong demand from customers for higher data speeds and larger data allowances."**
>
> **Connected Consumer Survey 2017**

Customer privacy

As our customers become increasingly connected, and as the ability to track and analyse consumer behaviour becomes more sophisticated, there is a growing need to ensure the full and effective protection of customer privacy and personal data. Respecting the consumer'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 the demands from law enforcement agencies across 28 countries.

Social media comments

The Best Network in the World, I will never go to any other network no matter what, Vodacom #myfavouritecellphoneproviders #since #day1

Love my Vodacom, I've been using it for 14 years now and I never had a problem with it.

You guys don't take your customers serious.

Vodacom you can't do a simple thing sim swap and your data is expensive. You are robbing us.

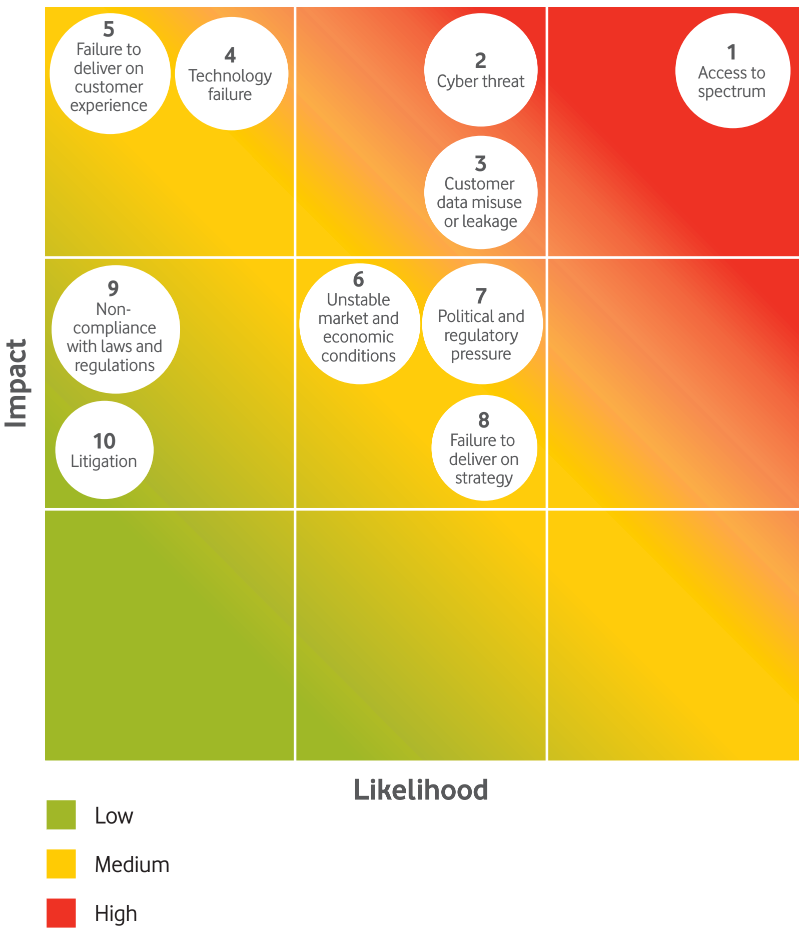
Our principal risks

Each year, the Vodacom Board reviews the critical strategic risks facing the company and approves the Group's risk appetite. The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets. The executive team regularly reviews the risk management processes to improve the identification, assessment and monitoring of risk, to ensure that we are responsive to the ever-changing business environment.

This year, we enhanced our approach of identifying, assessing and reporting on risks by introducing the concept of 'principal risks'. These are the top 10 risks that have the most significant impact on Vodacom's ability to achieve its strategic objectives in the long-term ('macro risks'), and in the short- to medium-term ('tactical sub-risks'). We have also created an enhanced risk appetite framework and risk appetite statements for each of the 10 principal risks.

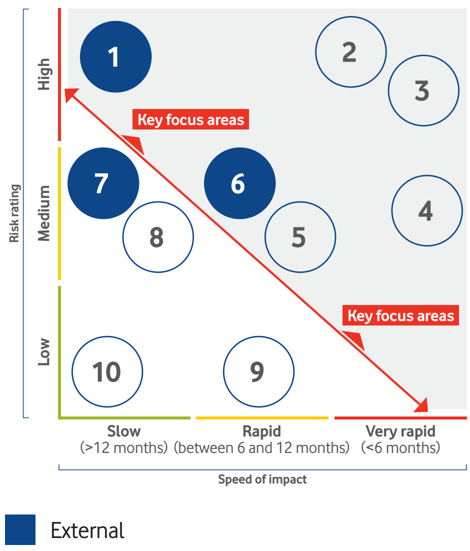
Figure 1	Outlines the heatmap of Vodacom's current principal risks.
Figure 2	Shows the speed of impact of the risk in relation to the risk ranking (as per figure 1).

Risk rating (Figure 1)



We have introduced an analysis of speed of impact, reflecting the rate at which the company will experience adverse financial impacts if the risk materialised.

Risk and speed of impact (Figure 2)



Our Strategies

Segmented Propositions | Best Customer Experience | Best Technology | Digital Organisation and Culture | Our Brand and Reputation

Principal risk	Context	Mitigating actions	Strategic Objective
1 Access to spectrum **Speed of impact:** Slow >12 months	A failure to secure access to additional spectrum, needed to deliver cost-effective expansion of our radio access network (RAN), would significantly impact our ability to increase capacity and deliver future system capabilities. Key challenges include: proposed policy changes relating to spectrum licence; non-renewal of existing licences; and increasing competition for access to spectrum.	• We maintain constructive relations with government and regulators, and strive to work collaboratively with them to find solutions that are in the collective interest of business, government and society. • We ensure that our spectrum strategy is in line with regulatory and market developments. • As data demand continues to grow exponentially we entered into a commercial agreement to roam on the data network of our partners, and to identify and acquire entities which have access to spectrum, e.g. SNT in Tanzania.	
2 Cyber threat **Speed of impact:** Very rapid <6 months	An external cyber-attack, 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.	• We have a global risk-based security strategy, and a global security function that develops and implements relevant policies and processes. • Security controls are implemented centrally. In local markets, we have a continuous improvement programme to mitigate against changing risks. • We manage the risk of malicious attacks on our infrastructure through our cyber intelligence centre that provides continuous proactive monitoring of our Group infrastructure, responds to incidents and manages recovery from those incidents. • We apply layers of security control to all applications and infrastructure that store or transmit confidential personal and business voice and data traffic. • We have an assurance programme that incorporates both internal and external reviews of third parties that hold data on our behalf.	
3 Customer data misuse or leakage **Speed of impact:** Very rapid <6 months	Respect for privacy is essential for maintaining customer trust. Customer data is also an important strategic asset for Vodacom. Failure to strategically manage customer privacy and ensure data integrity will have significant negative reputational implications, reduce the value of our data assets and result in regulatory non-compliance. This could result in substantial fines, reputational damage and a negative impact on customer NPS.	• We process personal data honestly, ethically, with integrity and consistent with applicable laws and with the Vodafone Global Privacy Framework. • We are responding to privacy requirements through an enterprise project across all areas in the business. • We monitor and enforce compliance with regulations and our internal policies, and provide regular security and privacy awareness training to relevant employees. • Our legal and regulatory affairs teams engage with key stakeholders to ensure that we implement the necessary controls. • We ensure compliance with privacy requirements as stipulated by data protection legislations.	

Principal risk	Context	Mitigating actions	Strategic Objective
4 Technology failure **Speed of impact:** Very rapid <6 months	Our customer value proposition is based on the reliable availability of our high-quality network. A major failure in critical network or IT assets – for example, through natural disasters, insufficient preventative maintenance, or malicious attack – would have a profound impact on our customers, revenues and reputation.	• We invest significantly in maintaining and upgrading our network on an ongoing basis, and ensuring availability of adequate redundancy capabilities where feasible. • Business continuity, disaster recovery and resilience policy requirements are built into our network and IT infrastructure. • We are self-providing transmission links on critical routes in our networks to reduce reliance on external parties. • Comprehensive insurance policies are in place.	
5 Failure to deliver on customer experience **Speed of impact:** Rapid 6-12 months	Failure to deliver a differentiated and superior experience to our customers in-store, online and/or over the phone, could diminish our brand and reputation, impacting revenue growth. Associated risks include: a failure to provide high-quality customer service through our call centres, online portals and complaints' handling; not providing customers with fair, easy-to-understand tariffs; not preventing or managing roaming or bill shocks.	• We have prioritised the customer experience as a key component of our strategy, and we have implemented a CARE programme (Connectivity, Always in control, Rewarding loyalty, Easy access) to ensure that our customers are always top-of-mind when designing products and services. • We are implementing IT transformation initiatives as the vehicle for delivering a great customer experience, high-quality, reliable systems, improving our time-to-market and enabling best-in-class digital capabilities. • We communicate with our customers clearly and transparently, particularly with regard to tariffs and roaming costs, and we provide a leading customer experience through our MyVodacom app and online channels. • We track and monitor our performance in delivering a superior customer experience through various metrics, the most important being our net promoter score (NPS).	
6 Unstable economic and market conditions **Speed of impact:** Rapid 6-12 months	Volatile macroeconomic conditions – such as fluctuating foreign exchange, inflation and interest rates – could weaken consumer and enterprise spend, reduce customer revenue, and impact negatively on operating costs and capital expenditure.	• We closely monitor macroeconomic conditions within our key markets. • We 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. • We implement hedging instruments to compensate for extreme fluctuations in interest and exchange rates. • We have implemented a global cost-savings programme to combat the effects of inflationary pressure on costs. • We continue to optimise our cost of financing and increase maturity levels of debt.	

Our Strategies

Segmented Propositions | Best Customer Experience | Best Technology | Digital Organisation and Culture | Our Brand and Reputation

Principal risk	Context	Mitigating actions	Strategic Objective
7 Adverse political measures and regulatory pressures **Speed of impact:** Slow >12 months	Stringent regulatory or legislative requirements could necessitate significant changes to current business practices, impacting our profitability, growth and services in our operating countries. Recent significant regulatory and policy changes include: recommended retail and wholesale price control on roaming; recommended changes to ICT policies, JSE Listings Requirements, customer registration requirements and BBBEE compliance in South Africa.	• We engage constructively with governments, regulators, tax authorities and other stakeholders, nationally and internationally, through written submissions and formal hearings on legislative and regulatory changes. • We have established specialist regulatory and government relations teams, and where appropriate, we engage advisers and legal counsel to obtain legal opinion. • We have access to best practice and international debate through Vodafone.	
8 Failure to deliver on new services and strategy **Speed of impact:** Slow > 12 months	Failure to deliver on new services or Vodacom's new strategy will negatively affect the future growth of the organisation. Key associated risks include: inability to access required infrastructure; inability to access quality content at reasonable prices and to forge effective content partnerships, failure to deliver on fibre rollout plan; failure to compete effectively on 'converged products'.	• We have policies, procedures and organisational measures in place to ensure that we maintain a sustainable competitive position, defending our leadership position in mobile and growing fixed income in areas with growing convergence. • We are driving competitive next generation access (NGA) coverage through wholesale access and our own investments, securing access to content, and developing our ability to grow scale in fixed-line services quickly. • The Board is updated quarterly on the progress on strategic objectives to ensure that the necessary action plans are implemented.	
9 Non-compliance with laws and regulations **Speed of impact:** Rapid 6 – 12 months	A breach of regulatory requirements could expose Vodacom to significant financial and reputational damage.	• We have subject matter experts in legal and regulatory teams at a local and global level who manage risk across the Group. Our compliance team monitors all high-risk policies, and tracks and reports on remedial actions for non-compliance or partial compliance. • We maintain a policy of zero-tolerance towards bribery by any employee or third party operating on our behalf, and we run employee training and awareness programmes aimed at reinforcing an ethical culture across the organisation. • We have robust, proportionate, risk-based controls to prevent, detect and report money-laundering and terrorist financing. Our reliance on third parties is mitigated by training and monitoring.	
10 Litigation **Speed of impact:** Slow >12 months	A failure to obtain favourable results during litigation could lead to financial loss and/or negative publicity.	• We have policies and processes in place to ensure that we have robust contracts with our partners, staff and customers, and that we comply with all contractual agreements and legislation.	

01 segmented propositions

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

Vodacom Vision 2020

We will develop a deep insight of our customers' needs and provide compelling propositions, by:

- Using big data and analytics to enhance our understanding of consumer behaviour and aspirations at a segmented level;
- Democratising Internet access through segmented network rollout, greater penetration of the right smart devices at the right price, increased bundle engagement, and delivering compelling data content and other digital products and services; and
- Driving growth within enterprise by obtaining valuable insights into various verticals, and developing compelling solutions.

Understanding our customers at a segmented level

Having a deep understanding of our customers' needs and behaviours, and developing personalised propositions across consumer segments, is key to our ambition of being a leading digital company that empowers the digital lives of our customers.

In delivering on this ambition, we are developing propositions in the following five segments:

- **Youth (Vodacom NXT LVL):** Our aim is to become the digital destination for young South Africans. Focusing initially on 18 – 25 year olds, we are offering a compelling value proposition, including data bundles and services relating to social media, music, gaming and social data sharing, supported by personalised offers with 'Just 4 You'. Since launch in May 2016, we have achieved impressive results with more than 1.5 million youth customers on the platform with much stronger ARPU uplift and more data usage.
- **High Value (RED):** Targeted at the higher-value market, our focus is on offering the best-in-class service experience, providing data-rich offers with seamless international roaming supported by lifestyle rewards. We seek to drive multiple device penetration, launch iconic devices and extend the content portfolio, while excelling in service recognition.
- **Mass Aspirers:** Our focus in this segment is on growing 4G and contract/top-up users, and increasing data usage and smartphone penetration through personalised best value offers. We will be driving penetration of the MyVodacom app through differentiated app offers and a simplified and improved 'Vodacom Smart' portfolio.
- **Emerging Market (Siyakha):** Focused on low-spend customers in the emerging prepaid segment, our Siyakha platform promotes digital inclusion through affordable price packages, entry-level smartphones, and targeted offers and content. These include very low-cost voice and data bundles, affordable funeral cover, and a delayed delivery Video Play service offering music videos and delayed showing of TV programmes and sports events. Through Siyakha we also offer zero-rated content on specific education, health and career websites, as well as a free, text-based version of Facebook. To build on the existing health category, in March 2017, we launched 'Mum and Baby' with the objective of digitalising pregnant women and women with young children, focusing on providing them with personalised health tips during and after pregnancy.
- **Family:** In seeking to be the preferred provider of communication and lifestyle services for families, we are developing differentiated content and lifestyle offers in consumer IoT, video, gaming, security and insurance. We are driving the rollout of fibre, and developing targeted communication and distribution channels aimed at the household.

In each of these segments we have identified and prioritised specific opportunities at a regional level, and are developing targeted propositions to secure market leadership. This is being supported by introducing decentralised segment-led structures within the Vodacom Group, developing effective pricing transformation strategies and targeted brand association partnerships, and increasing the use of big data analytics to enhance our understanding of consumer behaviours and needs at a segmented level.

Monetising mobile data

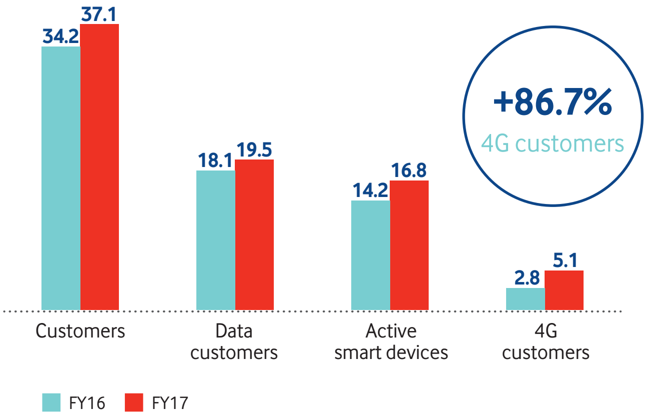
We have made good progress this year in delivering on our ambitions for monetising data and democratising Internet access amongst customers. Our approach to capitalising on data

opportunities is predicated on four key pillars: segmented and commercially led network deployment; accelerating the penetration of smart devices; offering affordable value across all segments by increasing bundle engagement; and providing more reasons to consume data through the provision of digital products and services.

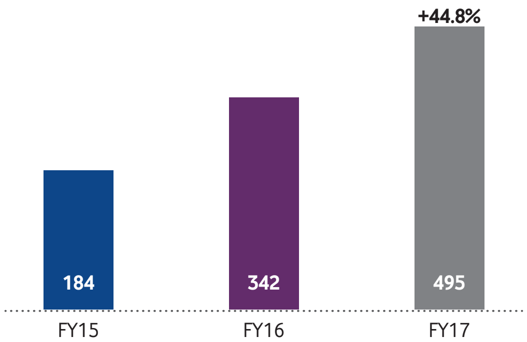
We have seen encouraging performance this year in each of these areas:

- **Commercial network deployment:** We have expanded our addressable market for data by extending our 3G and 4G network coverage in South Africa, Tanzania and Lesotho, and our 2G and 3G coverage in our other International operations. In South Africa, we achieved 75.8% 4G coverage, and are beginning to make progress in rolling out fibre.
- **Device penetration:** We have continued to drive the uptake of 3G and 4G smart devices by providing various financing solutions, such as contract financing over 24 months, subsidies on data-enabled devices, and lay-bye options. We have also increased the availability of lower-cost devices through targeted procurement and by developing our own affordable branded devices. Although assisted by our greater purchasing power through the Vodafone Procurement Company, we have faced constraints in some of our markets with exchange rate depreciation increasing import costs. This year, there were 11.7 million 3G devices on our network, and the number of 4G devices increased 75.9% to 5.4 million in South Africa.
- **Bundle engagement:** Our pricing transformation strategy and targeted personalised customer offerings, aimed at providing customers with greater value and keeping them in-bundle, continues to deliver results. In South Africa, 72.8% of our contract revenue is now in-bundle (2016: 71.3%), contract churn reduced from 8.5% to 4.2%, and we achieved 2.8% contract ARPU growth, with the increase in average monthly data used by customers on smart devices highlighting the value in encouraging customer migration to 3G and 4G devices. Data bundles sold increased 44.8% to 495 million aided through personalised offers presented to customers through 'Just 4 You' and other customer value management activities based on their behaviour. Our focus on improving the value offered to customers resulted in a 16.0% reduction in the price per megabyte.
- **Digital services:** We are making further progress in increasing the availability of digital products and services, such as the provision of digital content, mobile financial services, insurance, IoT, and various e-Commerce offerings.

Data progression (million)



Data bundles sold (million)



Digital products and services

We continue to identify new opportunities to monetise data and grow usage by delivering content services. We are providing new services in non-traditional areas such as mobile financial services, insurance and IoT. We have established dedicated acceleration units to drive further uptake in each of these areas, developing specific product and service offerings for each of our targeted customer segments.

- **Digital content:** In addition to driving data uptake and revenue, content services – such as TV and video, music streaming, gaming, news and sport – provides the opportunity to grow service revenue such as third-party billing and in-app purchases to a customer's account, as well as providing the infrastructure to service providers in these areas to distribute their services. As part of our reseller strategy, we have developed valuable partnerships with content providers, and are working on developing further partnerships in the year ahead. We are pursuing a segment-based video/entertainment strategy that will differentiate on product experience to drive increased data growth, ARPU growth and customer retention.
- **IoT:** Building on Vodafone's global market leadership in IoT, we see significant upside in developing product and service offerings in areas such as home automation and security, pet trackers, and personal accessories and wearables.
- **Mobile financial services:** Our M-Pesa mobile money initiative remains a strong growth driver in our International operations, with customers up 40.1% to 12.9 million. We continue to enhance our service and product eco-systems. In Tanzania, 1.2 million customers 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.
- **Insurance:** Our segmented insurance portfolio – covering life and funeral insurance products, and various device insurance offerings – has grown steadily, generating revenue this year of approximately R589 million, an increase of 12.4% on last year. Policies from our long-term insurance business grew 55.9% off a small but fast-growing base, and there remain significant upside in device insurance offerings.
- **e-Commerce and related e-services:** We are also identifying and delivering new data monetisation opportunities through targeted partnerships in areas such as e-Commerce, e-education, e-health and e-sport.

Each of these product and service offerings are being enabled by recent developments in network and device technologies and data analytics. Our investment in big data to analyse customer needs, wants and behaviours, will enable us to taylor make product offerings for all customers.

Enterprise

Vodacom Business has had another very good year. Our investment in infrastructure and skills building over the past few years has delivered valuable results. We continue to have a strong market share in mobile, with significant growth opportunities in the fixed voice and data market, as well as in the SME market in all categories.

In South Africa, our fixed-line and business managed services revenue increased 8.3% year-on-year to R1.8 billion, and now comprise 14.3% of total enterprise service revenue. Revenue from Internet Protocol Virtual Private Network (IPVPN) services grew 17.0% year-on-year, and 35.2% for our cloud-based services. We have continued to expand our service proposition in the cloud and hosting space, building on our extensive fixed and mobile infrastructure, pan-African footprint, investment in data centre infrastructure, and our collaboration with global partners such as IBM and SAP HANA. The new clients we have secured in the large enterprise segments show confidence in our ability to deliver to their sophisticated requirements.

To retain our lead and to create differentiation in the market, we are improving our operational and sales execution, including specifically in customer on-boarding and billing; we are also making improvements in pricing, product range and proposition flexibility, and expanding our product range for SMEs. Enhancing network capillarity remains a challenge.

In terms of managed and professional services, we are well positioned to develop a meaningful market presence, leveraging off our existing strong client base. We are exploring opportunities to develop sector-specific propositions that differentiate us from our peers, across a range of sectors, including retail, health, agriculture, education, industrial and transportation.

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

- **Market leadership in IoT:** Our goal is to become the IoT solutions partner of choice, building on Vodafone's recognised leadership in this area (the first global IoT mobile provider to exceed 50 million connections), as well as its extensive resources in Africa, such as its dedicated IoT platform, automotive capabilities and remote monitoring and control services platform. We are extending our IoT connectivity leadership in all vertical markets to extract better value and creating leading end-to-end IoT services in selected key markets. In doing so, we are exploring opportunities in hardware (such as IoT sensors and gateways), connectivity management (such as smart meters, stock management, agri-sensing, mobile POS devices, and cold chain management), developing and providing services in areas such as big data analytics, application enablement, and cloud and hosting. We have made meaningful investments in such platforms through the acquisition of XLink

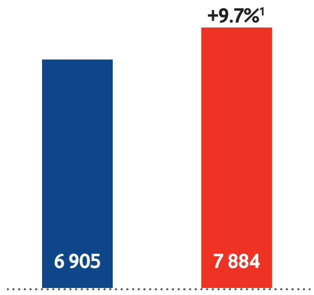
Enterprise growth – Our 2017 performance

Enterprise revenue contribution:

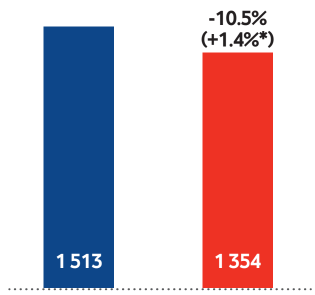
22.4%^

FY16: 20.5%
of Group service revenue

SA mobile enterprise revenue
(R million)



VBA service revenue
(R million)



1. Growth excluding the impact of Autopage.

and Mezzanine. This year, our IoT revenue grew 19.1% to R662 million. We have already started executing on our focus areas of agriculture, utilities and health. We have also commenced our network build in narrowband IoT (NB-IoT), which we plan to launch commercially in major metropolitan areas in South Africa during 2017.

- **Scaling converged services:** We are looking to grow market share in fixed data and fixed voice (VOIP) through our targeted investment in fibre and fixed wireless services, and in next generation networks, including software defined networks (SDN) and the evolution of multiprotocol label switching (MPLS) to SDN. We will also be developing new broadband services, enhancing customer service, and accelerating our service offerings and market share in cloud and security.
- **Realising opportunities in the SME sector from a segmented perspective:** We see significant growth opportunities for digitalisation in the SME sector, which remain underserved in high-speed broadband with only around 7% penetration in fixed-line services. Our goal is to become the SME's digitalisation partner of choice, by defending our market leadership in mobile, expanding our presence in fixed and next generation networks, developing innovative tailored propositions with a strong focus on cloud-based apps and converged solutions, and being a recognised leader in customer service and delivery.

To deliver on these growth ambitions we will be looking to maintain our leadership position in mobile, and consolidate our position in cloud and cybersecurity, by developing segmented propositions to enhance our product portfolio and taking these to scale, supported by the development of new business partnerships and alternative business models. We will build on our strengths as a pan-African carrier, by expanding and strengthening mobile and fixed connectivity, and developing partnerships and core capabilities across the region. We will also ensure best-in-class sell, build and run functions, developing the new skills and competencies needed to understand our customers, develop tailored propositions, and ensure leadership in sales execution and customer experience.

Fibre to the home and business (FTTx)

The rollout of fibre is an important part of realising the full potential in moving to a digital-based economy, including especially in becoming the preferred provider of communication and lifestyle services for families. Unfortunately our progress in rolling out fibre continues to be slower than anticipated, as we develop the systems and skills needed to deal with a very different business model to our traditional mobile-based offerings. We have entered into wholesale agreements to facilitate the faster rollout. During the year, we connected 54 household estates/business parks, and are currently rolling out a further 146 household estates/business parks, with a total count of 3 483^ households/businesses connected. At year-end we had 21 381 end-points passed. Looking to the future, we will be identifying opportunities for co-build, and are confident that will deliver our fibre rollout targets.

^ These items were the subject of the limited assurance engagement performed by KPMG.

02 best customer experience

We will provide a seamless, frictionless, personalised, digital experience to our customers.

Providing an exceptional customer experience creates a meaningful and sustainable differentiation from our competitors. As part of 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 in each of our markets.

Vision 2020

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

- Using big data analytics, machine learning and artificial intelligence to provide a complete 360 view of the customer and to develop personalised customer propositions;
- Providing customers with a seamless omni-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 advanced technology stores of the future that use biometric and IoT-enabled services, augmented and virtual reality; and
- Increasing the use of automation, robotics and biometrics to optimise the customer experience and achieve operational efficiencies across our engagement channels.

Delivering the best customer service

In May 2015, we launched an ambitious three-year programme under the Vodafone global CARE initiative that focuses on four areas aimed at maximising the customer experience:

C
Connectivity that is reliable and secure
"Network satisfaction guaranteed"

A
Always in control
"Control your costs with no surprises"

R
Rewarding loyalty
"Extra rewards and better service"

E
Easy access
"Always available, ask only once"

We have made progress in each of these areas over the reporting period:

Connectivity – We will be guaranteeing network satisfaction in terms of speed, reliability and coverage, and taking a proactive approach in monitoring and maintaining coverage, call and data quality.

- We are so confident about the quality of our network, in August 2016 we launched our dropped-call guarantee campaign, providing customers with free minutes if a call is dropped on the Vodacom network in South Africa.
- In line with our promise to guarantee the network performance for our customers, we proactively monitor and resolve network issues, with a priority focus on those areas where there are known detractors, high-value customers or high dropped-call rates. On resolving the issue, we send an SMS to all surrounding cells informing customers that a network problem has been picked up and resolved. Since August, more than 1.1 million customers were engaged via SMS, informing them that their issues have been resolved and service restored and they should have a better network experience.
- In November 2016, we launched our Vodacom Ready Business Assessment tool that allows enterprise customers to self-assess how their business is performing and their level of technological competitiveness, and to identify opportunities to improve. The outcome of the assessment is a Business Readiness score and a personalised report with which we are able to recommend solutions to improve their score.
- In October 2016, we launched Vodacom Business Booster to our SME market – a full feature accounting, inventory management, order, quotation, invoicing and expense management solution. The service includes a mobile app that customers can use to issue quotations and invoices from their mobile devices.

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

- Through our award-winning MyVodacom app, customers can view balances, buy bundles and manage their account, free of charge.
- We provide out-of-bundle notifications and smart recommendations for optimal in-bundle usage.
- We have extended our international roaming product, Travel Saver, to 180 countries, and we will be launching new cost-effective roaming data bundles soon.
- In December 2016, we broadened our international prepaid data-roaming footprint from 10 to 64 countries.

Rewarding loyalty – We are rewarding long-term customers, and refreshing our existing contract and prepaid loyalty programmes.

- This year, we launched various new loyalty programmes, including our Surprise & Delight programme and LifeStyle rewards aimed at the youth segment.
- Vodacom leveraged the Summer platform, Play Every Day, to launch incentives in the form of third-party lifestyle vouchers to our customers. There were over 1 billion plays and we offered more than 13 million discount vouchers, 24 000 mystery prizes, 296 grand prizes, and 98 TVs and PS4s, to the value of R8.4 million.

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

- We are driving uptake of MyVodacom app as the core interaction platform, providing a personalised experience, facilitating automated diagnosis of device and network settings and 'self-healing'. By financial year, end 2.3 million customers had downloaded the app (2016: 1.0 million).
- In keeping to our commitment to provide customers with a clear understanding of their past, present and future bills, we have launched Future Bill Summary and Bill History in the MyVodacom app. Available to both prepaid and contract customers, this aims to reduce bill shock and give customers the ability to manage their usage.
- We have launched a prioritised service for high value customers, with direct access to an agent with no queuing.
- We have launched our Enterprise Converged Portal targeted at large corporates, providing them with self-service capabilities to manage their accounts.
- We have successfully transformed 100% of our 1 000+ Customer Care staff onto a front-line operational excellence programme called Flight. We are the lead market in Vodafone for this initiative, which has driven an 8.6ppt increase in Customer Care touch-point net promoter score (TNPS) this year. The project has enhanced the customer experience and generated operational efficiencies by reducing the average handle time (AHT). Next year, we will be bringing additional system functionality and training into our front-line agents to resolve customer queries first time, every-time.
- In our retentions call centre, Flight has contributed to a reduction in contract churn from 8.5% to 4.2% over the financial year. The success of the programme was extended into key retail outlets, with over 500 store managers and regional staff trained in the new model. The TNPS of our retail stores shifted over the year from 32.2 in April 2016 to 41.4 in March 2017.
- The gradual digitalisation of the Vodacom franchise stores begins in May 2017. Initially, customers will be able to do their upgrade on a tablet alongside a sales consultant, which creates a fresh and exciting user experience. Our new process is completely paperless, and early testing indicates that transaction time will be halved. Customers will also be able to start their sales journey on our website, then reserve and collect their new device at their favourite Vodacom shop. They will also be able to book an appointment at that shop to avoid any queues.

Rolling out our Customer 3D billing system

As part of our transition from a predominately mobile company to a unified communications provider and digital enterprise, we have introduced a future-proof customer management and billing system. We commenced the migration to our new system in 2015, and completed the planned consumer contract and hybrid customers migrations in March 2017. The transition to the new system was complicated; tight governance and controls were put in place across the business and technology to deal with the customer challenges that can be expected of a large transformation programme of this nature. A small base of prepaid customers has already been rolled out and is now active on the new system. We are taking a pragmatic approach to rolling out the rest of the prepaid base onto the new system.

Driving a positive customer experience in our retail operations

South Africa

We have successfully delivered on our three-year retail transformation strategy, maintaining market differentiation through the quality of our end-to-end service offerings:

- We have transformed almost all of our Vodacom-branded stores to ensure alignment with our global look and feel, and to deliver an enhanced customer experience, moving from a purely transactional environment to an experiential customer experience.
- We have achieved a 10% year-on-year improvement in total NPS for retail and fully resolved 69% of customer interactions in-store on the first visit.
- We have integrated seven walk-in customer centres into 'Superstores', creating an optimal operating model that empowers our franchise partners to render all services under one roof at strategically positioned locations across the country.
- We are continuing to support the strategy, rollout and maintenance of the Vodacom 'Express' stores in emerging markets with 18 sites across the country and growing. Through our 306 dedicated TechZone areas in our franchise stores and selected independent dealers, we ensure a consistent digital experience for customers and showcasing our product and service offerings, particularly those available through Vodacom 4U and NXT LVL aimed at our tech-savvy youth market.

- We have maintained a strong focus on our leading after-sales and repair activities, driving repair avoidance and first repair resolution through our RED Box diagnostics tool. Since introducing the tool, 90% of faults have been resolved in-store, with more than 176 000 devices not needing to be sent to repair workshops. We have resolved more than 170 000 first-line technical services within 24 hours, with over 600 000 repairs processed on average within five days. We further enhanced the experience for RED customers; who received like-for-like loan phones with the same operating system in instances where their device needs to be sent to an advanced repair centre. To date, we have distributed 2 000 of these loan devices to 285 of our stores.
- We completed more than 10 000 transactions with our revolutionary Apps Loader platform, enabling customers to have their chosen apps downloaded and registered on their device before leaving the store.

International operations

We have delivered further improvements in our retail activities across our International operations, where we are focusing on getting the basics right for our ambitious CARE initiative.

- We improved our NPS position in the DRC to first from fourth place last year, maintained our lead on NPS in Lesotho, moved to second place in Mozambique and fell to third place in Tanzania.
- We have continued to rollout new store formats in all our markets, introducing RED boxes in many of our stores, and are making further investment in improving our customer call centres.
- Tanzania launched an M-Pesa app for smartphones that has unique experiences such as QR code assisted payments, easier access to contacts, predefined amounts and integrates with the merchant payment platform.
- In response to the significant customer registration requirements in Tanzania, the DRC and Mozambique, we have introduced a registration app to improve the customer experience and mitigate the significant negative impact of these requirements.

Vodacom recognised as top telecoms customer service provider

Vodacom was recognised as providing the best customer service in the telecoms sector, in market research organisation Ask Afrika's Orange Index 2016/17. The annual survey, conducted since 2001, is the most comprehensive and longest running service excellence benchmark in South Africa. It provides a barometer of how companies are treating their customers compared with their competitors and across industries.

Our performance

NPS[1] rating

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

1. To measure the quality of the customer experience, we use the net promoter score (NPS) based on one question: "How likely would you be to recommend Vodacom to a friend, family member or colleague?".

03 best technology

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

The loyalty of our customers and the success of our business depends ultimately on the strength, quality and speed of our networks, and the nature of our supporting technology, particularly given the rapidly increasing demand for data at reduced unit pricing. Maintaining our current network leadership and developing broader excellence in IT performance are important sources of competitive differentiation, and are critical to delivering on our strategic ambition of becoming a leading digital enterprise. To deliver on truly segmented and personalised experiences for our customers, big data analysis and the IT systems to support these are becoming a priority investment. Our IT systems are evolving, becoming smarter, with real-time digital capabilities, able to react and adapt quickly to customer demands and provide a seamless customer experience.

This year, we invested R11.3 billion in infrastructure across the Group, representing a capital intensity of 13.9%. These investments 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 of these investments we have maintained a strong lead in terms of net promoter score (NPS) for network quality and network coverage in all our markets, other than in Tanzania and Mozambique, both of which have shown significant improvements in the reporting period as we invest to differentiate to competitors. At the same time, we have achieved substantial cost savings through our Technology Efficiency programme.

Vision 2020

Maintaining our network leadership position and driving IT transformation are critical components of our Vision 2020 strategy. Our technology strategy is clearly defined, and we remain fully committed to providing the Best Network, IT Excellence and Best Enterprise Solutions all through effective and efficient delivery.

Vodacom's Vision 2020 strategy is aligned with Vodafone's strategic objectives and has been localised to address our market-specific ambitions. Our technology strategy outlines specific plans and commitments relating to:

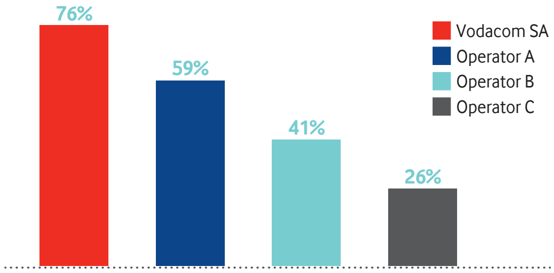
- Further expanding connectivity and transforming our network in both mobile (3G, 4G+ and to be 5G ready) and fixed connectivity (FTTx);
- Evolving our core network through the Vodafone Ocean transformation programme by deploying technologies such as software defined networks (SDN) and network function virtualisation (NFV); this further complements our journey to realise our cloud ambitions and delivers benefits such as scalability and efficiency;
- Rolling out a national IoT network and developing new IoT applications and solutions;
- Enabling the digital organisation and enhancing the customer experience through investment in big data and analytics, and IT-based customer engagement and management tools;
- Ensuring customers have a seamless omni-channel experience, supported by smarter IT systems and real-time digital capabilities;
- Customer experience management, ensuring our customers experience the best possible quality when using our services; and
- Further improving our cybersecurity measures and controls, ensuring that our customers stay confidently and securely connected.

Our performance

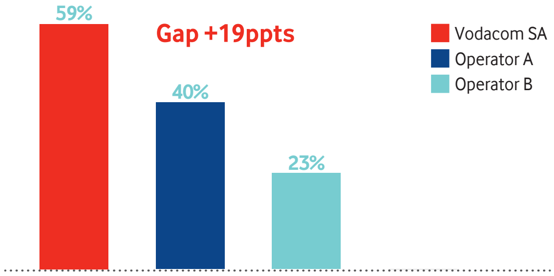
In South Africa

- We have continued to extend our network coverage, reaching more customers in remote and previously underserviced areas with high-speed data coverage. We have extended our 3G population coverage to 99.2% and our 4G coverage to 75.8%. Our 2G network covers 99.9% of the population, the widest network coverage in the country.
- To further improve performance of our 3G network we have enabled more than 85% of our 3G sites with 43.2Mbps dual carrier technology and selectively re-farmed our 900MHz spectrum by upgrading key 3G sites to U900, dramatically improving coverage, data speeds and user experience.
- Monthly drive-testing results for data performance on both 3G and 4G indicate that the Vodacom network is superior in terms of download and upload speeds (throughput). On voice-related metrics such as drop call rate (DCR) and call setup success rate (CSSR), the Vodacom network consistently provided the best month to month results, against our competitors.
- Although network availability overall has improved, we are still experiencing challenges related to power, transmission outages and vandalism.
- We rolled out 4G+ in certain areas, with peak speeds exceeding 200Mbps. Further rollout of 4G+ has been constrained as a result of the indefinite delay to the planned spectrum auction by ICASA. Access to further spectrum is essential for us to optimally rollout 4G+ and importantly future technologies such as 5G, to meet the growing market demand for mobile data services.
- As a result of the spectrum delays we have been exploring other means to satisfy demand for mobile broadband access in South Africa. We concluded an infrastructure-sharing agreement with Wireless Business Solution (WBS) and signed a non-exclusive roaming agreement, which will enable Vodacom customers to roam on their network. This will lead to an improved customer experience.

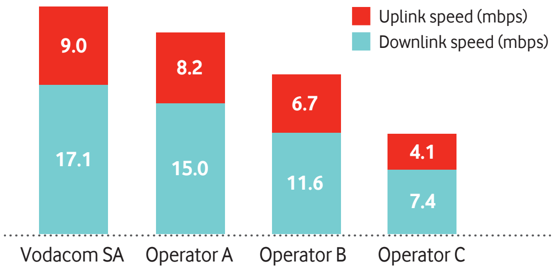
Data coverage – 4G[1]



Network NPS



Benchmark data performance – 4G[2]



1. Competitive data based on estimates.
2. Source: Atio (March 2017).

- Where viable, we have continued to self-build our transmission network to support the radio and fixed network by connecting more base stations with fibre and high-speed microwave transmission. During the year, we increased the percentage of sites with self-provided high-capacity transmission to 92.1%.
- We continue to modernise our core network systems leveraging virtualisation and convergence technologies to fully integrate applications that also complement our journey to realise our cloud ambitions. The adoption of these technologies will improve our flexibility, optimise network resource utilisation and improve our time to deliver new products and services.
- Over the years, we have extended our Customer Experience Management (CEM) capabilities through the introduction of probes and tools to improve network performance, operational efficiency and customer experience. Our CEM systems are being used to improve both the voice and data experience of our customers and play a key role in the planning of our network and deployment of new services.

- We have grown our fibre to the home and business footprint (FTTx) with over 21 000 end-points passed in selective areas. Through streamlining our order management, delivery and build processes we have improved the overall customer experience. We are exploring potential partnerships in order to improve time to delivery, cost efficiencies and expand our footprint.
- We continued to securely connect our enterprise customers through both mobile and fixed technologies, such as fibre, microwave and mobile 3G/4G. This was complemented through our OneNet Business suite enabling our customers to experience the benefits of a fully unified communications service. Our cloud services continue to evolve with the expansion of offerings such as the rollout of the IBM Cloud Point of Delivery (POD) which is the first of its kind in the Middle East and Africa, and also one of the first solutions in the South African market to provide both a cloud managed services offering for Infrastructure-as-a-Service (IaaS), as well as a SAP-certified Platform-as-a-Service (PaaS).
- Internet of Things (IoT) is one of the key strategic growth areas of the business and we will continue to drive investment in this area. Vodacom's existing global IoT capabilities and footprint will be enhanced with IoT end-to-end application capabilities and propositions. We have partnered with global technology solution provider PTC to implement a local version of the ThingWorx® IoT platform in order to develop new IoT applications and solutions. We have commenced to overlay a low power wide area network onto our existing national mobile footprint to support the myriad of IoT application verticals.
- During the year, Vodacom South Africa received an award for achieving the Best IT Performance within the Vodafone Group. Extensive work was done to understand the customer experience and associated systems throughout the year. Overall, we maintained excellence in system and service availability. As part of our cloud journey we are augmenting our ability to scale on-demand services for digital customers without overloading our back-end systems.
- The transformation of our customer relationship management (CRM) and billing systems are now bearing fruit. Vodacom has completed the consumer contract and top-up migrations to its new CRM system. Prepaid functionality was included in the delivery scope, and a small base of prepaid customers have already been rolled out and is active on the new system. Vodacom will take a pragmatic approach to rollout the rest of the prepaid base onto the new CRM system moving forward.
- We continue to focus on ensuring our customers are always in control by providing a set of world-class self-service tools that a customer can access 24/7 for free. The MyVodacom app has undergone a complete re-design, adopting global best standards in user experience and design. It is now even easier to use and has received very positive customer feedback. Our app users have more than doubled in the past year.
- As part of our digital transformation we are enhancing our IT platform architecture through a common service model leveraging standard Application Programmable Interfaces (APIs). We believe this, together with agile methodologies, will improve time to delivery, enable the reuse of capabilities to be more efficient and ease the integration with third parties.

- Our Cyber Intelligence Centre (CIC), which collectively monitors Vodacom enterprise business clients and our International operations, has been proactively managing cyber threats to ensure our network is secure. On a monthly basis, the CIC has dealt with over 2 400 Denial of Service Attacks (DDoS), blocked 65 000 viruses and mitigated 180 000 threats per hour.

Network NPS

Country	Network quality (NPS score)	Network coverage (NPS score)
South Africa	1st	1st
Tanzania	3rd	3rd
DRC	1st	1st
Mozambique	2nd	2nd
Lesotho	1st	1st

In our International operations

- We continued with the network expansion in our International markets, and now have more than 7 000 2G sites and 4 800 3G sites across these markets.
- Tanzania launched commercial 4G services on 278 4G sites in the past year, becoming the second International Vodacom market with 4G after Lesotho; all our other International operations undertook extensive tests on 4G over the year.
- We continued our RAN renewal programmes. The DRC's radio network has been replaced with 4G-ready equipment, and Tanzania is now almost complete, while Mozambique and Lesotho were completed in previous years.
- In Tanzania, we focused on expanding and improving our data network. This is evident in significant improvement in download speed statistics on Ookla over the period. This is enabling an improvement in our NPS.
- We further expanded our ultra-low cost base stations in the DRC, South Africa and Lesotho; this concept has also been expanded into Vodafone as a global best practice. We continue to develop new models to provide broadband services to rural communities more efficiently in all of our markets.
- To introduce new services we have been re-farming some of our spectrum; this enabled us to deploy our 4G service in Tanzania. We are continuing to explore new spectrum acquisition opportunities to improve the quality and performance of our existing services, and to introduce new services.
- All our International markets have the IT capability to support our personalised pricing offer 'Just 4 You', as well as other contextual marketing and next buy offers.
- Our focus going forward is to evolve contextual marketing capabilities, with real-time triggers and machine learning and enhancing online capabilities in all International markets.
- In the DRC, Mozambique and Tanzania, we have successfully migrated the legacy M-Pesa platforms to the new 'G2' Vodafone financial services platforms; we plan to migrate Lesotho during 2017. This will enable improved system stability and enhanced trust with customers, as well as better flexibility to rollout new products and services across all markets.
- All the Vodacom International markets have achieved Vodafone Global Network Resilience policy compliance. This policy has been extended to include the fixed network, as well as IT services. An IT resilience programme that commenced in 2016 will ensure compliance to the Vodafone IT resilience guidelines. The compliance date has been set for 2021.

Data speeds[1] (download mbps)

	Tanzania	DRC	Mozambique	Lesotho
	1st	1st	1st	1st
Vodacom	11.8	5.7	7.0	25.6
Next best competitor	7.7	5.2	5.6	17.0

Population coverage (%)

	Tanzania 3G	Tanzania 4G	DRC 3G	Mozambique 3G	Lesotho 3G	Lesotho 4G
			1st	1st	1st	1st
Vodacom	25	7	30	39	95	69
Next best competitor	27	9	30	17	30	30

1. Source: Ookla (March 2017).

04 digital organisation and culture

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

Vision 2020

We will digitise the organisation and ensure the right skills and culture by:

- Simplifying our existing internal system and empowering our people through more collaborative structures;
- Investing in developing, recruiting and retaining the skills and talent needed for a digital future;
- Developing a Vodacom 'digital DNA' by instilling a culture of innovation, inclusion and engagement; and
- Promoting greater levels of employee diversity and driving transformation and localisation.

Agile organisation design

The rapid rate of change across the ICT sector requires significant organisational agility.

We are simplifying our existing systems to strengthen our competitive position, and we are empowering our people to develop and deliver innovative products and services through more collaborative structures.

During the year, we designed and delivered operating model changes across the business, with a particular focus on our consumer value chain. We have instituted a commercial regional 'county' model that divides the country into more manageable units, allowing us to gather improved on-the-ground knowledge and to react more rapidly to changing competitive dynamics.

This year, payroll as a percentage of service revenue remained unchanged at 8%, illustrating discipline in growing the business and maintaining a balanced people cost.

Digitalised people development

This year, we invested R277 million in employee training and development, and an additional R24.8 million in leadership development programmes. One of our key investments in leadership development this year was to enrol five of our Managing Executives across the Vodacom Group in the Harvard Senior Executive programme.

We have various other initiatives in place aimed at growing talent and personal development within the organisation. Our International Assignee programme, for example, provides staff with a developmental opportunity through a short-term international assignment in a different Vodafone market.

In addition to developing skills internally, we are attracting skills from outside our traditional business areas to ensure we have the right talent for our new business ventures. We are placing a particular focus on accessing new digital skills in areas such as big data analytics, IT security and customer value management (CVM). Through our 'Discover Graduate' programme we are identifying and nurturing the best young talent coming out of universities across all our markets. This year, we recruited 70 graduates in South Africa and 58 across our International operations; 55% of the South African recruits are female, and 69% are black Africans, the highest proportion since the programme's inception. 58 of the 70 graduates in South Africa are in strategic business areas such as digital marketing and big data.

We strive to create a culture of recognition that motivates employees to deliver performance that is above-and-beyond what is expected. We strive for fair and consistent assessment of all our employees. We believe in performance differentiation between our people and in rewarding our top performers accordingly. We are reviewing our performance management approach and will be seeking to promote more regular feedback, remove performance-rating labels and provide a better framework for assistance in managing poor performance.

Innovative culture and engagement

To meet our ambition of being the world's best telco at delivering an unmatched customer experience, we have placed a strong emphasis this year on the Winning the Vodacom Way programme. We have successfully completed workshops with our Managing Executives and are rolling out the programme to our executive heads of department. This year, we introduced Vodacom CARE

Cafés across all our operations, with the aim of promoting open conversation and collaboration, generating new ideas, and enhancing our customer experience excellence programme. Through our 'Conversations in Leadership' initiative, Vodacom executives have been engaging with global thought leaders with the goal of stimulating innovation.

Our annual People Survey, conducted by independent consultants, tracks 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, Vodacom continued to show positive trends on most dimensions within the survey. Our Engagement Index improved by three points to 79^, while the overall workforce participation rate (across all operations) increased by two points to 88%. Areas identified as requiring more focus include empowering our employees through simpler internal processes, and improving cross-team collaboration.

Promoting diversity and inclusion

We encourage greater levels of diversity within our organisation. This is important not only to address historic imbalances, but also helps us to serve our customers more effectively by enhancing our pool of experiences, perspectives and ideas. As a company with roots in South Africa, we are committed to delivering on the ideals of Broad-based Black Economic Empowerment (BBBEE) and employment equity. In our South African operation, black representation in the workforce is 73%, with 55% at senior management level and 58% in the Executive Committee. Women represent 47% of the workforce, with 30% at senior management level. Our BEE scorecard performance in the employment equity element maintained a positive trend, until the revised Codes came into effect late in the financial year. The revisions are stricter on the economically active population (EAP) statistics, and on the recalculation on black females aligned to EAP for all levels. (Further details on our BEE performance are provided in our Sustainability report.)

We have various initiatives aimed at promoting gender diversity and supporting women in progressing their careers at Vodacom. These include female leadership development programmes undertaken in partnership with the Gordon Institute of Business Science and the North West University, a women's network forum mentorship programme with Wits Business School, and our involvement in the United Nations HeForShe initiative. As a result of all these initiatives, Vodacom was recognised as a champion in promoting gender diversity in South Africa at the Annual Gender Mainstreaming Awards.

In addition to driving gender diversity, we have initiatives protecting the rights and interests of people with disabilities, and we have established a network for lesbian, gay, bisexual, transgender/transsexual and inter-sexed (LGBTI) employees. To achieve a truly inclusive working environment, we have implemented the rollout of unconscious bias training across all markets. Our Vodacom Group EXCO attended the course, providing them with an opportunity for personal reflection and action planning to eliminate any practices reflecting unconscious bias.

Our safety performance

We are saddened to report one workplace-related fatality this year: in Mozambique, on 20 January 2017, a young boy, Nelson Harrisse, was fatally injured in a traffic accident involving a Vodacom contractor.

Road-related accidents remain the highest causal factor of safety incidents (59%) followed by collapsing structures (12%), and slips, trips and falls (11%). South Africa accounted for 69% of safety incidents (2016: 67%), with 22% from the DRC (2016: 20%).

Our lost-time injury frequency rate was 0.05 (2016: 0.11), once again less than our target of 0.25 To encourage improved road safety, we have revised our occupational driving standard, which also applies to all suppliers. In South Africa, our award winning Road Guardian programme has contributed to a reduction in the number and seriousness of vehicle incidents.

05 our brand and reputation

We will be a purpose-driven brand with a deserved reputation for leadership in driving social progress through transformational solutions.

Our goal is to ensure that Vodacom is the customer brand of choice, with a brand that reflects our core purpose of helping everybody live a better today and build a better tomorrow. Our brand promise is 'power to you', which we will achieve by democratising Internet access and bridging the digital divide in the communities we serve. We strive to build trust with our stakeholders by ensuring customer excellence and developing a deserved reputation for being a sustainability pioneer and a leader in transformation and Black Economic Empowerment.

Brand and reputation leadership

Having a strong brand that clearly and consistently communicates our core purpose, and that reflects our leadership in social transformation and sustainability, is a critical foundation of our Vision 2020 strategy.

This year, we have continued to drive a unified and consistent brand across all our operations, with a key development being the successful rebranding of our DRC operations to Vodacom's iconic red. The strength of the Vodacom brand, and our reputational leadership, is demonstrated through the various external accolades and awards that we received this year across different markets and consumer segments:

- Vodacom won the Grand Prix prize for overall favourite brand in the Sunday Times Top Brands Awards, and was rated best telecommunications provider in both the consumer and business categories;
- South African youth once again voted Vodacom as the 'coolest' telecoms provider in the Sunday Times Generation Next leading annual youth brand preference and consumer behaviour survey;
- We were rated as the second most valuable brand in South Africa by Brand SA;
- Vodacom was ranked the most reputable company in the South African telecommunications sector, and ranked fourth overall in the annual Mail & Guardian Top Companies Reputation Index (TCRI); and
- We were also ranked as South Africa's most reputable company in the telecoms sector by the 2016 RepTrak Pulse reputation survey results released by Reputation House.

Notwithstanding this existing brand and reputation leadership, we recognise that we cannot rest easy. It is essential that we retain a strong focus on understanding and addressing the material interests of our stakeholders, especially on 'hot topics' such as the cost of data, rural coverage and socioeconomic transformation. As reviewed earlier in the report (pages 16 – 17), we engage regularly with stakeholders to ascertain their interests, and are implementing various initiatives aimed at building trust with our stakeholders, driving down the cost of data, increasing access to digital services, and promoting social transformation.

We track Vodacom's reputation, and levels of stakeholder trust, through various means. In addition to monitoring NPS, we commission an independent research company to conduct an annual corporate Reputation survey with internal and external stakeholders to benchmark our reputation against our competitors in the mobile telecommunications market and another leading brand. This year, Vodacom retained its number one position as a reputational leader in the telecommunications sector, with stakeholders rating us higher than our peers and other non-telecommunications brands across all our markets.

Our Reputation Index performance

Reputation Index	2017	2016	Relative position
South Africa	7.9^	7.5	#1
Tanzania	8.4	7.9	#1
DRC	7.5	7.6	#1
Mozambique	8.3	8.3	#1
Lesotho	8.1	8.4	#1

^ These items were the subject of the limited assurance engagement performed by KPMG.

For more information on the methodology undertaken for this survey, please refer to the KPI assurance definition report at www.vodacom.com

Driving social progress through transformational solutions

The most effective way in which we can make a positive societal contribution is through our business activities – enhancing connectivity by providing increased access to reliable and affordable data and voice services. By extending the coverage and quality of our network, facilitating access to smart devices, developing and providing segmented customer propositions, and maintaining a strong focus on pricing transformation, we can make an enormous contribution to national developmental objectives and the global UN Sustainable Development Goals.

Through our Vision 2020 strategy we are committed to removing barriers to accessing digital services, and to harnessing recent developments in digital technology, to play a transformative role in financial inclusion, education, agriculture, and healthcare. We are working in partnership with various stakeholders – including government, technology providers, civil society organisations and communities – to identify innovative ways in which mobile and data technologies can make a significant social contribution in each of these areas.

- **Financial inclusion:** In Tanzania, the DRC, Mozambique and Lesotho we provide affordable access to mobile banking services to more than 12.9 million customers, many of them in remote rural areas, through our ground-breaking M-Pesa product. While the core benefit of M-Pesa remains the transfer of money between customers, this has also evolved to enabling people to save and borrow, and to receive salaries and benefits. In Tanzania, our M-Pawa savings and loans product, delivered in partnership with the Commercial Bank of Africa, has gained further traction with 1.2 million customers now using the service. Our International Money Transfer services, which enable customers to send money between Tanzania and Kenya, are also increasingly being used. We are further expanding M-Pesa products to merchants across the county to offer ease of payment at point of sale.
- **Education:** Our free learning platform, Vodacom e-school, provides 220 910 registered learners with content aligned with their school's curriculum direct to their mobile phone, tablet or laptops. The portal is endorsed by the Department of Basic Education and provides daily lessons, videos and assignments in the form of quizzes, as well as personalised progress reports. We are also working in partnership with various publishers to digitise school and university textbooks and make these available on a zero-rated portal. In January this year, we launched our Siyakha platform in South Africa. Focused on the emerging prepaid segment, the platform offers very low-cost voice and data bundles, entry-level smartphones, and targeted content offerings, including free content on specific education, health and employment websites. In our International operations, through our Instant Network School initiative we have provided millions of young people with free access to online learning material from primary through to advanced high school level.
- **Agriculture:** This year, we partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to launch an IoT-based solution to support smallholder farmers in South Africa to access the commercial agriculture arena. With an estimated combined investment amount of around R21 million over three years, the 'Connected Farmer' platform, a cloud-based web and mobile software solution, will link thousands of smallholder farmers to the agriculture value chain enabling access to information, services and markets. This initiative leverages off similar projects that we have been implementing successfully in Tanzania and Mozambique. By connecting enterprises, small and commercial agribusinesses, NGOs and farmer associations, the initiative will contribute to improving agriculture productivity, addressing food security, creating jobs and increasing incomes in the agriculture sector.
- **Health:** In partnership with Mezzanine we have developed a mobile platform that allows healthcare professionals in South Africa to utilise secure mobile devices to send treatment plans to patients, manage patients' medical records and monitor the availability of medicine at the dispensaries, all in real time. Our mobile application that we launched in partnership with the Department of Health in 2013, has been rolled out to 3 167 health clinics across eight provinces. We have also continued with our nationwide awareness campaign using Vodacom technology in the 'text-to-treatment' approach to get the message on HIV/Aids treatment to as many affected people as possible. In Tanzania, we provide free text messages with maternal health advice for pregnant women and mothers with newborns. 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 effective treatment programmes, with M-Pesa facilitating patients' transport.

Delivering value through social investment

In addition to delivering societal value through our core business activities, we also support various initiatives and partnerships in education, health, entrepreneurship and other areas through our corporate social investment activities administered through the Vodacom Foundation. This year, we invested R114 million in community projects across our markets aimed at promoting broader societal transformation.

The following is a selection of recent social investment projects across our focus areas and operating regions (further information is provided in our Sustainability report):

- Through our flagship mobile education programme (mEducation), developed in partnership with the Department of Basic Education, we have provided ICT equipment and Internet connectivity to 3 000 schools throughout South Africa. We have also equipped and connected 92 teacher centres that offer teacher development courses, youth training on ICT, and community programmes. We have trained over 100 000 teachers on the use of ICT in the classroom.
- In June 2016, Vodacom partnered with South Africa's leading career websites to launch the NXT LVL zero-rated career website. This enables job seekers to browse job sites, upload their CVs and apply for available positions free of charge.
- In partnership with the United Nations High Commissioner for Refugees' (UNHCR) Innovation and Education units, we have deployed our 'Instant Classroom' to schools in various refugee settlements. Designed by Vodafone, the 'digital school in a box' comes equipped with a laptop, 25 tablets pre-loaded with educational software, a projector, a speaker and a hotspot modem with 3G connectivity.
- Through the Vodacom Foundation we have been a long-standing supporter of various non-profit organisations (NPOs) in the health arena, including Ndlovu Care Group, Smile Foundation, South African National Council for the Blind, and the Netcare Foundation.
- In 2014, in partnership with the South African Department of Social Development, we established a 24-hour call centre providing counselling to victims of gender-based violence; this year, we extended its services to people with a hearing impairment. We continue to fund various NPOs that render critical intervention in combating gender-based violence.
- In Lesotho, we have invested in a multi-year project (iSchool) that delivers educational tablets to five primary schools in four districts; the tablets contain approved curriculum and relevant teaching material, from lesson plans, classroom exercises to homework sections and homework help sections.
- This year, we invested R3 million to support 12 entrepreneurs through a 12-week incubator programme at Vodacom Lesotho's Innovation Park, a technology-based business incubator that leverages the power of technology and mobile communications to help small businesses become more competitive.
- In Mozambique, we contributed R3.7 million worth of supplies towards relief efforts following Cyclone Dineo, which devastated Inhambane province in February 2017; we also contributed R1.6 million to enable our customers to communicate for free with family and friends, and distributed 10 000 treated mosquito nets across the country.

Vodacom Change the World programme

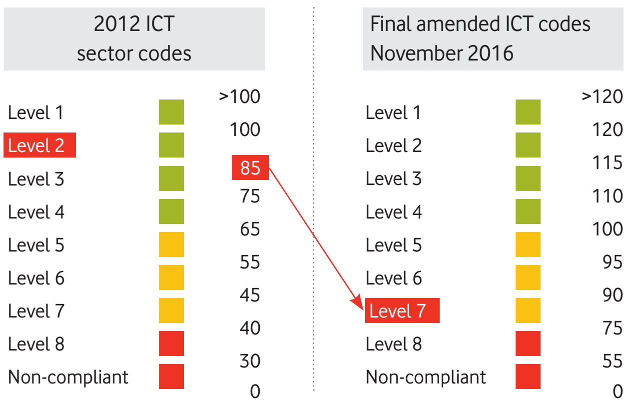
For the past six years, Vodacom South Africa has annually selected around 20 volunteers to work for an NPO of their choice for a year, retaining their salary and at no cost to the volunteer or host organisation. The volunteers have the opportunity to do something close to their hearts while imparting their skills and expertise to an NPO. Since its inception, Vodacom has invested more than R35 million on project funds, salaries and grants to the NPOs, with 100 volunteers delivering more than 100 projects.

Innovator Trust

We established the Innovator Trust in 2014 with a loan facility of R750 million over five years at a lower than prime interest rate. The funding is used to equip black entrepreneurs in the ICT sectors with the necessary business skills to work with the corporate sector. As at 31 March 2017, the Innovator Trust has successfully incubated 53 SMEs as part of a two-year business training programme.

Vodacom succeeds under new amended ICT sector BBBEE codes

This year saw the release of the amended ICT sector BEE codes, which was gazetted in November 2016, with the effective date being 1 April 2016. One of the most noticeable changes is that the scorecard BBBEE level recognition has changed materially and, if applied without remedy, would have resulted in the Vodacom BBBEE status dropping from Level 2 to Level 7 and as a result of discounting thresholds, to a Level 8.



With less than 4 months to remedy the effects of the amended codes, the Board approved various initiatives to ensure that Vodacom attains a Level 4 BBBEE status.

Despite the various challenges, we achieved good scores across all rated elements:

Scoring element	Target points	Achieved points	Cost of investment
Ownership	25	16.17	
Management control	23	14.79	
Board representation Other top management Employment equity	8 5 10	5.33 4.33 5.13	
Skills development	20	17.27	R161 million training spend on Black people
Enterprise and supplier development	50	41.68	R7 billion to >51% black-owned suppliers
Procurement Supplier development Enterprise development	25 10 15	18.00 8.68 15.00	R5.7 billion to >30% black women-owned R149 million on supplier development R399 million on SMME development
Socioeconomic development	12	12.00	R225 million on uplifting communities
Total	**130**	**101.91**	**Level 4**

Vodacom and the UN SDGs

The United Nations Sustainable Development Goals (UN SDGs) set a sustainable 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 the goals, supporting governments to build better societies. Through our partnerships with government and communities, we continue to identify innovative ways through which mobile communication technologies can support financial inclusion, food security, health and access to education. In each of these areas we have been able to make significant strides in improving the lives of our customers and the communities we operate in. We further commit to minimising our environmental impact. We believe that managing our operations responsibly and ethically will stimulate growth and generate value for our company, society and economy.

Vodacom and Kaduna State launch 'ICT for development' initiative

In February 2017, Vodacom partnered with Kaduna State in Nigeria to launch an 'ICT for development' initiative that will support governance and service delivery in healthcare, education and agriculture through the deployment of tailored ICT solutions:

- 'SMS for Life 2.0' is a mobile-based initiative that improves healthcare delivery and increasing the availability of medication by monitoring drug stock levels; Vodacom is the technology partner for the public-private partnership with Novartis and Kaduna State Ministry of Health.
- We have also introduced a mobile school management solution that provides real-time visibility of all management activities at schools; a school feeding programme module allows the State to monitor feeding programmes at schools, and access is also provided to real-time reports on teacher and learner data.
- The next phase of our partnership with Kaduna State will focus on supporting sustainable agriculture, through our Connected Farmer cloud-based web and mobile solution that increases productivity by linking farmers, financial institutions, agribusinesses and markets.

"Vodacom is taking the lead in leveraging mobile technology to address healthcare, education and agricultural challenges in Africa. We see technology playing an increasing role as an enabler of economic development as governments on the continent are able to leapfrog developmental stages."

Vuyani Jarana, Chief Officer of Vodacom Business

Our Sustainability report 2017

A more detailed review of our societal impacts and contribution is provided in Vodacom's Sustainability report 2017. The report, which constitutes the annual report of Vodacom's Social and Ethics Committee, provides information on our performance and management approach relating to the following areas:

- **Sustainability governance and management:** outlines our sustainability strategy and governance framework, describes our activities in support of the United Nations' 17 Sustainable Development Goals, and reviews our approach to promoting ethical conduct and ensuring business integrity.
- **Engaging our stakeholders:** identifies the material interests of our key stakeholders, and our response to these interests.
- **Product and service responsibility:** reviews our activities to protect customer privacy and security, and address consumer concerns.
- **Investing in our people:** assesses our performance in developing our people, driving employee engagement, encouraging diversity, and promoting workplace health and safety.
- **Delivering social value:** reviews the societal contribution of our products and services, our BEE performance and our corporate social investment initiatives.
- **Responsible environmental management:** outlines our performance in managing our most material environmental impacts relating to energy and climate change, water and waste.

A summary of our sustainability performance is presented in the following table:

Indicator	2017	2016
Investing in our people		
Number of full-time permanent employees	**7 587**	7 538
Salaries and benefits (Rm)	**5 428**	5 599
Women representation in Executive Committee (%)	**17.0**	18.0
Black representation in Executive Committee (%)	**58.0**	55.0
Ratio of average basic salary of men to women (times)	**1:3**	1:3
Total training spend (Rm)	**277**[1]	103
Workplace-related fatalities	**1**	4
Lost-time injury frequency rate (LTIFR)	**0.05**	0.11
Product and service responsibility		
Customer NPS (SA) (ranking relative to competitors)	**1st**	1st
Delivering social value		
Customers (thousand)	**66 785**	61 305
M-Pesa customers (thousand)	**12 922**	9 224
Investment in infrastructure (Rm)	**11 292**	12 875
Total cash tax contribution (Rm)	**16 082**	14 710
Investment in communities (Rm)	**114**	106
Responsible environmental management		
Direct greenhouse gas (GHG) emissions (Scope 1) (metric tonnes)	**44 203**	44 917
Indirect GHG emissions (Scope 2) (metric tonnes)	**555 010**	494 354
Indirect GHG emissions (Scope 3) (metric tonnes)	**84 226**	36 602
Total GHG emissions CO_2 (including non-Kyoto Protocol emissions) (metric tonnes)	**683 439**	576 872
Access network electricity# (GWh)	**333**	282
Core network electricity# (GWh)	**84**	81
Building electricity# (GWh)	**54**	50
Vehicle fuel (diesel and petrol)# (million litres)	**0.7**	1.3
Network equipment and handsets reused/recycled# (tonnes)	**69**	1 006

1. The increase on reported training spend is attributed to the application of new audit rules, i.e. contractor spend is now included.
South Africa only.

Q&A

Looking beyond 2020

with Nadya Bhettay

Chief Officer: Strategy and New Business

Q The telecoms sector, both globally and locally is being buffeted from all angles, including customers (#datamustfall), policy proposals (WOAN) and technology developments that allow for increased competition. How does Vodacom ensure success in this perfect storm?

A We have a long history of innovation in Vodacom, which has created the space for us to consistently adapt and drive differentiation to ensure market leadership. The ability for us to keep abreast of the ever-changing landscape, coupled with the capability to execute on our plans designed to deal with the changes, gives us the edge we seek to maintain. We have made it clear that our purpose is to ensure we empower the digital lives of our customers. This purpose encapsulates our vision of being a leading digital company that empowers a connected society.

The successful execution of this vision will allow for Vodacom to continue to lead in technology while developing propositions and services that ensure continued relevance to our customers. This will be underpinned by a deep understanding of our customers, implementing class-leading technology on our network, while developing and attracting new skills required to drive Vodacom forward. Central to our strategy will be our customer experience, where we constantly seek to reduce friction and exceed expectations.

Our pricing transformation programme will continue, as we seek to ensure our services are affordable to our customers. We have made significant progress on reducing the price of voice and data to our customers over the last year, and will continue to do so.

The proposed White Paper, which sets out the intention of a Wireless Open Access Network (WOAN), will of course have wide-ranging implications for the telecommunications industry in South Africa. We are working closely with all industry stakeholders to find a workable solution that will ensure that the telecommunications sector can continue to be the catalyst for economic transformation and development in the country.

Q How does your new vision and strategy affect your business model across all your markets over the short- and medium-term?

A While we aim to retain our position as the leading telecommunications operator in the markets we operate in, there are some material elements of our business model that will require change. We are aggressively growing beyond traditional telco revenues to focus on growing digital and ICT products and services in both the consumer and enterprise segments.

Our drive to become a leading digital company will require of us to accelerate the use of partnerships to help design, create and deliver compelling products and offerings to our customers. Another enabler is further development of open technologies, allowing for rapid integration into our systems, particularly for partners and other third parties that we need to collaborate with. Our investment in infrastructure and enabling systems continues, as this will allow us to increase our ability to be agile and flexible.

From a customer perspective, our segmented approach will evolve from traditional segmentation and Customer Value Management, to a more comprehensive big data led approach that will allow us to be much more granular in understanding customers and using deep insights to design and deliver propositions that speak to individual customer behaviours and needs. Our CARE programme supports this by driving consistent excellence in customer experience across all touch-points.

Our strategy applies to all International markets in the Vodacom Group, albeit with some customisation to account for variations across our markets.

Q What is the long-term strategic view for Vodacom?

A The long-term future is an exciting one for Vodacom. We see our role as empowering a connected society and we aim to play a leading role in providing access and services in a more connected world. We are, therefore, taking a strong position in some very exciting developments, including fibre, digital services and financial services. We are also moving into a world where the Internet of Things becomes an intrinsic part of the lives of our customers, both consumers and enterprise, and we wish to establish ourselves as a leader in this space. We are particularly excited about the possibilities that this new connected world creates for our customers and indeed society, where Vodacom has a unique opportunity to play a role in revolutionising sectors such as education, health, security and agriculture. While excellence at an infrastructure layer is merely a means to an end, we intend to continue our significant investment in intelligent networks and systems. At the same time, we will focus increasingly on the services layer so that the benefits of these investments can be felt by both our consumer and enterprise customers.

CFO's review

Till Streichert

This has been a solid year of execution for the Group, meeting our strategic goals and delivering returns for shareholders by focusing on achieving our key objectives: continued network infrastructure investment, personalised products and segment offerings, and targeted revenue growth in data, M-Pesa and enterprise, while maintaining a clear focus on cost efficiency.

The Group delivered good results despite a tough operating environment. Group revenue increased 1.5% (3.4%*) this year to R81.3 billion, with service revenue up 2.3% (4.4%*) to R68.3 billion. In South Africa, we have seen continued growth in service revenue of 5.6%, driven largely by a growing demand in data, supported by our network infrastructure investment, successful pricing strategy execution and strong customer growth, with three million new customers. Service revenue declined in our International operations by 5.6% (up 2.2%*) to R16.8 billion, impacted by customer registration requirements, tough economic conditions and exchange rate volatility in some of our markets. We added 2.5 million customers throughout the year by rebuilding our customer base following the change in customer registration requirements in three of our four markets. Group EBITDA grew 2.9% (7.1%*) to R31.2 billion, and we delivered strong operating free cash flow growth of 18.4% to R19.6 billion.

Strong foundation in network superiority

Network superiority is at the heart of Vodacom's strategy of ensuring excellent quality for our customers. This year, in line with our guidance, we invested R11.3 billion mainly in the network and IT (representing 13.9% of Group revenue), adding to the R26.2 billion spent in the previous two years. This illustrates our continued commitment to drive communication infrastructure development across all the countries we operate in. We continued to increase our 2G, 3G and 4G coverage, improve voice quality and increase data speeds. In South Africa, we further extended our high-speed transmission to 92.1% of our sites, and completed the development of our new customer management and billing systems to future proof our operations, having migrated all of our consumer contract customers to this new platform. We also entered into a commercial agreement with WBS which will enable us to roam on their 4G network. Our investment into new growth areas like IoT, FTTx, big data and video services is preparing us for the next evolution in telco, assisting us to continue to deliver good returns to our shareholders.

Monetising data and growing M-Pesa

Group data revenue increased 16.4% to R24.8 billion, following strong demand for data. Data traffic grew 46.7% supported by improved affordability of both devices and data bundles. Data revenue now constitutes 36.3%^ of service revenue, up from 31.9% a year ago. In South Africa, data customers were up 8.3% to 19.5 million, while in the International markets data customers were up 29.3% to 13.0 million. In South Africa, the average monthly data used by customers on smart devices continued to increase, this together with incentives to migrate to better data devices, resulted in benefits to ARPU. There was an ARPU uplift of approximately 25% when a customer migrated to a 4G device. Improvements made to our out-of-bundle notification system, coupled with segmented propositions, including micro bundles, resulted in data being more affordable to customers.

Customers across our International operations have enthusiastically embraced our mobile payment solution, M-Pesa. The security and convenience in the solution has seen a 40.1% increase in customers to 12.9 million, delivering a 19.4% increase in revenue to R1.9 billion. This service has also resulted in more airtime recharges via M-Pesa driving customer loyalty and the commensurate savings in commissions.

We believe that we can still improve further on monetising the data opportunity, particularly in all our International operations, which will be a key priority for the next financial year as data demand continues to grow.

Enterprise business delivering strong growth

Enterprise continued to grow, with revenue up 12.2% now contributing 22.4%^ (2016: 20.5%) of service revenue. We continued to leverage our network reliability and leading mobile brand to move more deeply into fixed-line in South Africa. Fixed-line and BMS revenue grew 8.3% to R1.8 billion with cloud and hosting increasing 35.2%. IoT provided new and exciting opportunities with revenue increasing 19.1% to R662 million. Having secured the mobile voice and data communications contracts for national and provincial government departments, focus will now shift to migrate these customers to Vodacom from the first quarter onwards.

Cost efficiency delivering margin expansion

We continued to make good progress with our 'Fit for growth' programme, which contributed to the Group EBITDA margin expanding 0.5ppts to 38.4%. EBITDA growth in South Africa was again strong at 7.2% to R26.8 billion, supported by good revenue growth and a continued focus on cost efficiencies and contribution margin improvement that resulted in a 1.2ppts expansion in EBITDA margin to 41.4%. We focused on driving efficiencies across all distribution channels. Other cost initiatives included self-providing more of our mobile backhaul transmission and renegotiation of key contracts with suppliers. The savings from these efficiencies assisted us in offsetting higher network operating costs due to our continued network expansion, as well as a trading forex loss of R250 million (2016: R531 million gain).

In the International operations, EBITDA declined 15.6% (8.6%*) to R4.5 billion, with EBITDA margin contracting 3.1ppts to 26.2%. The impact of customer registration and exchange rate volatility resulted in slower revenue growth, however, the impact of this on EBITDA was limited by our contribution margin improvement through the promotion of our own channels such as M-Pesa for recharge, and continued savings in network operating expenses.

Our footprint has exposed us to volatile macroeconomic and regulatory conditions, including access to spectrum, fluctuating foreign exchange rates, inflation, interest rates and sovereign credit rating downgrades, all of which had a negative impact on consumer and enterprise spend, operating costs and capital expenditure. Together with the Vodacom Group Board, the management team has critically reviewed the strategic risks faced by the business and provided mitigating actions presented on page 20.

Our segment performance is reviewed on page 52.

Key milestones

In June 2016, the Parliament of Tanzania passed The Finance Act, 2016 which amends listing requirements under the Electronic and Postal Act, 2010, to introduce mandatory listing requirements and require licensed telecommunications operators to list 25% of their authorised share capital through an initial public offering (IPO) on the Dar es Salaam stock exchange (DSE). Vodacom Tanzania opened its offer in compliance with the legislation on 9 March 2017 and the offer period closed on 11 May 2017. The listing of shares is expected to take place in June 2017, subject to approval by the Capital Markets and Securities Authority (CMSA) and the DSE.

Subsequent to year end, Vodacom Group has agreed terms with Vodafone to buy a strategic interest (34.94%) in Kenya's market-leading telco, Safaricom. It's an opportunity to acquire a significant interest in a quality telco asset. The proposed transaction also offers an opportunity to diversify Vodacom Group's financial exposure in a single transaction. We are aiming to complete the transaction in the first half of the new financial year.

Recently, the Vodacom Finance team received an unparalleled set of awards for Strategy Execution, Finance Transformation and CFO of the Year. This acknowledgement by the jury of CFO South Africa, the Community for Finance Professionals in South Africa, underpins the good work done by Vodacom's Finance team.

Delivering shareholder returns

Our five-year average return on capital employed (ROCE) is 53.7%. Delivering on key growth areas of data, enterprise and new services will deliver top line growth. We continue to target EBITDA margin expansion and together with lower capex, following two elevated years, I am confident that our ROCE will stabilise and improve, continuing to create long-term shareholder value.

Over the past five years, we have returned R59.0 billion in dividends to our shareholders, maintaining an average dividend yield of 6.1%, while our share price has risen 40.5% over the same period. This year, the Board has approved to pay out a final dividend of 435 cents, taking our total dividend to 830 cents, a growth of 4.4%, in line with our current dividend policy of paying out at least 90% of HEPS.

Looking ahead

The telecommunications landscape is rapidly changing; coupled with high levels of political, regulatory and market uncertainty, requires us to be more innovative and agile. Our steps to implement the Vision 2020 strategy will ensure that Vodacom realises opportunities in the market and mitigates risks that may hinder our success.

The recent sovereign credit rating downgrade in South Africa increases uncertainty and may lead to increased rand volatility, consumer pressure and debt exposure. This highlights the need for us to be agile to mitigate such risks. We are already driving the localisation of foreign-denominated costs, utilising hedging instruments, using big data to further enhance our personalised and segmented offers, and reviewing our fixed-to-floating debt structure to balance financing cost and risk exposure.

Our balance sheet remains strong, providing us with sufficient capacity for leverage, enabling us to execute our growth strategy and realise possible M&A opportunities where these contribute to adding shareholder value.

We target Group service revenue growth of mid-single digit, previously low-to-mid single digit, Group EBIT growth of mid-to-high single digit, and capital intensity of 12 – 14% of Group revenue over the next three years. The change to an EBIT target reflects a change in management short-term incentive targets, which are now based on EBIT, previously EBITDA. The main aim of this is to align to the Board's objective of optimising capital allocation and maximising returns on investments. These targets are on average, over the next three years and are on a normalised basis in constant currency, excluding spectrum purchases and any merger and acquisition activity. This assumes broadly stable currencies in each of our markets and stable macro and regulatory environments.

In closing, I would like to thank the Board for their continued guidance throughout the year, and personally wish our Chairman, Peter Moyo, much success in his new role at Old Mutual Emerging Markets.

Till Streichert
Chief Financial Officer

2 June 2017

* Normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (using current period as a base), (collectively 'foreign exchange').

Tax and our total economic contribution

As a responsible multinational company, we understand that it is in our interest and the interest of our stakeholders to ensure that the public services and infrastructure we rely on are fit for purpose and remain properly funded, including through a transparent, fair and effective system of taxation.

Our commitment to acting with integrity and transparency in all tax matters is particularly important given that our contribution to public finances represents a major part of our positive impact within the societies in which we operate.

This year, we paid governments on the African continent more than R8 237 million in cash in direct taxes, raised R6 619 million in cash on those governments' behalf in indirect taxes and paid governments more than R1 226 million in cash via non-taxation-based revenue mechanisms.

The Group's tax charge for 2017 of R6 102 million was 2.8% higher than the prior year (2016: R5 934 million) in line with growth in operating profit. The Group's effective tax rate increased to 31.7% from 31.5%.

The difference between the total tax contribution of R16 082 million and the tax charge relates to a multitude of taxes other than corporation tax. Our operating businesses are subject to more than 40 different types of taxes and fees every year, of which a significant number relate specifically to the telecommunications industry. A comprehensive report on "Tax and our contribution to public finances 2017", which is separately available online, provides a detailed review of Vodacom's contribution to public finances in each of our countries of operation. This report is presented on an actual cash-paid basis, in addition to our statutory reporting, to provide the clearest possible insight into the scale of money flowing from Vodacom to governments.

In our view, a public record of the amount of cash transferred from Vodacom to each country's government is one of the most effective forms of tax transparency. This year, we have expanded our online report and in particular the country-by-country section to include a narrative summary setting out the context of our activities in that location together with the relevant financial data.

The summary, includes the number of Vodacom legal entities present in the country plus an overview of the purpose of those entities. In addition, we have expanded the current dataset disclosed in the country-by-country section (which includes direct taxation, direct non-taxation, indirect taxation, capital investment and number of employees) as it would otherwise remain incomplete without the addition of total external revenue and profit before tax (excluding dividends) in each country. We believe that this further enhances our commitment to transparency on tax.

For our online report on "Tax and our contribution to public finances 2017" please go to **www.vodacom.com**

Summarised consolidated income statement

for the year ended 31 March

Rm	2017	2016
Revenue	**81 278**	80 077
Direct expenses	**(30 483)**	(31 594)
Staff expenses	**(5 472)**	(5 557)
Publicity expenses	**(1 971)**	(1 986)
Other operating expenses	**(12 193)**	(10 844)
Black Economic Empowerment charge	**(75)**	(55)
Depreciation and amortisation	**(9 251)**	(8 735)
Impairment losses	**(84)**	(14)
Net profit/(loss) from associate and joint venture	**1**	(233)
Operating profit	**21 750**	21 059
Finance income	**777**	716
Finance costs	**(2 818)**	(2 196)
Net loss on remeasurement and disposal of financial instruments	**(481)**	(735)
Profit before tax	**19 228**	18 844
Taxation	**(6 102)**	(5 934)
Net profit	**13 126**	12 910
Attributable to:		
Equity shareholders	**13 418**	12 917
Non-controlling interests	**(292)**	(7)
	13 126	12 910

Cents	2017	2016
Basic earnings per share	**915**	881
Diluted earnings per share	**886**	857

Revenue increased 1.5% (3.4%*) boosted by strong growth in data and enterprise, however, impacted by foreign currency volatility, customer registration processes in the International operations and lower equipment sales in South Africa.

Total expenses increased 0.3% below revenue growth of 1.5%, aided by cost-savings initiatives offsetting higher inflationary costs, site growth and negative foreign currency impacts.

Included is a net foreign exchange loss of R331 million (2016: R383 million gain).

Investment in Helios transferred during the prior year to non-current assets held for sale.

Net finance costs increased R561 million due to higher average debt and an average 1.0ppt increase in JIBAR.

The R254 million decline resulted from the FEC market to market revaluation loss in 2016 changing to a gain in 2017, partly offset by increased foreign exchange losses on intergroup loans.

Taxation is 2.8% higher driven by increased profitability.

Non-controlling interests allocation increased by R285 million, mainly due to a weaker performance in the DRC.

Basic earnings per share increased 3.9% supported by a strong contribution from operating profit which benefited from a prior year non-recurring loss from HTT and restructuring costs. This, together with the higher allocation of losses to non-controlling interests, were partly offset by higher net finance costs and tax.

Summarised consolidated statement of comprehensive income

for the year ended 31 March

Rm	2017	2016
Net profit	**13 126**	12 910
Other comprehensive income[1]	**(1 633)**	264
Foreign currency translation differences, net of tax	**(1 633)**	260
Gain on hedging instruments in cash flow hedges, net of tax	**–**	4
Total comprehensive income	**11 493**	13 174
Attributable to:		
Equity shareholders	**11 647**	13 779
Non-controlling interests	**(154)**	(605)
	11 493	13 174

1. Other comprehensive income can subsequently be recognised in profit or loss on the disposal of foreign operations and/or when a hedged item is recognised in profit or loss.

Summarised consolidated statement of financial position

as at 31 March

Rm	2017	2016
Assets		
Non-current assets	**52 127**	51 085
Property, plant and equipment	**40 181**	39 744
Intangible assets	**9 186**	9 517
Financial assets	**424**	280
Investment in joint venture	**5**	4
Trade and other receivables	**971**	754
Finance receivables	**1 161**	761
Deferred tax	**199**	25
Current assets	**29 011**	27 618
Financial assets	**3 489**	2 641
Inventory	**1 268**	1 675
Trade and other receivables	**13 489**	13 275
Non-current assets held for sale	**114**	589
Finance receivables	**1 556**	1 390
Tax receivable	**222**	114
Bank and cash balances	**8 873**	7 934
Total assets	**81 138**	78 703
Equity and liabilities		
Fully paid share capital	*****	*
Treasury shares	**(1 670)**	(1 658)
Retained earnings	**26 396**	24 635
Other reserves	**(663)**	1 181
Equity attributable to owners of the parent	**24 063**	24 158
Non-controlling interests	**(1 067)**	(1 134)
Total equity	**22 996**	23 024
Non-current liabilities	**31 423**	29 909
Borrowings	**27 613**	26 658
Trade and other payables	**815**	815
Provisions	**360**	164
Deferred tax	**2 635**	2 272
Current liabilities	**26 719**	25 770
Borrowings	**3 762**	2 284
Trade and other payables	**22 700**	22 845
Provisions	**188**	92
Tax payable	**47**	344
Dividends payable	**22**	22
Bank overdrafts	**–**	183
Total equity and liabilities	**81 138**	78 703

* Fully paid share capital of R100.

Increase from net additions of R9 303 million and transfers from intangible assets and other movements of R619 million, mostly offset by depreciation of R7 457 million and foreign currency translation of R2 125 million.

Includes additions of R1 904 million mainly for computer software, offset by amortisation of R1 794 million and transfers of R382 million to property, plant and equipment.

Recognition of deferred tax assets in South Africa and Mozambique.

Increase in deposits from M-Pesa customers in our International operations.

US$30 million repayment of HTT loan.

Prior year driven by the acquisition of high-end handsets in March 2016.

Decrease driven by R1 771 million foreign currency translation, which includes a R494 million gain, net of tax, on net investments in foreign operations.

Drawdown of R4 000 million on a facility from Vodafone for capital expenditure offset by repayment of R1 470 million on a three-year, R3 000 million Vodafone loan.

Increase primarily due to increased capital allowances in line with capital expenditure.

Current portion of Vodafone loans.

Summarised 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 2015	22 062	(419)	21 643
Total comprehensive income	13 779	(605)	13 174
Dividends	(11 660)	(78)	(11 738)
Repurchase, vesting and sale of shares	(167)	–	(167)
Share-based payments	192	–	192
Changes in subsidiary holdings	(48)	(32)	(80)
31 March 2016	**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	**24 063**	**(1 067)**	**22 996**

Summarised consolidated statement of cash flows

for the year ended 31 March

Rm	2017	2016
Cash generated from operations	**31 791**	29 800
Tax paid	**(6 051)**	(5 456)
Net cash flows from operating activities	**25 740**	24 344
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	**(11 689)**	(13 565)
Proceeds from disposal of property, plant and equipment and intangible assets	**73**	336
Business combinations	**(285)**	(573)
Finance income received	**689**	683
Repayment of loans granted and equity investments	**295**	(39)
Other investing activities[1]	**(1 278)**	(522)
Net cash flows utilised in investing activities	**(12 195)**	(13 680)
Cash flows from financing activities		
Borrowings incurred	**4 000**	6 789
Borrowings repaid	**(1 568)**	(4 004)
Finance costs paid	**(2 699)**	(2 397)
Dividends paid – equity shareholders	**(11 657)**	(11 658)
Dividends paid – non-controlling interests	**(91)**	(78)
Repurchase and sale of shares	**(134)**	(167)
Changes in subsidiary holdings	**240**	(129)
Net cash flows utilised in financing activities	**(11 909)**	(11 644)
Net increase/(decrease) in cash and cash equivalents	**1 636**	(980)
Cash and cash equivalents at the beginning of the year	**7 751**	8 870
Effect of foreign exchange rate changes	**(514)**	(139)
Cash and cash equivalents at the end of the year	**8 873**	7 751

1. Consists mainly of the movement in cash restricted deposits as a result of M-Pesa-related activities.

Driven by strong EBITDA performance, partially offset by an increase in tax payments of R595 million, mainly due to increased profits in South Africa and provisional tax payments in Mozambique.

The decrease in cash outflows from net additions to property, plant and equipment and intangible assets mainly relate to lower capital expenditure of R1 584 million.

Business combinations relate to the current year acquisition of Shared Networks Tanzania and the payment of the deferred consideration relating to the mobile customer base acquired from Autopage in the previous financial year.

The increase in the outflow relates mainly to a loan provided to the minority shareholders of Vodacom Mozambique.

Current year includes a transaction with the minority shareholders in Mozambique. Prior year includes the acquisition of additional interest in Stortech and XLink.

Our segment performance

This section presents our operating performance, providing commentary on how South Africa and the International operations have performed this year.

South Africa

	Year ended 31 March		% change
	2017	**2016**	**16/17**
Service revenue (Rm)	**52 071**	49 320	**5.6**
Revenue (Rm)	**64 729**	62 279	**3.9**
EBITDA (Rm)	**26 815**	25 016	**7.2**
EBIT (Rm)	**20 593**	19 430	**6.0**
Data revenue (Rm)	**20 696**	17 287	**19.7**
Capital expenditure (Rm)	**8 471**	8 747	**(3.2)**
Customers[1] (thousand)	**37 131**	34 178	**8.6**
Prepaid customers (thousand)	**32 000**	29 265	**9.3**
Contract customers (thousand)	**5 131**	4 913	**4.4**
Data customers[2] (thousand)	**19 549**	18 056	**8.3**
IoT connections[3] (thousand)	**2 979**	2 264	**31.6**
Total ARPU[5] (rand per month)	**111**	112	**(0.9)**
Prepaid	**62**	63	**(1.6)**
Contract	**408**	397	**2.8**
Number of employees	**5 038**	5 009	**0.6**
NPS score (%) #1	**50^**	54	
Service revenue market share (%) #1	**51.0^**	51.1¥	

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 have been restated to exclude customers with free allocated data bundles not used. 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, previously machine-to-machine, 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 active 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.

^ These items were the subject of the limited assurance engagement performed by KPMG.
¥ Prior year service revenue market share has been restated for updated competitor information.

Service revenue increased 5.6% to R52 071 million driven by strong customer additions, with good progress on data and enterprise services. Revenue grew by 3.9% to R64 729 million, hampered by the equipment revenue decline of 4.0%. This was mainly due to slightly lower device sales, which was impacted by the weakening of the rand against the US dollar and Euro for most of the year.

Customers increased by 8.6% to 37.1 million, with 3.0 million customer net additions in the year, as our segmentation and bundle strategy continued to attract new customers. **Prepaid customers** reached 32.0 million, up 9.3%, driven by the success of our improved value propositions through 'Just 4 You' offers, the successful launch of our youth (NXT LVL) proposition and a highly engaging summer promotion. We added 218 000 **contract** customers during the year with improved loyalty leading to reduced contract **churn** of 4.2%, while increasing contract **ARPU** by 2.8% to R408. Our bundle strategy, designed to make communication more affordable, continues to progress well and we sold a total of 1.5 billion bundles, up, 34.1% in the period. Of these, one billion were voice bundles. This enabled us to reduce our effective price per minute by 14.3% to the benefit of customers. The success of the personalised voice bundle strategy through our 'Just 4 You' platform has resulted in a slower voice revenue decline of 3.7%.

Data revenue grew 19.7% to R20 696 million; now comprises 39.7% of service revenue. As the strong demand for data continues, underlying drivers of growth remain strong with data customers up 8.3% to 19.5 million and data traffic up 43.2%. 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 86.7% to 5.1 million, while the average monthly data usage on smartphones increased 25.0% to 560MB. Our data bundle sales grew by 44.8% to 495 million resulting in the reduction in the effective price per MB by 16.0% thereby continuing to give more value to our customers. Our focus in the year ahead will be to transform data pricing to the benefit of customers, by reducing customer exposure to higher out-of-bundle rates.

Enterprise showed continued strong revenue growth of 12.7% (of which 2.8ppts relate to the impact of Autopage customer buy backs in the prior year) from customer win backs, and now contributes 24.3% (2016: 22.8%) of service revenue. Mobile enterprise customer revenue grew 14.2% (of which 4.5ppts relates to the impact of Autopage customer buy-backs in the prior year) to R7 884 million. We have secured South Africa's national and provincial government departments' mobile voice and data communications contract for a period of four years. This award will enable us to partner with government to support greater innovation. Customer migration for this contract is expected to commence in the first quarter. We are leveraging our network reliability and our leading mobile brand to move more deeply into fixed-line. Fixed-line and business managed services (BMS) revenue increased 8.3% with growth in cloud and hosting revenue gaining further momentum as it increased by 35.2% in the year. Internet of Things (IoT) revenue increased 19.1% to R662 million.

EBITDA increased 7.2% to R26 815 million with EBITDA margin expanding strongly by 1.2ppts to 41.4% due to strong focus on cost efficiencies and driven by sales margin improvement. We focused on driving efficiencies across all distribution channels. We rebalanced our subsidies towards data-enabled devices, resulting in improved take up of data services and improved returns. We benefited from improved inventory management, reduced office accommodation spend as we rationalised offices and various network cost savings. These cost-savings initiatives have offset higher network operating costs due to increased number of sites and a trading foreign exchange net loss of R250 million (2016: R531 million net gain).

Capital expenditure of R8 471 million allowed us to continue widening our 3G and 4G data coverage, improve voice quality and increase data speeds. 4G coverage increased to 75.8% of the population, up from 58.2% a year ago reaching over 7 900 sites. We extended our high-speed transmission to 92.1% of our sites. We completed the development of our new customer management and billing systems to future proof our operations and have migrated all our consumer contract customers to this new platform. We also entered into a commercial agreement with WBS that enables us to roam on their 4G and 4G+ network.

Our focus on **customer experience improvements** through network enhancements, better value propositions and service, through our **CARE initiative**, has enabled us to increase our customer satisfaction lead to 17 points over our nearest competitor as measured through the net promoter score methodology. We have underpinned our best network promise with our dropped-call compensation guarantee, giving customers free minutes for calls dropped on our network. As customers become more digital, we are positioning the MyVodacom app as customers' primary interaction channel with Vodacom for people with smartphones. The app enables a number of self-help features, up-to-date bundle and balance information with an easy interface to buy our bundles. We continue to drive higher usage of the app through promotional offers and consistent improvement of the app, to deliver improved functionality.

International

	Year ended 31 March		Year-on-year % change	
	2017	**2016**	**Reported**	**Normalised***
Service revenue (Rm)	**16 775**	17 763	(5.6)	2.2
Revenue (Rm)	**17 350**	18 356	(5.5)	2.6
EBITDA (Rm)	**4 545**	5 385	(15.6)	(8.6)
EBIT (Rm)	**1 648**	2 296	(28.2)	
Data revenue (Rm)	**4 113**	4 019	2.3	
Capital expenditure (Rm)	**2 833**	4 090	(30.7)	
Customers[1] (thousand)	**29 655**	27 127	9.3	
Data customers[2] (thousand)	**12 997**	10 055	29.3	

Service revenue declined 5.6% (up 2.2%*) to R16 775 million, impacted by exchange rate volatility and the anticipated effect of the disconnection of customers, most notably in the prior year, in compliance with customer registration requirements in the DRC, Mozambique and Tanzania. Short-term pressure remains, with signs of improvement in Tanzania, very strong execution in Mozambique and Lesotho, but a challenging macro environment in the DRC. We have introduced 'Just 4 You' personalised offers across all our operations and take up is progressing well. M-Pesa continues to be a key area of growth.

Customers increased 9.3% to 29.7 million as the International operations have returned to positive net additions of 2.5 million in the year. We continue to improve our customer registration processes as we work closely with regulators to ensure full compliance in all our operations.

Data revenue grew 2.3% (9.4%*) to R4 113 million driven by a 29.3% increase in data customers to 13.0 million, reflecting strong demand for mobile data services in all our markets, offset by strong pricing competition, mainly in Tanzania and the DRC. We continue to focus on our commercial and network offering to drive data growth, ensuring customers have access to better low-cost smart devices, especially Vodacom-branded devices, increasing data network speeds and driving the adoption of data bundles. Improving monetisation of the substantial growth opportunity in data in all operations is a key priority for the next financial year.

M-Pesa revenue increased 19.4% to R1.9 billion, fuelled by expansion in the distribution channels and expansion of the products and services on offer. We added 3.7 million customers, increasing the number of customers to 12.9 million[1]. Tanzania launched an M-Pesa app for smartphones that has unique experiences such as QR code assisted payments, easier access to contacts, predefined amounts and integrates with the merchant payment platform. Mozambique has made significant progress in the year; 2.5 million customers representing 48% of its customer base are now using the M-Pesa service while Tanzania leads at 63% penetration of its customer base. The DRC has reached over two million customers as they focused on improving distribution. We have implemented a new M-Pesa platform in all operations except Lesotho with enhanced technology which has significantly improved stability, resulting in increased trust with customers which is a key attribute for success. The system continues to grow from its roots of person to person transfers, now also incorporating a complete merchant payment system, bill payments, a salary payment system, as well as savings and loans products for customers. In Tanzania alone, we now transact US$1 billion in value each month.

1. Number of unique customers who have generated revenue related to M-Pesa in the past 90 days; of these 10.0 million have been active in the past 30 days.

EBITDA declined 15.6%, normalised declined 8.6%* to R4 545 million and the EBITDA margin contracted by 3.1ppts to 26.2%. A number of actions to mitigate the impact of the slowed revenue growth in the year helped to offset the impact on margins. These included sales margin improvement through the promotion of own channels such as M-Pesa for recharge, restructuring to drive improved efficiencies and continued savings in network operating expenses through our 'Fit for growth' savings programme.

Capital expenditure of R2 833 million represented 16.3% of revenue. We continue to invest significantly in all our markets to strengthen network and service differentiation and to support data growth and wider voice coverage. We added 284 4G sites, 888 3G sites and 536 2G sites since March 2016.

Tanzania

	Year ended 31 March	
	2017	**2016**
Revenue (TZSm)	**933 292**	923 347
EBIT (TZSm)	**97 260**	107 200
Customers[1] (thousand)	**12 653**	12 375
Data customers[2] (thousand)	**6 463**	5 415
MOU per month[4]	**157**	124
Total ARPU[5] (TZS per month)	**6 003**	5 972
Number of employees	**525**	546
NPS (position relative to competitors)	**3rd**	2nd
Customer market share #1	**30.9%**	31.9%[¥]

Solid progress in most of our strategic priority areas enabled us to deliver a stronger second half performance, despite a highly competitive environment. In particular, our continued investments in data, M-Pesa and enterprise paid dividends by lifting customer and revenue growth in the second half of the year. Our investments to date have resulted in expanded coverage and a superior data network experience, placing Vodacom at the forefront of securing growth in mobile data. During the year, we launched high-speed 4G coverage across Dar es Salaam and produced impressive average download speeds which are over 60% faster than our next-best competitor. We continue to explore opportunities for spectrum acquisition which will enable us to rollout 4G into other regions.

In addition, we made data services more accessible by introducing affordably priced smartphones and attractive data propositions. This largely contributed to the 19.4% increase in active data customers who now make up 51.1% of our active customer base.

M-Pesa consistently delivered strong growth throughout the year despite the negative impact of excise duty increases imposed in July 2016. The continued expansion of our mobile money ecosystem helped fuel the 13.3% or 936 thousand increase in M-Pesa customers. M-Pesa revenue grew 11.2% to TZS249.6 billion, and now accounts for 27.3% of service revenue, up from 24.5% last year.

EBIT declined by 9.3%. The impact from slower revenue growth and greater network operating costs was limited by our vigorous focus on cost containment through our 'Fit for growth' programme, which improved operating leverage during the period, protecting EBIT margin from further compression.

Under Section 26 of the Electronic and Postal Communications Act, 2010 (as amended by the Finance Act, 2016), licensed telecommunications operators are required to issue 25% of their share capital through an initial public offering (IPO) to Tanzanians and thereafter list the said shares on the Dar es Salaam stock exchange (DSE). Vodacom Tanzania opened its IPO on 9 March 2017 and the offer period closed on 11 May 2017. The listing of shares is expected to take place in June 2017, subject to approval by the Capital Markets and Securities Authority (CMSA) and the DSE.

Looking ahead, we aim to maintain the encouraging momentum of the second half of the past year by continuing to focus investments across our key strategic drivers – data, M-Pesa, and enterprise – which are expected to yield strong growth. We will remain resolute in our quest to further enhance customer experience through both service levels and our network advantage while being cognisant of containing costs through our 'Fit for growth' initiative.

DRC

	Year ended 31 March	
	2017	**2016**
Revenue (US$'000)	**407 413**	429 605
EBIT (US$'000)	**12 664**	40 633
Customers[1] (thousand)	**10 388**	8 527
Data customers[2] (thousand)	**3 705**	1 996
MOU per month[4]	**49**	39
Total ARPU[5] (US$ per month)	**4**	3
Number of employees	**617**	613
NPS (position relative to competitors)	**1st**	4th
Customer market share #1	**38.9%**	37.1%[¥]

Vodacom DRC rebranded from blue to red and celebrated 15 years in the DRC. We also improved our NPS position to first from fourth place last year.

Following the loss of close to three million customers (25% of the customer base) in the prior year due to registration requirements, this was always going to be a tough year for us, as we worked to recover these customers during the year. Political instability and a deteriorating macroeconomic environment created a tough operating environment. The Congolese franc depreciated 45% against the US dollar and GDP growth slowed to an estimated 15-year low of 2.5%.

Despite these negative impacts we continued to deliver on our strategic objectives. This was backed by further capital investment in the network, billing services and IT, which resulted in us improving to first position in our customer satisfaction measure, NPS. Revenue declined by 5.2% due to lower gross connections resulting from compliance with the customer registration requirements, an economic slowdown and further regulatory pressures.

Data customers increased 85.6% and data traffic increased 46.7%, underpinned by better device penetration. M-Pesa revenue growth of 66.9% was driven by an additional 1.2 million customers, resulting from our strategic focus on distribution. The EBIT decline was driven by various factors, including lower revenue, regulatory fee increases and customer-related acquisition costs. This was partially offset by the implementation of Vodacom's 'Fit for growth' cost-savings initiatives, including headcount efficiencies, contract renegotiations and energy rationalisation.

The customer base increased by 21.8%, adding 1.9 million customers, close to recovering the number of customers disconnected in the prior year. This has largely been achieved through the deployment of the customer registration app and increased points of registration across the country.

In the year ahead, we will continue to execute on the rebranding nationwide, driving customer value management by reinforcing offerings such as 'Just 4 You', introducing a franchise model to increase our retail footprint, and improving key service level agreements in line with our CARE initiatives.

Mozambique

	Year ended 31 March	
	2017	**2016**
Revenue (MZNm)	**14 641**	11 896
EBIT (MZNm)	**2 568**	2 065
Customers[1] (thousand)	**5 146**	4 826
Data customers[2] (thousand)	**2 280**	2 112
MOU per month[4]	**121**	104
Total ARPU[5] (MZN per month)	**216**	169
Number of employees	**485**	466
NPS (position relative to competitors)	**2nd**	1st
Customer market share #1	**47.6%**	45.8%[¥]

Vodacom Mozambique delivered a solid performance this year maintaining double-digit revenue growth of 23.1% to MZN14.6 billion, despite challenging economic conditions that resulted in the metical depreciating 55.8% to the rand. We also felt the impact of customer disconnections to comply with customer registration requirements.

Voice revenue continued to grow strongly, up 18.6%. This was driven mainly by higher ARPU, as a result of increased usage and the 6.6% growth in customers. Significantly, data revenue has continued its upward momentum, increasing 38.5%, reflecting the increased demand for data services and the success of sales of Vodacom-branded smartphones; data revenue now contributes 23.0% to service revenue. Demand for our financial services offering continues to grow, with M-Pesa revenue increasing more than threefold. We now have 2.5 million M-Pesa customers who are benefiting from the migration to the new M-Pesa platform, which enables us to offer more services seamlessly.

EBIT growth was due to the strong revenue growth, but has been hampered by higher operating expenditure as a result of the foreign exchange movement. We have managed to reduce the impact on EBIT by delivering cost savings through the 'Fit for growth' programme, resulting in lower network costs and revised commission structures.

Our main focus for the year ahead is to reclaim our NPS leadership through network enhancement and to improve customer experience by delivering on our customer CARE initiatives. We will accelerate growth in data by increasing active data customers and increase smartphone penetration by moving subsidies to low-cost smartphones. We will grow the enterprise business through indirect channel acquisition of customers and by providing additional offerings to corporates on the Internet of Things, and we will continue to deliver EBIT growth through our 'Fit for growth' initiatives.

The Regulator intends to launch the spectrum auction during 2017. We await the publication of the resolution with the terms and conditions of the auction. We are also exploring alternatives to obtain additional spectrum.

The Regulator has applied a 50% reduction in mobile termination rates (MTRs) from MT0.86 to MT0.43 per minute from 1 January 2017 until the end of April 2017, and is expected to continue decreasing MTRs.

Lesotho

	Year ended 31 March	
	2017	**2016**
Revenue (LSLm)	**1 116**	1 027
EBIT (LSLm)	**426**	383
Customers[1] (thousand)	**1 468**	1 399
Data customers[2] (thousand)	**549**	532
MOU per month[4]	**82**	75
Total ARPU[5] (LSL per month)	**61**	62
Number of employees	**207**	202
NPS (position relative to competitors)	**1st**	1st
Customer market share #1	**90.9%**	87.7%[¥]

Vodacom Lesotho continued to grow strongly this year. Revenue increased 8.7% and we delivered an even stronger EBIT growth of 11.2%. The main contributor to revenue growth has been the increase in data revenue, which now contributes 24.4% of service revenue. Our bundle strategy helped us achieve a 34.2% decline in the average price per MB while delivering overall data revenue growth of 38.2%. We continue to drive smartphone penetration through the sale of Vodacom-branded devices at affordable price points.

We have seen significant growth in M-Pesa revenue, supported by the number of M-Pesa customers increasing 76.8%. This growth was the result of expanding the M-Pesa ecosystem by increasing 'pay bill' transactions, airtime purchases and bulk payments, such as salary payments, through M-Pesa, and enhancing the stability of the M-Pesa platform.

Our strong EBIT growth has been possible through delivering on our 'Fit for growth' initiatives, mainly by increasing sales (airtime and connections) through direct channels such as M-Pesa and retail stores.

Through our CARE initiatives, we continue to see improvements in call centre and retail KPIs, with service levels consistently reaching above 80%. We ended the year with a low 0.38% dropped-call rate. These initiatives assisted the recovery in NPS with a 5ppt gap to the competitor.

We continued to invest in the network, increasing 3G and 4G sites, as well as our fibre rollout. Significant capital was invested in developing our IT systems to build capabilities to enhance our customer value management propositions.

Looking to the year ahead, data monetisation remains a key priority as we aim to increase smartphone penetration through subsidies directed towards 3G/4G devices.

We are optimistic that our ability to offer contextually relevant offers through our 'Just 4 You' platform launched in November 2016, we will significantly improve customer experiences.

M-Pesa remains a key growth area. We have obtained Central Bank approval to implement a hosted M-Pesa platform with Vodacom South Africa. This will enable a deeper focus on customer value management with new technology and people capabilities built in.

Five-year historic review

31 March	2017	2016	2015	2014	2013	Compound growth %
Summarised income statement (Rm)						
Revenue	**81 278**	80 077	74 500	73 219	68 131	4.5
Operating profit	**21 750**	21 059	19 235	20 394	18 897	3.6
Net finance charges	**(2 522)**	(2 215)	(1 384)	(809)	(687)	38.4
Profit before tax	**19 228**	18 844	17 851	19 585	18 434	1.1
Taxation	**(6 102)**	(5 934)	(5 341)	(5 918)	(5 210)	4.0
Net profit	**13 126**	12 910	12 510	13 667	13 224	(0.2)
Non-controlling interest	**292**	7	162	(424)	(233)	n/a
EBITDA	**31 238**	30 345	26 905	27 314	25 253	5.5
Summarised statement of financial position (Rm)						
Non-current assets	**52 127**	51 085	45 954	37 954	34 434	10.9
Current assets	**29 011**	27 618	25 353	22 787	21 157	8.2
Equity and reserves	**22 996**	23 024	21 643	23 743	21 216	2.0
Non-current liabilities	**31 423**	29 909	23 050	12 010	9 620	34.4
Current liabilities	**26 719**	25 770	26 614	24 988	24 755	1.9
Net debt	**22 484**	21 287	16 760	8 052	8 007	29.4
Capital expenditure	**11 292**	12 875	13 305	10 779	9 456	4.5
Summarised statement of cash flows (Rm)						
Cash generated from operations	**31 791**	29 800	26 198	28 901	25 320	5.9
Tax paid	**(6 051)**	(5 456)	(4 979)	(5 298)	(5 323)	3.3
Net cash flows from operating activities	**25 740**	24 344	21 219	23 603	19 997	6.5
Net cash flows utilised in investing activities	**(12 195)**	(13 680)	(13 131)	(9 375)	(7 154)	14.3
Net cash flows utilised in financing activities	**(11 909)**	(11 644)	(5 043)	(14 719)	(10 096)	4.2
Net increase/(decrease) in cash and cash equivalents	**1 636**	(980)	3 045	(491)	2 747	0.6
Cash and cash equivalents at end of the year	**8 873**	7 751	8 870	5 792	6 188	9.4
Performance per ordinary share (cents)						
Basic earnings per share	**915**	881	864	903	887	0.8
Headline earnings per share	**923**	883	860	896	872	1.4
Diluted headline earnings per share	**894**	860	840	894	870	0.7
Net asset value per share	**1 545**	1 547	1 470	1 612	1 441	1.8
Dividends per share[1]	**830**	795	775	825	785	1.4
Profitability and returns (%)						
EBITDA margin	**38.4**	37.9	36.1	37.3	37.1	
Operating profit margin	**26.8**	26.3	25.8	27.9	27.7	
Effective tax rate	**31.7**	31.5	29.9	30.2	28.3	
Net profit margin	**16.1**	16.1	16.8	18.7	19.4	
Return on equity[2]	**55.7**	55.9	56.2	60.4	66.1	
Return on capital employed[3]	**45.4**	48.2	50.1	62.1	62.8	
Liquidity and debt leverage (times)						
Interest cover[4]	**7.7**	9.6	11.1	19.3	20.4	
Net debt to EBITDA	**0.7**	0.7	0.6	0.3	0.3	
Current ratio[5]	**1.1**	1.1	1.0	0.9	0.9	
Quick ratio[6]	**1.0**	1.0	0.9	0.9	0.8	

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	2017	2016	2015	2014	2013	Compound growth %
South Africa						
Revenue (Rm)	**64 729**	62 279	59 203	59 314	56 821	3.3
EBITDA (Rm)	**26 815**	25 016	22 837	23 087	22 408	4.6
Capital expenditure (Rm)	**8 471**	8 747	8 646	6 858	6 967	5.0
EBITDA margin (%)	**41.4**	40.2	38.6	38.9	39.4	
Capex intensity (%)	**13.1**	14.0	14.6	11.6	12.3	
Customers[1]	**37 131**	34 178	32 115	31 520	29 190	6.2
Number of employees	**5 038**	5 009	5 228	4 829	5 006	0.2
Total ARPU[2] (rand per month)	**111**	112	113	125	128	(3.5)
International						
Revenue (Rm)	**17 350**	18 356	15 747	14 356	11 583	10.6
EBITDA (Rm)	**4 545**	5 385	4 104	4 256	2 739	13.5
Capital expenditure (Rm)	**2 833**	4 090	4 654	3 919	2 864	(1.0)
EBITDA margin (%)	**26.2**	29.3	26.1	29.6	23.6	
Capex intensity (%)	**16.3**	22.3	29.6	27.3	24.7	
Customers[1]	**29 655**	27 127	29 533	25 969	21 327	8.6
Number of employees	**2 351**	2 338	2 372	2 210	2 115	2.7
Total ARPU (rand per month)[2]						
Tanzania	**38**	39	42	45	35	2.1
DRC	**49**	42	32	35	33	10.4
Mozambique	**45**	54	52	58	55	(4.9)
Lesotho	**61**	62	53	46	53	3.6
Total ARPU (local currency per month)[2]						
Tanzania (TZS)	**6 003**	5 972	6 530	7 213	6 516	(2.0)
DRC (US$)	**3.5**	3.0	2.9	3.4	3.8	(2.0)
Mozambique (MZN)	**216**	169	149	172	186	3.8

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 (46)
Appointed CEO in September 2012

- International operational experience.
- Sound financial expertise.
- Commercial strategist.
- Strategy business leadership.
- Strong ICT experience.

S

Till Streichert (43)
Appointed in August 2015

- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

Independent non-executive directors

Mthandazo Peter Moyo[1] (54)
Chairman of the Board
Appointed Chairman in May 2009

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

N S

Thoko Martha Mokgosi-Mwantembe (55)
Appointed in May 2009

- Strategic marketing focus.
- Expertise in innovation.
- ICT sector experience.

N R

Phillip Jabulani Moleketi (59)
Appointed in November 2009

- Corporate leadership.
- Understands public sector relations.
- Corporate and strategic leadership experience.
- Strong financial acumen.
- Government relations experience.

A S

David Hugh Brown (54)
Appointed in January 2012

- Corporate leadership experience.
- Financial expertise.
- Corporate governance expertise.

A R

Bafelelang Priscillah Mabelane (44)
Appointed in December 2014

- Strategic leadership expertise.
- Financial expertise.
- Business leader.

A

Non-executive directors

Ronald Adrianus Wilhelmus Schellekens (52)
Appointed in February 2009

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

N R S

Michael Joseph (71)
Appointed in May 2009

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

John William Lorimer Otty (53)
Appointed in September 2012

- Sound financial governance background.
- Extensive telecoms knowledge.
- Regional insight.

Marten Pieters (63)
Appointed in October 2015

- Extensive sector knowledge.
- Executive leadership background.
- Strategic leadership experience.

Vivek Badrinath[2] (47)
Appointed in December 2016

- Extensive telecommunications and technology knowledge.
- Expertise in Information Systems.
- Emerging market expertise.

N R

A Audit, Risk and Compliance Committee **R** Remuneration Committee **N** Nomination Committee **S** Social and Ethics Committee

1. Mthandazo Peter Moyo resigned effective 18 July 2017.
2. Vivek Badrinath was appointed to the Board in December 2016 replacing Serpil Timuray who resigned in December 2016.

Who leads us

Executive Committee

CEO
Shameel Aziz Joosub (46)
Chief Executive Officer
Joined Vodacom in March 1994.

Finance


Till Streichert (43)
Chief Financial Officer
Joined Vodacom in February 2014/Vodafone in January 2008.

Enterprise


Vuyani Jarana (46)
Chief Officer: Enterprise Business Unit
Joined Vodacom in December 1995.

Technology


Andries Delport (52)
Chief Technology Officer
Joined Vodacom in June 1996.

Consumer


Jorge Mendes (43)
Chief Officer: Consumer Sales and Distribution
Joined Vodacom in May 2000.

Human Resources


Matimba Mbungela (45)
Chief Human Resources Officer
Joined Vodacom in January 2003.

Strategy


Nadya Bhettay[1] (43)
Chief Officer: Strategy and New Business
Joined Vodacom in June 2005.

Legal and Regulatory


Nkateko Nyoka (54)
Chief Officer: Legal and Regulatory
Joined Vodacom in October 2007.

International


Vivek Mathur[2] (53)
Chief Operating Officer: International Business
Joined Vodacom in November 2015/Vodafone in October 2012.

Customer Operations


Gary Hagel (51)
Chief Officer: Commercial Operations
Joined Vodacom in February 2014.

Corporate Affairs

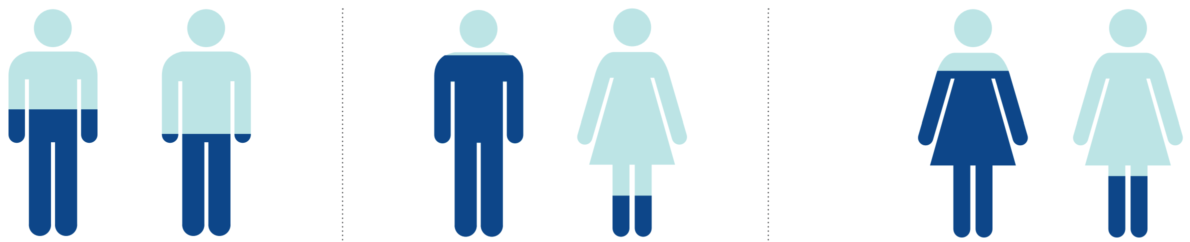

Takalani Netshitenzhe[3] (48)
Chief Officer: Corporate Affairs
Joined Vodacom in September 2016.

Consumer Business Unit


Nyimpini Mabunda[4] (41)
Chief Officer: Consumer Business Unit
Joined Vodacom in September 2016.

1. Nadya Bhettay was appointed Chief Officer: Strategy and New Business in June 2016.
2. Vivek Mathur resigned effective 30 August 2017. Diego Gutierrez will assume the role on 1 August 2017.
3. Takalani Netshitenzhe was appointed Chief Officer: Corporate Affairs in September 2016.
4. Nyimpini Mabunda was appointed Chief Officer: Consumer Business Unit in September 2016.

For detailed biographies of the Board and the Executive Committee go to **www.vodacom.com**



58% Black	**42%** White	**83%** Male	**17%** Female	**73%** South African	**27%** International

Abridged corporate governance statement

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 was released on 1 November 2016. King IV 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 while the effective date for disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, the practices underpinning the principles so espoused in King IV are entrenched in many of the Group's internal controls, policies and procedures governing corporate conduct. From a materiality point of view, the Board is satisfied that in the main, Vodacom has applied the principles set out in King IV, the detail of which is more fully described below:

Corporate governance structure

The following diagram shows the Group's governance structures as at 31 March 2017:

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
- Enterprise
- Consumer
- Commercial Operations
- Corporate Affairs
- Legal and Regulatory
- Human Resources
- Strategy and New Business
- 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 gender diversity policy with targets for race and gender representation in its membership. Vodacom has adopted a formalised policy on the promotion of gender diversity at Board level. The Board is also in the process of establishing a succession plan for its membership which would include the identification, mentorship and development of future candidates. 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 the 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:

- 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.

In March 2017, the Board charter was updated to include elements of King IV.

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. While Peter Moyo was re-elected on the anniversary of his appointment in May 2017, his tenure as director and Chairman of the Company would terminate at the conclusion of the annual general meeting convened for Tuesday 18 July 2017. This follows his recent appointment as CEO of Old Mutual Emerging Markets on 1 June 2017, which was fully disclosed to shareholders in a SENS announcement published on 3 April 2017.

Independent advice

The Board recognises that there may be occasions where directors consider it necessary to take independent professional advice. This is done at the Company's expense according to agreed procedure.

Board meetings

The Board holds a minimum of four meetings, three teleconferences and a strategy session every year. Special Board meetings are convened when necessary. One special Board meeting was convened during the year.

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

Name of director	6 May 2016	13 May 2016 Telecon	20 July 2016	24 Oct 2016 Special	11 Nov 2016 Telecon	8 Dec 2016	31 Jan 2017 Telecon	30 Mar 2017
MP Moyo	✓	✓	✓	✓	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	X•	✓	✓	✓	✓
V Badrinath[1]	–	–	–	–	–	✓	✓	✓
DH Brown	✓	✓	✓	✓	✓	✓	✓	X†
M Joseph	✓	✓	✓	✓	✓	✓	✓	✓
BP Mabelane	✓	✓	✓	✓	✓	✓	✓	✓
TM Mokgosi-Mwantembe	✓	✓	✓	✓	✓	✓	✓	✓
PJ Moleketi	✓	✓	✓	✓	✓	✓	X	✓
JWL Otty	✓	✓	✓	✓	✓	✓	✓	✓
M Pieters	✓	✓	✓	✓	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓	✓	✓	✓	✓
T Streichert	✓	✓	✓	✓	✓	✓	✓	✓
S Timuray[2]	✓	✓	✓	✓	✓	✓	–	–

Notes:
1. V Badrinath appointed 8 December 2016.
2. S Timuray resigned 8 December 2016.
• Mr Aziz Joosub was intentionally recused from this meeting.
† Mr Brown was absent due to illness.

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 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: Enterprise Business Unit.

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, PJ Moleketi.

Further details of the activities of the Audit, Risk and Compliance Committee can be found in its standalone report in the consolidated annual financial statements.
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 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 meeting 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 four times with attendance as follows:

Name of director	6 May 2016	20 Jul 2016	4 Nov 2016	30 Mar 2017
TM Mokgosi-Mwantembe	✓	✓	✓	✓
V Badrinath[1]	–	–	–	✓
DH Brown	✓	✓	✓	X†
RAW Schellekens	✓	✓	✓	✓
S Timuray[2]	✓	✓	✓	–

Notes:
1. V Badrinath appointed 8 December 2016.
2. S Timuray resigned 8 December 2016.
† Mr Brown was absent due to illness.

More detail on the activities of the Remuneration Committee can be found in the **remuneration report**

Nomination Committee

Current members: MP Moyo (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. Peter Moyo, the Chairman of the committee, and Thoko Mokgosi-Mwantembe are independent non-executive directors. The Board is satisfied that Vodafone's representation on this committee is appropriate given the valuable contribution of the Vodafone directors. 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	6 May 2016	20 Jul 2016	26 Oct 2016	30 Mar 2017
MP Moyo	✓	✓	✓	✓
V Badrinath[1]	–	–	–	✓
TM Mokgosi-Mwantembe	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓
S Timuray[2]	✓	✓	✓	–

Notes:
1. V Badrinath appointed 8 December 2016.
2. S Timuray resigned 8 December 2016.

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 Chief Officer: Corporate Affairs, Chief Officer: Strategy and New Business and Chief Officer: Consumer Sales and Distribution;
- Board evaluation more fully reported below;
- Evaluating a list of candidates for the roles of independent directors for Vodacom Tanzania;
- Discussion around the appointment of a lead independent director (per King IV); and
- Updating the committee charter to accommodate King IV.

Social and Ethics Committee

Current members: PJ Moleketi (Chairman), MP Moyo, 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 South African 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	4 May 2016	12 Jul 2016	9 Nov 2016	27 Mar 2017
PJ Moleketi	✓	✓	✓	✓
MP Moyo	✓	✓	✓	✓
RAW Schellekens	✓	✓	✓	✓
MS Aziz Joosub	✓	✓	✓	✓

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;
- Driving BBBEE in Vodacom South Africa;
- Maintaining good relations with customers;
- Maintaining good relations with employees and achieving employment equity;
- Promoting and protecting the environment, health and safety; preventing and combating bribery and corruption;
- Promoting the Code of Conduct and driving ethical behaviours;
- 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.

More detail on the activities of the Social and Ethics Committee can be found in the Sustainability report. **www.vodacom.com**

Board evaluation

A comprehensive Board evaluation was conducted during the year, facilitated by an external service provider. Overall consensus was that the Board is working well, has a good mix of directors and that there is a high commitment to work in the best interest of Vodacom. Other conclusions included that the Board:

- Has implemented mechanisms to identify areas of potential problematic performance before a crisis occurs;
- Can handle and navigate the most difficult discussions effectively and take decisions on difficult issues;
- Has improved its ability to formulate strategy;
- All committees appear to be working well and are effective; and
- Should be more proactive regarding succession planning of the Chairman of the Board, independent directors and the chairman of the Audit, Risk and Compliance Committee. This is currently being addressed by the Nomination Committee.

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. The initiatives and activities for the year are more fully reported in the Social and Ethics Committee report.

More detail on the activities of the Social and Ethics Committee can be found in the Sustainability report. **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.

The key risks that are currently being managed by the Group are detailed in the Risk management report.
www.vodacom.com

Internal control

Management implements internal controls, which comprise policies, procedures and processes, 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.

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 (PoPI) Act. 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:

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

Abridged remuneration report

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

It is noted that while elements of King IV have been included in this report, further disclosures will evolve when either practice notes on King IV or revised JSE Listings Requirements get published in the year ahead.

The detailed remuneration report, including the full disclosures will be published in a separate remuneration report online at www.vodacom.com

The Group's Remuneration Committee (RemCo) determines the policy for remunerating executives and the Board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting (AGM).

The report is divided into three sections:

Section

01 Background statement with feedback from the Chairman of the Remuneration Committee

Chairman

Thoko Martha Mokgosi-Mwantembe:

Independent non-executive director

Letter from the Chairman of the Remuneration Committee:

Dear shareholders

As members of the RemCo of the Group, 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 in order to maximise shareholder value while also complying with legislation and the requirements of King IV.

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

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

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

For the 2018 reporting period, the RemCo approved the following 2 policy changes:

- One element of the financial targets in the short-term incentive (STIP) scheme where EBITDA was changed to EBIT as a measure. This is to ensure greater focus on capital discipline; and
- Increased the weighting of direct telecommunications sector competitors to approximately 25% within the TSR peergroup 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.

Decisions

The key decisions we took this year were to:

- Approve increases and adjustments for executives and senior management, as well as all other employees;
- Review the configuration of both STIP and LTIP schemes and make changes where appropriate;
- Approve short-term incentives for executives and senior management, as well as all other 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 2017; and
- Review developments in local and global best practice.

The Remuneration Committee contracted the services of Vasdex Associates (Pty) Ltd for independent external advice.

We received the support of 99.2% of shareholders who voted in favour of the remuneration philosophy and policies tabled at the 2016 AGM.

Executive changes

Nyimpini Mabunda has been appointed as Chief Officer for the Consumer Business Unit effective 1 September 2016.

Closure

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

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

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

Role of the Remuneration Committee

Our Board is responsible for the Group's remuneration policy assisted by the Remuneration Committee.
The Chief Executive Officer, Chief Human Resources Officer and any other executives invited for specific discussion topics attend the meetings by invitation, but recuse themselves before any decisions are made. The Remuneration Committee operates according to a charter approved by the Board and this charter is reviewed regularly.

The Remuneration Committee's role and responsibilities are summarised below:

- Determine, agree and develop the Group's remuneration policy;
- Determine and agree the remuneration packages for the Chief Executive Officer, Chief Financial Officer and all other members of the senior leadership team;
- Ensure competitive reward to facilitate the recruitment, motivation and retention of high-performance employees at all levels in support of corporate objectives and to safeguard stakeholder interests;
- Determine and recommend to the Board the level of fees for non-executive directors;
- Review and recommend to the Board the relevant performance measures for executives;
- Consider other special benefits or arrangements of a substantive financial nature;
- Review promotions, transfers and termination of employment policies; and
- Ensure compliance with applicable laws and codes.

The Remuneration Committee Chairman reports to the Board after each RemCo meeting and attends the AGM to answer questions from shareholders on RemCo's areas of responsibility.

Section

02 Our remuneration philosophy, policy and framework

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

- Guaranteed package (GP)
- Variable short-term incentive (STIP)
- Variable long-term incentive (LTIP)
- Various recognition programmes
- Individual learning and development opportunities
- Stimulating work environment
- 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, including executive directors and prescribed officers, receive a guaranteed package based on their role in the company and also 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 Dialogue (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.

To ensure that our reward offerings remain competitive, we conduct our annual salary review in July of each year.
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 PD processes. The outcome of these also influences the awarding of short- and long-term incentives in the future.

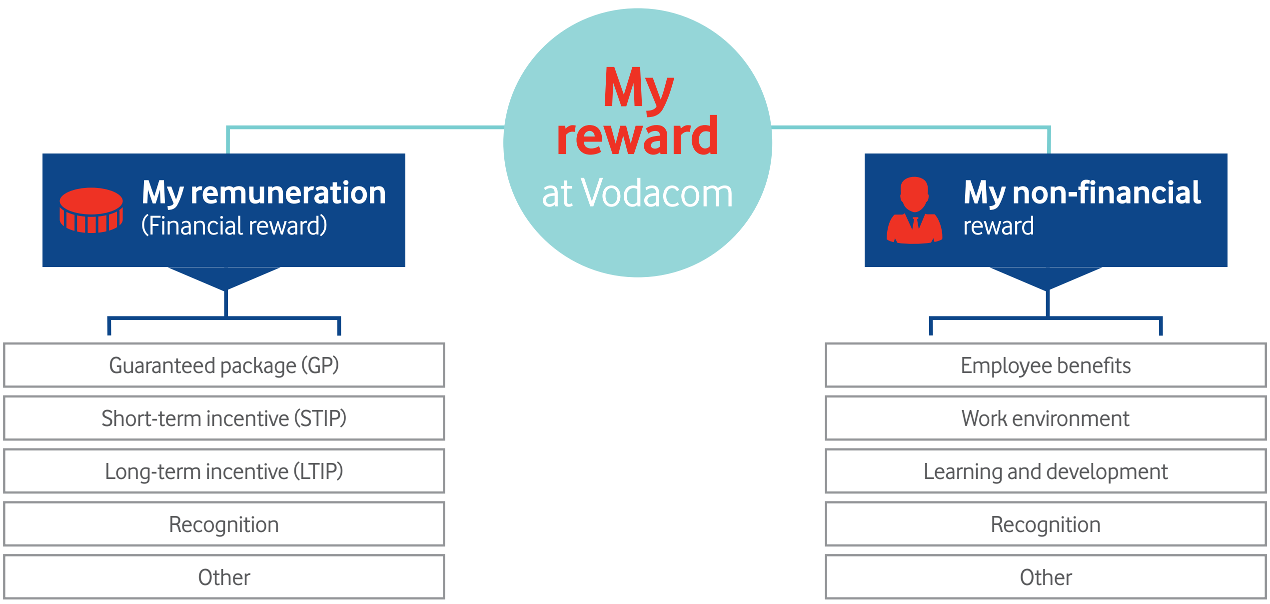
Our short-term incentive, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives and the employee performance against their objectives set by line management. The pool available for short-term incentives is determined by financial performance of the 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, STI and LTI, as each of these elements is linked to creating shareholder value and the strategic progress made in the year.

Vodacom reward framework:

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



Summary of our remuneration structure

	Purpose and link to strategy	Operation
Guaranteed package (GP)	• To attract and retain the best talent.	▸ GPs are reviewed annually in July and delivered in 12 payments. ▸ Reflects the individuals' competence and skills and the scope and nature of the role. ▸ Internal and external equity. ▸ Provides competitive pay and rewards performance.
Short-term incentive (STIP)	• To drive a high-performance culture. • Motivates and rewards achievement of business and individual performance. • Keeps employees focused on the defined business imperatives. • The financial measures are designed to drive our growth strategies while also focusing on improving operating efficiencies.	▸ Variable – usually paid in cash in June each year for performance over the prior financial year. ▸ Directly linked to business, strategic and individual performance. ▸ Reviewed annually to ensure measures and weightings drive the desired behaviours and support the business strategy.
Long-term incentive (LTIP)	• Drives sustainable longer term performance. • Retention of key skills by linking performance to long-term value creation. • Encourages loyalty and ownership, by aligning the interests of executives to those of the Group and its shareholders. • Wealth creation.	▸ Variable in the form of Vodacom and/or Vodafone shares, which vest over a three-year period. ▸ Dividends which are received bi-annually. ▸ Reviewed annually to ensure measures and weighting drive the right behaviours and support the business strategy.
Retirement funding	• To provide financial security when an employee retires.	▸ All contributions are included in the GP. ▸ Both pension and provident funds are defined contribution funds. ▸ Flexible contribution rates.
Flexible benefit programmes	• Our flexible benefit programmes offer employees a variety of choice to meet personal needs and positions us as an employer of choice. • Integrated approach to drive employee engagement.	▸ Costs included in GP. ▸ Managing the total cost of employment. ▸ Provide quality health and wellness benefits. ▸ Financial protection in the event of illness, disability or death. ▸ Addressing diverse employee needs across differing cultures and age groups.
Recognition programmes	• Programmes designed as a platform for employee recognition.	▸ Formal recognition programmes that recognises employees for living the Vodacom Way and delivering a great customer experience.
Other programmes	• Position Vodacom as an employer of choice.	▸ Access to lifestyle benefits such as staff discounts, preferential insurance rates, etc. ▸ Cell phone benefits. ▸ Maternity and paternity leave benefits. ▸ Annual executive health checks.

Guaranteed package

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 impact on the net remuneration of the employee.

As a standard, we offer the following benefits to all our employees, including our executive directors and prescribed officers:

Retirement funding

All permanent employees have to join the Vodacom Group Pension Fund, a defined contribution pension scheme. Executives also participate in the Vodacom Group Executive Provident Fund, which is also a defined contribution scheme. Employees have the option to choose their level of contribution to the pension fund. They also have the option to choose where they would like their money to be invested based on their own individual risk profile.

Normal retirement age is 60 for executive directors and other executives. For all other employees it is 65.

Insured benefits

In the unfortunate event of an employee's death, a lump sum amount of three times annual pensionable salary (core cover) is paid to the beneficiaries. If the employee had a qualifying spouse and/or qualifying children upon death, a spouse's pension of 40% of monthly pensionable salary and a child's pension of 10% of monthly pensionable salary becomes payable. The scheme also covers the cost of children's education fees.

All employees have the option to select additional death cover of up to seven times their annual pensionable salary, inclusive of the compulsory core cover of three times annual pensionable salary. These additional contributions are calculated at a percentage of pensionable salary.

Disability

In the event of employees becoming unable to perform their duties as a result of disability, they will receive a monthly income of 75% of their monthly pensionable remuneration. The disability premiums are also funded from the GP. This benefit is payable until the employee recovers sufficiently to return to work, or if not, up to normal retirement age, whereafter the employee will retire normally. During the period of disability, payment to the retirement fund and to Group life insurance continues.

Medical aid

Employees can choose to participate in any nominated medical aid scheme. The schemes available at Vodacom were chosen for cost effectiveness and to address the needs of the diverse Vodacom workforce. On an annual basis we review the medical aid schemes to assess their appropriateness for our employees. As part of the medical aid benefit offering, we have a full-time Alexander Forbes consultant on site to assist with any medical aid-related queries.

We do not offer post-retirement medical benefits and have no such liabilities.

Short-term incentive

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

Where annual targets are achieved in full, 100% of the on-target bonus will be paid. In instances where target goals are exceeded, the bonus is capped at a percentage of the guaranteed package. Where the bonus targets are not achieved in full, a pro rata bonus is paid only if the threshold performance level has been achieved.

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

The financial multiplier ranges from 0% – 200% and the personal multiplier from 0% – 150%. The personal performance multipliers are based on the performance of executives relative to their objectives.

The CEO does not have a personal performance multiplier and as such his STI is based on business performance only.

The on-target and STI cap percentages are set out below:

Role	On-target % of GP	Maximum % of GP
CEO	100%	200%
Executive director	60%	180%
Prescribed officers	60%	180%

The metrics and weightings used in the business performance scorecard remained unchanged from FY2016. The targets comprise three financial measures, which focus on the core operations of our business and one strategic measure, being customer appreciation.

Measure	Weighting
Service revenue	20%
EBITDA	20%
Operating free cash flow	20%
Customer appreciation	40%

These weightings align short-term incentives to our strategic focus on service revenue growth and market performance.

Long-term incentives

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

The current policy for annual LTI awards split the total award into the following elements at the time of the awards:

- 33% awarded as Vodacom retention FSP shares;
- 33% awarded as Vodacom performance FSP shares; and
- 33% awarded as Vodafone performance shares.

For the CEO, executive director and prescribed officers, the standard on-target value of FSP awards (as a percentage of GP at target level) is shown below. As with the STI scheme, the CEO does not have an individual multiplier, but for executive directors and prescribed officers the standard awards may be multiplied by 0% – 200% to set an annual award, based on the performance and potential of the individual.

Role	On-target value % 2017	On target value % 2016
CEO	90%	90%
Executive director	70%	70%
Prescribed officers	50% or 70%	50% or 70%

In addition to the annual award, the CEO is entitled to participate in a Vodafone matching arrangement provided that he meets an annual co-investment requirement, which are all 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, provided that 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.

Forfeitable Share Plan (FSP)

The FSP was introduced in 2009 as our main long-term incentive plan. Although it is focused on executives, other employees may be selected to participate. Non-executive directors are not eligible for the FSP.

The purpose of the FSP is to give executives the opportunity to own shares in Vodacom through annual grants of forfeitable share awards. This means they receive shares (with dividend and voting rights) on the date of award, subject to restrictions and the risk of forfeiture during a three-year vesting period. A portion of the award depends on meeting targets. If the targets are not met, the appropriate portion is forfeited.

Performance targets set for the vesting of FSP awards:

2014 – 2017

- Cumulative operating free cash flow (70%)
- Total shareholder return (30%)

2015 – 2018

- Cumulative operating free cash flow (70%)
- Total shareholder return (30%)

2016 – 2019

- Cumulative operating free cash flow (70%)
- Total shareholder return (30%)

2017 – 2020

- Cumulative operating free cash flow (70%)
- Total shareholder return (30%)

There is some overlap between financial targets for the short-term and long-term incentives. Both include operating free cash flow, which is critical to our business in the short- and long-term.

Total shareholder return refers to Vodacom Group Limited's total shareholder return relative to a peer group from the constituents of the South African INDI 25 Index on the grant date.

Shareholding guidelines

The Board wishes to encourage individual shareholding in the company by executives, as a tangible demonstration of their commitment to the company and to align with shareholder interests. As a result, we implemented a shareholding guidelines policy for our executives, which requires them to build up minimum levels of personal shareholding in the Group.

Executives are required to hold between 0.5 times and 1 times their GP as a minimum shareholding.

The CEO is required to make substantial investments in company shares to qualify for his co-investment share awards, as described previously, and as a result does not participate in the shareholding guidelines policy.

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 time period over which the executives are permitted to build up this shareholding is based on the vesting of three cycles of the annual awards under the FSP plan.

The YeboYethu Employee Participation Trust (the trust)

In July 2008, YeboYethu acquired 3.44% of Vodacom South Africa in our R7.5 billion BBBEE transaction. All permanent South African employees were able to participate in the trust. 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 date of inception. The allocation is weighted 70/30 in favour of black employees. The trust's seven-year maturity period ended in August 2015.

The initial seven-year maturity period was extended in March 2016 after taking notional vendor financing into account and will be converted into YeboYethu shares in March 2019.

Following this date, we will aim to facilitate the sale of these shares to qualifying members of the South African public through the online YeboYethu Limited trading platform, which was launched for black South Africans in February 2014.

Executive contracts and policies

Executives have contracts of permanent employment with six-month notice periods. The CEO's notice period is 12 months.

Section

03 Implementation report

The implementation report details the outcomes of implementing the approved policy detailed in Section 2 of this report.

2017 STIP

The table below shows the extent to which the Group targets were met for the year ended 31 March 2017.

Measure	Weight	Threshold	100% Target	Maximum
Service revenue	20%			
EBITDA	20%			
Operating free cash flow	20%			
Customer appreciation	40%			

Overall achievement against the performance measures for this year was 108.6% for the Group on the short-term incentive plan.

Service revenue in specific was impacted by customer disconnections in compliance with customer registration requirements in Tanzania, the DRC and Mozambique.

The comparable result for the period that ended 31 March 2016 was 174.6%.

2014 LTI (Vesting in 2017)

Achievement of targets for the June 2017 vesting

Description	Vesting % Weight	20% Threshold	50% Target	100% Maximum
Operating free cash flow	70%			
TSR	30%			

Overall achievement against the performance measures on the 2014 issue of the long-term incentive scheme was 106.2% of target.

Non-executive directors

Our business benefits from active non-executive directors who do a lot more than attend meetings. Non-executive directors, therefore, get a yearly fee for their services on the Board and other committees rather than a fee for meetings attended. They also do not receive short- or long-term incentives.

Our memorandum of incorporation states that shareholders must approve these fees at the AGM. The current fee level was approved on 19 July 2016 at the AGM and was implemented on 1 August 2016.

Shareholding

Details of the beneficial interests of directors and prescribed officers in Vodacom's ordinary shares (excluding interests in the long-term incentive plans) are set out in the directors' report online at **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 at **www.vodacom.com**. All awards granted under the FSP are settled through the shares purchased in the market and not by newly issued shares.

Remuneration tables[1]

R	GP	Other[2]	Short-term incentive[3]	Total
Executive directors				
2017				
MS Aziz Joosub	**10 000 000**	**498 667**	**10 860 000**	**21 358 667**
T Streichert (GBP)	**333 949**	**67 309**	**199 390**	**600 648**
T Streichert (ZAR)	**–**	**1 611 892**	**–**	**1 611 892**
2016				
MS Aziz Joosub	7 825 000	3 600	13 968 000	21 796 600
T Streichert (GBP)	210 334	41 998	188 743	441 075
T Streichert (ZAR)	–	1 094 673	–	1 094 673
Prescribed officers				
2017				
V Jarana	**4 500 000**	**4 800**	**3 592 485**	**8 097 285**
N Mabunda[4]	**2 216 667**	**2 192 400**	**1 538 810**	**5 947 877**
V Mathur (INR)	**25 973 419**	**5 979 242**	**8 971 408**	**40 924 069**
V Mathur (ZAR)	**–**	**1 854 366**	**–**	**1 854 366**
2016				
V Jarana	3 912 500	6 180	5 031 480	8 950 160
V Mathur (INR)	8 854 981	2 176 076	5 008 369	16 039 426
V Mathur (ZAR)	–	1 829 005	–	1 829 005

Notes:
1. This table excludes the settlement of long-term incentives and accruals.
2. This includes the Vodacom mobile phone benefit, sign-on bonus, settling-in allowance and Vodafone dividend equivalent cash bonus. For assignees this amount includes the gross value of assignment allowances and education benefits for children.
3. These amounts relate to the bonus payable in June 2017, for the year ended 31 March 2017.
4. Appointed in September 2016.

Long-term incentives and benefits

Year awarded	Number allocated	Number settled in current year	Number forfeited in current year	Closing number	Settled price	Settlement date	Settlement value	Current unit value[1]	Estimated value	Currency
MS Aziz Joosub										
Conditional benefit – restricted shares										
2014	208 610	–	–	208 610	–	–	–	152.00	31 708 720	ZAR
FSP – with company performance conditions										
2014	140 410	63 325	77 085	–	162.75	June 2016	10 306 144	–	–	ZAR
2015	95 482	–	–	95 482	–		–	76.00	7 256 632	ZAR
2016	98 133	–	–	98 133	–		–	76.00	7 458 108	ZAR
2017	**108 099**	–	–	**108 099**	–		–	**76.00**	**8 215 524**	**ZAR**
Vodacom co-investment										
In terms of the CEO co-investment requirement, the CEO made the following investments in Vodacom shares:										
2015	26 864									
2016	28 608									
2017	**29 499**									
Vodacom matching award										
Matching award – with company performance conditions										
2014	52 772	23 800	28 972	–	144.09	November 2016	3 429 342	–	–	ZAR
2015	53 088	–	–	53 088	–		–	76.00	4 034 688	ZAR
2016	70 475	–	–	70 475	–		–	76.00	5 356 100	ZAR
2017	–[2]									
Vodafone co-investment										
In terms of the CEO co-investment requirement, the CEO made the following investments in Vodafone shares:										
2014	94 657									
2015	95 863									
2016	84 360									
2017	**100 670**									
Vodafone matching award										
Vodafone made a matching award of performance shares to the equivalent value. The Vodafone matching award will vest based on actual target achieved. For the 2014 range the target is 0% – 300%; 2015: 0% – 250%, 2016: 0% – 250%; 2017: 0% – 250%. The actual amount vested will be disclosed at the time of vesting.										
Vodafone matching										
2014	–	72 319	–	–	2.19	June 2016	158 379	–	–	GBP
YeboYethu units										
2008	2 628 498	–	–	2 628 498	–		–	0.26	683 409	ZAR
2016	876 862	–	–	876 862	–		–	0.26	227 984	ZAR

Notes:
1. For FSP and Vodafone shares with performance conditions, a vesting percentage of 50% is applied.
2. The CEO matching award for 2017 was not allocated as Vodacom was restricted from purchasing shares.

Executives received dividend payments on the FSP shares held from the award date.

Year awarded	Number allocated	Number settled in current year	Number forfeited in current year	Closing number	Settled price	Settle-ment date	Settle-ment value	Current unit value[1]	Estimated value	Cur-rency
V Jarana										
Conditional benefit									**8 604 465**	ZAR
Conditional benefit – restricted shares										
2014	26 208	–	–	26 208	–		–	152.00	3 983 616	ZAR
FSP – no company performance conditions										
2014	6 534	6 534	–	–	162.75	June 2016	1 063 409	–	–	
2015	3 789	–	–	3 789	–		–	152.00	575 928	ZAR
2016	5 699	–	–	5 699	–		–	152.00	866 248	ZAR
2017	**7 567**	–	–	**7 567**	–		–	**152.00**	**1 150 184**	**ZAR**
FSP – with company performance conditions										
2014	18 736	8 450	10 286	–	162.75	June 2016	1 375 238	–	–	ZAR
2015	7 577	–	–	7 577	–		–	76.00	575 852	ZAR
2016	11 398	–	–	11 398	–		–	76.00	866 248	ZAR
2017	**15 134**	–	–	**15 134**	–		–	**76.00**	**1 150 184**	**ZAR**
Vodafone shares – no performance conditions										
2014	11 133	11 133	–	–	2.19	June 2016	24 381	–	–	GBP
Vodafone shares – with performance conditions										
2014	22 266	7 414	14 852	–	2.19	June 2016	16 237	–	–	GBP
2015	29 016	–	–	29 016	–		–	1.14	33 078	GBP
2016	25 630	–	–	25 630	–		–	1.14	29 218	GBP
2017	**55 442**	–	–	**55 442**	–		–	**1.14**	**63 204**	**GBP**
YeboYethu units										
2008	1 567 336	–	–	1 567 336	–		–	0.26	407 507	ZAR
2016	522 860	–	–	522 860	–		–	0.26	135 944	ZAR

Notes:
1. For FSP and Vodafone shares with performance conditions, a vesting percentage of 50% is applied.
Executives received dividend payments on the FSP shares held from the award date.

Year awarded	Number allocated	Number settled in current year	Number forfeited in current year	Closing number	Settled price	Settle-ment date	Settle-ment value	Current unit value[1]	Estimated value	Cur-rency
T Streichert										
Vodafone shares – no performance conditions										
2014	25 492	25 492	–	–	2.12	June 2016	54 043	–	–	GBP
2015	17 871	–	–	17 871	–		–	2.28	40 746	GBP
2016	17 392	–	–	17 392	–		–	2.28	39 654	GBP
2017	**42 999**	–	–	**42 999**	–		–	**2.28**	**98 038**	**GBP**
Vodafone shares – with performance conditions										
2014	50 985	16 978	34 007	–	2.12	June 2016	35 993	–	–	GBP
2015	71 478	–	–	71 478	–		–	1.14	81 485	GBP
2016	69 562	–	–	69 562	–		–	1.14	79 301	GBP
2017	**171 992**	–	–	**171 992**	–		–	**1.14**	**196 071**	**GBP**
V Mathur										
Vodafone shares – no performance conditions										
2014	36 839	36 839	–	–	2.12	June 2016	78 099	–	–	GBP
2015	24 566	–	–	24 566	–		–	2.28	56 010	GBP
2016	21 471	–	–	21 471	–		–	2.28	48 954	GBP
2017	**12 999**	–	–	**12 999**	–		–	**2.28**	**29 638**	**GBP**
Vodafone shares – with performance conditions										
2014	73 679	24 535	49 144	–	2.12	June 2016	52 014	–	–	GBP
2015	98 258	–	–	98 258	–		–	1.14	112 014	GBP
2016	85 874	–	–	85 874	–		–	1.14	97 896	GBP
2017	**51 992**	–	–	**51 992**	–		–	**1.14**	**59 271**	**GBP**
N Mabunda										
Vodafone shares – no performance conditions										
2017	**54 374**	–	–	**54 374**	–		–	**2.28**	**123 973**	**GBP**

Notes:

1. For FSP and Vodafone shares with performance conditions, a vesting percentage of 50% is applied.

Executives received dividend payments on the FSP shares held from the award date.

Independent assurance report

Independent assurance provider's limited assurance report on selected key performance indicators

To the Directors of Vodacom Group Limited

We have undertaken a limited assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the 2017 Integrated report of Vodacom Group Limited (Vodacom) for the year ended 31 March 2017 (the Report). This engagement was conducted by a multidisciplinary team including social and assurance specialists with relevant experience in sustainability reporting.

Subject Matter

We are required to provide limited assurance on the following selected KPIs marked with a '^' on the relevant pages in the Report. The selected KPIs described below have been prepared in accordance with Vodacom's specified criteria for each KPI (Reporting Criteria), primarily Vodacom's internally developed definitions (Vodacom Internal Criteria), which can be accessed via the link www.vodacom.com.

Table 1: Scope of the 2017 limited assurance engagement

Category	Selected KPIs (unit of measure)	Scope of coverage	Reporting criteria
Customer	Net promoter score (%)	Vodacom South Africa	Vodacom internal criteria
	Service revenue market share (%)	Vodacom South Africa	Vodacom internal criteria
	Brand leadership: user consideration (%)	Vodacom South Africa	Vodacom internal criteria
	Brand leadership: non-user consideration (%)	Vodacom South Africa	Vodacom internal criteria
Growth	Data revenue contribution of Group service revenue (%)	Vodacom Group	Vodacom internal criteria
	New service revenue contribution of Group service revenue (%)	Vodacom Group	Vodacom internal criteria
	Enterprise revenue contribution of Group service revenue (%)	Vodacom Group	Vodacom internal criteria
	Non-South African entities revenue contribution of Group service revenue (%)	Vodacom Group	Vodacom internal criteria
	Number of fixed-line connections	Vodacom South Africa	Vodacom internal criteria
Operations	Cost growth vs service revenue growth (ppts)	Vodacom Group	Vodacom internal criteria
People	Engagement score (score out of 100)	Vodacom Group	Vodacom internal criteria
Reputation	Reputation survey (score)	Vodacom South Africa	Vodacom internal criteria

Directors' Responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with the Reporting Criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation and presentation of the selected KPIs in the Report that are free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services Proprietary Limited applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of Vodacom's use of its Reporting Criteria as the basis of preparation for the selected KPIs, assessing the areas of material misstatement of the selected KPIs whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Conducted interviews with relevant key personnel and data owners to understand data collection and report preparation processes, as well as the associated key controls;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected KPIs;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the Reporting Criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected KPIs; and
- Evaluated whether the selected KPIs presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Vodacom.

The procedures performed in a limited assurance engagement vary in nature and form, and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Vodacom's KPIs have been prepared, in all material respects, in accordance with Vodacom's Reporting Criteria.

Limited Assurance Conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the selected KPIs presented as set out in the Subject Matter paragraph for the year ended 31 March 2017 are not prepared, in all material respects, in accordance with Vodacom's Reporting Criteria.

Other Matters

The maintenance and integrity of Vodacom's website is the responsibility of Vodacom management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent limited assurance report that may have occurred since the initial date of its presentation on Vodacom's website.

Restriction of Liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected KPIs to the Directors of Vodacom in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Vodacom, for our work, for this report, or for the conclusion we have reached.

KPMG Services Proprietary Limited
Per Shireen Naidoo
Director
KPMG Crescent, 85 Empire Road, Parktown,
Johannesburg 2193
2 June 2017

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.
32 Ida Street
Menlo Park
Pretoria 0081, South Africa
(PO Box 35296, Menlo Park 0102, 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 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

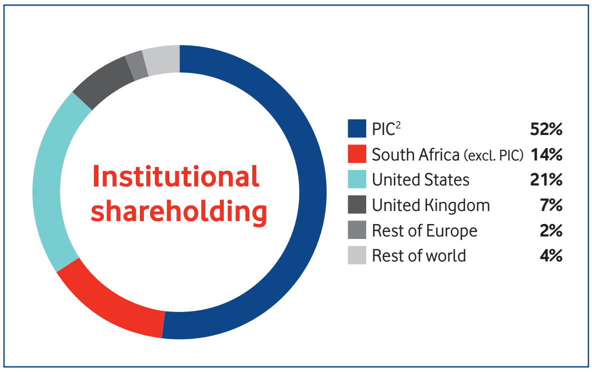
Telephone: +27 11 653 5000
Email: mediarelations@vodacom.co.za
Website: **www.vodacom.com**

Share information

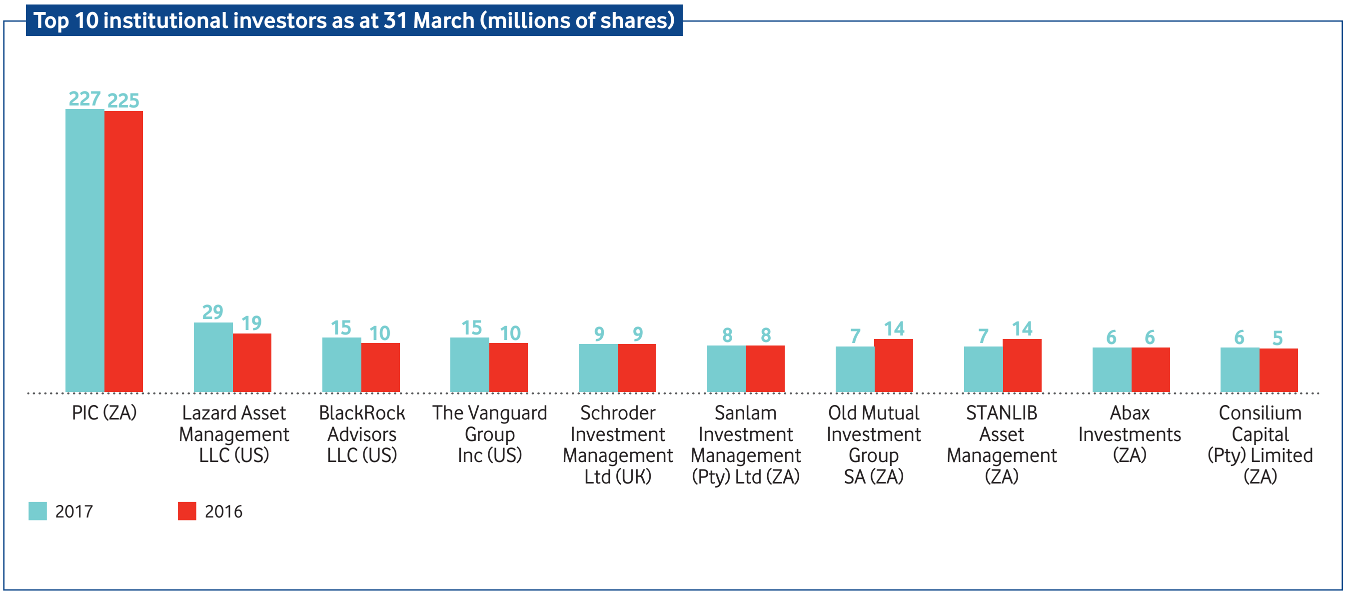
Total shareholding:

	March 2017	
	# of shares	% holding
Vodafone Investments SA (Pty) Limited	967 170 100	65.0%
Government Employees Pension Fund	191 677 524	12.9%
Wheatfield Investments 276 (Pty) Limited	15 421 231	1.0%
Institutional investors	245 723 501	16.5%
Retail positions	26 113 504	1.8%
Other[1]	41 848 140	2.8%
	1 487 954 000	100.0%

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



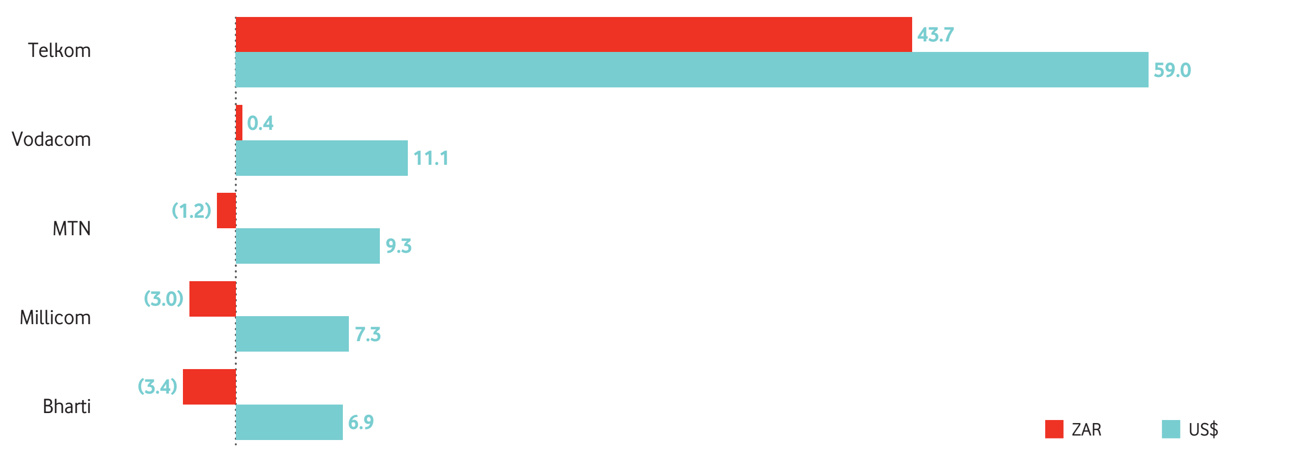
2. Includes shares out on loan.



Ticker symbol	VOD
ADR code	VDMCY
Stock exchange	JSE Limited
Shares in issue	1 487 954 000
Free float	35%
Transfer agent	Computershare

Shareholder return for the year ended 31 March 2017

Comparative shareholder return (%)



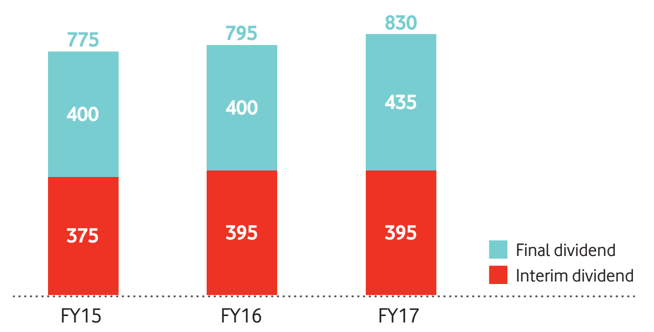
Vodacom share price closed at

R152.00

on 31 March 2017 with a closing high of R171.10 and a closing low of R140.00 during the period.

Source: Factset

Dividend per share (cents per share)



2017 Investor relations calendar

Tuesday 18 July 2017	Vodacom Group AGM
Thursday 20 July 2017	Q1 results for the quarter ended 30 June 2017
Monday 13 November 2017	Interim results for the six months ended 30 September 2017

Disclaimer

Non-IFRS information

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

Normalised growth

All amounts in this report marked with an '*' represent normalised growth adjusted for trading foreign exchange gains/losses and at a constant currency (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, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom M-Pesa, Vodacom Millionaires, 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 2017 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 law 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 adjusted for trading foreign exchange gains/losses and at a constant currency (using current year as base) (collectively 'foreign exchange').
#	Information pertaining to South Africa only.
^	These items were the subject of the limited assurance engagement performed by KPMG.
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.

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.

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.

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-second annual general meeting of the Company will be held on Tuesday 18 July 2017, Vodacom World, 082 Vodacom Boulevard, Midrand, Johannesburg, South Africa at 10:00 to conduct the following business:

1. Adoption of audited consolidated annual financial statements

To receive and consider the audited consolidated annual financial statements for the year ended 31 March 2017.

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 2017, be and are hereby received and adopted."

Copies of the full audited consolidated annual financial statements for the year ended 31 March 2017 are obtainable from the Company's website **www.vodacom.com**.

2. Election of directors

To elect by way of separate resolutions:

2.1 Mr V Badrinath 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 V Badrinath be and is hereby elected as a director of the Company."

2.2 Ms TM Mokgosi-Mwantembe and Messrs MP Moyo and RAW Schellekens 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 Mokgosi-Mwantembe and Mr Schellekens are eligible for re-election as directors. Mr Moyo has indicated that he is not available for re-election and, therefore, will retire as Chairman and director of the Company at the conclusion of this annual general meeting.

Ordinary resolution number 3

"RESOLVED THAT Ms TM Mokgosi-Mwantembe be and is hereby re-elected as a director of the Company."

Ordinary resolution number 4

"RESOLVED THAT Mr RAW Schellekens 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:

Vivek Badrinath (47)

Non-executive director

Member of the Remuneration Committee and the Nomination Committee

Engineering degrees from Ecole Polytechnique and Telecom ParisTech (France), Degree in Statistics

Vivek Badrinath joined Vodafone and the Executive Committee as CEO of AMAP in October 2016. He is responsible for Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya, Qatar, New Zealand and Turkey. Prior to that, he was the Deputy Chief Executive at the international hospitality group AccorHotels where he was responsible for marketing, digital solutions, distribution and information systems. He was previously Deputy Chief Executive with Orange and has a long career in telecommunications and technology. Prior roles include Executive Director responsible for Orange's Business Services division, leadership of Orange's Global Networks and Operators division and Chief Technology Officer for Orange's mobile activities. Vivek was appointed to the Vodacom Group Board in December 2016.

Thoko Mokgosi-Mwantembe (55)

Independent non-executive director of Vodacom Group

Chairman of the Remuneration Committee and member of the Nomination Committee

Diploma in Teaching (Swaziland), BSc (Swaziland), MSc (Loughborough), SEP (Harvard USA), MCRP (IMD Switzerland)

Thoko is CEO of Kutana Investment Group and a director of companies such as at Knorr Bremse SA (Pty) Limited, Absa Bank, and Aveng Group. Thoko has held a number of senior executive positions at Telkom, was Marketing Director at Lucent Technologies, a Divisional Managing Director of Siemens Telecommunications, the CEO of Alcatel SA and, until November 2008, CEO of Hewlett Packard South Africa. Thoko was the recipient of the BWA Businesswoman of the Year award in the corporate category in 2007. In 2005, she won the ICT Achiever of the Year award, Top ICT Businesswoman in Africa award and ICT Personality of the Year. She was appointed to the Vodacom Group Board in May 2009.

Ronald Adrianus Wilhelmus Schellekens (52)

Non-executive director

Member of the Remuneration Committee, Nomination Committee and the Social and Ethics Committee

BA (Human Resources Management), MA (Management & Organisation)

Ronald is the Vodafone Group Human Resources Director and a member of the Vodafone Executive Committee. He is a former Executive Vice-President HR for Shell's Global downstream business. Before joining Shell, he spent nine years at PepsiCo and eight years at AT&T in various senior positions. He was appointed to the Vodacom Group Board in February 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 2018 is Mr DB von Hoesslin.

Ordinary resolution number 5

"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 2017 as set on pages 68 to 78 of the Integrated report and online at **www.vodacom.com**.

Ordinary resolution number 6

"RESOLVED THAT the remuneration policy for the year ended 31 March 2017 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 therefore.

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 2017, set out on pages 68 to 78 of the Integrated report and online at **www.vodacom.com**.

Ordinary resolution number 7

"RESOLVED THAT the implementation of the remuneration policy for the year ended 31 March 2017 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 8

"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 9

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

Ordinary resolution number 10

"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:

David Hugh Brown (54)
Independent non-executive director
Chairman of the Audit, Risk and Compliance Committee and a member of the Remuneration Committee
BCom, CTA (UCT), CA(SA)

David was appointed as CEO of Coal of Africa Limited effective from February 2014. He was previously the non-executive Chairman from August 2012 and then the executive Chairman. 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.

Phillip Jabulani Moleketi (Jabu) (59)
Independent non-executive director
Chairman of the Social and Ethics Committee
Member of the Audit, Risk and Compliance Committee
Post Graduate Diploma in Economic Principles (London), AMP (Harvard), MSc (London)

Jabu is non-executive chairman of Brait SA and the Development Bank of South Africa. He is a former Deputy Minister of Finance (2004 to 2008) and former MEC of Financial and Economic Affairs in the Gauteng Provincial Government (1994 to 2004). He is a director of several companies listed on the JSE Limited. Jabu was appointed to the Vodacom Group Board in November 2009.

Bafelelang Priscillah Mabelane (44)
Independent non-executive director
Member of the Audit, Risk and Compliance Committee
BCom (Hons), CA(SA), Dip in Tax

Priscillah Mabelane is currently the Retail Operations Director of BP Oil UK Limited, a position she has held since August 2015. Prior to this she was the Chief Financial Officer of BP Southern Africa (BPSA). Prior to joining BPSA, Priscillah was the Executive Director of Finance at the Airports Company of South Africa (ACSA), responsible for the development and implementation of financial strategies for the Group. 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.

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 2017;
- 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 2017 financial year, the Company acquired 1 386 131 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	82

Share capital

Authorised

4 000 000 000 ordinary shares of no par value

Issued

1 487 954 000 ordinary shares of no par value

Directors' responsibility statement

The directors, whose names appear on page 60 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 with effect from 1 August 2017 on the basis set out as follows:

	Current fee R	Proposed fee R	Increase %
Chairman of the Board[1]	2 300 000	2 600 000	13.0
Lead independent director	–	550 000	n/a
Member of the Board	390 000	450 000	15.4
Chairman of the Audit, Risk and Compliance Committee	320 000	322 000	0.6
Member of the Audit, Risk and Compliance Committee	175 000	184 000	5.1
Chairman of the Remuneration Committee	240 000	245 000	2.1
Member of the Remuneration Committee	135 000	140 000	3.7
Chairman of the Nomination Committee	210 000	210 000	–
Member of the Nomination Committee	120 000	120 000	–
Chairman of the Social and Ethics Committee	210 000	210 000	–
Member of the Social and Ethics Committee	120 000	120 000	–
Other[2]	100 000	100 000	–

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.
2. Other fees are for payment of attendance of ad hoc committees that 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 level of directors' fees was benchmarked by Vasdex Associates (Pty) Limited, a management consultancy specialising in reward and performance solutions.

The effect of special resolution number 2 is the level of fees as set out above is increased with effect from 1 August 2017.

7.3 Section 45 – financial assistance to related and inter-related companies

Special resolution number 3

"RESOLVED THAT the Board of the Company is hereby authorised in terms of Section 45(3)(a)(ii) of the Companies Act, No 71 of 2008, as amended (the Act), as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution 1), to authorise the Company to provide any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to such term in section 45(1) of the Act) that the Board may deem fit to any related or inter-related company of the Company ('related' and 'inter-related' will herein have the meaning as attributed to those terms in section 2 of the Act), on the terms and conditions and for the amounts that the Board may determine."

Reason for and effect of special resolution number 3

The main purpose for this authority is to grant the Board the authority to provide inter-group loans and other financial assistance for purposes of funding the activities of the Group. The Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that:

- Immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Act; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company."

Notice in terms of Section 45(5) is hereby given that any financial assistance contemplated in special resolution number 3 will in all likelihood exceed one-tenth of one percent of the Company's net worth at the date of adopting such a resolution. This notice is also relevant for any trade union representing any employees of the Company.

7.4 Section 44 – financial assistance to staff and executives of the Group to subscribe for or acquire options or securities in the Company

Special resolution number 4

"RESOLVED THAT the Board of the Company be and is hereby authorised in terms of Sections 44(3)(a)(ii) and 45(3)(a)(ii) of the Companies Act, No 71 of 2008, as amended (the Act), as a general approval (which approval will be in place for a period of two years from the date of adoption of this special resolution), and for the purposes of and/or related to a Black Economic Empowerment (BEE) transaction to be implemented in respect of the Company (BEE Transaction), to authorise the Company to provide direct or indirect financial assistance to any: (i) related or inter-related company; (ii) staff member or executive employed by the Company or by any subsidiary of the Company (Group); and/or (iii) company or juristic person through which such staff and executives, amongst others, may directly or indirectly participate in the BEE Transaction, for purposes of, or in connection with, the subscription for or acquisition of any option or securities issued or to be issued by the Company or a related or inter-related company (the italicised terms 'company', 'juristic person', 'financial assistance', 'subsidiary', 'related' and 'inter-related', each have the meanings attributed to them in the Act)."

Reason for and effect of special resolution number 4

The Company is considering various proposals with regard to implementing a BEE Transaction for the benefit of the Group.

The purpose of this resolution is to grant the Board the authority to provide loans, guarantees and/or other financial assistance to staff and executives, if required, in respect of a BEE transaction.

Insofar as the above special resolution concerns the providing of financial assistance, directly or indirectly, to staff members and/or executives of the Group, the authority from shareholders sought in terms of this special resolution number is required only to the extent that the provision of the financial assistance falls outside the parameters of Sections 44(3)(a)(i) or 45(3)(a)(i) of the Act, namely where the financial assistance is given pursuant to an employee share scheme that satisfies the requirements of Section 97.

The Board undertakes that it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that:

- Immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test as contemplated in the Act; and
- The terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

Record date

The record date for shareholders to be registered in the books of the Company for purposes of being entitled to attend, speak and vote at the twenty-second annual general meeting is Friday 7 July 2017.

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 Friday 14 July 2017 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 Monday 17 July 2017. 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 it to the transfer secretaries.

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 17 July 2017.

The completion of a form of proxy does not preclude any shareholder attending the annual general meeting.

By order of the Board

Sandi Linford
Group Company Secretary
15 June 2017

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 18 July 2017.

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 audited consolidated annual financial statements			
2. **Ordinary resolution number 2** Election of Mr V Badrinath as a director			
3. **Ordinary resolution number 3** Re-election of Ms TM Mokgosi-Mwantembe as a director			
4. **Ordinary resolution number 4** Re-election of Mr RAW Schellekens as a director			
5. **Ordinary resolution number 5** Appointment of PricewaterhouseCoopers Inc. as auditors of the Company			
6. **Ordinary resolution number 6** Approval of the remuneration policy			
7. **Ordinary resolution number 7** Approval for the implementation of the remuneration policy			
8. **Ordinary resolution number 8** Re-election of Mr DH Brown as a member of the Audit, Risk and Compliance Committee of the Company			
9. **Ordinary resolution number 9** Re-election of Mr PJ Moleketi as a member of the Audit, Risk and Compliance Committee of the Company			
10. **Ordinary resolution number 10** Re-election of Ms BP Mabelane as a member of the Audit, Risk and Compliance Committee of the Company			
11. **Special resolution number 1** General authority to repurchase shares in the Company			
12. **Special resolution number 2** Increase in non-executive directors' fees			
13. **Special resolution number 3** Section 45 – financial assistance to related and inter-related companies			
14. **Special resolution number 4** Section 44 – financial assistance to staff and executives of the Group to subscribe for or acquire options or securities in the Company			

(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 ______________________________ 2017

Signature ______________________________ Assisted by me (where applicable)

Completed forms of proxy must be lodged with Computershare Investor Services (Proprietary) Limited by no later than 10:00 on Monday 17 July 2017.

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. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services (Proprietary) Limited (Computershare), Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg 2196 (PO Box 62053, Marshalltown 2107) by no later than 10:00 on Monday 17 July 2017. 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 Ave
Rosebank
Johannesburg 2196
PO Box 62053, Marshalltown 2107
Telephone: 011 370 5000
Call centre: 086 110 0918
Email: proxy@computershare.co.za

Vodacom
Power to you