Integrated report

for the year ended
31 March 2019

The future is exciting.

Ready?

vodacom

Who we are

Vodacom is a leading African communications company providing a wide range of services, including data, mobile and fixed voice, messaging, financial services, Enterprise IT and converged services to 110 million[1] customers.

From our roots in South Africa, we have grown our mobile network business to include operations in Tanzania, the DRC, Mozambique, Lesotho and Kenya. Our mobile networks cover a total population of over 291 million[1] people. Through Vodacom Business Africa (VBA), we offer business-managed services to enterprises in 50 countries. Vodacom is majority owned by Vodafone (60.5% holding), one of the world's largest communications companies by revenue.

Our purpose
Why we exist

We connect for a better future

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 strategy
What we need to do

Best customer experience
We provide a seamless, frictionless, personalised digital experience to our customers.
PG 28

Segmented propositions
We develop a deep insight of our customers' needs, wants and behaviours, and provide propositions to lead in chosen segments.
PG 31

Financial services
We scale our financial services offerings to empower the lives of our customers through financial inclusion.
PG 34

Digital content platforms
We grow into new verticals of digital services to better serve our customers and create value.
PG 36

Best technology
We aim to be the leading telco in all markets through the best network and IT excellence, with digital at the core.
PG 38

Digital organisation and culture
We build an organisation of the future where digital is first for all employees, underpinned by innovation, agility and new skills.
PG 42

Our brand and reputation
We are a purpose-led organisation, connecting for a better future by enabling a digital society, inclusive for all, with the least environmental impact.
PG 44

1. Including Safaricom at 100%.

Contents

How to get the most out of our Integrated report:

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

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

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

Vodacom's 2019 integrated reporting suite

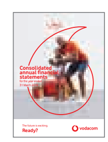
Our 2019 integrated reporting process comprises the following reports:

- Integrated report 2019
- Consolidated annual financial statements 2019
- Sustainability report 2019
- Operational reports

These are all available at **www.vodacom.com**

Other sources of information available online

Sustainability report

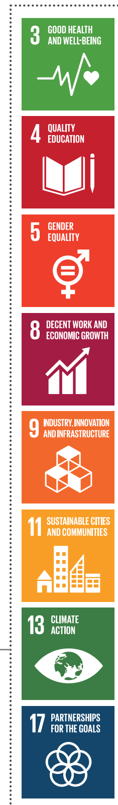


Consolidated annual financial statements

Delivering societal value through our core purpose

Vodacom's core purpose is 'connecting for a better future'. The United Nations Sustainable Development Goals (UN SDGs) provide the best articulation of what that 'better future' looks like, setting a clear long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030. Vodacom is committed to playing its role, as a private sector company, in the attainment of these goals, supporting governments, communities, businesses and individuals to build a better future. Through our core business of providing increased access to reliable and accessible voice and data services, we are making an enormous contribution to national and global developmental objectives.

Vodacom has identified and prioritised the following eight Sustainable Development Goals, where we believe we can have the most meaningful impact. Our approach to delivering on these goals is reviewed in our suite of integrated reports, with the most detail provided in our Sustainability report 2019.



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.

Presenting our strategy for long-term value creation

To our investors and other interested stakeholders

This year Vodacom celebrates 25 years of keeping people connected. We've come a long way since launching in South Africa in March 1994, growing the business to provide a wide range of communication services to 110 million customers, including Safaricom.

A great deal has changed in the last 25 years – politically and economically, regionally and globally, in business models and in consumer behaviour, and in stakeholders' expectations on how businesses should create and share value. Some of these changes have been particularly acute in the ICT sector, where the rise of the smartphone and the digitally connected economy is fundamentally changing how we do business.

The pace and scale of change in the past 25 years has been rapid and widespread; we anticipate that the next 25 years will be even more dynamic. While we cannot predict what the future holds, we believe that Vodacom is well placed to deliver further long-term growth.

In this report we share our perspectives on why we believe Vodacom is a good long-term proposition. To appreciate Vodacom's ability to generate long-term value, it is important not only for us to look back at the year's past performance, but also to look forward, to reflect on how we see the future business context, and to assess how we are positioning the company to ensure its success in a rapidly changing societal context. Recognising that our ability to deliver value depends ultimately on the quality of our relationships, and on the health of the societies and economies in which we operate, it is essential also to understand how we are managing these relationships, and what we are doing to deliver societal value.

This Integrated report seeks to answer these questions by providing the information needed to make an informed assessment of our strategic framework for long-term value creation. Prepared in accordance with the IIRC's International <IR> Framework, the report strives to provide a concise and frank assessment of our proposed approach to achieve strong financial growth and to deliver on our core purpose: connecting for a better future.

As a Board, we have applied our collective mind to the preparation and presentation of the information in this report. We believe that the report addresses all material matters and that it presents a balanced and fair account of the Group's performance for the financial year 1 April 2018 to 31 March 2019, as well as an accurate reflection of our strategic commitments for the short, medium and long term. We have applied our judgement regarding the disclosure of Vodacom's strategic plans and have ensured that these disclosures do not place Vodacom at a competitive disadvantage. On the recommendation of the Audit, Risk and Compliance Committee, the Board approved the Integrated report and the consolidated annual financial statements on 31 May 2019.

We encourage you, as one of our interested stakeholders, to share your views on our report, our performance and our strategic roadmap for delivering value[1]. Holding us to account on what we say and do is a critical enabler for ensuring that Vodacom will continue to create value for at least the next 25 years.

Phillip Moleketi | **Shameel Joosub** | **Till Streichert** | **Phuti Mahanyele-Dabengwa** | **David Brown** | **Priscillah Mabelane** | **Sakumzi Macozoma**

Sunil Sood | **Michael Joseph** | **John Otty** | **Thomas Reisten** | **Vivek Badrinath**

1. Please address any comments to Vodacomir@vodacom.co.za

About this report

Report boundary and scope

This report reviews Vodacom's strategy and business model, risks and opportunities, and operational and governance performance, for the financial year 1 April 2018 to 31 March 2019. The report covers the activities of the Vodacom Group and all our operating subsidiaries. Financial and non-financial data from our subsidiaries are fully consolidated. In assessing the issues that materially impact value creation we have looked beyond the financial reporting boundary to provide for the material interests of relevant stakeholders, and to address the significant risks, opportunities and impacts associated with our activities over the short-term (less than 12 months), medium-term (one to three years) and long-term (beyond three years).

Reporting frameworks

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

Materiality

This report provides information on all those matters that we believe could substantively affect value creation at Vodacom. The process of identifying and prioritising the material matters for inclusion in this report involved reviewing: Vodacom's business model (pages 12 – 13); our interaction with the six capitals (pages 14 – 15); our operating environment (pages 16 – 17); and the interests of our key stakeholders as expressed during our normal business engagements with them (pages 18 – 19). This report presents the identified material information through a clearly structured narrative that: reviews who we are and how we create value (pages 02 – 03); identifies those issues that have a significant impact on value; and outlines our strategy, performance and governance practices in ensuring long-term value creation (pages 50 – 81). Additional information not material to this report, but of interest for other purposes, is provided in our other reports on our website.

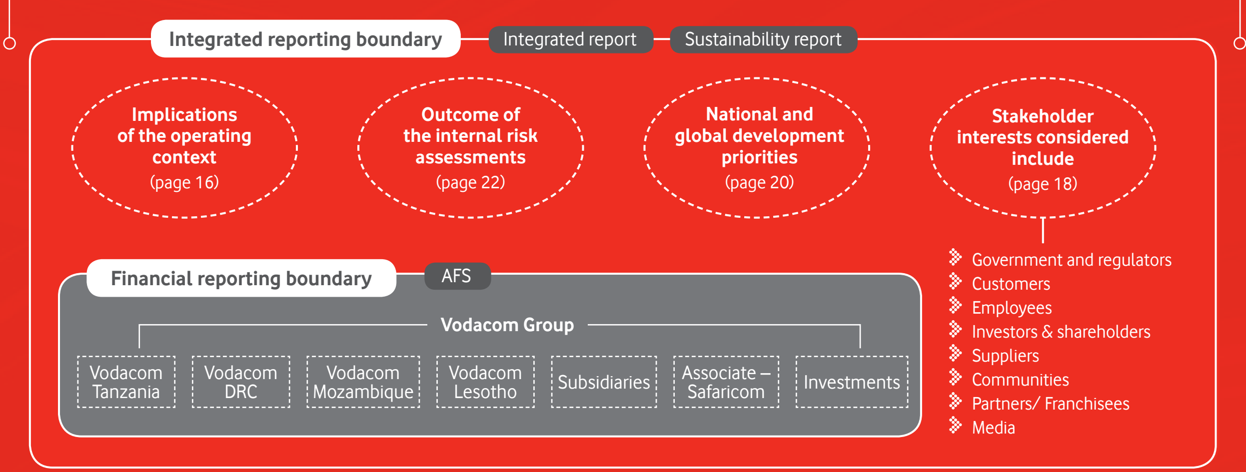
Integrated thinking

Integrated thinking is intrinsic to how we manage our business and to our internal strategy development and reporting practices. Our strategy and six 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.

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 2019 and provided an unmodified opinion thereon. The extracts from the AFS in this Integrated report are from audited information but are not themselves audited. PricewaterhouseCoopers Inc. have undertaken a limited assurance engagement on Scope 1 and 2 greenhouse gas emissions for South Africa that are reported in our Sustainability report 2019. 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.

Our reporting boundaries



Where we only have data for our South African operation (which represents 75.2% of service revenue and 82.3% of EBIT), we indicate this with (#). We've used (*) to indicate normalised growth which presents performance on a comparable IAS 18 basis. This excludes merger and acquisition activity where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis, using the current financial year as a base. Following the cumulative retrospective adoption of IFRS 15: Revenue from Contracts with Customers on 1 April 2018, the Group's results for the year ended 31 March 2019 are on an IFRS 15 basis, whereas the results for the year ended 31 March 2018 are (as previously reported) on an IAS 18 basis. Comparisons between the two bases of reporting are not meaningful and to ensure appropriate disclosure during the period of transition to IFRS 15, results for the year ended 31 March 2019 in this report have been disclosed on an IAS 18 basis. Our commentary has been provided solely on an IAS 18 basis. Further disclosure is included in the Changes in accounting policies and in Note 1: Segment analysis of the consolidated annual financial statements for the year ended 31 March 2019.

The value we impacted

Connecting people and enabling businesses are the main outcomes of the mobile and fixed network services we offer. Communication improves quality of life, enables efficiency, connects supply and demand, and supports the sharing of information and data between individuals and businesses.

The mobile ecosystem continues to grow its contribution to economic growth and address social challenges through wider mobile reach and better networks.

Financial results

Revenue	Data revenue	HEPS	Total DPS	Capital expenditure
+4.3%	+6.0%	–6.6%	–2.5%	+11.8%
R90.1 billion	R27.3 billion	862cps (+2.6% excl. BEE costs and Safaricom acquisition)	795cps	R13.0 billion

For our customers

We reduced the effective price per MB

23.3%

In South Africa

DRC	–29.2%
Lesotho	–28.9%
Tanzania	–13.8%
Safaricom	–42.0%

Extended our network

population coverage in South Africa

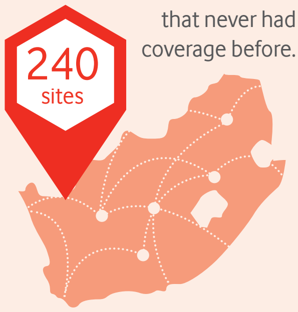
3G 99.5%

4G 90.4%

In our International operations we added:

4G sites	3G sites	2G sites
984	371	292

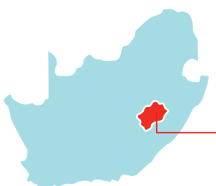
Extended deep **rural coverage** to **240 sites** (2018: 101) to some communities that never had coverage before.



Obtained **4G licences** and **4G spectrum** in all our International operations

Provided entertainment through video, music and gaming platforms

- Net promoter score (NPS) declined in Mozambique
- We disconnected internet and SMS services in the DRC as instructed by the authorities during their elections
- Network outages due to the cyclones in Mozambique
- Network interruptions due to load shedding in South Africa



5G in Lesotho, a first for Africa

R8.1 billion

airtime advanced to customers

In our societies

We enabled financial inclusion to **36.1 million** **M-Pesa customers** (2018: 32.3 million customers) with **11 billion** **transactions worth R2 trillion** across our M-Pesa network, including **Safaricom**

R20.1 billion
(2018: R20.8 billion) cash contribution to public finances

8.5 million customers
(2018: 7.7 million) on our Siyakha platform promoting digital inclusion

Level 1
BEE contributor status in South Africa

R34.4 billion
(2018: R30.8 billion) weighted spend on BEE-status suppliers

R153 million
(2018: R111 million) spent on Corporate social investment (CSI)

For our employees

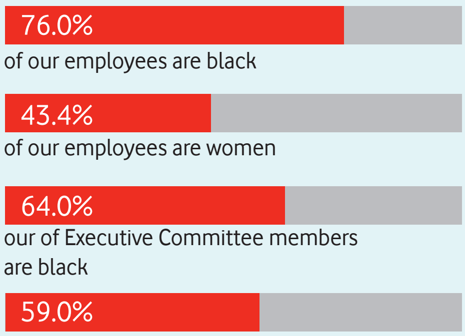
We paid
R6.1 billion[1]
(2018: R5.6 billion) to our 7 746 (2018: 7 554) employees

Invested
R544 million
(2018: R287 million) on skills development

8%
decline in Employee net promoter score (eNPS)

One fatality in our supplier network

Encouraging diversity in South Africa:



76.0% of our employees are black

43.4% of our employees are women

64.0% our of Executive Committee members are black

59.0% of our senior managers are black

1. Excludes staff expenses of R1 billion (2018: R821 million) capitalised against property, plant and equipment. Includes dividends of R52 million (2018: R44 million) relating to forfeitable share plan offset against the forfeitable share plan reserve.

For providers of financial capital

R14.6 billion
(2018: R14.0 billion)
paid in dividends to equity shareholders

R3.0 billion
(2018: R2.8 billion)
paid in interest to debt funders

R16.4 billion
broad-based black economic empowerment (BEE) deal making us the most empowered telco in South Africa

R3.3 billion
special dividend to BEE shareholders

Total shareholder return down
22.4%

25 years of empowering a connected society

1993

Vodacom is awarded a **licence to operate** a GSM cellular network in South Africa.

1994

A record-breaking rollout of the network follows with at least two base stations built every day.

We officially switch on our network.

1995

Vodacom is granted a **GSM licence in Lesotho**, our first outside South Africa.

1996

We're the first in the world to launch a **prepaid service**.

We switch on our network in Lesotho.

1997

The South African market reaches the one-million customer mark, 606 000 of whom are Vodacom customers.

2008

Vodacom Business is launched.

Vodacom Tanzania introduces M-Pesa.

m-pesa

Vodacom South Africa announces its R7.5 billion BEE transaction, one of the largest Broad-Based BEE transactions in the local industry.

Vodafone increases its shareholding to 65%.

65%

We launch the Vodacom Foundation Mobile Education programme. Connected 9 teacher centres with technology and connectivity.

2009

Vodacom lists on the JSE.

2010

The year Vodacom is the voice behind Bafana Bafana.

2011

vodacom

Vodacom's rebranding.

2012

First to launch LTE in SA.

We launch MyVodacom app, giving customers a range of self-service capabilities.

2013

We implement an all-encompassing pricing transformation, migrating our customers on to integrated and bundled plans that provide greater value for money.

Youth academy rolled out in nine teacher centres.

2014

We cover 99.8% of the population in South Africa.

Stock visibility solution rolled out to clinics.

Launch Vodacom e-School in partnership with the Department of Education.

1998

Launch of prepaid access to the internet, a world first.

1999

We receive ISO 14001 certification for our environmental management system, a first for mobile operators.

2000

We launch commercial operations in Tanzania.

Our network covers 92% of South Africans.

2001

We become the largest mobile network operator in Tanzania within a year.

2002

Vodacom launches in the DRC.

2003

We're the first to cover 95% of the population in South Africa.

Vodacom Mozambique launches after a record three-month network roll-out.

2004

We celebrate our first decade with well over 10 million customers in South Africa.

Vodacom launches 3G in South Africa.

2005

We build as many 3G base stations in the previous year as we'd done in the first three years of operation.

2006

We launch the first 3G HSDPA network in South Africa.

Vodafone increases its shareholding to 50%.

2007

Vodacom Tanzania launches 3G/HSDPA services, making Tanzania the second country in Africa, after South Africa, to get access to this high-speed data technology.

2015

First to launch LTE in Lesotho.

We complete our RAN renewal project.

Our cumulative investment in our networks amounts to about R70 billion since 1994.

2016

Launch M-Pawa, the first savings and loans product based on a mobile platform.

2017

Launch 4G in Tanzania.

Vodacom DRC rebranded from Blue to Red.

Launch Schools of Excellence.

2018

Acquire 34.94% shareholding in Safaricom.

List Vodacom Tanzania on the Dar es Salaam Stock Exchange.

Launch the Female Farmers Training Programme in Limpopo.

2019

Complete the largest BEE transaction in telecommunications sector.

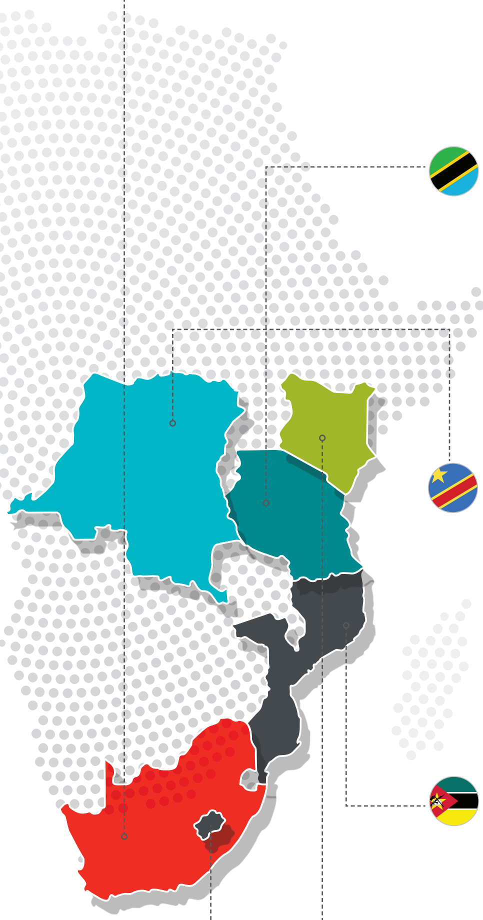
Launch 5G in Lesotho.

Launch 4G in the DRC and Mozambique.

Where we operate

Vodacom Business International[7]

- Algeria
- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cabo Verde
- Central African Republic (CAR)
- Chad
- Côte d'Ivoire
- Democratic Republic of Congo (DRC)
- Djibouti
- Egypt
- Equatorial Guinea
- Ethiopia
- France
- Gabon
- Gambia
- Ghana
- Kenya
- Lesotho
- Liberia
- Libya
- Madagascar
- Malawi
- Malaysia
- Mali
- Mauritania
- Mauritius
- Morocco
- Mozambique
- Namibia
- Niger
- Nigeria
- Republic of Congo
- Rwanda
- Senegal
- Sierra Leone
- Singapore
- South Africa
- South Sudan
- Swaziland
- Tanzania
- Togo
- Tunisia
- Uganda
- United Kingdom
- Zambia
- Zimbabwe



South Africa

Ownership	100%
Population[1] (estimate)	58.1 million
GDP growth[1] estimate	1.3%
Customers	43.2 million
ARPU[2] (local currency per month)	R95
Licence expiry period	2029
Coverage[4]	99.9%
NPS	1st
Points of presence – formal[5]	9 135
Points of presence – informal[5]	61 877
Number of employees	5 197

Tanzania

Ownership	61.61%
Population[1] (estimate)	60.9 million
GDP growth[1] estimate	6.5%
Customers	14.1 million
ARPU[2] (local currency per month)	TZS6 027
Licence expiry period	2031
Coverage[4]	88.3%
NPS	1st
Points of presence – formal[5]	121 393
Points of presence – informal[5]	18 174
Number of employees	548

DRC

Ownership	51%
Population[1] (estimate)	86.8 million
GDP growth[1] estimate	4.5%
Customers	12.2 million
ARPU[2] (local currency per month)	US$3.0
Licence expiry period[3]	2021/2038
Coverage[4]	49.7%
NPS	1st
Points of presence – formal[5]	24 770
Points of presence – informal[5]	345 429
Number of employees	573

Mozambique

Ownership	85%
Population[1] (estimate)	31.4 million
GDP growth[1] estimate	3.7%
Customers	6.8 million
ARPU[2] (local currency per month)	MZN246
Licence expiry period	2038
Coverage[4]	55.8%
NPS	2nd
Points of presence – formal[5]	26 796
Points of presence – informal[5]	8 809
Number of employees	551

Lesotho

Ownership	80%
Population[1] (estimate)	2.3 million
GDP growth[1] estimate	1.0%
Customers	1.5 million
ARPU[2] (local currency per month)	LSL66
Licence expiry period	2036
Coverage[4]	98.5%
NPS	1st
Points of presence – formal[5]	7 415
Points of presence – informal[5]	9 838
Number of employees	220

Safaricom

Ownership	34.94%
Population[1] (estimate)	52.2 million
GDP growth[1] estimate	5.2%
Customers	31.8 million
ARPU[2] (local currency per month)	KES658
Licence expiry period[6]	2022/2026
Coverage[4]	96.0%

Notes:
1. Bureau for Economic Research (BER) and the Economist Intelligence Unit (EIU). gross domestic product (GDP) relates to real GDP growth.
2. Total average revenue per user (ARPU) is calculated by dividing the average monthly service revenue by the average monthly active customers during the period.
3. 2021 (VSAT licence), 2026 (wimax licence), 2028 (2G licence), 2032 (3G licence) and 2038 (4G licence).
4. 2G population coverage.
5. Formal points of presence include Vodacom owned and franchised shops, service providers and private outlets, retailers that purchase directly from Vodacom, M-Pesa agents and ATMs. Informal points of presence include super dealers, territory and data dealers, street vendors/freelancers, informal resellers and virtual top ups.
6. 2022 (3G licence), 2024 (2G licence) and 2026 (4G licence).
7. The Group has entered into agreements to dispose of certain subsidiaries within the Vodacom Business Africa group. The disposals are subject to regulatory approvals.

What we offer

We have over 110 million[1] active individual customers using our wide range of products and services. Our core consumer products and services include voice, data, messaging and financial services across mobile and fixed networks. We are continuing to transform and expand into new verticals including financial services, self-service care and entertainment offerings. We also provide various communication solutions to our enterprise customers in the public sector, and amongst large, medium and small enterprises; these include connectivity and unified communication services, cloud and hosting, managed mobility, data security and the Internet of Things (IoT).

Our products and services (outputs)

Consumer products

Voice
Mobile
Fixed

Data
Mobile broadband
Mobile internet
Fixed
Fibre

Messaging
SMS and MMS

Enterprise

Unified communications
Voice
Messaging
Video

Cloud and hosting

Connectivity
Wireless
Fixed
Mobile
Fibre

Managed mobility
Internet of Things (IoT)

Security

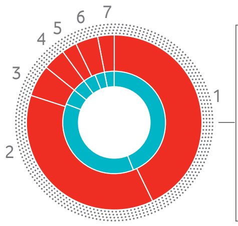
Managed services
Mezzanine
XLink
Stortech

Consumer services

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

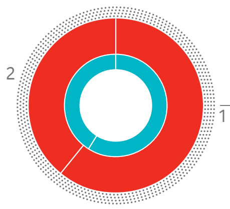
Self-service care
MyVodacom app
Vodacom online
Unstructured Supplementary Service Data (USSD) self-help

Entertainment
Music streaming
Video entertainment
Gaming
Sports



Group service revenue

		2019	2018
1	Mobile voice	**43%**	44%
2	Mobile data	**37%**	37%
3	Fixed service revenue	**6%**	5%
4	Mobile interconnect	**4%**	4%
5	Mobile messaging	**3%**	4%
6	M-Pesa	**4%**	3%
7	Other service revenue	**3%**	3%



Group customer service revenue

		2019	2018
1	Mobile prepaid revenue	**61%**	59%
2	Mobile contract revenue	**39%**	41%

Our promise to customers

Network — Great network. Great experience.

Quality — Available anytime, anywhere, first time right.

Value — Always have the best experience, value for money.

Customers (million)

	2019	2018
South Africa	43.2	41.6
Tanzania	14.1	12.9
DRC	12.2	11.8
Mozambique	6.8	6.1
Lesotho	1.5	1.4
Safaricom[2]	31.9	29.6

Revenue (million)

	2019	2018
South Africa (R)	71 325	69 967
Tanzania (TZS)	1 023 763	977 994
DRC (US$)	473	428
Mozambique (MZN)	21 111	17 635
Lesotho (LSL)	1 308	1 255
Safaricom[2] (KES)	250 960	156 146

1. Including our associate holding of 34.94% in Safaricom.
2. The Group's effective interest of 34.94% in Safaricom Plc is accounted for as an investment in associate. Results represent 100% of Safaricom and are for illustrative purposes only. Prior year results represent eight months of performance from the date of acquisition.

Chairman's statement

Phillip Jabulani Moleketi

As a leading African mobile network operator, Vodacom is operating in a very dynamic sector and region at a particularly interesting time. We are seeing rapid changes in technologies, consumer behaviour and markets, and growing expectations for businesses to deliver a social purpose.

Since launching as a mobile network provider in South Africa 25 years ago, Vodacom has demonstrated its ability to adapt rapidly and effectively to the changing operating context. In doing so, it has delivered significant positive social impact – through its activities in expanding voice and digital connectivity, its services in inclusive finance, education, health and agriculture, and its evident commitment to promoting black economic empowerment in South Africa. I believe that the Company's past successes provide a valuable indication of its potential to deliver value into the next 25 years.

Our International operations

It has been pleasing to see the exceptional performance this year throughout our International operations, which achieved strong customer and revenue growth off the back of a generally more stable operating environment. This performance has been underpinned by the continued success of the M-Pesa financial services offering and particularly strong growth in data revenue.

The ongoing expansion of the successful M-Pesa ecosystem to include new services and a strengthened merchant and distribution network, coupled with the significant upside potential to monetise data, present exciting opportunities for further growth. This potential is supported by Vodacom's existing and expanding network, its differentiated product offerings and strong brand, and a growing portfolio in the Enterprise space. This year, the Company continued to make substantial investment in expanding network coverage and improving network performance, including specifically in rural areas across its markets. It was the first operator to launch 4G in Mozambique and the DRC, and the first to introduce 5G in Africa and one of the first globally, following its pioneering launch in Lesotho.

Offsetting this generally strong performance was the concerning development at the end of the financial year, when several executives of Vodacom Tanzania were arrested and detained following a customer's alleged illegal use of network facilities. After pleading guilty to the offences of occasioning pecuniary loss to a specified authority and permitting the use of network services in contravention of the Electronic and Postal Communications Act, Vodacom secured the release of the employees, paying TZS5.2 billion (US$2.3 million) to the regulator as compensation for the financial losses incurred, including a fine. In line with Vodacom's legal and corporate governance principles, and to safeguard Vodacom Tanzania from potential future risks, we have retained a global law firm to assist with a comprehensive internal investigation into the underlying facts. Vodacom Tanzania's Board and executive team acted swiftly and appropriately in responding to this development, and they are continuing to cooperate closely with the authorities on this matter.

Another challenge we faced this year in our International markets was the devastating impact of Cyclone Idai in Mozambique in

March 2019. I was heartened by the nature and pace of Vodacom's response, with the Company restoring communication services as quickly as possible and free-rating calls during the height of the crisis, both of which assisted with aid relief efforts. Together with Vodacom and Vodafone's donation of US$1 million to aid in restoring roofs on schools to ensure education is least disturbed, this reflects Vodacom's commitment to addressing societal challenges through its core business activities and corporate social investments.

South Africa

In South Africa, our largest market, macroeconomic uncertainty and a sluggish economy have dented business, investor and consumer confidence. While we have seen some encouraging developments at a political and policy level, with Government's stated commitment to tackle corruption and stimulate investment, the country still faces some deep challenges. The recent electricity load-shedding – which had a negative impact on the national economy and posed particular challenges for our network – was a sobering reminder of some of the hurdles that lie ahead. I am hopeful, however, that the recent national elections will provide sufficient mandate to drive the necessary changes to restore business and investor confidence.

Given the significant economic pressure on consumers, and the understandable regulatory drive to protect consumer interests, Vodacom has undertaken various initiatives this year to bring down data prices as part of its pricing transformation strategy. Vodacom is firmly committed to accelerating socioeconomic development in the country by broadening access to affordable voice and data services. For this potential to be realised, however, it is critical that we have a regulatory and policy framework that encourages long-term investment in network infrastructure, and that provides the access to spectrum needed to increase connectivity and bring down prices.

A pleasing development this year was Vodacom's R16.4 billion BEE transaction, the largest-ever such deal in the telecommunications sector, and evidence of Vodacom's strong commitment to driving transformation in South Africa. The deal generated significant value for YeboYethu shareholders through a special dividend payment, as well as providing holders with the opportunity to remain invested in the full Vodacom Group, allowing exposure to the benefits of the Group's International operations and stake in Safaricom. The transaction contributed to Vodacom South Africa successfully achieving a Level 1 BEE status, up from Level 3 last year, and reflects Vodacom's long-standing recognised leadership in promoting employment equity, supplier and skills development, retail transformation, and social investment.

This year, Vodacom was subject to some negative press and social media attention, as well as a public protest outside its head office, relating to the long-standing litigation process with a former employee, Mr Nkosana Makate, and the 'Please Call Me' messaging service. The Board has been actively engaged in monitoring developments on this issue. We believe Vodacom has complied fully with both the letter and the spirit of the Constitutional Court order, and that it demonstrated good faith throughout the recent negotiations. Vodacom has agreed to pay the amount set as reasonable compensation by the CEO, in accordance with the order. Vodacom has subsequently been informed by Mr Makate's attorneys that he intends to have the CEO's determination judicially reviewed.

Safaricom

Our investment in Safaricom is delivering on the desired result of diversifying our portfolio. We are leveraging the strengths of each operation and accelerating on growth opportunities, such as, Safaricom's leading M-Pesa position and expanding Vodacom's abilities in Big Data and Artificial Intelligence across all of our operations.

Governance and strategy

Following the resignation in December 2018 of Thoko Martha Mokgosi-Mwantembe as an independent non-executive director, we have been joined on the Board by Phuti Mahanyele-Dabengwa. Phuti served previously on the Board from May 2009 to September 2011 and was re-appointed in January 2019. We were also pleased to welcome new non-executive directors representing Vodafone, with Sunil Sood joining the Board in July 2018 and Thomas Reisten joining in January 2019. The Vodacom Group Board is well supported in our oversight function by each of the Boards in our different International markets. These Boards each bring the depth in expertise and diversity in experience needed to ensure good governance and to provide effective oversight of the Group's performance and strategic direction.

A recent external assessment of the Board found that we have a well-functioning board with a good balance of skills and experience, as well as an appropriate balance between independent non-executive directors and Vodafone representatives.

Outlook

This year, the Board once again undertook a comprehensive review of Vodacom's strategy, during a dedicated two-day discussion in which we engaged directly with the Vodacom executives, as well with individual employees involved in developing and executing specific elements of the strategy. This engagement, supported by detailed preparatory work, enabled us to deepen our understanding of the strategy and to engage critically with the executive team. In our discussions, the Board once again emphasised the importance of striking the right balance between investing money and effort in potentially radical new opportunities and at the same time retaining market leadership in its current core activities.

Vodacom's ambition is to transform the business from a conventional telco into a digital company that plays a leading role in the fourth industrial revolution. I am confident that Vodacom will deliver on this ambition by protecting and growing its existing activities, while diversifying into exciting new business opportunities in the digital arena. Vodacom has made valuable strides this year in developing and acquiring the necessary digital skills – including in areas such as Big Data analytics and Artificial Intelligence – and it continues to invest significantly in the networks, technologies and organisational culture needed to deepen its people-centred customer focus and to deliver the required innovation. Its strategic ambitions are informed by its drive to be a purpose-led company, 'connecting for a better future' by playing a meaningful role in promoting socioeconomic transformation in all its markets. It will do so by delivering on its commitments to promoting digital inclusion, providing innovative digital services, and reducing its environmental impact.

Thanks

Lastly, I wish to express my appreciation to all of Vodacom's employees, the executive team and the Board for their collective contribution to the Group's continuing strong performance. I would like also to thank our business partners, shareholders and other stakeholders for their ongoing engagement and support. I believe that the Group has the right people, strategy and culture to deliver on its ambitions of becoming a leading digital company that plays a meaningful developmental role in the markets in which it operates.

Jabu

Phillip Jabulani Moleketi
Chairman
31 May 2019

CEO's statement

Shameel Aziz Joosub

This has been a pleasing year for the Group, in which we achieved a good set of financial results and solid growth rates despite a tough year of increased competition and challenging economic conditions. Our financial results reflect strong execution of our digital strategy and effective delivery of our core purpose, connecting people for a better future.

A particular highlight this year was the successful conclusion of our BEE ownership deal, the country's largest-ever BEE transaction in the telecommunications sector, valued at R16.4 billion. The mutually beneficial deal resulted in Vodacom having an effective black ownership of 29.6% and securing a Level 1 BEE status, an achievement that I am particularly proud of, and a key consideration for spectrum allocation, government contracts and corporate business.

On 1 March 2019, the regulator's End User and Subscriber Service Charter (EUSSC) became effective in South Africa, introducing new measures relating to out-of-bundle notification and pricing. We went a step further in implementing these regulations by reducing out-of-bundle rates by an added 50%. These regulations, together with the out-of-bundle cut, have the effect of giving R2.0 billion back to customers over the next year.

The financial impacts of delivering on our promise of further reducing the cost to communicate in South Africa, combined with the costs associated with concluding our new BEE deal, mask an otherwise solid operational performance for the Group, where revenue grew by 4.3%, led by strong performance in our International portfolio, offset by a slowdown in South Africa.

South Africa

South Africa delivered a satisfactory performance in the context of low economic growth placing pressure on consumer spend, ongoing and deliberate transformation in data pricing and strengthened competition in both consumer and prepaid segments. Despite these factors, and our concerted effort to assist cash-strapped consumers through lower prices, service revenue in South Africa rose by 2.1%. Growth in the second half of the year was negatively impacted by the transition between national roaming partners and the change in call termination rates.

Data revenue grew 3.9% to R24.3 billion, contributing 43.5% to service revenue. The growth was impacted by our deliberate pricing transformation programme, in addition to implementing the Independent Communications Authority of South Africa (ICASA) regulations, we cut out-of-bundle rates by a further 50%, effectively reducing the effective rates by 37.3% in the March month comparison. We have migrated 75% of our consumer customers to smart integrated plus plans offering more than double the value, mostly in data. On the mobile broadband offerings, we have reduced tariffs on the big data offerings by 40% to compete effectively in the market, which delivered a requisite 40% elasticity to offset these cuts. Data bundle purchases have increased 13.1% to 866 million, as more affordable data bundles with shorter validity periods are available for customers. Overall, data usage drivers were encouraging: data traffic was up 35.6%; active smart devices on the network were up 7.6% to 19.9 million, of which 10 million are 4G devices; and average usage on these smart devices has improved 23.2% to 966MB.

Our platform strategy, designed to stimulate reasons to consume data, is gaining momentum. Take up of the Video Play service is encouraging, with 869 000 active users on the platform. Our recently launched music platform, My Muze, is also showing encouraging initial take up, while our gaming platform, Play Inc., was commercially launched in May 2019.

Our Enterprise business has delivered good growth, with service revenue up 4.8% to R14.7 billion. Our fixed-line service revenue increased 24.7%, underpinned by solid growth in connectivity, cloud and hosting and IPVPN revenues.

Our strategic focus on financial services delivered standout performance, growing revenue by 67.1% to R1.6 billion, with a profit before tax of R1 billion. The Airtime Advance service revealed a remarkable R8.1 billion value of advances this financial year. Having recently launched a new payment gateway that is in the process of being commercialised, we are confident that this will contribute to sustaining further growth from our Financial services businesses.

Our capital expenditure of R9.6 billion was utilised to drive our strategy of being the leading digital telco. We spent R2 billion on IT during the year, as part of our focus on becoming smarter and more agile in delivering products to our customers. We delivered substantial cost savings through the introduction of digital technologies for smart planning, smart deployment and smart operations.

International

It was an outstanding year for our International portfolio, where stable economic and political environments in all these markets supported a return to double-digit growth of 15.6% in service revenue, with strong margin expansion of 3.1ppts. We also saw good customer growth, adding 2.2 million customers in the year, up 6.8%.

Data revenue grew strongly at 25.8%, supported by the rollout of 4G services which are now available in all our operations. We have started rolling out content services in all our operations and continue to provide personalised pricing through our 'Just 4 You' platform.

M-Pesa continues to deliver on its promise of providing financial inclusion and making a significant contribution to economic development. M-Pesa revenue grew by 32.2%, contributing 15.8% to service revenue. We have further expanded the ecosystems to include more services such as micro loans and merchant payment systems, as well as securing additional interconnection with banks and other operators.

This year we were awarded a 4G licence in the DRC, while in Mozambique we unified and renewed our licences for 20 years and acquired additional spectrum. In Tanzania we acquired additional 4G spectrum, which will assist us in delivering on our strategic data ambitions.

Safaricom

Safaricom delivered strong growth with net profit increasing 14.7% for the year, supported by strong growth in data and M-Pesa revenues, and a 7.7% increase in customers to 31.9 million. Vodacom's portion of the profit contribution was R2.8 billion for the year. Safaricom proposed both a normal dividend of KES50.08 billion and a special dividend of KES24.84 billion, Vodacom's share of which will be R2.3 billion and R1.1 billion net of withholding tax.

Outlook

Looking ahead, we will continue to drive our ambitions aggressively in our digital transformation journey by branching out into new verticals, through partnerships, acquisitions or building our own capabilities. Our strategy positions Vodacom to be a significant contributor to the fourth Industrial Revolution, as we transition from a traditional telco to a fully-fledged digital services company. We are already leading in the implementation of Big Data, Artificial Intelligence and Robotic Process Automation, which is enabling us to optimise revenue, operate more efficiently and maximise our investment returns, laying a strong foundation for significant further growth.

We are placing a particular focus on developing and expanding our financial services proposition in South Africa, as well as our M-Pesa mobile money and related offerings in our International operations and Safaricom, entrenching our leadership in mobile money and making a substantive contribution to economic development and upliftment across the region. We will also be driving uptake of our digital services platform, including Vodacom live, video, music and gaming.

As we grow our Enterprise business, we will be forming strategic partnerships to deliver integrated solutions, strengthening our offerings in IoT and Enterprise services, expanding our customer value propositions, and driving data growth and new revenue streams. To accelerate the IoT opportunity we are in the process of acquiring IoT.nxt, a large systems and edge computing integrator. We have also entered into a strategic collaboration agreement with Amazon Web Services (AWS). AWS will be our primary cloud provider while we build an AWS centre of excellence, which will ultimately help us to sell Cloud-based technology, as we move to providing solutions-based services.

In South Africa, we will continue to transform data pricing for the benefit of our customers, which will create short-term pressure on data revenue growth. The underlying demand, however, remains strong and we anticipate a recovery in growth to start materialising in the second half of the new financial year.

On the regulatory front, I am encouraged by the Minister's recent withdrawal of the Electronic Communications Act Amendment Bill and look forward to continued engagement on the licensing of high-demand spectrum.

A key focus in the year ahead will be to strengthen our commitment to be purpose-led. We will continue focusing on our purpose of connecting for a better future by delivering in our three key focus areas: inclusion for all, digital society and planet. We will be maintaining a strong drive on promoting digital inclusion, through our work in further expanding rural coverage and the availability of affordable smart devices, our initiatives to democratise education and empower women and youth, and our innovative digital offerings on health, agriculture, government and financial inclusion. Accompanied by our investment in climate-smart networks and solutions, waste reduction and water-wise practices, collectively these initiatives will make a valuable contribution to national and global development objectives, including the UN Sustainable Development Goals.

In closing, I would like to thank the Board and Exco members for their support over the past financial year, and Vodacom's employees across the Group for their contribution to our strong performance. I look forward to another successful year, working together to deliver on our core purpose: connecting for a better future.

Shameel Aziz Joosub
Chief Executive Officer
31 May 2019

Our business model

What we do

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

These activities enable us to ensure revenue growth and high levels of cash generation, which is used to reinvest in the resources and relationships we rely on to do business, and to deliver on our core purpose: connecting for a better future.

Our value chain activities

Spectrum, network and IT infrastructure

Most of our communication services depend on accessing spectrum, which we strive to secure at a competitive price though proactive engagement with government and regulators. As part of our 2020 vision, we are building on our substantial investment in network infrastructure by expanding into fixed broadband assets (cable and fibre), and investing in IT services, Big Data and analytics, digital services, financial services, customer relationship capability, billing, and online resources. We leverage our IT infrastructure to become agile and smarter in deploying products and services, and to ensure customer care.

Procurement activities

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

vodafone

Product and service development

We are constantly developing new products, services and pricing models, informed by our segmented customer approach that caters for each customer's needs, wants and behaviours in both the Consumer and Enterprise markets. We place a strong emphasis on protecting customer privacy, and mitigating the risk of data theft or loss. We are implementing the 'agile' methodology across various departments to ensure we respond faster in a constantly changing environment. We harness the power of Big Data to deliver personalised offers to our customers.

Customer service

Providing the best customer experience is a strategic priority and an important source of market differentiation. We are constantly deepening our understanding of customers and their needs to provide targeted product and service offerings. Our ambition is to provide exceptional customer service through a seamless, personalised, one-channel, digital customer experience.

Sales and distribution

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

Managing our brand and reputation

We build a brand with purpose, developing and maintaining a reputation as a company that is 'connecting for a better future', and that shows leadership in promoting broad-based societal transformation. We communicate our service offerings and maintain our brand presence through our marketing and brand strategy. External Reputation surveys show that the Vodacom brand is consistently one of the most recognised and trusted brands across our footprint.

Connecting for a better **future**

Our investment case

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

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

How we create value

Our profit formula

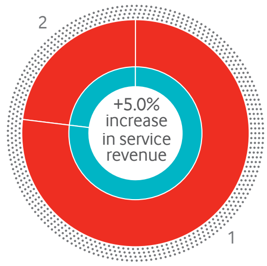
We generate profit by efficiently utilising mobile and fixed line assets to provide our Consumer and Enterprise customers with voice, data, messaging and related services.

Our competitive differentiation lies in the quality of our network premised on strong investment, our strong distribution channels in each market, the nature of our products and services, the extent of our regional footprint, the quality of the relationships we have with key stakeholders, our proven ability to manage our cost base and the strength of our brand.

Key revenue differentiators

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

Group service revenue composition



		2019	2018
1	Consumer service revenue	**77%**	77%
2	Enterprise service revenue	**23%**	23%

Our **revenue**

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

Our Vision 2020 strategy aims to diversify these revenue streams even further in key verticals such as financial services, IoT, digital services and Enterprise.

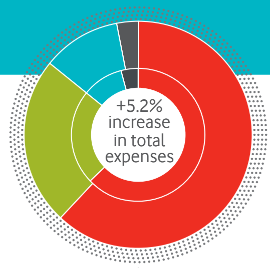
Our **costs**

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, driving efficiencies in staff expenses, publicity spend and other operating expenses through a strong culture of cost containment across the business. We are embracing new technologies and in many ways are pioneering the use of Robotic Process Automation (RPA), Big Data, and Artificial Intelligence (AI) to optimise costs. Our resulting strong cash flow helps us to maintain a high level of capital reinvestment to maintain a leading position in network coverage, call quality and data speed in our markets. In addition to investing in the future of the business, cash generated from our activities allows us to maintain our shareholder returns, with our dividend policy of at least 90% of adjusted headline earnings.

Key cost differentiators

- Leveraging global best practice on cost optimisation through our 'Fit for growth' programme where we benefit from and share best practice with Vodafone.
- Leading in use of RPA, Big Data and AI to optimise costs.
- 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



	2019	2018
Direct expenses	**62%**	63%
Other opex	**24%**	23%
Staff expenses	**11%**	10%
Publicity expenses	**3%**	4%

How we sustain value

Investing in the resources and relationships impacting value

PG 42

People, culture and governance (Human and intellectual capital)

Key inputs

7 746 (2018: 7 554) employees.

Experienced and diverse executive team and strong Board.

An agile, performance-based, purpose-led company culture.

Robust governance systems.

Service providers delivering on agreed terms.

Activities to sustain value

- Competitive remuneration and personal development opportunities.
- R544 million (2018: R287 million) invested in employee training and leadership development, including upskilling employees for digital transformation.
- Implemented agile business processes across business units.
- Strong focus on diversity.
- Maintained drive on building our reputation as a quality employer.

Outcomes (2019)

Maintained employee motivation, skills and diversity through:

- ✓ R6.1 billion (2018: R5.6 billion) invested in wages and benefits[1].
- ✓ 76% black and 43.4% female representation in the South African workforce.

Evidence of staff satisfaction:

- ✓ Top Employer in all markets and leader in the ICT/Telecoms sector.
- ✓ 8% voluntary staff turnover (2018: 9%).
- ⇌ 78% staff Engagement index.

Impacts on safety:

- ✕ One contractor fatality (2018: 3).
- ✕ Underperformed on eNPS.
- ⇌ Lost-time injury frequency rate 0.07.

Trade-offs: Investing in attracting, retaining and developing the best talent is one of the most significant costs to our business, impacting short-term financial capital, but generating longer-term returns in all capital stocks. Our commitment to driving a digital company, and effectively harnessing the role of AI and Big Data, may result in pressure on some existing traditional job functions, with new opportunities in new roles.

PG 18

Quality relationships with key stakeholders (Social and relationship capital)

Key inputs

77.8 million (2018: 74.0 million) customers.

Constructive engagement with regulators.

Investor confidence.

Positive supplier relationship.

Trusted brand and reputation.

Activities to sustain value

- Continued investment in ensuring network and IT quality, strong positive customer experience, and segmented products and services.
- Engaged actively with regulators, pursuing full compliance and driving a societal contribution.
- Regular investor communication.
- Delivering societal value through connectivity and digital services in areas such as inclusive financial services, education, health and agriculture.
- Strong governance processes.
- New BEE deal.
- Partnering with governments through our foundation to help with societal issues, especially education.

Outcomes (2019)

Strong customer relations:

- ✓ Leader in customer net promoter score (NPS) in four out of five markets.
- ✓ Increase in customers across markets.
- ⇌ Some customer issues remain (page 18).

Generally positive government relations, aided for example by:

- ✓ R20.1 billion total cash contribution to public finances.
- ✓ R16.4 billion BEE deal.
- ✓ R8.1 billion airtime advanced to customers.
- ✓ Enabled financial inclusion through 13.5 million M-Pesa customers.
- ⇌ Disappointing third quarter.

Trade-offs: Maintaining quality relationships across all stakeholders may require trade-offs in certain relationships as we balance sometimes competing stakeholder interests. Investing in social capital often requires short- and medium-term financial capital inputs, but generally generates positive return across most capitals over the longer-term.

1. Excludes staff expenses of R1 billion (2018: R821 million) capitalised against property, plant and equipment. Includes dividends of R52 million (2018: R44 million) relating to forfeitable share plan offset against the forfeitable share plan reserve.

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Network and IT infrastructure (Manufactured capital)

Key inputs

21 432 (2018: 20 139) base stations (+6.4%).

South Africa 94.0% (2018: 91.9%), International 91.5% (2018: 87.5%) self-provided fibre and microwave connections.

R13.0 billion (R11.6 billion) invested in strengthening network.

Activities to sustain value

- Maintaining our network and IT leadership through targeted investment.
- Enabling 2G, 3G and 4G on the same network equipment through radio access network modernisation programmes.
- Further developing systems and process to enable Big Data analytics.

Outcomes (2019)

Positive results in most areas

- ✓ 1 272 new 2G sites.
- ✓ 1 505 new 3G sites.
- ✓ 3 489 new 4G sites.
- ✓ 81 239# (2018: 54 247#) fibre end points passed.
- ✓ Smarter deployment through use of Big Data.
- ✓ Acquired spectrum in Mozambique and Tanzania.
- ✓ #1 in SA – Gartner IT4C benchmark.
- ⇌ Rated first for network quality in three of five markets in network NPS.
- ✗ No spectrum allocation in South Africa.

Trade-offs: Investing in building and maintaining our infrastructure requires significant financial capital, and appropriate levels of human and intellectual capital, as well as certain natural capital inputs and outcomes. An extensive network is a key basis for bridging the digital divide and sharing the substantial social benefits of digital connectivity. As a purpose-led organisation we have committed to reducing the environmental impacts associated with our network infrastructure and services.

PG 50

Financial capital

Key inputs

R205 billion (2018: R263 billion) market capitalisation (↓ 22.1%).

0.7 times (2018: 0.6 times) net debt to EBITDA ratio to execute growth.

R14.9 billion (2018: R14.2 billion) free cash flow (↑4.7%).

R630 million (2018: R703 million) interest earned (↓ 10.4%)

Activities to sustain value

- Diversifying revenue growth areas.
- Employing smart capex deployments.
- Driving 'Fit for growth' cost programme.
- Maintaining strong corporate governance structures and finance team.
- Realising benefits of purchasing power on network equipment, devices and operating expenditure through the Vodafone Procurement Company.
- Leading in application of Big Data and AI to increase revenue and optimise costs.

Outcomes (2019)

- ✓ Revenue up 4.3% to R90.1 billion.
- ✓ EBITDA up 2.4% to R33.7 billion.
- ✓ Cash generated from operations: R34.6 billion (2018: R32.3 billion).
- ✓ R3.0 billion (2018: R2.8 billion) paid to debt funders in interest.
- ✓ Total dividend declared R14.6 billion (2018: R14.0 billion) up 4%.
- ✗ Total dividend per share declared: 795 cents (2018: 815 cents).
- ✗ Headline earnings per share: 862 cents (2018: 923 cents).

Trade-offs: There is an important trade-off between the short-term interests of certain investors and other interest groups that seek to maximise short-term gains in financial capital, with our longer-term growth objectives that require investment of financial capital. Finding the right balance in these trade-offs between the short term and long term – and in different associated stakeholder interests – is a key focus in our strategic decision-making.

Sustainability report

Natural resources (Natural capital)

Key inputs

Radio spectrum (700, 800, 900, 1 800, 2 100, 2 300, 2 600 MHz bands).

525 GWh (2018: 501 GWh) electricity (↑ 4.8%).

164 410 kl (2018: 201 516 kl) of water# (↓ 19.2%).

4 134 555 litres (2018: 3 910 892) of fuel# (↑ 5.7%).

Activities to sustain value

- Strong focus on energy efficiency of our network.
- Identify opportunities to use IoT to promote resource efficiency through smart metering.
- Recycling handsets and network equipment.
- Increasing solar-operated sites.

Outcomes (2019)

- ✓ 353 tonnes (2018: 349 tonnes) of e-waste recycled.
- ✓ 955 (2018: 871) solar-operated sites.
- ✗ 640 926 tonnes (2018: 628 457 tonnes) of CO_2 emissions (Scope 1,2,3) 2.0% increase.

Trade-offs: Using and impacting natural resources – which also sometimes negatively affect human and social capital – is a key trade-off for generating value across the other capitals. As part of being a purpose-led company we are committed to minimising the environmental impacts of our operations and activities, and to realising the significant potential for digital products and services to deliver positive environmental outcomes.

South Africa only.

Our operating environment

Responding to a dynamic operating context

As an ICT company with operations and activities across emerging markets in Africa, we face a particularly dynamic operating context that presents some challenging risks as well as valuable opportunities. We have identified four broad trends over the year that have a material impact on our business model. Our Vision 2020 strategy has been developed to ensure that we are best positioned to seize the opportunities and mitigate the risks associated with each of these trends.

Challenging macroeconomic context placing pressure on consumers

South Africa

- Lacklustre GDP growth and continuing rand/dollar volatility, with an uncertain investment outlook.
- Load-shedding compounds concerns on the anticipated cost of bailing out state-owned enterprises.
- Subdued business confidence, with uncertainty on elections and key government policy issues.
- Consumer spending constrained by low wage growth, unemployment, fuel price increases and high debt.

International operations

- Generally subdued economic growth with most markets experiencing currency depreciation and inflation.
- Mobile network operators (MNOs) continue to face increasing tax and regulatory pressure.
- Political volatility remains a concern across much of the region.

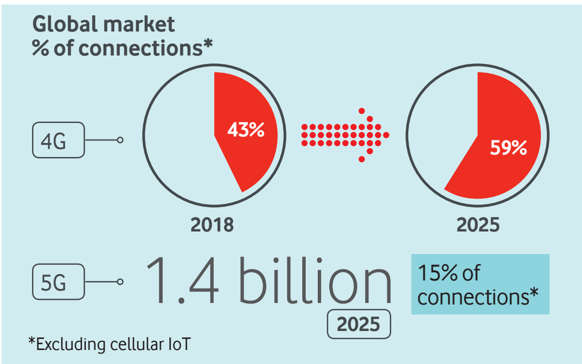
Our strategic response

- Driving digital inclusion through enhanced rural coverage, low-cost smartphones and affordable platforms (such as Siyakha).
- Providing segmented products and services, with appropriate pricing strategies.
- Developing inclusive digital services such as M-Pesa mobile money.
- Maintaining a strong drive on cost efficiency and 'smart capex'.
- Targeted offers to give more value to customers, especially in low-income areas.

Risk

- Unstable economic and market conditions.
- Adverse regulatory and political pressures.

Strategy



Source: GSMA Intelligence, The mobile economy 2018

Digital innovation disrupting business models

- The transition to the 'Fourth Industrial Revolution' – characterised by recent rapid developments in AI, Big Data analytics and blockchain technology, as well as the growth in the Internet of Things, connected homes and autonomous vehicles – is challenging many traditional business models, presenting significant risks and exciting opportunities, in particular for ICT companies.
- Digital connectivity and social media is changing consumer behaviour, and informing and enabling more activist, digitally savvy consumers.
- This is being accompanied by the increasing uptake of smart devices, improved networks (including 5G) and new digital content and services.

Our strategic response

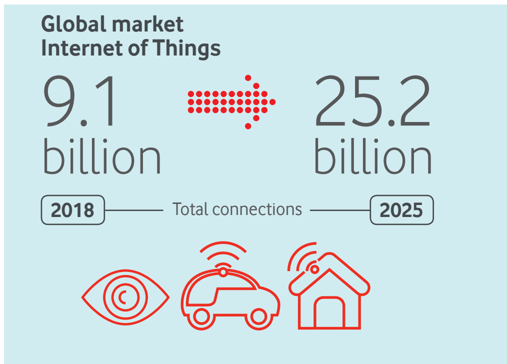
We are redefining the business as a leading digital company by:

- Developing innovative digital services and enhanced customer platforms to increase engagement.
- Rethinking our future networks and technology.
- Fostering an agile digitally-driven company culture that attracts the best talent.
- Exploring opportunities to drive positive societal change in financial services, enterprise, education, healthcare and agriculture.

Risk

- Market disruption.
- Strategy execution in fibre and convergence.

Strategy



Source: GSMA Intelligence, The mobile economy 2018

Best customer experience | Segmented propositions | Financial services | Digital content platforms | Best technology | Digital organisation and culture | Our brand and reputation

An increasingly dynamic competitive landscape

- Competing MNOs in our markets are increasingly seeking differentiation through significant investment in networks, sometimes aggressive price plays, the provision of targeted customer propositions, and/or new digital offerings.
- There is heightened competition in our largest market, South Africa, with MTN closing the network gap, Telkom gaining momentum in mobile through aggressive data propositions, and Rain entering the consumer market; we anticipate consolidation in the over-traded fibre sector, and new global Cloud entrants in the Enterprise space.
- Over-the-top (OTT) services (such as WhatsApp) are prevalent in all our markets; while they have the effect of driving up data revenue, they also negatively impact messaging and voice revenue.
- As we move to become a digital company, we face increased competition, for customers and talent, from various non-traditional sources relating to the provision of technology, networks and infrastructure, as well as the development and distribution of new digital products and services.

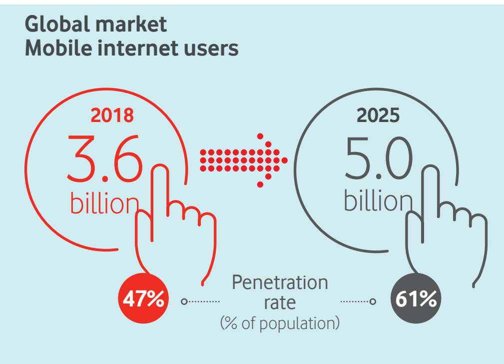
Our strategic response

- Harnessing digital to drive clear competitive differentiation in product offerings.
- Proactively delivering the best customer experience.
- Instilling an agile culture across the organisation.
- Identifying innovative opportunities for collaboration rather than competition.
- Embracing OTT players for mutual benefit.
- Partnering to ensure relevance and competitive advantage.

Risk

- Market disruption.
- Strategy execution in fibre and convergence.

Strategy



Source: GSMA Intelligence, The mobile economy 2018

Regulatory challenges

We continue to face regulatory challenges across our markets, with important implications for revenue growth, product pricing and cost efficiency. Key regulatory issues by market include:

- **South Africa:** The timing and nature of the licensing of spectrum; and the outcome and impact of ICASA's Priority Market Review into mobile broadband services and the Competition Commission's inquiry into the data service market. We anticipate continued pressure to further lower data prices.
- **Tanzania:** Implications of the drive for biometric-based SIM registration integrated with the National Identification Agency system; draft regulations on cost-based pricing on tariffs and promotions; ensuring compliance with quality of service regulations; and the outcome of the review of mobile termination rates.
- **DRC:** Uncertainty on the timing and final nature of the Communications Bill introducing changes to licence regimes; 2G licence dispute; implications of national security and customer SIM registration regulations; potential new taxes.
- **Mozambique:** The introduction by the Central Bank of mobile money interoperability; and the implications of national security and biometric customer SIM registration regulations.
- **Lesotho:** Ensuring compliance with quality of service regulations; anticipated introduction of customer SIM registration regulations; and proposed promulgation of cyber security regulations.

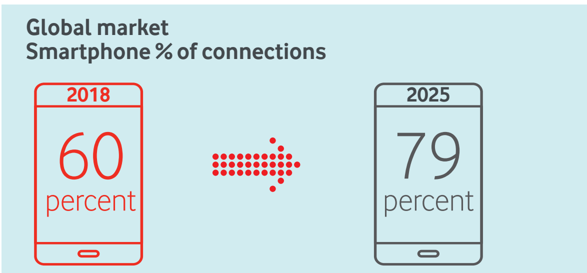
Further details are provided in our Regulatory report at www.vodacom.com.

- Striving to maintain proactive relations with government, informed by a shared understanding of the need for inclusive economic development.
- Developing segmented proposition with appropriate pricing.
- Democratising data access and providing inclusive digital services.
- Creating forums to further enhance governments' and regulators' understanding of the mobile communications and financial services businesses and how they contribute to government and society.
- Participation in government engagement processes when invited.

Risk

- Unstable economic and market conditions.
- South Africa priority markets review, decisions on spectrum assignment.
- Spectrum.
- Vendor strategy.
- Adverse regulatory and political pressures.
- Non-compliance with laws and regulation.

Strategy



Source: GSMA Intelligence, The mobile economy 2018

Our key relationships

As a Group 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 tables below we briefly outline those stakeholder groups who have a substantive impact on our ability to create value, outlining their contribution to value creation, our means of engaging with them, and the stakeholders' primary interests relating to our business activities. We have also provided our own internal assessment of the quality of our current approach to engaging with the different stakeholder groups.

Our assessment of the current quality of our relationship

- * No existing relationship, or one that is fractured and has deep challenges.
- ** An established relationship, but further work needed to improve the quality.
- *** Good quality relationship, with room for further improvement.
- **** Very strong relationship, based on mutual trust and shared benefit.

Customers

***

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

How we engage	Material stakeholder interests
Retail outlets, online and call centres.	Better value offerings.
MyVodacom app, messaging and USSD channels.	Faster data networks and wider coverage.
Net promoter score feedback interviews and focus groups.	Making it simple and quick to deal with us.
Social media interaction.	Converged solutions for business customers.
Vodacom website.	Managing the challenge of data-usage transparency.
Exco visits to stores.	Privacy of information.
	Prompt feedback/resolution on service-related issues.

Our response: Best customer experience (page 28), Segmented propositions (page 31), Financial services (page 34), Digital content platforms (page 36)

Government and regulators

***

Provide access to spectrum and operating licences; impose regulatory measures with cost implications.

How we engage	Material stakeholder interests
Participation in company and industry meetings with government and regulators.	Ensuring that spectrum is managed as a strategic resource.
Participation in public forums.	Protecting consumer interests on service quality, costs and privacy.
Engagement on draft regulations/bills.	Establishing licence certainty in our operating environments.
Industry consultative bodies.	Opportunities for job creation and socioeconomic development.
Partnering on various social programmes.	Regulatory compliance (eg. mobile termination rates, price, security, safety, health and environmental performance).
Hosting workshops to improve sector understanding.	Contribution to the tax base.
Participation in parliamentary processes.	

Our response: Our brand and reputation (page 44)

Employees

****

Their skills, experience and productivity drive the development and execution of our strategy.

How we engage	Material stakeholder interests
Internal website.	Opportunities for personal and career development.
Newsletters and electronic communication.	Communication and knowledge sharing across the Group.
Employee hotline.	Enhancing leadership coaching capacity.
Leadership roadshows.	Competitive remuneration.
Fireside chats with the CEO.	Deepening digital skills.
Townhalls.	

Our response: Digital organisation and culture (page 42), Sustainability report

Investors and shareholders

Provide the financial capital for long-term growth.

How we engage	Material stakeholder interests
Personal meetings, roadshows, conferences. Investor days. Annual and interim reports. Stock Exchange News Service (SENS) announcements. Monthly and quarterly reviews with Vodafone. Investor relations page on our website.	Strategy to ensure sustained financial growth. Responsible allocation of capital. Sound corporate governance practices. Transparent executive remuneration. Stable dividend policy.

Our response: Share information (page 80), Consolidated annual financial statements, Sustainability report

Suppliers

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

How we engage	Material stakeholder interests
Supplier forums. Ongoing site visits. Tenders and requests for audits. Supplier audits and assessments.	Timely payment and fair terms. BEE compliance and SMME/BEE supplier development. Improving health and safety standards. Partnering on environmental solutions. Supplier/product innovation.

Our response: Our brand and reputation (page 44), Sustainability report

Communities

Strengthening the socioeconomic context in which we operate; inform our reputation.

How we engage	Material stakeholder interests
Community interaction on projects relating to education, health, agriculture and inclusive finance. Public participation on new base stations. Open days at universities. Vodacom Foundation/community partnerships.	Access to mobile voice and data services. Delivery of global and national development goals. Free-to-use social media, education and job sites. Responsible investment in infrastructure. Transparency on performance.

Our response: Our brand and reputation (page 44), Sustainability report

Business partners/franchisees

A key interface with our customers, custodians of our brand and reputation.

How we engage	Material stakeholder interests
Annual business partner conference. Bi-annual franchise road shows. Quarterly franchisee council committee meetings. One-on-one business meetings. Training sessions on products and services. Store, franchise and retail visits.	Fair treatment. Top management involvement with customers. Making it simpler and quicker to deal with us.

Our response: Best customer experience (page 28)

Media

Inform company reputation and consumer awareness of products and services.

How we engage	Material stakeholder interests
Face-to-face and telephonic engagement. Interviews with CEO and key executives. Media releases and product-related publicity. Roundtables. Product launches.	Being informed of key activities and offerings. Transparency on performance.

Our response: Integrated report, Consolidated annual financial statements, Sustainability report

Responding to stakeholder 'hot issues'

Being sufficiently responsive to relevant stakeholders' interests is essential to maintaining positive stakeholder relationships. In many instances, those issues which our stakeholders feel most passionate about cut across different stakeholder groups, sometimes with very different perspectives. While there are always many different stakeholder interests that we have to deal with, we have prioritised this financial year's four most visible 'hot issues' which we believe have a material bearing on our ability to create value.

Cost of data

– regulatory and political priority

The issue

In South Africa, consumers, policy makers and the media have been voicing concerns relating to the cost of ICT services in general and digital data in particular. In South Africa, the Competition Commission and ICASA have both launched processes on the cost and nature of data services, and regulations have recently been introduced to manage data usage notification and control out-of-bundle billing.

Our response

In the context of our commitment to drive digital inclusion, and given the tough consumer environment, we recognise the imperative to further lower data prices in some of our markets, while ensuring that this does not compromise our ability to make the investments in network and IT infrastructure needed to broaden service delivery and maintain high quality offerings. Our initiatives to reduce data costs and encourage customers to optimise data usage include:

- Introducing new in-bundle and out-of-bundle smart notifications, and further reducing out-of-bundle rates, in line with the recent amendment to the End-User and Subscriber Service Charter Regulations, providing customers with options to transfer and roll over data, and further reducing out-of-bundle rates by 50%.
- Providing customers with bundles for varying periods of validity at affordable pricing, down to 12 cents per MB for a one-hour, 1Gb package at R12.
- Making data more affordable through various propositions that lower the data entry barrier, such as Facebook Flex and Vodacom Siyakha.
- Running consumer campaigns to increase awareness on optimising data usage.
- Renewed calls for the Government in South Africa to release much needed spectrum at a reasonable price to reduce the cost to carry data.
- Introducing personalised bundles that target lower-income towns and groups.

Stakeholders
- Customers
- Government
- Regulators
- Media
- Investors

Consumer privacy

– protecting personal information

The issue

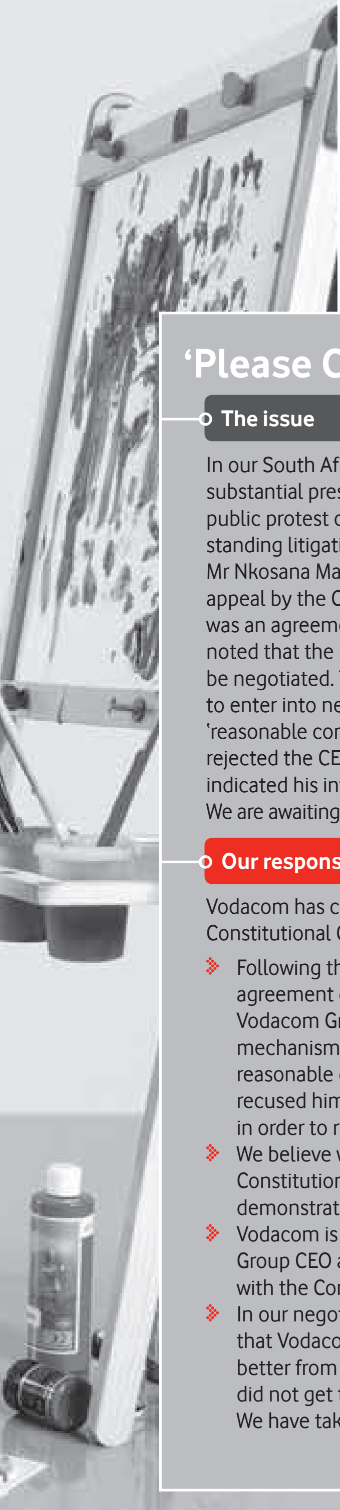
Individual consumers are becoming increasingly connected through smartphones and other personal devices, spending more time on social media platforms and more frequently engaging in e-commerce transactions and digital financial services. As the ability to track and analyse 'connected consumers' becomes more sophisticated, so the need to manage and protect personal information becomes more critical. Trust in big tech companies has recently been falling, with consumers and regulators increasingly concerned about the security of personal data and how it is being used.

Our response

Respecting our customers' right to privacy, and protecting devices, networks, data and apps, is a top priority for us and integral to our Code of Conduct.

- As part of the Vodafone Group, we benefit from its approach to ensuring compliance with the EU's General Data Protection Regulation (GDPR), the global 'gold standard' on data protection and privacy.
- In South Africa, we have systems in place to ensure compliance with the recently approved regulations of the Protection of Personal Information Act (POPI) once these come into effect.
- All legally-entitled requests from security and enforcement agencies for customer information are managed in accordance with Vodafone policies and procedures, and with applicable local laws and regulations; we contribute annually to Vodafone's industry-leading law enforcement disclosure report, which provides a detailed insight regarding demands from law enforcement agencies in 28 countries.

Stakeholders
- Customers
- Government
- Regulators
- Media
- Investors



Network quality and coverage

The issue

Maintaining network quality and performance is both a significant source of competitive differentiation, as well as a legislated expectation in terms of 'Quality of Service' regulations. Unplanned disruptions in network performance, and any resulting shortfalls in network quality and availability, negatively impact consumer sentiment which can be rapidly shared on social media. In South Africa we have faced network-related challenges in some areas following extended load-shedding by the national energy utility, which placed pressure on batteries and diesel generators.

Our response

To cater for the growth in data usage across our markets, we have invested R13 billion to widen our 3G and 4G data coverage, improve voice quality and increase data speeds.

- Given the potential for further extended load-shedding we have invested in additional batteries and generators across our South African network.
- In South Africa, our 3G coverage has increased to 99.5% of the population and 4G coverage to 90.4%, with high-speed transmission extended to 94.0% of our sites.
- Our International mobile operations now have 7 580 2G sites, 5 629 3G sites, 1 593 4G sites and 1 5G site, with high-speed transmission extended to 91.5% of sites. This year we introduced 5G in Lesotho.
- We continue to engage actively with regulatory authorities on accessing spectrum. This remains a critical factor in further improving network quality and coverage and reducing data costs.

Stakeholders
- Media
- Customers
- Regulators
- Investors

'Please Call Me' protests

The issue

In our South African market, Vodacom has been subject to substantial press and social media attention, as well as a public protest outside our head office, relating to a long-standing litigation process with a former Vodacom employee, Mr Nkosana Makate. The matter was eventually heard on appeal by the Constitutional Court. The Court ruled that there was an agreement between Vodacom and Mr Makate, but noted that the price to be paid for Mr Makate's idea still had to be negotiated. The Court instructed Vodacom and Mr Makate to enter into negotiations, in good faith, to agree the 'reasonable compensation' payable to Mr Makate. Mr Makate rejected the CEO's determination and in February 2019 indicated his intention to take the matter under judicial review. We are awaiting communication from Mr Makate on this matter.

Our response

Vodacom has complied fully with the Order of the Constitutional Court.

- Following the failure of the negotiating teams to reach agreement on the quantum of compensation, the Vodacom Group CEO, in his role as a deadlock-breaking mechanism, was required to determine the amount of reasonable compensation to be paid. CEO Shameel Joosub recused himself from all internal meetings on this matter, in order to remain independent and impartial.
- We believe we have followed the Order of the Constitutional Court to the letter and that we have demonstrated good faith throughout the negotiations.
- Vodacom is ready and willing to pay the amount set by the Group CEO as reasonable compensation, in accordance with the Constitutional Court Order.
- In our negotiations with Mr Makate, we have acknowledged that Vodacom could and should have handled this matter better from the beginning; in those instances where we did not get things right, we have tendered our apologies. We have taken some important lessons from this matter.

Stakeholders
- Customers
- Government
- Regulators
- Suppliers
- Investors

Bulls and bears: our investors' perceptions

The Bulls – Seeing the upside

- Strong management team with good track record of execution.
- Strong balance sheet capacity and cash flow generation, to support both dividend and future mergers and acquisitions.
- A diversifying portfolio with faster growth potential in International operations, positive earnings contribution from Safaricom.
- Excitement about new growth opportunities in digital services, including Financial services, Enterprise and IoT innovations.
- Benefits of Telkom roaming deal, filling the gap from the loss of Cell C.
- Recent positive regulatory and policy developments in South Africa, with anticipated progress on spectrum allocation.

The Bears – Identifying areas of concern

- Continuing macroeconomic pressure negatively impacting consumer spend.
- Perceived regulatory and competitive issues placing further pressure on data pricing.
- EBITDA margin softness in South Africa from Vodacom roaming on the Rain mobile network.

Our principal risks

Figure 1: Residual impact vs likelihood

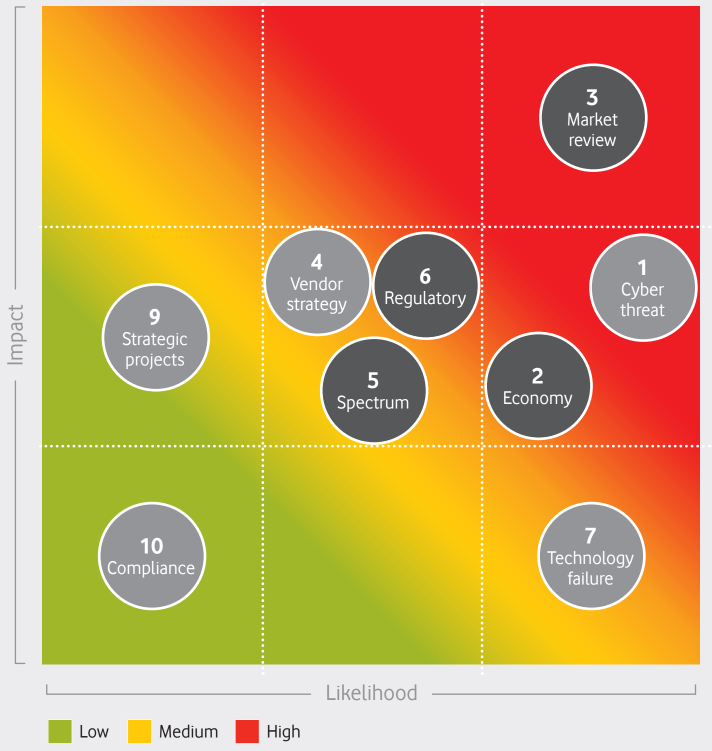
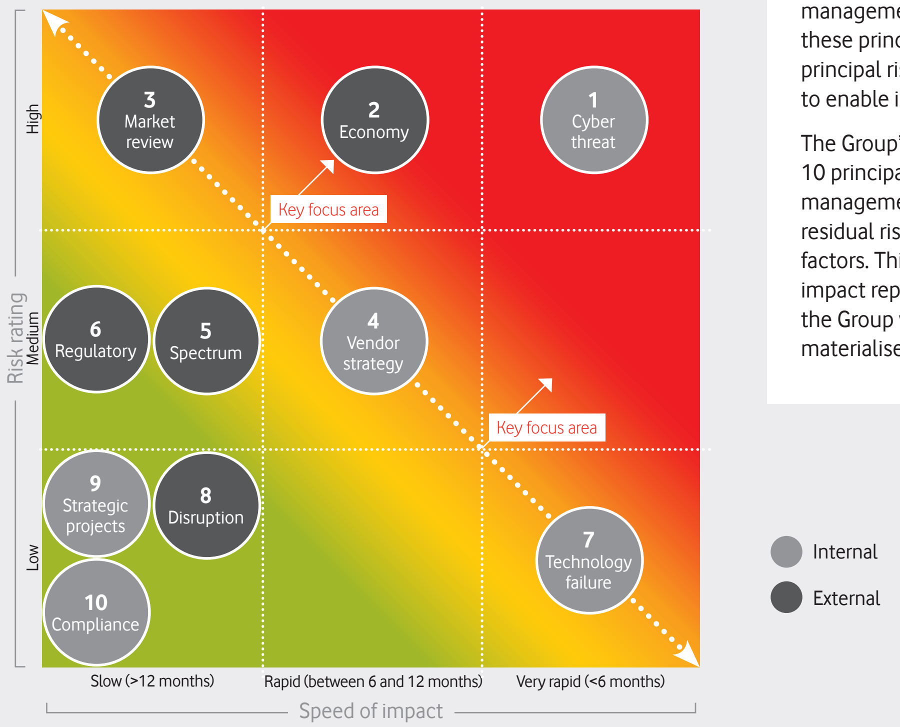


Figure 2: Risk and speed of impact



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

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

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

Our strategies

- Best customer experience PG 28
- Segmented propositions PG 31
- Financial services PG 34
- Digital content platforms PG 36
- Best technology PG 38
- Digital organisation and culture PG 42
- Our brand and reputation PG 44

Principal risk	Context	Mitigating actions	Strategy
1 **Cyber threat** (All markets) **Speed of impact** Very rapid **Rating: 1** (2018: 8)	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.	- World-class security vendors commissioned to enhance sophisticated attacker detection. - Ensure that all projects are undertaken with security in mind. - Cyber incident response, containment and focus monitoring for the Vodacom Group of companies. - Continuous security improvement programmes undertaken to manage the security risk. - Assurance programmes are in place that incorporate both the internal and external review of where our data is held. - Layers of security controls applied to protect our infrastructure that stores and transmits confidential information. - Vodafone Security Risk, Control and Assurance Framework applied.	
2 **Unstable economic and market conditions** (All markets) **Speed of impact** Rapid **Rating: 2** (2018: 9)	The mobile communications industry is often subject to unpredictable and higher direct and indirect taxes in our countries of operation. Other volatile macroeconomic conditions – such as fluctuating foreign exchange and inflation rates – can weaken Consumer and Enterprise spend, reducing revenue and impacting negatively on operating costs and capital expenditure.	- Comprehensive stakeholder relations strategy in all our operations. - Internal specialised tax management capability, with external expert tax advice as needed. - Adjust our products and services to continue to serve customer needs. - Group Treasury Policies applied in all our markets. - Include contingencies in our business plans to provide for the negative operational impacts that could arise from lower economic growth, and changes in interest, inflation and exchange rates. - Implement a global cost-savings programme to combat the effects of inflationary pressure on costs. - Use of foreign exchange instruments to mitigate foreign currency fluctuations. - Careful treasury management of loans to ensure the best rates and right balance between fixed and variable rates.	
3 **Priority market review** (South Africa) **Speed of impact** Slow **Rating: 3** New	A priority market review on both Wholesale and Retail can result in an increase in regulatory requirements. Stringent regulatory requirements set by the regulator or legislation could have an impact on Vodacom's profitability, growth and services.	- Vodacom engages with the relevant bodies, through discussions and submissions, to ensure fair results. - We ensure that we comply with the relevant regulations. - Vodacom submits quality submissions, balanced with academic studies, best practices research, international independence review and studies and economic impact reports.	

Principal risk	Context	Mitigating actions	Strategy
4 **Vendor strategy** (All markets) **Speed of impact** Rapid **Rating: 4** New	A dual vendor strategy is crucial for the sustainability of our operations. Geopolitical influences furthermore could impact on our IT and Technology vendor strategy. Lack of supply by key suppliers may negatively impact on operational activities and delivery of quality of service.	- Risk profiling to consider multi-vendor strategy in critical categories to reduce dependencies on single vendors. - We continue to invest in the upliftment of future BEE suppliers. - We closely monitor the political situations around our key suppliers. - We are also working with governments, experts and suppliers to ensure that we can shape outcomes wherever possible.	
5 **Spectrum/Licence renewal** **Speed of impact** Slow **Rating: 5** (2018: 2)	Failure to secure additional spectrum due to policy changes relating to the issuing of spectrum licenses, non-renewal of existing licences, and/or increased competition for access to spectrum, would significantly impact our ability to increase capacity and deliver future network capabilities.	- Engage government and regulatory bodies, highlighting efficient allocation and resulting societal benefits of spectrum. - Actively participate in licence renewal processes and spectrum allocation processes. - Continuously evaluate and implement re-farming and optimisation strategies. - Proactive spectrum strategy, including potential acquisitions and strategic partnerships under applicable regulations.	
6 **Adverse regulatory pressures** (All markets) **Speed of impact** Slow **Rating: 6** (2018: 5)	Stringent regulatory requirements set by the regulator or legislation could have an impact on Vodacom's profitability, growth and services. This exposes Vodacom to significant financial and reputational damage.	- Engage with governments, regulatory and public bodies. - Specialist legal, regulatory and government relations teams at Group and in all operations, with external advisors and legal counsel as needed. - Engage stakeholders, and utilise targeted intelligence reports, to understand material legislative changes. - Engage proactively with government and other key stakeholders to communicate key messages and proposals on how policy/regulatory decisions positively and negatively impact the sector. - Participate in broader government objectives and public interest through national industry associations, the GSMA and other influential organisations. - Regulatory Compliance Policy and a related combined assurance programme in place to ensure that all risks are documented.	
7 **Technology failure** (All markets) **Speed of impact** Very rapid **Rating: 7** (2018: 7)	Our customer value proposition is based on the reliable availability of our high-quality network. A major failure in critical network or information technology assets – for example, through natural disasters, insufficient preventative maintenance, or malicious attack – would have a profound impact on our customers, revenues and reputation.	- Invest in maintaining and upgrading our network on an ongoing basis, with comprehensive business continuity and disaster recovery plans in place. - Investments to ensure adequate redundancy capabilities where feasible. - Comprehensive insurance policies in place. - Self-provided transmission links on critical routes in our networks to reduce reliance on external parties. - Minimise any single point of failure.	

Our strategies

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- Our brand and reputation PG 44

Principal risk	Context	Mitigating actions	Strategy
8 **Market disruption** (All markets) **Speed of impact** Slow **Rating: 8** (2018: 4)	We are experiencing intensified competition from a variety of new and existing technology providers, new market entrants and competitors.	- Monetise the network and personal data assets by using Big Data and real-time analytics to provide personalised services to customers. - Implement pricing strategies to manage the decline of traditional voice revenue through migrating voice to data. - Established a team that analyses and provides insight into customer behaviour to better position our offerings and further segment our customers with relevant offers and services. - Ensure superior customer service strategy in place. - Partner with OTTs for mutual benefit.	
9 **Execution of strategic projects for future growth** (All markets) **Speed of impact** Slow **Rating: 9** (2018: 6)	Missed growth opportunity due to lack of execution of our strategic projects. Vodacom's ability to remain competitive in the new and changing market may be negatively affected if the current projects to roll out fibre, digital services, financial services and converge products is not done successfully and in a timely manner. Constant threats from regional start-ups and smaller fixed ISPs offering no-frills access to the internet.	- Our strategy includes a dedicated pillar that focuses on future growth areas that include fibre, digital services, converged services and financial services. - Dedicated divisions to deliver on the strategy of fibre, digital services, converged services and financial services. - Review alternative options to assist in the growth of our fibre offerings and digital services either through build, buy or partnering. - Review and monitor our current revenue streams so that we are able to proactively implement controls to manage potential substitution. - Monitoring by the Board for corrective steps and actions.	
10 **Non-compliance with laws and regulations** (All markets) **Speed of impact** Slow **Rating: 10** (2018: 10)	We operate in a complex and heavily regulated environment. A breach of regulatory requirements could expose Vodacom to significant financial and reputational damage.	- All new products and services are reviewed for compliance with all applicable laws and regulations before being approved for launch. - All distribution channel agreements are updated to continuously comply with legislative requirements. - Subject matter experts in our legal and regulatory teams at a local and global level advise on strategy and manage policy and risk issues. - Policy of zero-tolerance towards bribery by any employee or third party operating on our behalf. - Robust, proportionate, risk-based controls to prevent, detect and report money-laundering and terrorist financing. - Combined Assurance Programme on regulatory compliance, governed by the Group Audit, Risk and Compliance Committee.	

Delivering on our strategy

Vision 2020: Our strategy

We have been implementing the five pillars of our Vision 2020 strategy since 1 April 2017. This year we added two new pillars, separating our Digital content platform and Financial Services commitments as we see these areas requiring particular focus in delivering on our goal of being a leading digital company.

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

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

Empowering the digital lives of our customers

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

Strategy	How we measure success	Goal to 31 March 2020	Performance at 31 March 2018	Performance at 31 March 2019	
Best customer experience	Net promoter score (NPS)	#1 in all markets	#1 in all markets	#1 in all markets except Mozambique	Partially achieved
	Digital NPS	#1 in all markets	not yet measured	#1 in all markets, not yet measured in International	Achieved target
Segmented propositions	Group service revenue growth rate (%)	Mid-single digit	3.4%	5.0%	Achieved target
Financial services	Group customers using financial services[1]	>52 million customers	not yet measured	45.8 million customers	Partially achieved
Digital content platforms	Group service revenue contribution (%) from digital services (IoT, Infotainment and advertising)	5%	3.2%	2.8%	Partially achieved
Best technology	Network NPS	#1 in all markets	#1 in all markets	#1 in all markets except #2 in Tanzania #2 in Mozambique	Partially achieved
Digital organisation and culture	Employee Engagement index (%)	80%	78%	78%	Partially achieved
	Employee Digital index (%)	80%	77%	75%	Partially achieved
Our brand and reputation	Brand leadership	#1 in South Africa	#1 in South Africa	#1 in South Africa	Achieved target
	Reputation survey	#1 in all markets	#1 in all markets	#1 in all markets	Achieved target

1. Including Safaricom.

Achieved target   Partially achieved

Delivering on our strategy: 2019 at a glance

- ✓ Expanded network coverage across all our markets, all of which are now live with 4G; we introduced 5G in Lesotho, the first in Africa.
- ✓ Enhanced our IT platform architecture and Big Data capabilities, reducing customer call volumes by 25%, ahead of our 20% target.
- ✓ Increased the performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- ✓ Secured positive developments in our segmented propositions, each of which is increasingly informed by Big Data analytics.
- ✓ Another solid performance from our Enterprise segment, with mobile market share remaining strong; continued growth in the fixed-line business; and further delivery in IoT.
- ✓ Gained traction in driving uptake of IoT in areas such as smart buildings, smart utilities, logistics, fleet and citizen engagement, as well as successfully deploying solutions in education, healthcare and agriculture through our subsidiary Mezzanine.
- ✓ Achieved strong early growth in scaling financial services in our South African market, focusing on insurance, payments and lending.
- ✓ Maintained our leading performance in M-Pesa, extending the offering beyond person-to-person money transfers to include Enterprise, financial services and mobile commerce. M-Pesa has grown to have the largest reach of any financial services provider in Africa.
- ✓ Good progress in most of our chosen verticals in consumer digital services – video, music, sports and gaming – all supported by our advertising platform.
- ✓ Realised more than R3 billion in operational cost savings through our Technology Efficiency programme.
- ✓ Pleasing progress in embedding Agile methodologies across our South African operation, and in accessing and developing digital talent, including specifically in Big Data and AI.
- ✓ Continued to roll out numerous initiatives that are making a meaningful contributing to the eight global UN Sustainable Development Goals (UN SDGs) that we have prioritised – on education, health, gender equality, job creation, industry innovation, sustainable cities, climate action and partnerships.
- ⇄ Data security remains a critical customer focal point, given the increasing number of cyber attacks and data breaches, and the recent regulatory provisions.
- ⇄ Although we retained our position as the reputational leader in the telecommunications sector across all markets, we faced renewed customer pressure, particularly in South Africa, on issues such as data pricing.
- ✗ Digital services represented 2.8% of service revenue, a 0.4ppts decrease, following a 41% decline in subscription-based content services revenue, as a result of our stringent policies to minimise content fraud.
- ✗ Further expansion of our 4G footprint, and possible roll-out of 5G and faster reduction in cost to carry data, continue to be limited by spectrum constraints.
- ✗ Negatively affected by the recent national load shedding in South Africa, with the more extensive load shedding impacting the ability of some of our back-up batteries to recharge.
- ✗ Financial impact from the new data regulation on revenue growth. However, it is to the benefit of the customer.

Best customer experience

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

We are digitising the customer experience to substantially enhance the quality of service we provide, with the aim of leading in NPS in each of our markets.

Optimising the customer experience

Our approach to optimising the customer experience is guided by our digi-CARE initiative, an ambitious programme across the Vodafone group that focuses on four key areas:

1 Connectivity that is smart and secure

- We have expanded our network coverage in 2G, 3G and 4G across all our markets, and introduced 5G in Lesotho, the first in Africa; all our operating markets are now live with 4G.
- We continue to lead on network net promoter score (nNPS) for network quality and network coverage in three out of five of our markets, and remain competitive on nNPS in Tanzania and Mozambique.
- We invested R13.0 billion in infrastructure this year, improving the overall customer experience across our markets with network modernisation and capacity upgrade initiatives.
- Vodacom's chatbot, 'TOBi', has been rapidly scaled up since its launch in South Africa in July 2018, with more than 1.6 million chats offloaded from our call centres, delivering a significant improvement in our ability to resolve customer queries without a live agent.
- We were the first in Mozambique to gain a unified licence, allowing us to operate with all the technologies with no limitation and leading us to launch 4G before any other operator in our market.

2 Always excellent value

- We have driven the uptake of our award-winning MyVodacom app allowing customers to view balances, buy bundles and manage accounts, free of charge, and we have further improved our in-bundle and out-of-bundle smart notifications for customers across our markets.
- Vodacom Tanzania is the first telecommunications company to introduce cashless functionality through the M-Pesa Mastercard virtual card.
- In DRC we have optimised our Airtime Advance product and improved the pay bill service by allowing postpaid customers to pay their bill via M-Pesa.
- In South Africa we extended our Airtime Advance product to 9.7 million customers.

3 Real-time relevant rewards

- We have run various promotions and campaigns across our markets to reward long-time loyal customers, incentivise new customers, and encourage the uptake of the MyVodacom app.
- In Tanzania our "10 years of M-Pesa in Tanzania" nationwide promotion was launched as a way of thanking our valued M-Pesa customers, agents and merchants; the promotion created 100 millionaires and gave away 10 brand new cars in 10 weeks.
- In the DRC and Lesotho, we have seen significant uptake in our 'Just 4 You' offering, with machine learning informing highly personalised offers based on customers' behaviour.
- In all of our markets we ran promotional campaigns aligned with the 2018 FIFA World Cup.

4
Easy
personal and instant access

- We have invested in enhancing our IT platform architecture and Big Data capabilities to improve our customer service offerings and deliver the best digital experience; these capabilities have assisted in reducing customer call volumes by 25%, well ahead of our 20% target.
- We increased the performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- We have run awareness campaigns across our markets to increase penetration of our digital tools, improve customer experience and deliver enhanced efficiencies.
- We have seen good uptake of our retail app, enabling much more efficient in-store upgrades.
- We have delivered improvements in first call resolution rates across our markets by empowering frontline staff, embedding a digital culture and delivering digital capabilities.
- Our Social Media Command Centre allows us to leverage social listening to be able to address customer incidents as well as social sentiment. This data is used by our customer experience design teams to improve customer journeys and fixes.
- We launched the Customer Obsession Programme in April 2018, requiring all Vodacom executives to spend a day each month in one of our call centres or Vodacom Shops, shadowing the agents. On each visit, the executive commits to an action to improve customers' experiences in that channel. Over 300 commitments have been made so far, relating to people, processes, systems and technology.

Driving a positive customer experience in our retail operations

South Africa

- We have refreshed the look-and-feel of our branded stores, rolled out the Qnomy in-store queue management and appointment booking system, and empowered our frontline staff through our Retail Hero Training Programme.
- We rolled out the Vodacom Retail app, enabling customers to do paperless upgrades instantaneously with a sales consultant, significantly reducing the transaction time, and improving the overall customer experience; we now process on average 64% of upgrades using the app.
- These various initiatives contributed to a positive Retail touchpoint NPS (tNPS), ending the year at 61ppts.
- We have been showcasing our digitally transformed retail channel experience with the reopening of our flagship Vodacom World in December 2018 after an eight-month revamp. With 6 000m^2 of retail floor space, Vodacom World has become the testing hub for all new Vodacom products and services, offering customers a unique experience that showcases the full potential in IoT and technology.
- We maintained our strong focus on our differentiated after-sales model, driving our repair avoidance strategy and first-line repair resolution through TechZone.
- As part of our efforts to reduce our environmental impact and improve customer experience in our stores, in 2019 Vodacom became South Africa's first telecommunications company to ban the issuing of plastic bags to customers in stores. We replaced plastic bags with recyclable brown paper bags, which are comparatively less harmful to the environment.

International

- We launched the MyVodacom app in all our markets.
- We rolled out new store formats across our markets, supported by further investment in improving our customer call centres.
- We continue to deepen the use of digital as a means of enhancing the customer experience, primarily through our 'Just 4 You' offering.
- In Tanzania and Mozambique, our new Knowledge Base Portal has empowered frontline staff to more readily access information on our products and services, increasing efficiency in customer handling and improving the customer experience.

Delivering leadership on net promoter score

To measure the quality of the customer experience, we use the NPS based on one question: "How likely would you be to recommend Vodacom to a friend, family member or colleague?" Vodacom ended the year leading in NPS in four out of five of markets.

- ✓ In South Africa, at year end, we ranked number one in both Consumer and Enterprise NPS, with a nine and one-point gap respectively against our nearest competitor. The decline in Enterprise is mainly as a result of the improvement in the competitor's network and strong competition on pricing.
- ✓ With headline NPS of 58, Vodacom Tanzania retained its leadership position throughout the year, despite heavy competitive pressure in the form of price cuts by competitors.
- ✗ In Mozambique our NPS position declined as a result of competitive pricing pressures.
- ✓ In DRC, we achieved an eight-point gap over our nearest competitor, with our network and mobile money services identified as key differentiators.

We lead in Lesotho with headline NPS 8 points ahead, leading in most functional and emotional attributes.

- ⇌ Despite maintaining our very positive rating on customer NPS, we have continued to face some customer pressure in certain markets on key issues such as data pricing, 'disappearing data' and network quality (page 20). Customer expectations of ease, simplicity and convenience have risen on the back of global best-in-class service provision from other sectors.

Our NPS performance rating

Country	2019	2018	2017
South Africa	**1st**	1st	1st
Tanzania	**1st**	1st	3rd
DRC	**1st**	1st	1st
Mozambique	**2nd**	1st	2nd
Lesotho	**1st**	1st	1st

Vision 2020

Digitising and optimising the customer experience

We have five strategic priorities aimed at delivering the most engaging customer experience by blending the best of technology and human interaction in a personal, instant and easy manner:

- **Eradicate:** We are removing unnecessary contact reasons and looking to significantly reduce call volumes by moving from traditional contact centres into 'experience hubs', creating self-managed teams with one point of contact that more effectively integrate customer care with other parts of the business.
- **Digitise:** We are dramatically simplifying our service processes with the aim of providing customers with a seamless, fully integrated one-channel experience, ensuring consistent, personalised and efficient customer engagement, both online and in-store, with digital the dominant support channel and the MyVodacom app the channel of choice. Our goal is to lead our competitors each year by at least 10 points in NPS.
- **Automate:** We are investing in richer and more intelligent interfaces, Big Data analytics, and IT-based customer engagement and management tools to provide a complete 360 view of the customer, optimise the customer experience and achieve greater efficiencies. We will be entrenching 'TOBi' (our chatbot platform) as a 'digital concierge' integrated into all of our customer service channels.
- **Steer:** We are deploying smart routing capabilities and leveraging Big Data to steer customers to the right channel and experience.
- **Predict:** We will be deepening our use of AI and machine learning to proactively predict and manage customers' service needs.

We are prioritising our human experts to deliver a great digital-first customer experience built on three pillars.

- **Activate** our experts to proactively drive digital customer adoption powered as far as possible by the MyVodacom app.
- **Empower** our experts with the tools, skills and capabilities to deliver a great digital-first experience.
- **Transform** our frontline staff to be the experts of tomorrow.

Partnering with Harambee to tackle youth unemployment

The Harambee Youth Employment Accelerator is a global award-winning social enterprise that is tackling South Africa's significant youth unemployment challenge by connecting employers with entry-level talent, focusing on high-potential youth who lack the finances and networks needed to find jobs because they come from poor households. Since inception, Harambee has assisted in placing youth in more than 100 000 jobs and work experiences from a growing network of over 500 000 work-seekers.

Vodacom has partnered with Harambee to leverage our capabilities to support digital skills development in South Africa through our collective mobile platforms. Through our partnership, we employed Harambee youth in a contact centre that was rated the third best in South Africa, and that outperformed our other contact centres on most key performance indicators.

Segmented propositions

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

We are using digital tools to deepen our understanding of customers' needs and behaviours, and to develop personalised propositions across consumer segments.

Developing targeted segments using Big Data analytics

We have made further valuable progress this year in providing segmented propositions in the following areas, each of which is increasingly informed by Big Data analytics:

- ✓ **Youth (Vodacom NXT LVL):** Our NXT LVL proposition is focused on advancing South Africa's youth through connectivity, by offering affordable devices with targeted value bundles to access the power of the internet, providing access to opportunities such as Future Jobs Finder and e-School, as well as lifestyle benefits such as reduced subscriptions on music and video services. This proposition has delivered impressive results, with revenue increasing 25% supported by adding over 500 000 customers on the platform, while maintaining a strong average revenue per user (ARPU) despite a 52% drop in the effective price per MB in this segment. Data usage has nearly doubled over the year. The youth segment also shows good smartphone penetration, improving by 5% in the year, while 4G penetration improved by over 6%.
- ✓ **Emerging Segment (Siyakha):** Our Siyakha proposition is focused on South Africans who do not have easy access to health information, education, jobs and social connectivity. The platform facilitates digital inclusion through targeted offers and content, focusing on four main pillars: social connectivity, health, education and jobs, with zero data charges. Since its launch in 2017, free access to the Vodacom Mum and Baby portal has impacted the lives of 1.4 million parents and guardians across South Africa. The platform democratises access to healthcare, providing pregnant women and new parents with health information by registered medical professionals on health issues pertaining to pregnancy and young children up to the age of five. We continue the journey with Vodacom e-School, providing free access to the full Curriculum Assessment Policy Statements (CAPS) curriculum, and Vodacom e-library. In a bid to commercialise the platform, we launched Mum and Baby Premium in 2018 and have seen good uptake of the service, with users having a 10% higher ARPU and three more active days on the network than non-users.
- ✓ **High Value (Vodacom RED):** Our Vodacom RED proposition is aimed at delivering the best-in-class service experience and seamless international roaming with compelling lifestyle rewards in travel, sports and entertainment. The platform yielded positive results this year, growing our customer base by 5%, and market share by 2%.

Monetising mobile data

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

Commercial network rollout:

- ✓ We expanded our network coverage in 2G, 3G and 4G across all our markets, and introduced 5G in Lesotho, the first in Africa; all our operating markets are now live with 4G (see page 40).
- ✓ In South Africa, we extended 4G to over 90% of the population, and added 139 rural sites, connecting rural communities that had never previously had coverage.
- ✗ Unfortunately the further expansion of our 4G footprint has been limited by spectrum constraints. We remain optimistic that the regulator will soon make high-demand spectrum available.

Device penetration:

- ✓ This year, there were 19.9 million smart devices on our network, up 7.6%, while the number of 4G devices increased 35.7% to 10.0 million in South Africa.
- ✓ In International, smartphone users increased 20.5% to 9.8 million, representing only 28% of our customer base.

Bundle engagement:

- ✓ Our use of Big Data analytics to deliver personalised bundle offers based on customer behaviour continues to differentiate us from our competitors, with our 'Just 4 You' platform accelerating the uptake of bundle offers across most of our markets. In South Africa, we sold 2.4 billion data bundles this year, up 2.2%.
- ✓ This year, the average monthly data used by customers on smart devices increased 23.2% to 966MB, boosted by customer migration to 3G and 4G devices, and by targeted data offerings.

Upselling digital services to existing users:

- ✗ This year, digital services represented 2.8% of service revenue, a 0.4ppts decrease on the prior year, following a 41% decline in subscription-based content services revenue as a result of our stringent policies to minimise content fraud.
- ✓ Given our belief that there is substantial further growth potential in digital services, this year we approved two new strategic objectives focused on expanding our digital service offerings in new and existing areas, specifically by: scaling our financial service offerings in insurance, payments and lending, and building on our strong success with M-Pesa (page 34); and growing our digital music, video and gaming services, and driving new opportunities in Consumer and Enterprise IoT (page 36).

Driving enterprise growth

Enterprise delivered another solid performance, with mobile market share remaining strong, continued growth in the fixed-line business, and further delivery in IoT.

- ✓ During the year we refined our strategy and operating model, shifting our go-to-market model from a segment-led to an industry-led approach that has seen our sales teams and operations reoriented to industry-specific groups: Agriculture, Health, Education, Smart Cities, Mining and Manufacturing, Logistics and Fleet, and Retail. Our existing segments – comprising large enterprises, small and medium enterprises, public enterprises and Vodafone global enterprises – have been aligned within these industry groupings. By refining our client portfolio and reassigning account management responsibilities to teams based on their industry knowledge, we have developed a more granular understanding of our clients' business challenges, positioning us to co-create solutions with clients aligned with their strategic intent.
- ✓ We have continued to implement our digitalisation roadmap, aimed at digitising and improving service to our clients.
- ✓ We continued the evolution of our IoT strategy and delivered credible wins, further extending our leadership in this space to industry-specific solutions such as connected cars, fleets, smart buildings and connected agriculture.
- ✓ Service revenue in South Africa grew 4.8%, despite declining voice trends. This growth was underpinned by mobile service revenue +4.2% and fixed-line service revenue +24.7%, partially offset by a decline in national roaming revenues, due to the transition between national roaming partners.
- ✓ Our SA mobile customer base increased to 1.6 million, up 23.1% year-on-year.
- ✓ Fixed-line service revenue growth in SA was underpinned by strong revenue growth in leased lines and managed WAN +23.3%, IPVPN +15.9%, cloud and hosting revenue +11.5%, and connectivity revenue uplift of 12.6% (comprising broadband connect wireless, satellite and LTE).
- ✓ Vodacom Business was successfully established as the leader in the Software Defined WAN (SDWAN) domain, with a major win at a leading South African retailer.
- ✗ Implementation of ICASA's End-User and Subscriber Service Charter Regulations resulted in a significant decline in out-of-bundle revenue in the final quarter; coupled with an out-of-bundle rate drop implemented as part of our pricing transformation, this contributed to a 5.5% year-on-year ARPU decline. We are implementing various campaigns to mitigate the risks, including focused customer value management and 'next best activity' that seek to drive additional bundles sales to increase 'in-bundle' revenue.
- ✗ We are facing strengthened competition, including from new OTT entrants, in digital networking services. While Vodacom remains the leader in this arena, we are retaining a sharpened focus with extended capillarity intent and activity.
- ✓ Our cross-continent IoT plays are starting to pay dividends: we recently signed a landmark agreement with a leading vehicle manufacturer and vehicle tracking company to launch the first connected vehicle in Africa, in a five-year partnership that will give Vodacom access to 24% of the total new vehicle sales in South Africa alone. Customers across all vehicle ranges will have access to built-in telematics, wi-fi and content services.
- ✓ Revenue from our cloud, hosting and security business grew 11.5% underpinned by winning a key contract on virtual data centre hosting with a leading international telecoms manufacturing company. We have launched various initiatives to extend our advantage in Microsoft Azure and Amazon Web Services, and will be looking to entrench our strategic partnerships with these players as we look to consolidate a leadership position in the hyper-scale and multi-cloud market.
- ⇌ Data security remains a critical customer focal point, particularly given the increasing number of cyber attacks and the recent regulatory provisions relating to the extended adoption of the EU General Data Protection Regulation (GDPR) and the Protection of Personal Information (PoPI) Act in South Africa. Vodacom's Security Information and Event Management (SIEM) offering has become increasingly relevant as it predictively identifies potential security challenges.
- ✓ We have continued to deliver value to the South African Government, already achieving 51% savings in national departments, exceeding our contractual obligations of 40%. We have added more than 66 000 lines and increased the number of value-added services, facilitating the digitalisation

of Government. We have extended partnerships with various Government departments and state-owned enterprises, and established various provincial technology nodes. A recent example of the value delivered is our partnership with the Eastern Cape Department of Education, where we are driving connectivity access and delivering eLearning to rural schools.

- ✓ As part of our focus on digitising Government, we have been driving our Enterprise Mobility products, including our 'smart government' and 'citizen engagement' applications, and our device management capability.
- ✓ We worked with the Department of Education to connect 80 000 teachers with laptops and data contracts during the year.

Vision 2020

To deliver on our Vision 2020, we will be using Big Data analytics to provide compelling customised propositions, and driving Enterprise growth through digital and solution sales, and IoT.

Developing targeted segments using Big Data analytics

Our strategic commitments

- Deepen our understanding of customers' needs through Big Data analytics.
- Lead in providing compelling customer propositions to meet these needs.
- Monetise mobile data through targeted consumer digital offerings and financial services.

Drive Enterprise growth through digital and solution sales

Our strategic commitments

- Defend and extend mobile through digital enterprise and proactive pricing transformation.
- Generate scale in fixed-line by partnering to accelerate capillarity and drive fibre penetration.
- Develop and provide a compelling platform for SMEs.

Financial services

We scale our financial services offerings to empower the lives of our customers through financial inclusion.

In South Africa, we are scaling our financial services offerings in three main areas: short and long term insurance; payments; and lending. In our International markets, we will be building on our strong success with M-Pesa by expanding into new financial services offerings.

Scaling financial services in South Africa

In South Africa approximately 10 million customers are engaged through one of our financial services products, representing a quarter of our base. We aim to grow this by expanding our service offerings in the year ahead.

- Our Financial Services business continues to accelerate, contributing R1.6 billion of revenue, growing at 67.1% and delivering R1.0 billion profit before tax.
- Our existing segmented insurance portfolio, covering life, funeral and various short-term insurance offerings, has grown steadily over the past year, generating revenue of approximately R700 million from 1.3 million policies. Our unique operating model is enabling the Vodacom Insurance Business to be one of the most profitable companies of the sector with an EBITDA margin of 24.3%.
- We currently have over 285 000 customers utilising the VodaPay and Express Recharge platforms for direct recharges, which has seen direct voucher sales increasing to R752 million. This was achieved through various acquisition activities for both USSD and MyVodacom app customers, resulting in 40 000 new customers and an additional R2 million per month in revenue. There are challenges with customers using electronic methods to pay, but we are seeing a growing improvement over time and this will remain a key focus for acceleration, both as convenience for the customer and to obtain savings through direct purchases.
- Launched in December 2018 through the MyVodacom app, our VodaPay digital wallet has already gained 20 000 customers purely through self-discovery, contributing R4.5 million/month revenue for airtime and data.
- Total value of airtime and data advanced through our Airtime Advance product has increased significantly from R3.3 billion to R8.1 billion, representing 148% growth for the year. There are 9.7 million unique active customers who take on average 3.5 million advances per day.
- This year, we expanded the Airtime Advance project to include channels such as tailored bundles through 'Just 4 You', Facebook upsell and real-time notifications when the customer has a low airtime balance.

Growing financial services in our International markets

In our International markets including Safaricom, 36.1 million customers are engaged on M-Pesa.

- Since launching in 2007, M-Pesa has grown to have the largest reach of any financial services provider in Africa, with 36.1 million customers, up 11.9% year-on-year. This year, M-Pesa processed over 11 billion transactions, making it Africa's biggest payments platform. M-Pesa has won the trust of our customers as well as more than 348 000 M-Pesa agents who enable customers to register an account and move their funds into the M-Pesa ecosystem.
- M-Pesa revenue from Vodacom International markets grew 32.2% to R3.1 billion, representing 13.7% of total service revenue. In Safaricom, M-Pesa revenue now represents 31.2% or service revenue and is growing at 19.2%. This performance was underpinned by exceptional revenue growth in Mozambique (83.1%), strong growth in the DRC (39.2%) and Lesotho (34.8%) and a solid performance in Tanzania (14.5%), despite intensifying competitive pressure and a more challenging regulatory environment.

- This growth is increasingly driven by extending M-Pesa beyond person-to-person money transfers to include enterprise, financial services and mobile commerce. Currently, more than 25 000 enterprise organisations use M-Pesa to collect and disburse payments; over 36 million customers use M-Pesa to access formal saving and loan products with partner banks; and more than 130 000 retail and online merchants now accept M-Pesa, transacting over R2 trillion a year, including Safaricom.
- This year, Safaricom launched M-Pesa Fuliza, a world-first mobile money overdraft service. We also partnered with Alipay to enable payments through M-Pesa on online commerce platforms.
- Vodacom DRC launched a foreign exchange product enabling fully registered M-Pesa customers to seamlessly exchange the dual local currencies, Congolese francs and US dollar.
- In Tanzania, we launched Africa's first Virtual Mastercard, enabling M-Pesa customers to purchase from a huge range of international merchants and content providers.
- In Mozambique, we partnered with BCI Bank to enable our customers to pay at any one of 16 000 domestic points of sale.

Vision 2020

Driving growth in financial services

Scaling financial services in South Africa

Our Financial Services strategy has three key focus areas:

- **Insurance:** With insurance remaining underpenetrated, we believe that there remains substantial further upside in growing and digitising our insurance offerings, building on the advantages we enjoy as a Telco. We have a sizeable existing customer base, and a wealth of customers' insights that can be leveraged to develop highly personalised product offerings; we have a strong existing direct billing relationship with customers, and multiple channels available for engaging with them; and insurance is a sector particularly open to digital disruption, presenting exciting opportunities in terms of product innovation, underwriting, pricing and customer journey digitisation. Enabled by our growing Big Data capabilities, we are exploring opportunities to develop new and existing segmented propositions for both our existing and new customer base across our markets.
- **Payments:** There are valuable opportunities within the mobile payments sector, providing convenient and diverse payment options for new and existing customers. We are focusing our activities in several areas: increasing available payment options through different digital channels; developing Vodacom Financial Services payment products across the consumer and enterprise spectrum; and offering specific enterprise payment solutions that enable diverse customer payment methods.
- **Lending:** We will be providing innovative digital lending products that complement our core business, and leveraging our existing and developing competencies with Big Data analytics. A key focus area will be on the use of our Big Data capability to create SME lending propositions in a segment that is significantly underpenetrated and offers significant upside.

Driving further uptake of financial services in our International markets

We see substantial further opportunities for M-Pesa revenue growth in our International markets, building on our leading market presence and platforms, and harnessing the opportunities associated with emerging disruptive technologies such as machine learning, Artificial Intelligence and blockchain settlement solutions. We will be looking to consolidate our market leadership in consumer and enterprise markets, accelerate the monetisation of services, expand our ecosystems, ensure a stable and favourable compliance landscape, and drive growth into higher value-add financial services.

We are in the process of acquiring the M-Pesa brand and platform-related assets through a joint agreement (JV) with Safaricom. We expect this to accelerate M-Pesa's growth within our existing markets and across the continent. This JV will acquire the M-Pesa brand and platform management rights from Vodafone Group, and will be investing in the next generation M-Pesa platform, an open, intelligent digital platform designed for smartphones. The JV will also invest in best-in-class anti-money laundering and cyber security capabilities to defend M-Pesa from these growing threats. The transaction close is subject to a number of conditions being met, including signing of final agreements and Reserve Bank approval.

Digital content platforms

We grow into new verticals of digital services to better serve our customers and create value.

We are monetising data by growing our digital music, video and gaming services platforms, placing a strengthened focus on increasing our offerings across all households, driving new opportunities in Consumer and Enterprise IoT, and strengthening our cloud and security offerings whilst driving our fibre strategy.

Driving consumer digital services, IoT and fibre

Content

- We made good progress this year in most of our chosen verticals in consumer digital services – video (Video Play), music (My Muze), sports (Vodacom soccer) and gaming (PlayInc.), all supported by our advertising platform. We secured a 1.6% growth in content-related revenue, despite a 41% decline in WASP revenue as a result of Vodacom's stringent policies to minimise content billing fraud, a key concern for customers. During the year Video Play performed particularly well, with over 869 000 active monthly users. We also launched our music offering called My Muze and are busy testing our new and exciting gaming platform. Our focus now is on building scale, particularly in digital advertising, video and the provision of an ecosystem of third party propositions.

Fibre

- We maintained a significant focus on growing the fibre business by delivering a better customer experience, scaling our sales channels to make it easier for customers to obtain fibre, partnering with additional wholesale providers to increase the market opportunity, and growing our own fibre rollout to increase coverage. This has enabled us to deliver 54% growth in the number of houses passed on our own infrastructure, while increasing total households connected by 138% for the year.

IoT

- Our IoT business has been driving the development and uptake of innovative IoT solutions across our markets. We are gaining traction in areas such as smart buildings, smart utilities, logistics and fleet as well as citizen engagement. Through our subsidiary Mezzanine, we successfully developed and deployed solutions in education, healthcare and agriculture.
- IoT connections increased 24.1% to 4.7 million.
- We continue to innovate and transform businesses. Vodacom was presented with the Frost & Sullivan 2018 Africa Technology Innovation Award for our narrowband IoT (NB-IoT) technology deployment that has been specifically developed to enable IoT connectivity for a range of devices over large areas, including devices that are underground.
- On Consumer IoT, we continue to develop product and service offerings in areas such as home automation and security, pet trackers, personal accessories and wearables.

Vision 2020

Driving growth in digital services

Consumer digital content, IoT and household

We will be driving revenue growth in digital consumer content through three main focus areas: building relevant content platforms to provide the best digital experience in video (Video Play), music (My Muze), sports (Vodacom soccer) and gaming, supported by our advertising platform; establishing partnerships with local and global service developers and brands to deliver a compelling ecosystem of third-party propositions; and driving innovation through our two recently established v-Accelerator labs.

We continue to develop product and service offerings in areas such as home automation and security, pet trackers, personal accessories and wearables. We are keeping a strong focus on 'owning the household' by providing the best network in mobile and fibre, ensuring the most compelling household and family propositions, and delivering the best customer experience.

Enterprise

- **Cloud and security:** We will further expand our cloud business, with an emphasis on the application level rather than infrastructure products. We continue to attract large global brands through co-location, and we have a strong pipeline of new opportunities. We will expand our professional capability to assist our customers in migrating their existing workloads as well as building new capabilities on the new platforms. We will also enhance our security capability to a richer solution set. On Big Data, we will launch our own retail analytics capability, providing new insights from Artificial Intelligence and machine learning. We expect to leverage our position with our Trading Bridge Platform that provides switching capability to many retail customers.
- **Market leadership in IoT:** Our goal is to become the IoT solutions partner of choice, building on Vodafone's recognised leadership in this area and its extensive resources in Africa. We will be extending our IoT connectivity leadership in all vertical markets, providing end-to-end services across the full IoT value chain through partnerships and our own capability build: connecting things; collecting the data; analysing the data; and taking action on this data. We continue to support enterprises in the digitalisation of their businesses and processes to ensure customers get the maximum benefit from IoT, identify 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). In addition to providing hardware (IoT sensors and gateways) and connectivity management, we are developing and providing services in areas such as Big Data analytics, application enablement, and cloud and hosting.

Best technology

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

We are investing in the latest network technologies, Big Data analytics and scalable smart-IT systems, to enable our customers to remain confidently connected with a personalised, digital experience.

- ✓ We invested R13 billion in infrastructure across the Group, reinvesting more than 14% of revenue back into our network and IT. Major investment programmes included expanding our network coverage in 2G, 3G and 4G across all our markets, and introducing 5G in Lesotho, the first in Africa. We are proud that all our operating markets are now live with 4G.
- ⇄ We focused this year on improving the overall mobile network performance and customer experience across our markets with network modernisation and capacity upgrade initiatives. We continue to lead on network net promoter score (nNPS) for network quality and network coverage in most of our markets. We delivered substantial cost savings through our Technology Efficiency Programme, including efficiencies through the use of digital technologies for smart planning, smart deployment and smart operations.

South Africa

We further extended voice and high-speed data coverage

- ✓ 2G remains at 99.9% of population and 3G extended to 99.5% of population.
- ✓ We extended 4G to more than 90% of the population.
- ✓ We added 139 rural sites, connecting rural communities that had never previously had coverage.
- ✗ Further expansion of our 4G+ footprint has been limited by spectrum constraints. We remain optimistic that the regulator will soon make high-demand spectrum available.
- ✓ Our network is 5G ready; we are awaiting 5G spectrum from the regulator to launch 5G services.

5G — first in Lesotho

4G — launched in the DRC and Mozambique

We enhanced network performance and capabilities, and improved the customer experience

- ✓ We are modernising our network to enhance customer experience and improve efficiencies such as the deployment of Dynamic Spectrum Sharing (DSS), which has allowed us to efficiently utilise our spectrum assets. Spectrum is shared dynamically between 2G, 3G and 4G without having to go through the complicated spectrum re-farming process.
- ✓ We enabled more than 87% of our 3G sites with dual carrier technology to improve data speeds, and we selectively re-farmed our 900MHz spectrum on key sites to improve deep indoor coverage and extend rural coverage.
- ✓ We enabled Enhanced Voice Services (EVS) on our network to improve overall voice quality, and coverage has also improved in comparison to existing voice codecs.
- ✓ We leveraged our national roaming agreement with Rain to provide an improved data experience for our 4G customers, and now have access to roam on more than 3 000 sites.
- ⇄ The network performance gap between us and our nearest competitor has reduced during the past 18 months. We are delivering on initiatives such as Carrier Aggregation, deployment of new 2G, 3G, 4G radio hardware, and advanced antenna technologies such as 4X4 MIMO and 256-QAM in selected 4G coverage areas.
- ✓ We increased the percentage of base stations with self-provided fibre and high-capacity microwave transmission to 94%, to cater for the growth in data traffic.
- ✓ We modernised our core network through the use of cloud technologies for improved flexibility, capacity, performance, reliability and 5G enablement.

- We significantly grew our fibre to the home and business footprint (FTTx), with over 81 200 end-points passed. We are using various digital capabilities to improve the customer experience and become more efficient, including a self-service app for customers, and leveraging 'smart capex' capabilities to improve our overall FTTx planning.

We delivered operational efficiencies through our 'Fit for growth' programme

- Over the past five years we have realised more than R3 billion in operational cost savings through our Technology Efficiency programme, energy efficiencies, site lease or rental re-negotiations, network infrastructure sharing and procurement benefits.
- We have developed smart capex methodologies to improve returns on investment, and our machine learning network planning and commercial network optimisation process has contributed towards cost savings.
- As part of our Digital Technology programme, we are driving the digital transformation of network operations by automating many aspects of the daily operational tasks through the use of AI and RPA capabilities. These include automating trouble ticketing of network incidents and the automatic assignment of those tasks to the field teams across the regions.
- ✗ We have been affected by the recent national load shedding in South Africa, with the more extensive load shedding impacting the ability of some of our back-up batteries to recharge. We are investing in alternative power systems, including 'intelligent Li-Ion batteries' to curb battery theft.
- We have delivered valuable improvements in optimising energy costs by consolidating some of the core network sites and increasing the use of emerging technologies such as IoT to manage electricity usage.

We continued to deepen our digital IT capabilities

- We have invested in enhancing our IT platform architecture, cloud infrastructure and Big Data capabilities to improve our Consumer and Enterprise service offerings.
- As part of our drive to secure the best digital talent, we insourced 59 new software engineers to enhance our IT capabilities.
- Through our focus on delivering the best digital customer experience, Vodacom has been rated first in the independent Gartner survey, IT for Customer (IT4C) benchmark.
- We have improved our online performance through the optimisation of our IT systems and the utilisation of our DxL platform to improve overall customer experience (lower latency) and stability.
- We have seen significant improvement in the time-to-market of products and services through the establishment of Agile teams across the business.
- We have increased the stability and performance of our online web and MyVodacom app platforms, contributing to a 300% increase in app usage and a 14% increase in the number of customers completing their online purchase journeys.
- Vodacom's chatbot, 'TOBi', showed strong growth with more than 1.6 million chats offloaded from our call centres since July 2018.
- Using robotic process automation, 86 processes have been automated across the business during the year, saving more than 150 000 person-hours.

Addressing cyber security risks to maintain customer security

- ⇌ Globally and locally we have observed an increase in cyber attacks and data breaches, with evidence of more sophisticated attacks emanating from state-funded hackers significantly raising the risk and potential impact. In response to this challenge, we have established a dedicated security programme and have prioritised the effective execution of our comprehensive cyber security strategy.
- To improve awareness on cyber security within Vodafone and Vodacom, a Cyber Code has been established, stipulating a set of 'absolute rules' outlining how we expect all employees to behave.
- Further to the above and aligned to the strategy, Vodacom has developed an ISO/IEC 27002 based Capability Maturity Model of 48 key Cyber Security Controls, which are continually being matured, maintained and measured against.

We continued to grow our Enterprise technology and services

- We increased our network capillarity, with more Enterprise customers securely connected on-net through both fixed and mobile technologies such as fibre, microwave and mobile 3G/4G.
- We maintained our OneNet Business suite, enabling our customers to experience the benefits of a fully unified communications service with converged mobile and fixed telephony.
- We launched our first SDN-WAN offering in October 2018, enabling our first Enterprise Customer with network connectivity and control.
- We enhanced our cloud services with the expansion of Infrastructure-as-a-Service (IaaS) and a SAP-certified Platform-as-a-Service (PaaS) offering.
- We also expanded our Narrowband Internet of Things (NB-IoT) footprint and increased the capabilities of our IoT platform to support new propositions.

Maintaining technology resilience

- We have a comprehensive Operational Resilience Programme in place – supported by significant investment and overseen by the Network Resilience Governance Board.
- The Governance board is mandated to manage specific projects, policy requirements and good practice to improve service resilience, thus safeguarding our network and services against potential interruptions caused by natural disasters, technology failure or human error.
- Independent periodic audits are undertaken to assess our network resilience, reviewing the operational readiness and status of fire detection and prevention systems, evaluating the standards of power installations, and auditing building management systems across our facilities.

International operations

Expanded our network coverage and improved network performance

- This year, we were the first operator to launch 4G in Mozambique and the DRC, and 5G in Africa (Lesotho). We now have 7 580 2G sites, 5 629 3G sites and 1 593 4G sites.
- We have acquired additional lower frequency spectrum in Mozambique, Tanzania and the DRC, which will be used to deliver cost-effective 4G rollout.
- We enhanced our rural communication sites in the DRC with hybrid power solutions and upgrades.
  - The results of which have been a great improvement in site availability.
  - New satellite bandwidth and technology providing transmission for the Rural Communication Solution (RCS) have improved the bandwidth and stability available to these deep rural sites.
- Despite a significant increase in traffic we achieved significant improvements in data download speeds in all our International operations as reflected in the improved download speed measurements from Ookla.
- We have commenced radio network modernisation projects in our markets to ensure that Vodacom has the latest Single Radio Access Networks available, which will also ensure 5G readiness.
- We continued with network virtualisation on our core networks to improve scalability, capacity and availability.
- Overall Network and IT resilience remains a key focus across our markets, which is also managed via our 'Operations resilience programme'.
- To meet the growing data demand across our markets, we completed significant upgrades in our submarine cable capacity, including a threefold increase in WACS capacity and a fourfold increase in SAT-3/WASC/SAFE capacity.

We strengthened our International IT capability across the markets

- We introduced the Digital Experience Layer (DxL) platform and functionality across our markets to support web and app stability, and provide a key enabler for future digital products and services.
- We launched the MyVodacom app in Mozambique, completing its successful rollout in all our markets.
- All our markets now have the IT capability to support our personalised pricing offer 'Just 4 You' and have made progress in evolving contextual marketing capabilities using machine learning.
- The Vodacom M-Pesa Hub is now available across all International markets, making it quicker and easier for 13.5 million M-Pesa customers to conduct mobile money transactions on smartphones.
- Our International Markets will be embracing the Digital Acceleration journey this year, with Agile squads going live in Lesotho and Tanzania.

Network NPS across our markets

Vodacom continues to show leadership with respect to network NPS across all markets except Tanzania and Mozambique, where customer perception continues to be influenced by aggressive pricing offers by competitors. We have plans in place to ensure that we close the gap between us and our competitors.

	Overall network NPS	
Country	2019	2018
South Africa	#1	#1
Tanzania	#2	#2
DRC	#1	#1
Mozambique	#2	#1
Lesotho	#1	#1

Vision 2020

Modernising our network and investing in IT

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

Modernising our network and improving our planning, delivery and operations capabilities:

Our strategic commitments

- Modernise our RAN across all of our markets, slowing down on legacy technologies such as 2G and 3G, growing 4G and launching 5G.
- Invest in our network to support higher speeds, lower latency and a larger number of simultaneous connections for IoT.
- Evolve our core networks, by deploying technologies such as software defined networks (SDN) and network function virtualisation (NFV) to ensure that we drive on-demand scalability and flexibility of network resources.
- Expand our Narrowband IoT footprint and develop new IoT applications and solutions.
- Continue to enable smarter planning, delivery and operational capabilities, using data analytics and AI to inform network planning, deployment and operations.

Deepening our Digital IT capabilities:

Our strategic commitments

- Continue with scaled Agile development methodologies and automated testing to improve time-to-market and the overall quality of our products and services.
- Insource critical digital skills and knowledge to ensure sustainability and maturity in terms of digital resources and capabilities.
- Drive cloud migration and application adoption to achieve on-demand resource optimisation, scalability and flexibility.
- Strengthen our ability to harness Big Data analytics and machine learning to drive predictive analytics and automation capabilities to enhance the customer experience and improve operational efficiencies.
- Continue to identify and realise opportunities for using robotics and cognitive automation to improve customer experience and optimise operations.
- Optimise high-volume customer journeys for the best possible digital experience.
- Improve our cyber security measures and controls, ensuring that our customers stay confidently and securely connected.

Digital organisation and culture

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

We are driving a digital transformation within our own organisation, built on a culture that fosters organisational agility, innovation and collaborative working, that attracts and develops the right skills, talent and diversity, and that uses Big Data and analytics to inform decision-making.

Creating an agile, future-focused organisation, and enhancing digital skills

- We have maintained a strong emphasis this year on embedding Agile methodologies, including structures, principles and tools across our South African operation, with 400 employees in five Agile Tribes engaged in various collaborative, cross-functional 'digital accelerator' teams that have been scaled across the organisation. Our Agile teams have helped to improve the quality of engagement across business units, increased the level of Exco member inputs, and encouraged greater alignment and accountability on mutually agreed outcomes and performance indicators. Vodacom was recognised across the Vodafone Group as a best practice reference on managing the change journey associated with driving an Agile culture.
- In our drive to access the best talent, this year we recruited 66 graduates in South Africa and 46 across our International operations; 48% of the South African recruits are female, and 68% are black Africans. We also recruited 59 new software engineers, with specific experience in areas such as Big Data and AI, a competence that we had never employed. We continue to engage with leading universities, contributing to the development of ICT and digital-related course content, and working actively to identifying emerging young talent. This year, through our '#code like a girl' programme we have successfully trained 755 girls across the Vodacom Group.
- To develop skills internally, we invested R544 million in employee training and development. This included a strong focus on empowering employees with digital skills, with various training courses offered to all employees through the Vodafone University, our global online 'e-learning' portal. The shift to self-learning in 2018 has been outstanding, with 87% of all courses completed online, up from 60%. More than 5 000 employees have received online training on Agile working techniques.
- This year we invested R27.0 million in various leadership development courses for middle management and senior executives, delivered in partnership with leading universities such as INSEAD, Harvard and the Gordon Institute of Business Science. One of our senior executive programmes, 'Leading in a Digital Economy', includes an experience in a number of companies in Silicon Valley.

Further details on our internal skills development initiatives, and our external learner and internship programmes, are provided in our Sustainability report 2019 at www.vodacom.com.

Encouraging workforce diversity

We are committed to creating an inclusive work environment that respects, values, celebrates and makes the most of the individual differences our people bring to Vodacom. Our ambitious approach focuses on promoting gender equality and developing a pipeline of diverse talent. In promoting inclusivity, Vodacom is committed to support LGBT+ people at work. We have established a successful LGBTI+ community of networks in South Africa.

- In our South African operation, black representation in the workforce is 76%, with 59% at senior management level and 67% at Executive committee level.
- This year, of our total of R544 million invested in skills development for our South African workforce, R370 million was invested in black employees, with R153 million specifically for black female employees. We invested more than R10 million in the development of black youth living with disabilities.
- The representation of women remains a challenge for our business and the broader telecoms sector. In South Africa, women account for 43.4% of our workforce, with 35.6% at senior management level. Vodacom Tanzania is at the forefront with 41.2% women at senior management level.
- We maintained our emphasis on gender equality in the selection of graduates from universities in South Africa who are placed in permanent roles. This year, of the 66 high-calibre and diverse graduates selected, 48% were female compared

to 61% in 2017. Of the total number of graduates hired in technology, 21% are female.

- We are striving to set a leading example in the industry by implementing equal remuneration practices for men and women at senior levels. This year the ratio of average basic salary of men to women is 1.3 to 1.
- In September 2018, Vodacom's gender empowerment drive was recognised amongst the best at the sixth Annual Gender Mainstreaming Awards, where Vodacom received numerous awards including being overall winner for 'Investing in young women' and 'Diversity and transformation'.

Engaging with employees

- In this year's People Survey – our independently conducted annual employee engagement process – we achieved an overall workforce survey participation rate of 79%. Although the response rate is on par with the high-performing peer group that we benchmark ourselves against, we recognise that there is room for further improvement. Various areas were identified in the survey as requiring greater focus, including boosting the employee net promotor score, driving further improvement around speed and simplicity, and supporting employee progression and recognition.
- We obtained a score of 75% on the Digital index, a measure of the digital experience we offer our employees and customers; this is on par with the Vodafone Group. We will be driving the digital culture agenda through various initiatives that form part of a comprehensive transformation plan.
- It's pleasing to report that in all our operating markets, Vodacom was recognised as a Top Employer; the Vodacom Group was certified as a continental employer earning us the Top Employer Africa accolade. This year's certification saw us improve our ranking to number six, up from number nine; as well as rising up as industry leader in the ICT/Telecoms sector.

Our safety performance

- We regret to report the loss of life of one Vodacom contractor this year, in an accident in Mozambique. In December 2018, a contractor deployed to install an aerial fibre line was electrocuted. In an effort to ensure that an incident of this nature is not repeated, we are reviewing the risk assessment and safety procedures for work in proximity of electrical installations and we are also conducting electrical awareness and safety training. We continue to strive for zero injuries and fatalities in all our operations.
- Our lost time injury frequency rate was 0.07, a regression as compared to prior years (0.03 in 2018 and 0.05 in 2017).
- Vehicle incidents accounted for 46% of all safety incidents this year, followed by electrical fires (12%) and criminal activity (12%). South Africa accounted for 84% of all safety incidents, with all our other markets making up the balance of 16%. The incident rate in our other markets has significantly dropped.

Vision 2020

Driving a digital culture

To deliver on our Vision 2020 of being a leading digital telco, we are digitising the organisation, driving the adoption of Agile methods, and seeking to attract and retain the best digital talent, using the latest in technological developments and fostering a culture of innovation and high performance to deliver excellent customer service with 'simplicity' and 'speed'.

Creating an Agile organisation

Our strategic commitments

- Introduce Agile structures that enable clear end-to-end accountability between teams and tribes.
- Accelerate digital skills and a learning culture within the organisation.
- Simplify and automate internal processes.
- Launch 'Digital accelerators'.
- Further streamline our existing governance processes.
- Establish a distinctive employee experience, and promote workforce diversity.
- Embed our new purpose-led brand.

Leveraging data for improved decision-making

Our strategic commitments

- Replicate the success of our 'Just 4 You' offering and smart notifications, taking this to scale by investing in the people and platforms needed to accelerate our Big Data analytics.
- Broaden the use of Big Data across the business to optimise deal creation and customer care, support acceleration units, improve network management, and drive omni-channel personalisation.
- Further develop our capacity to provide machine learning as a service.

Further details on our safety and health performance are provided in our Sustainability report 2019 at www.vodacom.com.

Our workforce Performance indicators

Number of full-time permanent employees	Engagement index – People survey	Employee turnover†	Female representation in senior management†	Black representation in senior management#	Total training spend
7 746	78%	8%	32%	59%	R544 million
(2018: 7 554)	(2018: 78%)	(2018: 9%)	(2018: 35%)	(2018: 56%)	(2018: R287 million)

South Africa only. † Vodacom Group (South Africa, Tanzania, the DRC, Mozambique and Lesotho).

Our brand and reputation

We are a purpose-led organisation, connecting for a better future by enabling a digital society, inclusive for all, with the least environmental impact.

We strive to build trust with all our stakeholders and to remain the customer brand of choice, with a brand that reflects our core purpose, and with a deserved reputation from promoting socioeconomic transformation and sustainability.

Maintaining a strong reputation

We track Vodacom's brand awareness and reputation, and levels of stakeholder trust, through various means. In addition to monitoring customer net promoter score (NPS) (see page 29), we commission an independent research company to conduct an annual Reputation survey across all our markets to measure how stakeholders perceive our performance against our competitors and peer companies.

- The latest 2019 results indicate that Vodacom has retained its number one position across all markets as the reputational leader in the telecommunications sector, with stakeholders rating us higher than our industry competitors.
- **South Africa:** We are the most top of mind best reputation brand, with improved sentiment amongst our key stakeholder groups. The findings highlighted the need to continue strengthen relations with our key business accounts, NGOs, and media stakeholder groups.
- **Tanzania:** We improved our Reputation index, driven mainly by improved overall positive impression and trust in the company. We need to sustain our positive relations with key stakeholders groups including regulators, general public and media. More needs to be done to improve relations with key business accounts and NGOs.
- **DRC:** We improved our Reputation index across all stakeholder groups with a significant increase in both trust and overall positive impression ratings. The findings highlight the need to improve internal engagement with employees.
- **Mozambique:** We have maintained top-of-mind reputational leadership despite a slight decline in both trust and overall impression. The findings highlighted the need to focus on the general public, media and regulator stakeholder groups.
- **Lesotho:** We improved our Reputation index driven by increased trust in our brand. This positive outlook was evident in the ratings from the general public and employee stakeholder groups. More needs to be done to enhance the quality of engagement with the regulators and policymakers.

Our Reputation index performance

Reputation index	2019	2018	2017
South Africa	7.8	8.0	7.9
Tanzania	8.4	8.0	8.4
DRC	7.8	7.3	7.5
Mozambique	7.5	8.2	8.3
Lesotho	7.7	7.3	8.1

Accelerating socioeconomic transformation through digital solutions

As part of our commitment to accelerating socioeconomic transformation, we have identified and prioritised eight SDGs, where we believe we can have the most meaningful impact. Following is an overview of recent initiatives we have undertaken that are contributing to national developmental objectives and the global UN Sustainable Development Goals (UN SDGs):

4 QUALITY EDUCATION

Quality education

- Vodacom e-Learning enables learners to access curriculum-aligned content and educators' learning materials on an interactive platform, through smartphones, tablets or PC browsers.
- Our school management application, used in more than 11 800 schools in Nigeria and South Africa, enables electronic incident reporting and communication on key statistics – such as textbook availability, school need assessments, school feeding, enrolment and attendance – contributing to improved resource availability and better governance.
- Our flagship mobile education programme mEducation, developed in partnership with the South African government, provides ICT equipment and free Internet access to 3 000 schools and 92 teacher centres; we have trained over 100 000 teachers on using ICT in the classroom.
- *Our Instant School* initiative is a free education platform providing digitised educational material for primary and secondary schools learners' across Tanzania; we also support educational initiatives in the DRC, Mozambique and Lesotho.

3 GOOD HEALTH AND WELL-BEING

Good health and wellbeing

- To address inefficiencies in the medicine supply chain and minimise stock-outs of vital supplies, we have partnered in developing the Stock Visibility Solution (SVS), enabling health clinic dispensaries to monitor stock levels, send treatment plans to patients, and manage patients' medical records through a custom-built mobile application. Since its launch in 2014, more than 19 million stock level reports have been submitted through SVS.
- We have partnered on the AitaHealth application, a planning tool that allows Community Health Workers to collect health-related information and link it into health system referral and management structures. The application has assessed more than 1 million individuals for health risks and been used by more than 2 000 community health workers.
- Vodacom's Mum and Baby platform, launched as part of our Siyakha platform, has helped more than 1.4 million subscribers access vital maternal healthcare information, through free access to videos and SMS's covering a range of health topics.
- Our mVaccination initiative is a health record solution that has increased the coverage and clinical management of immunisation programmes in Nigeria, Mozambique and Tanzania, with more than 95 000 patient records created and 315 000 immunisations administered.

5 GENDER EQUALITY

Gender equality

- Our Mum and Baby service, launched in South Africa in 2017, offers 1.4 million registered and active users across South Africa a free-of-charge mobile health intervention with maternal, neonatal and child health information.
- Vodacom's Siyakha Employee Extender provides affordable connectivity to domestic workers in South Africa, 95% of whom are women. The package includes a smartphone, insurance and funeral cover, and access to Vodacom's Video Play and Mum and Baby platforms.
- In partnership with the South African government, we have established a 24-hour call centre providing counselling to victims of gender-based violence; we have also supplied laptops to 'safe door shelters' to empower gender-based violence survivors with ICT skills.

8 DECENT WORK AND ECONOMIC GROWTH

Good jobs and economic growth

- The Vodacom Youth Academy has positively impacted 1 333 young unemployed people by providing training in ICT-related courses, and transitioning selected learners into an entrepreneurship programme.
- Our 'Code like a Girl' one-week training programme provided coding and life skills training to teenage girls from impoverished communities in South Africa, Mozambique, Tanzania, the DRC and Lesotho.
- We have intensified our efforts to support small, medium, and micro-enterprises and the broad-based transformation of our supply base, with encouraging results.

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Industry innovation and infrastructure

- We currently have 4.7 million active connections providing IoT solutions in the transportation, industrial, energy, residential, property and health care sectors, covering end-to-end services across the full IoT value chain.
- In keeping with our commitment to increase rural coverage, this year we added 139 deep rural sites, connecting rural communities that had never previously had coverage.
- Through our ground breaking M-Pesa product in Kenya, Tanzania, the DRC, Mozambique and Lesotho, we provide affordable access to mobile financial services to more than 36 million customers, many of them women in remote rural areas.

Sustainable cities and communities

- In South Africa, our digital platform Thetha Nathi ('speak to us') facilitates conversations between citizens and municipalities, enabling citizens to report service delivery issues, request municipal services and track progress, while also notifying the respective local government which receives and responds to the data analytics.
- Through our cloud-based web and mobile software Connected Farmer platform, developed in partnership with GIZ, we are providing an IoT-based solution, linking thousands of smallholder farmers to the agriculture value chain, improving agriculture productivity, addressing food security, creating jobs and increasing incomes in the agriculture sector.
- Vodacom's Smart Utilities Management Service has installed 42 972 electricity and water smart meters in municipalities in five provinces, enhancing revenue collection, improving customer satisfaction and improving energy and water usage across these regions.

Climate action

- We have 3 500 radio sites that are either free-cooled or built as outdoor cabinet sites, and 955 solar-operated sites across the Group, delivering valuable energy efficiency savings and reduced greenhouse gas emissions.
- We have driven various energy efficiency and renewable energy initiatives in many of our offices.
- Our machine-to-machine LiveTrack solution tracks vehicles in real-time, reducing carbon emissions by enhancing responsible driving and increasing fuel efficiency.

Partnerships

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

Vision 2020

Connecting for a better future

To deliver on our core purpose – connecting for a better future – and to maintain the strength of Vodacom's purpose-driven brand we have identified three broad focus areas where we are seeking to drive transformational change, and contribute meaningfully to the SDGs:

Inclusion for all:

- Bridging the digital divide through our investment in extending networks to rural areas, facilitating access to affordable smartphones, and providing low-cost platforms such as Siyakha.
- Democratising education by helping to digitise the education sector, providing free access to online learning materials, improving connectivity in schools, and supplying digital school management solutions.
- Empowering the youth through our digital skills training initiatives, our youth academy and entrepreneurship programmes, and our segmented youth platform (NXT LVL).
- Reducing the digital gender gap through segmented offerings such as Vodacom Mum and Baby and Siyakha Employee Extender, as well as our CSI initiatives that promote female health and combat gender-based violence.

Digital society:

- Digital innovation and IoT solutions that drive positive social change by enabling health and wellbeing, promoting agriculture, digitising municipalities, and enabling enterprise development.
- Enhancing access to financial services, especially through our M-Pesa and M-Pawa offerings that provide affordable access to financial services, opening up valuable economic opportunities, including particularly for rural women.

Planet – our initiatives include:

- Climate-smart networks and solutions, reducing the greenhouse gas emissions of our network and infrastructure, and providing solutions that allow customers to be more energy efficient.
- Water-wise products and practices, driving improved water stewardship across our value chain.
- Reducing e-waste in partnership with key suppliers and customers.

Vodacom Group 25 years of Transformation

Our unwavering commitment to BBBEE resulted in Vodacom South Africa achieving a Level 1 BBBEE status. We were also the only telecommunications company to receive the '25 years of Democracy Transformation Champion Award' from Top Media, on 11 April 2019.

Vodacom South Africa exceeded its target and achieved a Level 1 BBBEE status, the highest contributor status on the scorecard, achieved at a direct cost to company of R2.95 billion. Our subsidiary Nexio (Pty) Limited (previously Stortech) retained its Level 1 status, with XLink improving from Level 3 to a Level 2. This resulted in the Group having a significant improvement from Level 4 to Level 2.

BBBEE results for Vodacom Group

We achieved significant improvement this year in scores across all the elements other than procurement, resulting in an overall increase in score of 9.66 points.

Scoring element	Target points	Achieved points 2019	Achieved points 2018
Ownership	25	21.33	16.20
Management control	23	17.39	15.72
Board representation	8	5.83	5.83
Top management representation	5	5.00	4.33
Employment equity	10	6.56	5.56
Skills development	20	23.32	19.55
Enterprise and supplier development	50	43.65	44.79
Procurement	25	19.54	20.55
Supplier development	10	7.11	7.54
Enterprise development	15	17.00	16.70
Socioeconomic development	12	12.00	11.77
Total	130	117.69	108.03

Ownership: On 14 September 2018, Vodacom Group Limited concluded a R16.4 billion broad-based Black Economic Empowerment (BBBEE) ownership transaction. This deal was the largest BBBEE deal in the ICT Sector and resulted in the black ownership percentage increasing from 19.36% to 29.60%.

Management control: The Group exceeded the previous year's score of 15.72, scoring 17.39 from a possible 23. This was as a result of improving the gender profile of our executive committee and driving transformational changes in the occupational levels under employment equity.

Skills development: Our consolidated training spend increased from R248.0 million to R283.4 million, with R12.7 million invested in the development of black youth living with disabilities. This was R4.4 million more than the prior year and represented 6% of our payroll. In addition, 120 of our 161 learners secured full time employment; this resulted in an impressive total score of 19.60 out of 20 points, together with 3.72 out of 5 bonus points for the number of black youth absorbed into employment.

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

Supplier development realised R164.2 million spend, targeted on developing SMMEs within Vodacom's supplier base; this included investing R17.7 million towards the transformation of our retail franchisee base, which resulted in an additional 27 Vodacom shops changing ownership to black owners during the year. Under enterprise development, more than R351.4 million was invested in developing black-owned ICT SMMEs outside of Vodacom's business. The collective score for this element was 43.65 out of 50.

Socioeconomic development: The Group obtained full points with an investment of R184.4 million.

Our Sustainability report 2019

(incorporating the report of the Social and Ethics Committee)

Vodacom's separate Sustainability report 2019 provides a more detailed review of the activities that we are taking to accelerate socioeconomic transformation in the markets in which we operate. The report reviews the progress we have made in 'empowering a connected society', reflecting on our performance in implementing eight of the UN Sustainable Development Goals, and assesses our activities in 'being a leading digital company' by ensuring our operations are responsible, ethical and accountable.

The Sustainability report is available on our website: www.vodacom.com

Sustainability report 2019

Q&A with the Head of Strategy

Yolanda Cuba

You are newly back in a role which you occupied previously. Let's get a glimpse of what you think of Vodacom's opportunities beyond 2020.

Q **A key objective of this Integrated report is to explain Vodacom's strategic framework for long-term value creation. Given that Vodacom operates in a rapidly changing sector, what does the 'medium term' and 'long term' mean in practice for Vodacom?**

A Given recent advances in technology, the 'clock speed' in the telco sector has shown a propensity to speed up quite dramatically, not just in terms of network technology, but also at the IT layer, especially as IT has become increasingly important in underpinning the services we offer to customers. In this context of rapid change, we generally see the short term as being less than 12 months, the medium term in the region of one to three years, and the long term as anything beyond three years. Our traditional network planning is typically between three and five years, whereas our product or service planning is much shorter. We create value for our stakeholders by using our world-class network to provide diversified and innovative solutions and services to our customers at scale. Therefore, as we look to the future, we will continue to focus on optimising our network investment while we build innovative home products and services that create customer stickiness and reward customers. With our Vision 2020 soon coming to an end, we will be commencing another three-five-year strategy cycle, building on the foundations we created with Vision 2020.

Q **Looking ahead to the next three to five years, what are the key challenges and opportunities that have informed Vodacom's strategy?**

A As we continue our evolution towards being a digital tech company, there are some very exciting opportunities for Vodacom to consider. In addition to growing our current digital services offerings through platforms – in areas such as video, music and gaming – we see significant opportunities in financial services. Building on the material success we have enjoyed with M-Pesa, insurance and lending, we are looking to further disrupt in these areas, including driving growth in our new payments platform. Our insurance business in South Africa has grown significantly in the last two years, and we are looking to expand this further off the back of the unique set of capabilities we have developed. We also see an opportunity in the lending space, addressing areas of our economy where consumers and business have traditionally been under-served, and we will be expanding our focus in the Enterprise space, including particularly for SMEs, the economic engine in all our markets. Through our enhanced IoT offerings and multi-cloud strategy, including our partnership with Amazon Web Services and our impending ownership of IoT.nxt, we will be looking to be the enterprise-digitalisation partner of choice.

To deliver on these ambitions there are of course certain challenges that we will need to address, some of which are beyond our control. We are hopeful, for example, that the well-documented spectrum challenge in South Africa will be remedied over the coming months. Some of the challenges within our control include the pace of driving digital transformation within Vodacom and embracing new ways of working. We have embarked on an ambitious journey of internal transformation to ensure that we are sufficiently prepared for the Fourth Industrial Revolution.

Vodacom's International markets provide significant growth areas, with latent demand for smartphone growth on our recently established 4G networks prevalent in all of our markets. We will build on the strength and success of the M-Pesa platform and network of agents, as we evolve beyond person-to-person money transfers to include enterprise, financial services and mobile commerce.

Following our ground-breaking launch of 5G in Lesotho this year, we are continuing preparations for broader uptake of 5G. There are some very exciting opportunities and use-cases associated with bringing fibre-like speeds and low-latency to mobile broadband, that can be used to spur innovation in Africa over the coming decade.

Q **M-Pesa is an excellent example of delivering significant societal value and financial value. Do you see other business opportunities that assist in delivering the UN Sustainable Development Goals?**

A As a purpose-led organisation, Vodacom has prioritised the need to 'connect for a better future'. We believe that everything we do should have a positive impact on society. M-Pesa of course is a widely known product that has empowered many people across Africa, including in particular rural women, by allowing them to transact and transfer money. In addition to M-Pesa we have been exploring and testing new products and services across a range of areas that will deliver significant societal benefits across our markets. These include:

- In agriculture, our Connected Farmer solution, which services well over a million small-scale farmers, connecting them with the agriculture value chain, improving productivity, addressing food security, creating jobs and increasing incomes in the sector;
- In health, our Stock Visibility Solution that enables healthcare professionals in rural areas to utilise secure mobile devices to send treatment plans to patients, manage patients' medical records and monitor the availability of dispensary stocks in real time;
- In education, the significant investments we have made supporting teacher centres and learning facilities, providing free connectivity for university students, developing online education platforms, and using digital platforms to improve resource availability, effective management and overall governance at schools; and
- On the environment, we continue to explore opportunities to use IoT and other digital solutions to drive improved environmental performance in our network and across our value chain.

Through these and other business-led initiatives, Vodacom is not only making a valuable contribution to the UN Sustainable Development Goals, but is also delivering important business benefits, a win-win combination that underpins our purpose-led commitment.

Q **You've made a compelling case for your recent strategic focus on growing financial and digital services. Are you exploring other opportunities to reposition the business?**

A As with any organisation facing the potential for business-model disruption associated with digitalisation, Vodacom has no choice but to critically assess the direction it is taking, and to question whether our current business model is fit-for-purpose. As we have grown, the typical pressures of product commoditisation have required us to look to alternative revenue sources to sustain our growth. This has been a fascinating journey in which we have explored a suite of digital services, including, for example, financial services, lifestyle offerings in video, gaming and television, and the innovations in agriculture, health and education I mentioned earlier.

Given the size of our customer base, we have a particular opportunity to explore the possibility of the network effects of platforms, whether it be e-commerce, marketplaces, IoT platforms, platforms for SMEs and so on. This also allows for new avenues for advertising revenues, which when coupled with class-leading Artificial Intelligence technology supported by our Big Data analytics platform, creates a powerful opportunity for customer-specific advertising. Our stated intent to become a digital tech company sets the tone towards having an increased focus on platforms; we believe that this will bring significant benefits to the Group, in terms of being able to play over-the-top and not be limited to countries where we have a physical network.

Delivering on these ambitions requires a renewed focus on ensuring that we are set up for success, including by securing and retaining the best talent and skills in the sector across a multitude of domains.

Vodacom finds itself in an exciting and positive position: at the centre of the need for countries across Africa to make a success of the Fourth Industrial Revolution. Not only is connectivity central to this, but the associated opportunities will create significant relevance for Vodacom and the countries we operate in. To realise these opportunities, Vodacom will continue to drive its core business, and ensure that connectivity becomes increasingly accessible and affordable, at a quality that is unrivalled and supported by innovative products and services that positively impact lives across Africa.

CFO's statement

Till Streichert

The Group performed well this year, supported mainly by strong growth in the International operations.

Growth in South Africa slowed, impacted by low GDP growth, constrained consumer spending and deliberate pricing transformation to lower the cost to communicate. Group revenue increased 3.2%* to R90.1 billion and operating profit increased by 7.4% to R24.5 billion, excluding the BEE costs. Safaricom contributed R2.8 billion to profit, after deducting the amortisation of fair valued assets.

This year, we completed the largest-ever BEE ownership deal in the telecommunications sector, which resulted in the issue of 114.5 million new shares at Group level, with a number of financial implications. We also adopted *IFRS 15 – Revenue from Contracts with Customers*, which impacted our reported numbers, previously based on IAS 18. The most significant impact was on total revenue and service revenue, both of which were R3.4 billion and R4.3 billion lower for the current year than under IAS 18; this is as a result of connection incentive commissions being recognised in service revenue and not expenses. Although we have adopted this accounting standard in line with the rest of the industry, the dynamics of the underlying business remain the same. However, some of our performance ratios that use revenue as a denominator are naturally affected.

South Africa delivering under economic uncertainty and regulatory effects

In South Africa, low economic growth, high unemployment and higher fuel and electricity prices contributed to low consumer confidence and reduced spending. Despite the challenging economic environment, service revenue increased 2.1% against a backdrop of deliberate pricing transformation, most notably in data. Our personalised offerings helped us to attract 1.5 million new customers, with 43.2 million customers now on our network.

Vodacom Business delivered good growth, with service revenue up 4.8% to R14.7 billion. Our fixed-line service revenue increased 24.7%, underpinned by solid growth in connectivity, cloud and hosting and IPVPN revenues.

We are excited about the opportunities from our Financial services business, which has already contributed R1.6 billion of revenue, growing at 67.1%. Airtime Advance is now used by just under 10 million customers.

In March, we implemented the End-User and Subscriber Service Charter Regulations and went a step further by reducing out-of-bundle rates by as much as 50%, further reducing out-of-bundle revenues, which negatively impacted data revenue growth for the year. Going forward, I expect this to rebound as the underlying drivers of growth are healthy: data usage was up 35.6% in the year, and with less than half of our customers currently using data there remains significant further upside potential.

We have invested in enhancing our digital capabilities, utilising Big Data, Artificial Intelligence and Robotic Process Automation (RPA) to increase efficiency. We are finding smarter ways to work and invest, for example by using 'smart capex' technologies to improve decision-making RPA to automate mundane processes, and our chatbot 'Tobi' to currently process around 10 000 calls daily with no waiting time for our customers.

International increasing momentum

The International operations achieved double-digit growth, accelerating delivery on the strategic focus areas of data monetisation and M-Pesa. The DRC benefited from a stable macroeconomic environment and peaceful elections. Tanzania continued to execute on their strategy, delivering strong growth despite intense competition. Mozambique performed exceptionally well during the year, particularly given the context of two cyclones that hit the country within six weeks of each other towards the end of the financial year. We mobilised efforts to restore communication services as quickly as possible, enabling customers to get in contact with affected family members and assisting with aid relief efforts. Lesotho was impacted by the macroeconomic effects from South Africa, as well as the VAT increase, but still managed to perform very well, and was the first country in Africa to have an operational 5G service.

We now have 4G in all our operations. We will be building on this benefit to drive data monetisation across our markets by further expanding our networks, increasing access to affordable smart devices, and providing more reasons to consume data through our content offerings and personalised pricing through 'Just for You'.

The strong momentum in M-Pesa resulted in M-Pesa revenue growing 32.2% to R3.1 billion; it now contributes 15.8% to International service revenue. We concentrated our efforts on growing the existing base and expanding the ecosystem beyond person-to-person money transfers to include innovative new products and services in enterprise, financial services and mobile commerce.

Cost optimisation through our 'Fit for growth' cost containment programme has enabled the International operations to maintain healthy margins, with significant savings achieved from reduced commission by selling airtime through M-Pesa, coupled with the benefits from network cost savings obtained through site sharing.

Safaricom

Safaricom reported solid growth despite macroeconomic pressures. Service revenue increased 7.0% and EBIT grew 13.1%, underpinned by strong growth of 7.7% to 31.9 million customers. M-Pesa revenue grew 19.2% and now contributes 31.2% to service revenue, up from 28.0% a year ago. Although data revenue growth was slightly softer at 6.4%, the opportunity exists for future growth by increasing penetration and usage of mobile data.

Delivering shareholder returns in uncertain times

Emerging markets have been under pressure as a result of the US and China trade war and Brexit uncertainty. Coupled with the economic pressure and regulatory uncertainty in South Africa, this has negatively impacted investor sentiment, resulting in sell-offs in emerging market assets, with total shareholder return for the Group dropping 22.4% for the year.

We increased the dividend available for distribution by 4.0%, which is pleasing. The dividend of 795 cents per share, however, is down year-on-year by 2.5% due to issuing 114.5 million shares as part of the BEE deal. Headline earnings per share (HEPS) decreased 6.6%. The main impacts of the BEE deal were from the inclusion of the non-cash non-recurring day one IFRS 2 charge of R1.4 billion, as well as transaction and finance costs of R295 million. Excluding these costs HEPS increased 4.2%, boosted by Safaricom.

We have further strengthened our balance sheet by minimising the impact of foreign currency volatility by reducing our exposure to foreign currency debt, with 92% of our debt now denominated in South African rand. The BEE transaction increased the net debt to EBITDA slightly to 0.7 times, with enough room to leverage, should we require.

We remain a major contributor to value creation in our countries of operation. This year we contributed R20.1 billion as a cash contribution to public finances.

Looking ahead

In a fast changing telecommunications landscape, where the boundaries between mobile and the wider digital ecosystem continue to shift, our Vision 2020 strategy has positioned us well, as we seek to diversify our business and keep ahead of the changes.

Our balance sheet remains strong, providing us with sufficient capacity to leverage and realise potential merger and acquisition opportunities to increase shareholder value. We are well placed to realise the benefits of Big Data and Artificial Intelligence, which are key to driving future growth and digital transformation. Through RPA, we will continue to look at ways to increase revenue, reduce costs, improve capital efficiency and improve customer experience.

We have adopted IFRS 16 from 1 April 2019, which will enhance transparency on the Company's financial position and enhance comparability between companies that lease assets and companies that buy assets. As the adoption of IFRS 16 is yet to be concluded, we are providing a range in respect of the standard's impact in our financial statements.

We have updated our medium-term targets, and now expect a mid-high single-digit growth rate in operating profit on average for the next three years. As this target is based on operating profit instead of EBIT, we also capture our share of the growing associate profits generated by Safaricom. We maintain Group service revenue growth at mid single-digit and increase Group capital intensity slightly from 13% to 14.5% of Group revenue to account for the change in revenue reporting under IFRS 15.

Safaricom has proposed an ordinary dividend of KES50.8 billion as well as a special dividend of KES24.84 billion for approval at the AGM in August. Vodacom's share amounts to R2.3 billion and R1.1 billion respectively, net of withholding tax. The Board intends to distribute the special dividend, net of withholding tax, to shareholders at the interim results announcements later in the year.

In closing, I would like to thank the Board for their continued guidance throughout the year and look forward to transforming our company to deliver our purpose to connect for a better future.

Till

Till Streichert
Chief Financial Officer
31 May 2019

Tax and our contribution to public finances

Our commitment to acting with integrity and transparency remains core to our approach to tax.

As a publicly listed company we have obligations to a very wide range of stakeholders which ranges (directly and indirectly) from pension and long-term investment funds to individual shareholders, all seeking to maximise investment returns. An increase in taxes paid is often interpreted as a reduction in the profit available to invest in the future growth of the company or in returns to shareholders. The interest of the pensioner, saver, shareholder and investor could therefore be seen to be in conflict with the interest of the public finance system.

In our view it is however possible to achieve an effective balance between a company's responsibility to society as a whole through the payment of taxes (and other government revenue raising mechanisms), and its obligations to its shareholders.

It is important to note that many countries impose telecom-specific taxes on mobile services and devices which consumers and operators pay on top of the general tax contributions. It is proven that these additional taxes represent a limitation to many operators in expanding the benefits of connectivity and financial inclusion to society as a whole. The Group has seen the increase in these sector-specific taxes on the African continent and thus we continue to engage with many stakeholders from NGOs, industry bodies, professional finance and accounting communities, policymakers and tax authorities to support the operation of fair, effective and predictable tax regimes that balance the interests of all parties.

We disclose our tax contributions to the governments in the countries in which we operate, as we believe that it is an important way to demonstrate that it is possible to achieve this effective balance.

As a major investor, taxpayer, employer and purchaser of local goods and services we contributed R20.1 billion (2018: R20.8 billion) to the public finances of governments in the jurisdictions in which we operate.

Cash contribution to public finances

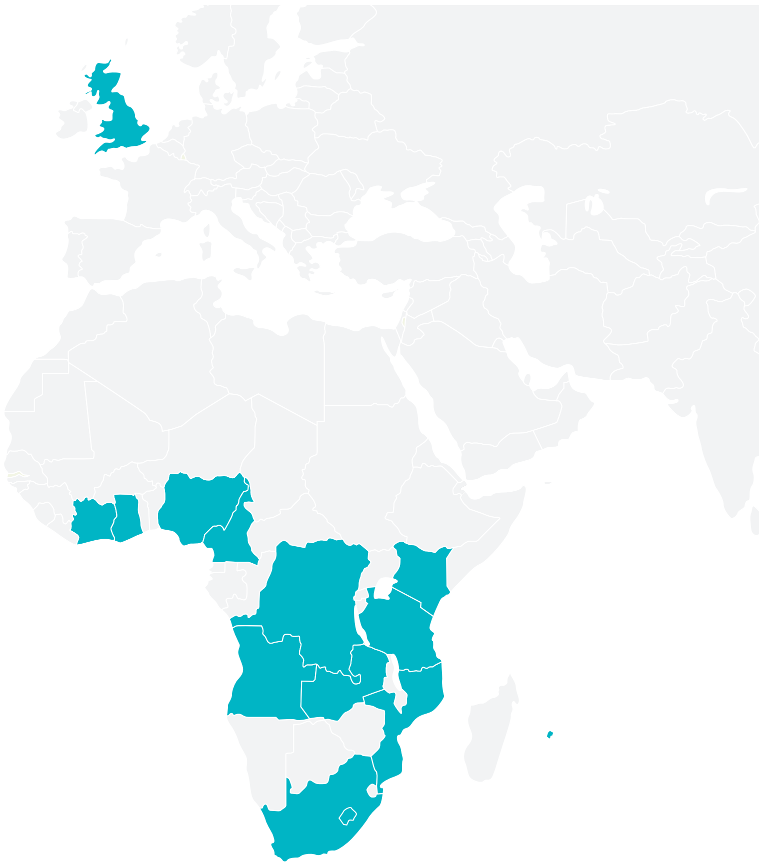
R9.4 billion **direct tax contribution** + R9.2 billion **indirect tax contribution** + R1.5 billion **direct non-tax contribution**

= **R20.1 billion**

The Group's external revenue[1] (as per IFRS 15) generated was R86.5 billion (2018: R86.7 billion) on which a profit before tax (excluding dividends) of R22.1 billion[2] (2018: R22.1 billion) was made. We paid R0.28 (2018: R0.28) in corporate tax alone for every R1 we generated in profit in our countries of operation in 2019.

Total tax contributions made to governments across our countries of operation

Country	Rm
South Africa	13 157
Tanzania	2 338
DRC	2 402
Mozambique	1 166
Lesotho	331
Kenya	281
Mauritius	137
Nigeria	101
United Kingdom	44
Zambia	32
Ghana	33
Cameroon	11
Ivory Coast	9
Angola	3



For more information and the details per country of operation read our Public finances report 2019 on **www.vodacom.com**. (Available in Q3 FY2020)

1. External revenue is the sum of revenues generated from transactions with independent parties (all transactions between the Vodacom and Vodafone Group entities were excluded).
2. Profit before tax represents the total profit before tax in each country, excluding dividend income less expenses.

Condensed consolidated income statement

for the year ended 31 March

Rm	2019 IFRS 15	2019 IAS 18	2018 IAS 18
Revenue	**86 627**	**90 066**	86 370
Direct expenses	**(31 427)**	**(34 931)**	(33 669)
Staff expenses	**(6 026)**	**(5 986)**	(5 509)
Publicity expenses	**(1 920)**	**(1 920)**	(1 913)
Other operating expenses	**(13 462)**	**(13 462)**	(12 441)
Share-based payment charges	**(1 404)**	**(1 404)**	(130)
Depreciation and amortisation	**(10 642)**	**(10 642)**	(9 959)
Impairment losses	**(30)**	**(30)**	(4)
Net profit from associate and joint venture	**2 774**	**2 824**	1 507
Operating profit	**24 490**	**24 515**	24 252
Profit on sale of associate	**–**		734
Finance income	**630**	**630**	703
Finance costs	**(3 008)**	**(3 008)**	(2 811)
Net loss on remeasurement and disposal of financial instruments	**(23)**	**(23)**	(785)
Profit before tax	**22 089**	**22 114**	22 093
Taxation	**(6 557)**	**(6 672)**	(6 531)
Net profit	**15 532**	**15 442**	15 562
Attributable to:			
Equity shareholders	**14 822**	**14 727**	15 344
Non-controlling interests	**710**	**715**	218
	15 532	**15 442**	15 562

Cents	2019 IFRS 15	2019 IAS 18	2018 IAS 18
Basic earnings per share	**872**	**867**	947
Diluted earnings per share	**856**	**851**	919

Revenue increased 4.3% (3.2%*), as a result of strong growth in International, especially in data and M-Pesa revenues, offsetting a slowdown in South Africa.

Group total expenses increased 5.2% to R56.3 billion, which includes a net trading foreign exchange loss of R66 million (2018: profit of R56 million). These costs also include R124 million in BEE-related transaction costs. Growth was outside of our targeted objective of keeping cost growth below revenue growth, mainly as a result of subdued revenue growth in South Africa.

Once-off IFRS 2 BEE charge.

The Group's interest in Safaricom is accounted for as an investment in associate. This includes the amortisation of fair valued assets on acquisition of R624 million.

Net finance costs increased 12.8%, mainly due to the finance costs for the BEE deal and increase in net interest paid on bank accounts. The average cost of debt was slightly down to 8.2% from 8.3%

FEC mark-to-market revaluation gains and gains on the remeasurement of foreign cash balances slightly offset by the remeasurement of a derivative relating to the agreement to acquire shares in Vodacom Tanzania.

The tax expense of R6.7 billion was 2.2% higher than the prior year (2018: R6.5 billion) mainly due to the increase in taxable income and an increase in withholding tax suffered on dividend income received.

Increased mainly from the contribution from Safaricom and strong performance in the International operations.

The reported figures for the year ended 31 March 2019 have been impacted by the adoption of IFRS 15 on 1 April 2018.

The difference between IFRS 15 and IAS 18 is noticeable in the contract segment where goods and services, which are bundled and delivered under a single contract, are identified as separate performance obligations. Revenue is recognised at the point in time the Group delivers the goods or renders the service to the customer.

One of the key changes is the recognition of equipment revenue when control of the device has either transferred to the customer or the intermediary. Previously, equipment revenue on transfer of such a device to a customer was limited to the cash received on inception of the contract. Device revenue contract assets are recognised at inception, which will be recovered over the term of the contract. During the year, R634 million (of which R563 million relates to South Africa) was reclassified from service revenue to equipment revenue, with total revenue remaining largely unchanged with regards to this element.

In addition, qualifying incremental costs of obtaining and fulfilling a contract, previously expensed on payment, is now capitalised as deferred customer acquisition cost and amortised over the lifetime of the contract (typically 24 months). Amortisation charges of R3.5 billion (relating to South Africa) were netted against service revenue during the current period, as they are considered to be customer discounts under IFRS 15.

Note:
The condensed consolidated financial statements were extracted from the full audited consolidated annual financial statements (AFS). The 2019 IAS 18 column in the condensed consolidated income statement has not been extracted from the AFS and is for information purposes only as the commentary in this report is based on IAS 18. The condensed consolidated financial statements have not been reviewed or audited by the Group external auditors. The AFS are available on **www.vodacom.com**.

Condensed consolidated statement of comprehensive income

for the year ended 31 March

Rm	2019 IFRS 15	2018 IAS 18
Net profit	**15 532**	15 562
Other comprehensive income		
Foreign currency translation differences, net of tax[1]	**11 879**	(5 867)
Mark-to-market of financial assets held at fair value through Other Comprehensive Income, net of tax	**10**	–
Total comprehensive income	**27 421**	9 695
Attributable to:		
Equity shareholders	**25 709**	9 943
Non-controlling interests	**1 712**	(248)
	27 421	9 695

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

Condensed consolidated statement of financial position

as at 31 March

Rm	2019 IFRS 15	2018 IAS 18
Assets		
Non-current assets	**113 897**	96 543
Property, plant and equipment	**43 989**	40 529
Intangible assets	**10 845**	9 073
Financial assets	**632**	430
Investment in associate	**54 292**	44 076
Investment in joint venture	**7**	6
Trade and other receivables	**2 137**	724
Finance receivables	**1 699**	1 320
Tax receivable	**183**	106
Deferred tax	**113**	279
Current assets	**39 746**	34 822
Financial assets	**6 391**	4 532
Inventory	**1 413**	1 243
Trade and other receivables	**17 649**	14 819
Non-current assets held for sale	**619**	14
Finance receivables	**2 251**	1 463
Tax receivable	**357**	213
Bank and cash balances	**11 066**	12 538
Total assets	**153 643**	131 365
Equity and liabilities		
Fully paid share capital	**57 073**	42 618
Treasury shares	**(16 387)**	(1 792)
Retained earnings	**32 670**	28 731
Other reserves	**4 636**	(5 089)
Equity attributable to owners of the parent	**77 992**	64 468
Non-controlling interests	**8 396**	6 184
Total equity	**86 388**	70 652
Non-current liabilities	**29 084**	28 130
Borrowings	**23 641**	24 071
Trade and other payables	**820**	978
Provisions	**329**	388
Deferred tax	**4 294**	2 693
Current liabilities	**38 171**	32 583
Borrowings	**10 603**	8 220
Trade and other payables	**26 607**	23 958
Liabilities directly associated with non-current assets held for sale	**286**	–
Provisions	**218**	161
Tax payable	**340**	221
Dividends payable	**117**	23
Total equity and liabilities	**153 643**	131 365

1. The reported figures for the year ended 31 March 2019 have been significantly impacted by the adoption of IFRS 15 on 1 April 2018.

Increase from net additions R10.3 billion and foreign exchange gain R1.9 billion, partly offset by depreciation of R8.3 billion.

Includes R3.8 billion net additions mainly due to software purchases as well as spectrum acquisitions in Mozambique, the DRC and Tanzania, a foreign exchange gain of R273 million and amortisation of R2.3 billion.

Increase due to share in Safaricom's profit of R2.8 billion, foreign exchange translation gain of R9.8 billion, offset by a decrease of R2.5 billion dividends received.

Increase due to adoption of IFRS 15 and the recognition of contract assets and deferred customer acquisition costs.

Utilisation of assessed tax losses in Vodacom Payment Services.

Increase in deposits from M-Pesa customers and increase in investments in Tanzanian treasury bills.

Certain Vodacom Business Africa subsidiaries held for sale.

Issuance of ordinary shares in relation to the new BEE transaction.

Movement as a result of foreign currency translation.

Issuance of R4.7 billion preference shares by YeboYethu to fund the new BEE transaction and repayment of a R2.6 billion loan to Vodafone.

Increase due to deferred tax raised on the contract assets and deferred customer acquisition costs recognised as part of IFRS 15.

Mainly due to increase in deposits from M-Pesa customers.

Certain Vodacom Business Africa subsidiaries held for sale.

Condensed consolidated statement of changes in equity

for the year ended 31 March

Rm	Equity attributable to owners of the parent	Non-controlling interests	Total equity
31 March 2017 – Audited	24 063	(1 067)	22 996
Total comprehensive income	9 943	(248)	9 695
Dividends	(13 009)	(393)	(13 402)
Shares issued on acquisition of subsidiary and associate net of share issue cost	42 618	–	42 618
Repurchase, vesting and sale of shares	(269)	–	(269)
Share-based payments	138	–	138
Changes in subsidiary holdings	984	1 788	2 772
Acquisition of subsidiary and associate	–	6 104	6 104
31 March 2018 – Audited	64 468	6 184	70 652
Adoption of IFRS 15 and IFRS 9	3 187	(57)	3 130
1 April 2018	67 655	6 127	73 782
Total comprehensive income	25 709	1 712	27 421
Dividends	(13 982)	(473)	(14 455)
Repurchase, vesting and sale of shares	(352)	–	(352)
Share-based payments	1 862	–	1 862
Broad-based black economic empowerment transaction	1 669	–	1 669
Share-based payments – other	193	–	193
Changes in subsidiary holdings	(2 900)	80	(2 820)
Shareholder's loan converted to equity	–	950	950
31 March 2019 – Reviewed	77 992	8 396	86 388

Condensed consolidated statement of cash flows

for the year ended 31 March

Rm	2019 IFRS 15	2018 IAS 18
Cash generated from operations	**34 575**	32 299
Tax paid	**(6 535)**	(6 194)
Net cash flows from operating activities	**28 040**	26 105
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	**(13 653)**	(10 825)
Proceeds from disposal of property, plant and equipment and intangible assets	**467**	187
Acquisition of subsidiary and associate (net of cash and cash equivalents acquired)	**–**	(410)
Proceeds from disposal of associate	**–**	797
Dividends received from associate	**2 466**	1 988
Finance income received	**943**	859
Other investing activities[1]	**(1 411)**	(1 122)
Net cash flows utilised in investing activities	**(11 188)**	(8 526)
Cash flows from financing activities		
Borrowings incurred	**5 080**	1 124
Borrowings repaid	**(3 026)**	(107)
Finance costs paid	**(3 179)**	(3 182)
Dividends paid – equity shareholders	**(13 978)**	(13 010)
Dividends paid – non-controlling interests	**(473)**	(393)
Repurchase and sale of shares	**(352)**	(269)
Changes in subsidiary holdings	**(3 449)**	2 770
Net cash flows utilised in financing activities	**(19 377)**	(13 067)
Net (decrease)/increase in cash and cash equivalents	**(2 525)**	4 512
Cash and cash equivalents at the beginning of the period	**12 538**	8 873
Effect of foreign exchange rate changes	**1 053**	(847)
Cash and cash equivalents at the end of the period	**11 066**	12 538

1. Consists mainly of the movement in restricted cash deposits of R1 142 million (31 March 2018: R821 million) as a result of M-Pesa related activities.

Increased capital expenditure and payments for spectrum acquisitions.

Share of Safaricom dividend.

R4.7 billion preference shares issued to third parties to fund the BEE transaction.

Mainly R2.6 billion Vodafone Luxembourg loan repaid.

Mainly due to the new BEE transaction and the payment of the R3.3 billion special dividend.

Our segment performance

South Africa

Data pricing transformation continues, to the benefit of our customers, with a number of changes that increase affordability and improve spend control. This has helped our more than 43 million customers get connected more affordably and in the way that is most suitable to their needs.

	Year ended 31 March		
South Africa	2019	2018	% change
Service revenue (Rm)	**55 749**	54 622	2.1
Revenue (Rm)	**71 325**	69 967	1.9
EBITDA (Rm)	**27 717**	28 088	(1.3)
EBIT (Rm)	**20 244**	21 124	(4.2)
Data revenue (Rm)	**24 276**	23 355	3.9
Capital expenditure (Rm)	**9 577**	8 884	7.8
Customers[1] (thousand)	**43 166**	41 635	3.7
Prepaid customers (thousand)	**37 331**	36 275	2.9
Contract customers (thousand)	**5 835**	5 360	8.9
Data customers[2] (thousand)	**19 952**	20 347	(1.9)
Total ARPU[5] (rand per month)	**95**	101	(5.9)
Prepaid ARPU (rand per month)	**54**	58	(6.9)
Contract ARPU (rand per month)	**373**	390	(4.4)
NPS (position relative to competitors)	**1st**	1st	

Service revenue grew at 2.1%, despite the implementation of deliberate pricing transformation and a low economic growth environment. Growth in the second half of the year was negatively impacted by the transition between national roaming partners and the change in call termination rates.

Customer revenue increased 1.3% to R47.4 billion supported by a growth in our customer base of 3.7% to 43.2 million with positive net additions of 1.5 million.

Contract customer revenue increased 0.6% with contract customers increasing 8.9% to 5.8 million. We are pleased with the acceleration of net customer additions during the fourth quarter in both the Consumer and Enterprise segments. We worked with the Department of Education to connect 80 000 teachers during the year. These are mainly data contracts, contributing to a lower contract ARPU. We reduced out-of-bundle spend from customers following the implementation of the Regulator's End-User and Subscriber Service Charter (EUSSC).

Prepaid customer revenue increased 2.0%. Prepaid customer net additions were 1.1 million with ARPU declining by 6.9%, ARPU declines are as a direct result of new additions being attracted at a lower spend. Our efforts to reduce the one-off use of SIM in the market are showing signs of success.

Data revenue grew 3.9% to R24.3 billion, contributing 43.5% to service revenue. The effective price per MB has reduced 23.3% following the implementation of the EUSSC regulations in March, as well as a further out-of-bundle rate reduction of 50%. The implementation of the EUSSC allows consumers to manage their spend and utilise their data, virtually worry free. Data bundle purchases have increased 13.1% to 866 million as more affordable data bundles with shorter validity periods are available to customers.

Overall data usage drivers were encouraging. Data traffic was up 35.6%. Active smart devices on the network were up 7.6% to 19.9 million, of which 10 million are 4G devices. Average usage on these smart devices has improved 23.2% to 966MB.

Our platform strategy, designed to stimulate reasons to consume data, is gaining momentum. Take-up of the video play service is encouraging, with 869 000 active users on the platform. Our music platform, My Muze, is steadily gaining customers, and our gaming platform PlayInc. has now been launched.

Our Financial Services business continues to accelerate, contributing R1.6 billion of revenue, growing at 67.1% and delivering R1.0 billion profit before tax. Our insurance business continues to grow, adding more services such as life and funeral cover during the year. Total policies increased 38.1% to 1.3 million. Airtime Advance is now used by just under 10 million customers.

Enterprise has delivered good growth, with service revenue up 4.8% to R14.7 billion. Our fixed-line service revenue increased 24.7%, underpinned by solid growth in connectivity, cloud and hosting and IPVPN revenues. IoT connections continue to gain momentum with a 24.4% growth in customers to 4.5 million.

We continue to drive our 'Own the home' strategy, resulting in good traction on fibre to the home/business, almost doubling the connections in the year.

EBITDA declined 1.3% to R27.7 billion, while the EBITDA margin of 38.9% contracted by 1.2ppts partially as a result of the roaming agreement with Rain. This affected margins by 0.7ppts, as we continue to scale up on the roaming agreement, and move cost of capacity from depreciation to direct expenses. Technology expenses increased 7.5% due to 8.1% more sites being deployed, and annual price escalations in lease, rental and energy expenses. This was slightly offset by our 'Fit for growth' initiatives delivering savings in excess of R1.4 billion. Our digital transformation is starting to yield results. The implementation of process automation has resulted in the automation of 86 processes. The introduction of chatbots and improving call resolutions at root cause has reduced call volumes by 25%, in line with our targets.

Our capital expenditure of R9.6 billion was utilised to drive our strategy of being the leading digital telco. For the year we focused on improving the overall mobile network performance and customer experience with network modernisation and capacity upgrade initiatives. We delivered substantial cost savings through the introduction of Digital Technologies for smart planning, smart deployment and smart operations. Our continued investment in infrastructure resulted in over 90% coverage on 4G and 99.5% coverage on 3G.

We spent R2.0 billion on IT during the year. Our focus is to become smarter and more agile in delivering products to our customers. We continued to deepen our Digital IT capabilities through our IT acceleration programme. We continue to invest in cloud infrastructure and migrating applications, IT services and network functions into cloud platforms to enhance flexibility and improve scalability, availability and performance of services.

International

Driving our strategy of financial services inclusion and connecting customers has supported a return to double-digit service revenue growth of 15.6% (10.3%*). Macro and political environments have improved, although they remain challenging in various aspects. DRC had a peaceful election during the second half of the year.

	Year ended 31 March		% change	
International	2019	2018	Reported	Normalised*
Service revenue (Rm)	**19 452**	16 828	15.6	10.3
Revenue (Rm)	**19 982**	17 460	14.4	9.1
EBITDA (Rm)	**6 251**	4 930	26.8	21.0
EBIT (Rm)	**3 430**	2 096	63.6	56.1
Data revenue (Rm)	**3 056**	2 429	25.8	19.6
M-Pesa revenue (Rm)	**3 077**	2 327	32.2	26.5
Capital expenditure (Rm)	**3 376**	2 707	24.7	
Customers[1] (thousand)	**34 620**	32 414	6.8	
Data customers[2] (thousand)	**17 664**	16 573	6.6	
M-Pesa customers[3] (thousand)	**13 500**	11 757	14.8	

In March and April 2019, Mozambique was affected by two cyclones. We mobilised efforts to restore communication services as soon as possible, to enable customers to get in contact with affected family members and to aid relief efforts. To assist during this crisis, we free-rated calling from 21 March 2019 to 1 April 2019 and we have also donated US$1 million to aid in humanitarian efforts.

We continue to see good customer growth, adding 2.2 million customers in the year, up 6.8% to 34.6 million customers.

Data revenue grew strongly at 25.8% (19.6%*), supported by the roll-out of 4G services, now available in all our operations. We added 1.1 million data customers during this period, as we continue to drive availability of affordable data devices across all operations. We have started rolling out content services in all operations and continue to provide personalised pricing through our 'Just 4 You' platform. Data now contributes 15.7% of service revenue.

M-Pesa continues to deliver on its promise for financial inclusion empowering customers to transact easily and thereby contributing to the economy. M-Pesa revenue grew by 32.2% (26.5%*) to R3.1 billion, contributing 15.8% to service revenue. We continue to expand the ecosystems to more services such as micro loans, merchant payment systems and further interconnection with banks and other operators. We launched a number of initiatives during the year to drive the uptake of the M-Pesa in all operations. We added 1.7 million customers during the period, up 14.8% to 13.5 million. We now process US$2.8 billion in transactions a month across our operations.

EBITDA grew 26.8% (21.0%*), while margins expanded by 3.1ppts. This was as a result of strong revenue growth and continued focus on cost containment through our 'Fit for growth' programme. Savings on commissions from airtime purchases through M-Pesa, continued savings in network operating expenses through site sharing, contract negotiations and savings from lower interconnect costs are key drivers for margin growth.

We were awarded a 4G licence in the DRC. In Mozambique we unified and renewed our licences for 20 years and acquired 2x10MHz of 800MHz. In Tanzania we acquired an additional 2x10MHz of 700MHz 4G spectrum which will enable us to progress further in delivering on our strategic data ambitions. The total costs of these spectrum acquisitions were US$65.0 million across our operations.

We invested R3.4 billion in rolling out 4G services, improving capacity and widening our network reach and quality. We added 984 4G sites and 371 3G sites and lead in network NPS in most of our operations.

We are in the process of concluding the acquisition of the M-Pesa brand and platform related assets from Vodafone through a joint agreement with Safaricom[1]. We expect this will further accelerate our mobile money growth plans in Africa.

1. The transaction close is subject to a number of conditions being met, including signature of final agreements and the South African Reserve Bank approval.

Safaricom

Safaricom continues to report solid growth and margin expansion, with service revenue increasing 7.0% and EBIT increasing 13.1%.

	Year ended 31 March		
	2019	2018	% change
Revenue (KESbn)	**250.96**	234.22	7.1
EBIT (KESbn)	**89.61**	79.27	13.1
Customers[1] (thousand)	**31 845**	29 570	7.7
Data customers[2] (thousand)	**18 831**	17 669	6.6
M-Pesa customers[3] (thousand)	**22 642**	20 547	10.2
ARPU[5] (KES per month)	**658**	639	3.1

Underpinning the results was a strong recovery in growth of Safaricom's customer base, with total customers growing 7.7% for the year to 31.9 million customers. Strong growth in M-Pesa revenue continues as 30-day active M-Pesa customers increased 10.2% to 22.6 million. M-Pesa revenue grew 19.2% and now contributes 31.2% to service revenue, up from 28.0%. Data revenue grew at 6.4%, a slight easing of growth during the second half of the year, as consumer offerings were repositioned at half year to provide more value in an increasingly competitive environment. However, opportunity exists for future growth by increasing both penetration and usage of mobile data. Investment in capital expenditure of KES37.3 billion in the period resulted in 3G sites increasing 17.3%, 4G sites increasing 69.4%, and the number of homes passed with fibre more than doubling to 300 000.

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

Tanzania

	Year ended 31 March		
	2019	2018	% change
Revenue (TZSm)	**1 023 763**	977 994	4.7
EBIT (TZSm)	**120 186**	96 895	24.0
Customers[1] (thousand)	**14 133**	12 899	9.6
Data customers[2] (thousand)	**7 892**	7 345	7.4
M-Pesa customers[3] (thousand)	**6 989**	6 369	9.7
MOU per month[4]	**172**	163	5.5
Total ARPU[5] (rand per month)	**36**	35	2.9
Total ARPU[5] (TZS per month)	**6 027**	6 086	(1.0)
Number of employees	**548**	537	2.0
NPS (position relative to competitors)	**1st**	1st	
Customer market share	**#1**	#1	

Vodacom Tanzania PLC continues to strengthen its leadership position as the country's fastest data network[a], resulting in an increase in market share[b], both in terms of total customers (32.4%) and in the mobile money market (38.6%).

We continue to be the preferred network across various customer segments as evidenced by the lead we maintain in net promoter scores, with a significant gap over our nearest competitor based on service, value and network performance. Delivering on our strategy of exceptional commercial execution and consistent investment in our network has yielded good results, with revenue and EBIT growing at 4.7% and 24.0% respectively. Our customer base grew 9.6%, reaching 14.1 million, of which 7.0 million use M-Pesa and 7.9 million access data services.

We delivered strong revenue growth in our key strategic growth pillars, M-Pesa and data. M-Pesa revenue increased 14.5% and data revenue was up 17.9%, while proactive measures to stabilise voice revenue decline are proving successful. Voice revenues were only marginally lower by 1.1%, despite continued pricing pressure, which was accelerated by the reduction in mobile termination rates.

Our 'Lipa kwa M-Pesa' merchant solution, which provides customers with the ability to make seamless point-of-sale payments, has grown substantially. The platform now has over 11 000 active merchants that effected TZS1.1 trillion in transactions during the year, an increase of 186.0%.

During the year, we invested TZS171.4 billion (16.7% of revenue) in our network, focused on increasing 4G coverage in major cities, upgrading capacity and modernising the network to enable a superior data customer experience.

Our continued emphasis on cost optimisation through our 'Fit for Growth' programme has supported a remarkable 20.3% growth in EBIT, with a margin of 11.2%, expanding 1.4ppts.

Looking ahead, we remain steadfast in delivering on our strategy by targeting an enhanced data user experience across the country, expanding our mobile money ecosystem through new partnerships and services, and investing further in our high-value and youth segments. We will also endeavour to continue providing a superior 4G data user experience to more regions, allowing for further improvement in monetising data traffic countrywide.

a. Ookla speed test report as at 31 March 2019.
b. Tanzania Communication Regulatory Authority's quarterly communications statistics as at 31 December 2018.

Mozambique

	Year ended 31 March		
	2019	2018	% change
Revenue (MZNm)	**21 111**	17 635	19.7
EBIT (MZNm)	**5 709**	4 158	37.3
Customers[1] (thousand)	**6 843**	6 108	12.0
Data customers[2] (thousand)	**4 289**	3 730	15.0
M-Pesa customers[3] (thousand)	**3 860**	3 109	24.2
MOU per month[4]	**136**	143	(4.9)
Total ARPU[5] (rand per month)	**56**	51	9.8
Total ARPU[5] (MZN per month)	**246**	241	2.1
Number of employees	**551**	530	4.0
NPS (position relative to competitors)	**2nd**	1st	
Customer market share	**#1**	#1	

The country experienced devastating cyclones in March and April 2019, leading to the destruction of critical infrastructure and community livelihoods. Vodacom Mozambique is in the process of recovering the network and repairing the damage, which is expected to take approximately six months.

Vodacom Mozambique delivered strong growth with revenue increasing 19.7% and EBIT increasing 37.3%, as we continued to deliver on our 'Fit for growth' cost-saving initiatives mainly through contract renegotiations and savings from increased airtime sales through M-Pesa.

The customer base grew by 12.0% to 6.8 million, assisted by our many promotions during the year, including our 'Mega Promo' and weekly 'WFT' (WhatsApp, Facebook, Twitter) bundles that were very successful in attracting new customers.

Data revenue increased 19.6%, with data customers growing by 15.0% and data traffic up by 35.6%. At year end, 62.7% of customers are using data.

M-Pesa revenue increased 83.1%, contributing 11.4% to service revenue, up from 7.5% in the previous year. We partnered with BCI Bank, the country's largest retail bank, making it easier for our customers to use M-Pesa to pay at more than 14 000 points of sale. By adding interoperability with Millennium BIM during the year, M-Pesa now has full interoperability with the three largest commercial banks in the country.

Our NPS declined this year mainly as a result of competitive pressures on pricing. We have initiatives in place to close the gap and strengthen our position.

In the year ahead, we will focus on increasing customer value management activities through deeper segmented offerings, improving loyalty rewards and driving reasons to consume through our content platforms. We recently rolled out the MyVodacom app, which has numerous self-help benefits; we will continue promoting adoption of the app to improve the customer experience. Our acquisition of 4G spectrum will help us improve our network coverage and quality and deliver on data quality for customers.

DRC

	Year ended 31 March		
	2019	2018	% change
Revenue (US$'000)	**473 262**	428 169	10.5
EBIT[6] (US$'000)	**63 497**	12 578	>200
Customers[1] (thousand)	**12 180**	11 821	3.0
Data customers[2] (thousand)	**4 749**	4 825	(1.6)
M-Pesa customers[3] (thousand)	**2 116**	1 891	11.9
MOU per month[4]	**36**	39	(7.7)
Total ARPU[5] (rand per month)	**41**	38	7.9
Total ARPU[5] (US$ per month)	**3.0**	2.9	3.4
Number of employees	**573**	578	(0.9)
NPS (position relative to competitors)	**1st**	1st	
Customer market share	**#1**	#1	

Vodacom DRC delivered excellent results, benefiting from the stable political and macroeconomic conditions in the country.

Revenue increased 10.5%, driven by strong growth in voice, data and M-Pesa revenues. Our strong focus on customer value management activities, improving allocations within our bundles and rewarding loyalty, helped to improve our NPS lead by 8ppts.

Voice revenue increased 8.5% as we further segmented our base and increased promotional activity in strategic regions across the country.

Data revenue grew 22.3%, benefiting from our enhanced 'Just for You' personalised offers that contributed to 79.7% growth in data traffic . Data customers were down 1.6%, primarily as a result of the internet ban pending the election result in January.

M-Pesa revenue increased 39.2% and now represents 7.1% of service revenue, up from 5.7% a year ago. M-Pesa customers increased 11.9% as we restructured our distribution channel to improve efficiency and expanded the ecosystem with the launch of Financial services, including an M-Pesa ATM. Our customers can now link their M-Pesa account to a bank account and perform transfers.

Following the awarding of a 4G licence and acquisition of spectrum, this year we rolled out 199 4G sites.

In the year ahead, we will focus on increasing our coverage, providing customers with more reasons to consume data with our video, music and gaming propositions, expand our M-Pesa services, and obtain further savings through our 'Fit for growth' programme.

Lesotho

	Year ended 31 March		
	2019	2018	% change
Revenue (LSLm)	**1 308**	1 255	4.2
EBIT (LSLm)	**491**	475	3.4
Customers[1] (thousand)	**1 464**	1 587	(7.8)
Data customers[2] (thousand)	**734**	673	9.1
M-Pesa customers[3] (thousand)	**535**	388	37.9
MOU per month[4]	**74**	79	(6.3)
Total ARPU[5] (rand per month)	**66**	65	1.5
Number of employees	**220**	209	5.3
NPS (position relative to competitors)	**1st**	1st	
Customer market share	**#1**	#1	

This year, following spectrum allocation by the regulator, Vodacom Lesotho became the first company to commercially launch 5G on the African continent, and one of the first globally to achieve this significant milestone.

We continued to deliver on our strategy despite the macroeconomic challenges in the country and the effects of the recent VAT increase.

Revenue increased 4.2%, driven by strong growth in data and M-Pesa revenue. Data revenue grew 18.4%, supported by a 49.6% increase in data usage per customer. The number of smartphone users increased 17.6%, as we facilitated access to better low-cost smart devices, growing smartphone penetration to 57.2% of our customer base. ARPU declines are in line with our pricing transformation, as we continue to reduce out-of-bundle rates and introduce smart notifications.

M-Pesa revenue grew 34.8%, supported by a 37.9% increase in M-Pesa customers. We increased usage of our ecosystem products such as pay bill transactions and airtime purchases, and expanded transactions with merchants. We also successfully introduced M-Pesa point of sale facilities in large retail outlets.

EBIT increased by 3.4% supported by strong revenue growth, slightly offset by an increase in the cost of international termination rates and higher network costs.

In the year ahead, we will be driving data monetisation by increasing in-bundle usage and smartphone penetration, and providing reasons to consume with the launch of video and music propositions. We will continue to focus on expanding the M-Pesa ecosystem and optimise M-Pesa distribution, with the launch of some exciting new products planned.

Notes:
The financial information is on a comparable IAS 18 basis for the year ended 31 March 2019.
1. Customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active while roaming.
2. Data customers are based on the number of unique users generating billable data traffic during the month. Also included are users on integrated tariff plans, or who have access to corporate APNs, and users who have been allocated a revenue generating data bundle during the month. A user is defined as being active if they are paying a contractual monthly fee for this service or have used the service during the reported month.
3. M-Pesa customers are 30-day active and are based on the number of unique customers who have generated revenue related to M-Pesa during the last month.
4. Minutes of use (MOU) per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly number of customers during the period.
5. Total ARPU is calculated by dividing the average monthly service revenue by the average monthly number of customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.
6. EBIT benefited from a US$21.2 million net insurance claim received.

Five-year historic review (IAS 18)

	Year ended 31 March					
	2019	2018	2017	2016	2015	Compound growth %
Summarised income statement (Rm)						
Revenue	**90 066**	86 370	81 278	80 077	74 500	4.9
Operating profit	**24 515**	24 252	21 750	21 059	19 235	6.3
Net finance charges	**(2 401)**	(2 893)	(2 522)	(2 215)	(1 384)	14.8
Profit before tax	**22 114**	22 093	19 228	18 844	17 851	5.5
Taxation	**(6 672)**	(6 531)	(6 102)	(5 934)	(5 341)	5.7
Net profit	**15 442**	15 562	13 126	12 910	12 510	5.4
Non-controlling interest	**(715)**	(218)	292	7	162	n/a
EBITDA	**33 689**	32 898	31 238	30 345	26 905	5.8
EBIT	**23 388**	23 109	22 126	21 696	19 516	4.6
Summarised statement of financial position (Rm)						
Non-current assets	**112 610**	96 543	52 127	51 085	45 954	25.1
Current assets	**36 273**	34 822	29 011	27 618	25 353	9.4
Equity and reserves	**82 996**	70 652	22 996	23 024	21 643	39.9
Non-current liabilities	**27 757**	28 130	31 423	29 909	23 050	4.8
Current liabilities	**38 130**	32 583	26 719	25 770	26 614	9.4
Net debt	**23 354**	19 892	22 484	21 287	16 760	8.6
Capital expenditure	**12 957**	11 594	11 292	12 875	13 305	(0.7)
Summarised statement of cash flows (Rm)						
Cash generated from operations	**34 575**	32 299	31 791	29 800	26 198	7.2
Tax paid	**(6 535)**	(6 194)	(6 051)	(5 456)	(4 979)	7.0
Net cash flows from operating activities	**28 040**	26 105	25 740	24 344	21 219	7.2
Net cash flows utilised in investing activities	**(11 188)**	(8 526)	(12 195)	(13 680)	(13 131)	(3.9)
Net cash flows utilised in financing activities	**(19 377)**	(13 067)	(11 909)	(11 644)	(5 043)	40.0
Net decrease in cash and cash equivalents	**(2 525)**	4 512	1 636	(980)	3 045	n/a
Cash and cash equivalents at end of the year	**11 066**	12 538	8 873	7 751	8 870	5.7
Performance per ordinary share (cents)						
Basic earnings per share	**867**	947	915	881	864	0.1
Headline earnings per share	**862**	923	923	883	860	0.1
Diluted headline earnings per share	**847**	895	894	860	840	0.2
Net asset value per share	**4 520**	4 104	1 545	1 547	1 470	32.4
Dividends per share[1]	**795**	815	830	795	775	0.6
Profitability and returns (%)						
EBITDA margin	**37.4**	38.1	38.4	37.9	36.1	
EBIT margin	**26.0**	26.8	27.2	27.1	26.2	
Operating profit margin	**27.2**	28.1	26.8	26.3	25.8	
Effective tax rate	**30.2**	29.6	31.7	31.5	29.9	
Net profit margin	**17.1**	18.0	16.1	16.1	16.8	
Return on equity[2]	**21.2**	34.7	55.7	55.9	56.2	
Return on capital employed[3]	**25.8**	30.5	45.4	48.2	50.1	
Liquidity and debt leverage (times)						
Interest cover[4]	**8.1**	8.6	7.7	9.6	11.1	
Net debt to EBITDA	**0.7**	0.6	0.7	0.7	0.6	
Current ratio[5]	**1.0**	1.1	1.1	1.1	1.0	
Quick ratio[6]	**0.9**	1.0	1.0	1.0	0.9	

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

Five-year historic review per segment

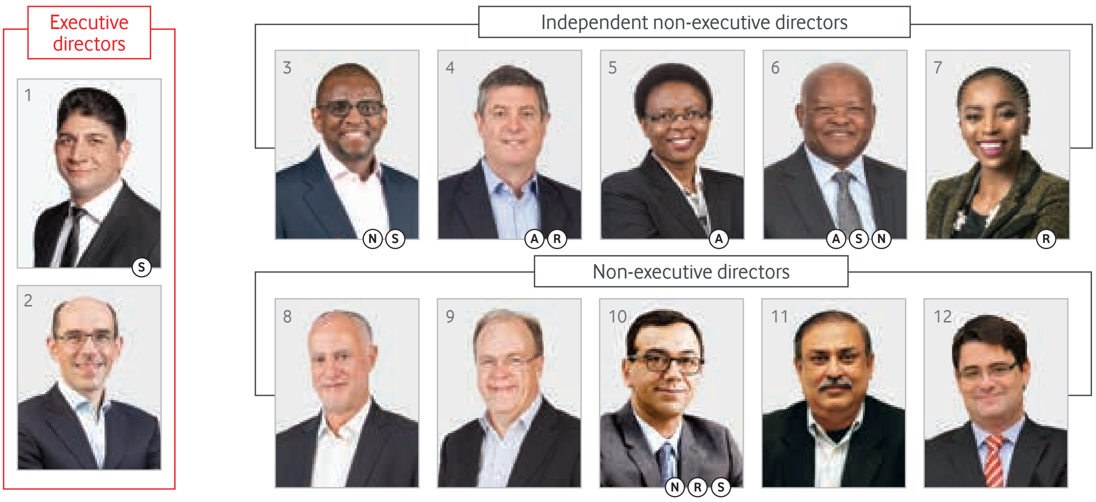
	Year ended 31 March					
	2019	2018	2017	2016	2015	Compound growth %
South Africa						
Revenue (Rm)	**71 325**	69 967	64 729	62 279	59 203	4.8
EBITDA (Rm)	**27 717**	28 088	26 815	25 016	22 837	5.0
EBIT (Rm)	**20 244**	21 124	20 593	19 430	17 779	3.3
Capital expenditure (Rm)	**9 577**	8 884	8 471	8 747	8 646	2.6
EBITDA margin (%)	**38.9**	40.1	41.4	40.2	38.6	
EBIT margin (%)	**28.4**	30.2	31.8	31.2	30.0	
Capex intensity (%)	**13.4**	12.7	13.1	14.0	14.6	
Customers[1] (thousand)	**43 166**	41 635	37 131	34 178	32 115	7.7
Number of employees	**5 197**	5 007	5 038	5 009	5 228	(0.1)
Total ARPU (rand per month)[2]	**95**	101	111	112	113	(4.2)
International						
Revenue (Rm)	**19 982**	17 460	17 350	18 356	15 747	6.1
EBITDA (Rm)	**6 251**	4 930	4 545	5 385	4 104	11.1
EBIT (Rm)	**3 430**	2 096	1 648	2 296	1 756	18.2
Capital expenditure (Rm)	**3 376**	2 707	2 833	4 090	4 654	(7.7)
EBITDA margin (%)	**31.3**	28.2	26.2	29.3	26.1	
EBIT margin (%)	**17.2**	12.0	9.5	12.5	11.2	
Capex intensity (%)	**16.9**	15.5	16.3	22.3	29.6	
Customers[1] (thousand)	**34 620**	32 194	29 655	27 127	29 533	4.1
Number of employees	**2 357**	2 360	2 351	2 338	2 372	(0.2)
Total ARPU (rand per month)[2]						
Tanzania	**36**	35	38	39	42	(3.8)
DRC	**41**	38	49	42	32	6.4
Mozambique	**56**	51	45	54	52	1.9
Lesotho	**66**	65	61	62	53	5.6
Total ARPU (local currency per month)[2]						
Tanzania (TZS)	**6 027**	6 086	6 003	5 972	6 530	(2.0)
DRC (US$)	**3.0**	2.9	3.5	3.0	2.9	0.9
Mozambique (MZN)	**246**	241	216	169	149	13.4

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 number of 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



1. Mohamed Shameel Aziz Joosub (48)
Appointed CEO in September 2012
- Commercial strategist.
- Strategy business leadership.
- Strong ICT experience.
- International operational experience.
- Sound financial expertise.

2. Till Streichert (45)
Appointed CFO in August 2015
- Diverse international financial experience.
- Executive leadership background.
- International ICT sector insights.

3. Phillip Jabulani Moleketi (61)
Appointed as Chairman of the Board in July 2017
- Understands public sector relations.
- Corporate and strategic leadership experience.
- Strong financial acumen.
- Government relations experience.

4. David Hugh Brown (56)
Appointed in January 2012
- Corporate and strategic leadership experience.
- Financial expertise.
- Corporate governance expertise.

5. Priscillah Bafelelang Mabelane (46)
Appointed in December 2014
- Strategic leadership expertise.
- Financial expertise.
- Business leader.

6. Sakumzi Justice Macozoma (61)
Appointed in July 2017
- Business leadership.
- Financial expertise.
- Corporate leadership experience.

7. Phuti Mahanyele-Dabengwa[1] (48)
Appointed in January 2019
- Business leadership.
- Financial expertise.
- Corporate leadership experience.

8. Michael Joseph (73)
Appointed in May 2009
- Understands innovation.
- Strategy and business leadership experience.
- Emerging markets expertise.

9. John William Lorimer Otty (55)
Appointed in September 2012
- Sound financial governance background.
- Extensive telecoms knowledge.
- Emerging market insight.

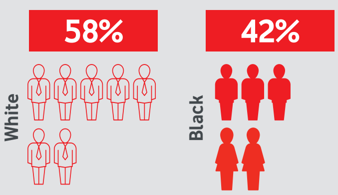
10. Vivek Badrinath (49)
Appointed in December 2016
- Extensive telecommunications and technology knowledge.
- Expertise in Information Systems.
- Emerging market expertise.
- Business leadership.

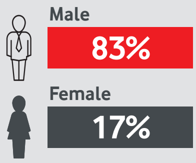
11. Sunil Sood[2] (58)
Appointed in July 2018
- Extensive telecoms knowledge.
- Executive leadership background.
- Strategic leadership experience.
- Emerging markets expertise.

12. Thomas Reisten[3] (46)
Appointed in January 2019
- Sound financial governance background.
- Extensive telecoms knowledge.
- Emerging market insight.

1. Phuti Mahanyele-Dabengwa was appointed to the Board in January 2019 replacing Thoko Martha Mokgosi-Mwantembe.
2. Sunil Sood was appointed to the Board in July 2018 replacing Marten Pieters.
3. Thomas Reisten was appointed to the Board in January 2019 replacing Ronald Adrianos Wilhelmus Schellekens.

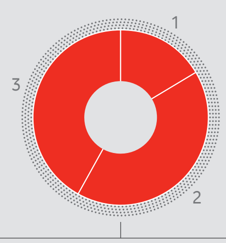
(A) Audit, Risk and Compliance Committee (ARCC) (R) Remuneration Committee (N) Nomination Committee (S) Social and Ethics Committee





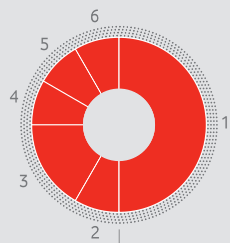
Age group:

45-50	51-55	56-60	>60
6	1	2	3



Category of director

1	Executive directors	16.66%
2	Independent non-executive (including the Chairman)	41.67%
3	Non-executive	41.67%

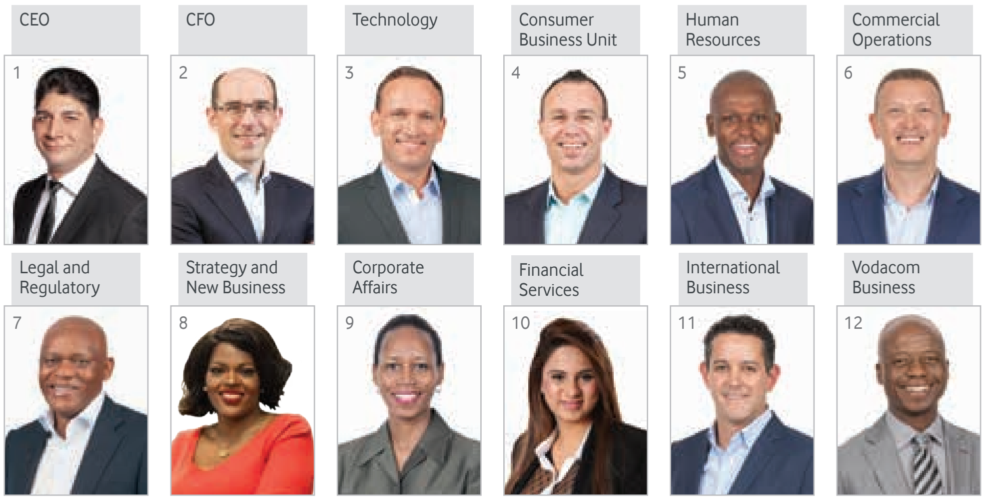


Diversity (nationality)

1	South African	50.00%
2	French	8.33%
3	German	16.66%
4	American	8.33%
5	British	8.33%
6	Indian	8.33%

Who leads us

Executive Committee



1. Mohamed Shameel Aziz Joosub (48)
Chief Executive Officer
Joined Vodacom in March 1994.

2. Till Streichert (45)
Chief Financial Officer
Joined Vodacom in February 2014/Vodafone in January 2008.

3. Andries Delport (54)
Chief Technology Officer
Joined Vodacom in June 1996.

4. Jorge Mendes[1] (45)
Chief Officer: Consumer Business Unit
Joined Vodacom in May 2000.

5. Matimba Mbungela (47)
Chief Human Resources Officer
Joined Vodacom in January 2003.

6. Errol van Graan (45)
Chief Officer: Commercial Operations
Joined Vodacom in February 2018.

7. Nkateko Nyoka (56)
Chief Officer: Legal and Regulatory
Joined Vodacom in October 2007.

8. Yolanda Cuba[3] (41)
Chief Officer: Strategy and New Business
Joined Vodacom in November 2014.

9. Takalani Netshitenzhe (50)
Chief Officer: Corporate Affairs
Joined Vodacom in September 2016.

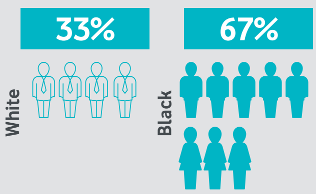
10. Mariam Cassim[2] (37)
Chief Officer: Vodacom Financial Services
Joined Vodacom in November 2016.

11. Diego Gutierrez (42)
Chief Operating Officer: International Business
Joined Vodacom in August 2017.

12. William Mzimba (50)
Chief Officer: Vodacom Business
Joined Vodacom in May 2018.

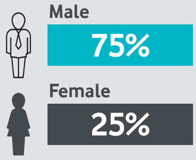
1. Jorge Mendes was appointed Chief Officer: Consumer Business Unit on 1 February 2019 following the integration of CBU Core and Sales and Distribution into one Consumer Business Unit.
2. Mariam Cassim was appointed Chief Officer: Vodacom Financial services on 1 February 2019.
3. Yolanda Cuba was appointed Chief Officer: Strategy and New Business on 1 April 2019.

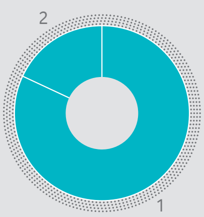
Further detailed biographies of the Board and the Executive Committee are available at **www.vodacom.com**



Age group:

35-40	41-45	46-50	>50
1	5	4	2





1	South African	83%
2	International	17%

Board governance at a glance

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

The King IV Report on Corporate Governance advocates an outcomes based approach, and defines corporate governance as the exercise of ethical and effective leadership toward 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 practices underpinning the principles espoused in King IV are entrenched in many of the Group's Internal controls, policies and procedures governing corporate conduct. The Board is satisfied that in the main, Vodacom has applied the principles set out in King IV.

The Board comprises of the following committees:

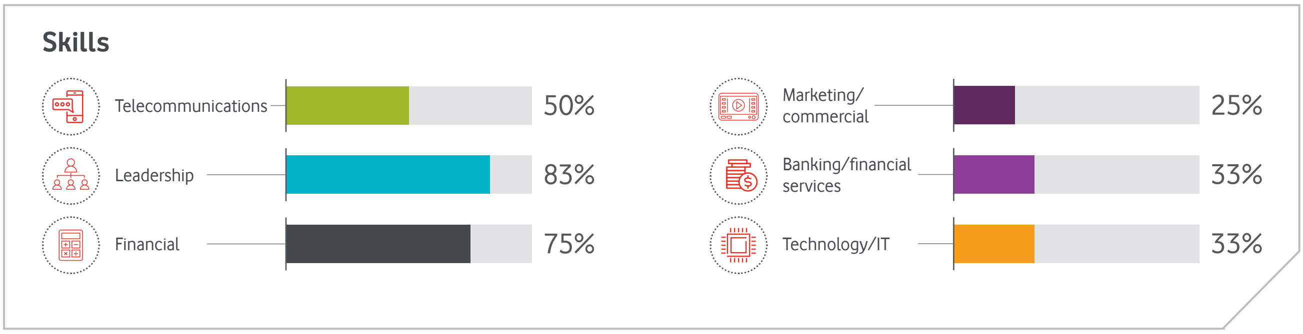
- Nomination Committee
- Remuneration Committee
- Social and Ethics Committee
- Audit, Risk and Compliance Committee
- Executive Committee

This year, we have chosen to provide a very summarised governance report, reviewing the main focus areas that impact on value creation and briefly outlining our strategic response. More detailed information on our governance policies and activities is provided in the following reports, all available online at **www.vodacom.com**.

- Full corporate governance report
- King IV codes
- Audit, Risk and Compliance Committee report in the consolidated annual financial statements
- Remuneration report
- Sustainability report

Board composition

Vodacom has a unitary board of 12 directors with skills and experience attributed as follows:



Board and committee attendance

	BOARD	NOMCO	REMCO	ARCC	S&E
Total number of meetings	8	4	4	8	4
PJ Moleketi (Chairman)	7	4			4
MS Aziz Joosub	8				4
V Badrinath	8	4	4		0 [a]
DH Brown	8		4	8	
M Joseph	7				
BP Mabelane	8			8	
SJ Macozoma	8	1 [b]		8	4
P Mahanyele-Dabengwa	2 [c]		2 [c]		
JWL Otty	8				
T Reisten	2 [d]				
S Sood	6 [e]				
T Streichert	8				

NOMCO – Nomination Committee
REMCO – Remuneration Committee
ARCC – Audit, Risk and Compliance Committee
S&E – Social and Ethics Committee

a. V Badrinath was appointed to the S&E on 1 January 2019.
b. SJ Macozoma was appointed to the NOMCO on 1 January 2019.
c. P Mahanyele-Dabengwa was appointed to the Board and as REMCO Chairman on 1 January 2019.
d. T Reisten was appointed to the Board on 1 January 2019.
e. S Sood was appointed to the Board on 18 July 2018.

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. The Board's key focus areas during the year included:

Strategic objectives

Best customer experience	Segmented propositions	Financial services	Digital content platforms	Best technology	Digital organisation and culture	Our brand and reputation

Focus areas	**Risk** (see page 22)	**Strategy**
Regulatory matters in SA (ECA Bill, Spectrum)		
• Engaged with the regulator and other stakeholders. • Participated in forums with the ministry and industry. • Made numerous submissions and proposals.	• Priority markets review. • Adverse regulatory and political pressure. • Unstable economic and market conditions. • Non-compliance with laws and regulations.	
BEE deal		
• Completed the largest BEE transaction in the ICT sector. • Ensured a balanced good deal for investors, with maximum benefit for Vodacom Group.	• Non-compliance with laws and regulations.	
End-User and Subscriber Service Charter Regulations		
• Engaged with the regulator, resulting in revisions to the charter. • Ensured compliance with the charter. • Adapted all billing and customer facing systems for the changes. • Approved proactive changes to drive higher customer take up of bundle offers.	• Adverse regulatory and political pressures. • Non-compliance with laws and regulations.	
Succession – Board/CEO/CFO/Exco		
• Approved Board and Exco changes.		
Cyber threats		
• Undertook full threat assessment. • Removed all vulnerabilities. • Ensured continual monitoring and implementation of controls.	• Cyber security threats. • Technology failure.	
USA/China trade relations		
• Revised the vendor strategy – dual vendors, at least, to limit the impact on business. • Undertook consistent monitoring of the situation in conjunction with Vodafone.	• Adverse regulatory and political pressure.	
'Please Call Me'		
• Recused the CEO from all discussions since April 2016. • Ensured that the Board was kept up to date on the progress.	• Adverse regulatory and political pressures.	
DRC – challenging economic and political conditions		
• Engaged with regulator and other stakeholders. • Made numerous submissions and proposals.	• Adverse regulatory and political pressures.	
Regulatory matters in International (Taxes, Traffic monitoring)		
• Engaged with regulator and other stakeholders. • Participated in forums with the ministry and industry. • Made numerous submissions and proposals.	• Adverse regulatory and political pressures. • Non-compliance with laws and regulations.	
Financial services and Digital content platforms strategy		
• Approved the addition of the sixth pillar of the strategy. • Approved the creation of positions on Exco to elevate importance of the area. • Tracked performance of business units against the strategy.	• Market disruption.	
Water savings (shortages in Cape Town)		
• Approved water saving measures internally and alleviated water shortages in schools.		
International markets		
• Deep dive into certain markets in the International portfolio. • Monitored the improvement plan for Vodacom Tanzania.	• Adverse regulatory and political pressures. • Unstable economic and market conditions.	

Remuneration report

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

Dear shareholders

It has been a great pleasure and privilege to be part of the RemCo of Vodacom for the past 10 years. I joined the Vodacom Group Remuneration Committee shortly after its listing in 2009 and it has been an exciting journey.

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

During the past year there were a number of changes in the SLT team and the committee reviewed and approved all changes which were made relating to members of the SLT. The committee also reviewed the short-term incentives (STI) scheme parameters and weightings and approved changes to the weightings of metrics within the STI scheme for the coming year.

I would like to thank my fellow RemCo members for their continued support and I wish them well for the future.

Thoko Martha Mokgosi-Mwantembe
Outgoing: Chairman of the Remuneration Committee

Letter from the new Chairman of the Remuneration Committee

Dear shareholders

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

Championing the King IV Code on Corporate Governance and in line with our commitment to fair and responsible remuneration we continuously review our remuneration policies and practices to ensure that they remain fit for purpose and aligned to Vodacom's strategy. Our total reward offerings are designed to encompass all of the life cycle elements that employees experience throughout their work career.

We have carefully reviewed the Remuneration policy of the Group and ensured that the implementation of all remuneration practices were aligned to the policy objectives, as well as reviewing remuneration developments in both local and global best practice.

We are also very committed to maintaining a strong relationship with our shareholders, which is built on trust and a clear understanding of our remuneration policy and the practices that have been implemented.

Ultimately we will continue to drive and embed our purpose-led Vodacom.

Focus areas for FY2020

Employee experience remains critical for us and we will continue to enhance our reward communication and understanding for our employees and focus on fair pay principles across the Group.

Digital capability building remains a focus area and our reward strategy is aimed at assisting us in acquiring and developing talent for a digital organisation. We will also continue to accelerate our leadership development in a digital world.

Phuti Mahanyele-Dabengwa
New: Chairman of the Remuneration Committee

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

Background statement regarding committee considerations and decisions

Our remuneration philosophy, policy and framework

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

This is a summarised version of the full remuneration report which is available online at **www.vodacom.com**.

Remuneration report

Section

1

Background statement regarding committee considerations and decisions

Achievement of policy objectives

The committee believes that the Vodacom remuneration philosophy and policy remains fit for purpose and achieves the high-level objectives of attraction, retention and performance motivation of our staff. As a result no changes were made to the remuneration mix for executive directors, either at target or at maximum award levels.

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

Management had a tough set of targets to achieve relating to short-term incentive objectives, given the backdrop of subdued consumer spending and regulatory changes implemented during the year.

Strong performance in our International operations partly offset some of the pressure in South Africa. More detail on the actual achievement against these targets is provided later in the report.

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

The key decisions made by RemCo during this year were:

- Approved the implementation of a new BEE scheme for employees;
- Approved increases and adjustments for executives, senior management and employees;
- Reviewed the metrics of the variable short-term incentive (STIP) and the variable long-term incentive (LTIP) schemes, and made changes where appropriate;
- Approved the new CEO share ownership scheme;
- Approved short-term incentives for executives, senior management and employees;
- Evaluated the LTIP vesting conditions for the 2015 scheme, and approved final vesting ratios; and
- Set performance conditions for short- and long-term incentives.

Voting at the July 2019 annual general meeting (AGM)

As required by the Companies Act and King IV, the following resolutions will be tabled for shareholder voting at the AGM in July 2019, details of which can be found in the AGM notice which is available online at **www.vodacom.com**.

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

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

	2018	2017
Approval of the remuneration policy	**98.83%**	94.20%
Implementation of the remuneration policy	**98.93%**	94.20%
Non-executive directors' fees	**99.58%**	99.76%

Areas of focus for the next year

The RemCo is constantly assessing the executive remuneration market and governance frameworks. The committee anticipates the following key focus areas for the next year:

- Monitor changes in executive remuneration, especially those of our direct competitors.
- Review of peer group applicable to LTIP and NED fees.
- Focus on fair and responsible pay.

Independent external advisors

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

Section

2

Our remuneration philosophy, policy and framework

Our Remuneration philosophy

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

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

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

The above elements are underpinned and reinforced by our performance development (PD) and talent management processes. Our policy is to reward our executives for their contributions to our strategic, financial and operating performance.

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

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

Pay mix

RemCo reviews the total pay mix of executive directors every year and decides on the proportion of total remuneration paid as part of the GP, or as STIP or LTIP. Each element is linked to creating shareholder value and the strategic progress made in the year.

The ratio of guaranteed versus variable pay differs for each level in the organisation, with the weighting on variable performance-based pay higher at executive and senior levels compared to lower-level staff.

The RemCo also reviews targets and the on-target values for each element every year to ensure that it remains relevant, competitive, drives the right behaviours and enhances overall shareholder value.

Benchmarking

To ensure we apply the right pay mix and remunerate our executives competitively, we use industry- and country-specific benchmarks. Fair and competitive reward is vital to being an employer of choice. RemCo sets the remuneration and the guaranteed packages of executives by looking at peer group data from the JSE telecommunications sector and other listed companies of similar market capitalisation and revenue.

In addition Vodacom subscribes to remuneration surveys (PWC, Remchannel and the Mercer top executive survey). The remuneration information is consolidated to ensure that we have a comprehensive view of remuneration across different industries and an understanding of how to reward our executives appropriately and competitively.

Benchmarking for executive directors within Vodacom is done for all elements of targeted remuneration, namely guaranteed package, target short-term incentive and target long-term incentive. For executive directors, Vodacom targets the 66th percentile of the market for GP and 75th percentile of the market for GP plus STIP.

The CEO is benchmarked against an executive remuneration survey provided by Mercer, as well as industry-specific comparators and information from peer group disclosure.

The CFO is a secondee from Vodafone and is thus benchmarked in terms of the Vodafone executive remuneration policy.

LTIP TSR peer group

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

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

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

Non-executive director remuneration

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

Executive contracts and policies

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

Role	Notice Period
CEO	12 months
CFO	6 months

Payments for termination of office

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

Remuneration framework

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 affect the net remuneration of the employee.

Short-term incentives

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

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

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

On-target and maximum STIP

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

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

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

The STIP for the CEO is capped at 200% of target. This is the maximum business multiplier as no performance multiplier is applicable.

Business performance multiplier

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

Metric	2019 Weighting	2018 Weighting
Service revenue	**20%**	20%
EBIT	**20%**	20%
Operating free cash flow	**20%**	20%
Customer appreciation	**40%**	40%

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

Personal multiplier

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

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

Although the CEO does not have a personal multiplier, his individual performance is assessed against specific individual goals which are linked to the Company's overall strategic objectives.

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

GTCE X Target incentive **100%** X Business performance **0% – 200%**

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

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

Long-term incentives

Selected employees, including all executives, are invited to participate in our long-term incentive plans. These incentive plans aim to retain key skills and motivate executives over the long term, which is essential to sustainable performance. The awards are made using a combination of Vodacom and Vodafone awards. These awards may be made in retention shares (only time-based vesting), performance shares (performance vesting conditions in addition to time-based vesting) or a combination of these award types.

The Vodacom awards are forfeitable shares (FSP) where the maximum number of shares are in issue at the time of award. Dividends are received on the maximum potential vested shares from the time of award. Vesting conditions will determine how many of the original awards are to be forfeited upon final vesting. The Vodafone awards are in the form of conditional shares (CSP), where shares are only settled at the time of vesting and dividends only accrue from that point onwards.

Vodacom performance FSP shares

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

Vodacom retention FSP shares

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

Vodafone retention and performance CSP awards

Details regarding performance conditions and vesting periods for the Vodafone awards can be found in the 2019 Vodafone Remuneration report.

Further details are provided in the 2019 Vodafone Remuneration report at www.vodafone.com.

On-target and maximum LTIP

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

Role	On-target % of GP	Maximum % of GP
CEO	190%	405%
CFO	70%	233%

For executives other than the CEO the maximum includes the effect of a maximum personal multiplier of 2.0 times at allocation and the business achievement at a potential maximum of 2.0 times at vesting. The individual multiplier is based on the talent rating of the executive following the internal talent review process.

As with the STIP, the CEO does not have an individual multiplier.

Split of awards

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

Scheme	CEO	CFO
Vodacom FSP retention	–	–
Vodacom FSP performance	73.7%	–
Vodafone CSP retention	–	33.0%
Vodafone CSP performance	26.3%	67.0%

The CEO does not receive Vodacom FSP retention awards nor Vodafone CSP retention awards.

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

Performance conditions for LTIP

Metric	Weighting Award 2019 Vesting 2022	Weighting Award 2018 Vesting 2021	Weighting Award 2017 Vesting 2020
Operating free cash flow	70%	70%	70%
TSR relative to peer group	30%	30%	30%

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

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

Scheme	Operating free cash flow (OFCF)	TSR relative to peer group
Min 0%	<-15% of OFCF	Below 50th percentile of the index
Threshold 20%	Three year plan -15%	At 50th percentile of the index
Target 50%	Three-year plan	Average of 50th and 75th percentile of the index
Maximum 100%	Three-year plan +15%	75th percentile of the index

Shareholder guidelines

CEO minimum shareholding requirement

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

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

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

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

Other executives' minimum shareholding requirement

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

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.

Section

3

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

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

2019 GP

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

Executive directors	2019	2018	% Increase	Currency
MS Aziz Joosub	**11 500 000**	10 600 000	8.5	ZAR
T Streichert	**377 683**	359 531	5.0	GBP

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

Vodacom benchmarks its CEO remuneration using the following approaches:

- Comparison using an appropriate premium and/or discount to the individual incumbents of direct competitors;
- Comparison using a portfolio of similarly sized companies, where sizing is based on a combination of market cap, number of employees, total assets and turnover; and
- Comparison using a grade-based approach, to a local Executive Remuneration Survey.

Given the analysis of all three of these benchmarking approaches, and in analysing both guaranteed and total remuneration (total including STIP and LTIP), the RemCo approved an 8.5% increase for Shameel as being appropriate for both the GP and total remuneration.

All employees received a GP increase of 5.0% on average in South Africa and market-related increases in our International operations.

2019 STIP Performance

The graphic below shows the extent to which the Group targets were met for the year ended 31 March 2019.

Metric	Weight	Threshold 0%	Target 100%	Maximum 200%	Result
Service revenue	20%				61.7%
EBIT	20%				59.8%
Operating free cash flow	20%				94.2%
Customer appreciation	40%				105.0%
Overall result	100%				85.1%

The overall achievement of target is 85.1%. The comparable Group STI achievement for 2018 was 116.9%.

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

Executive directors	2019	2018	% increase	Currency
MS Aziz Joosub	**9 786 500**	12 391 400	(21.0)	ZAR
T Streichert	**168 804**	221 818	(23.9)	GBP

2019 LTIP performance

Achievement of the 2019 LTIP represents the final vesting percentage for awards made in June 2016 where the three-year performance period concluded on 31 March 2019. These shares will vest in June 2019 and will be disclosed in the table of single total figure of remuneration at the year-end share price of R111.43 for Vodacom shares.

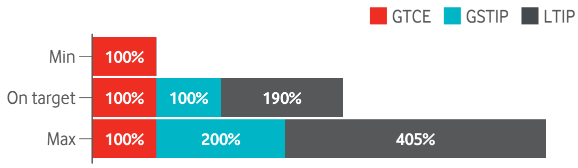
Metric	Weight	Threshold 20%	Target 50%	Maximum 100%	Result
Operating free cash flow	70%				62.9%
TSR	30%				0%
Overall result	100%				44.1%

The overall achievement was 44.1%. The comparable Group LTIP achievement for 2018 was 76.6%.

Based on a combination of policy and talent rating (as detailed in the remuneration policy) LTIP awards were made to the CEO and CFO in June 2018. The details of these are included in the tables of outstanding share awards.

Shameel Joosub (CEO)

Pay mix for the CEO



- The maximum STIP for Shameel is 2.0 times the target. This is the maximum business performance multiplier as no personal multiplier is applicable.
- Similarly to the STIP, Shameel does not have an individual performance multiplier on LTIP, hence the maximum represents the potential maximum of shares that could vest, whereas on target represents the number of shares which are anticipated to vest.
- Dividends are received in cash on all outstanding unvested LTIP awards at each dividend declaration date. Since the dividend varies from period to period, it has not been included in the pay mix depiction indicated above.

Tables of single total figure of remuneration

The following tables have been prepared in accordance with the provisions of King IV and practice notes and thus include an LTIP amount. The LTIP is valued at the year-end share price of R111.43 for Vodacom shares and GBP1.398 for Vodafone shares.

Shameel Joosub	2019	2018	% increase	Currency
GP	**11 275 000**	10 450 000	7.9	ZAR
Other[1]	**4 800**	4 800	–	ZAR
STI[2]	**9 786 500**	12 391 400	(21.0)	ZAR
LTI[3]	**12 203 533**	22 655 850	(46.1)	ZAR
FSP	**5 312 052**	11 506 253	(53.8)	ZAR
FSP Match	**4 281 427**	6 694 364	(36.0)	ZAR
Vodafone Match	**2 610 054**	4 455 233	(41.4)	ZAR
Dividends[4]	**4 992 164**	4 770 445	4.6	ZAR
Total (Pre tax)	**38 261 997**	50 272 495	(23.9)	ZAR
Total (Post tax)[5]	**21 044 099**	27 649 872	(23.9)	ZAR

1. This includes the Vodacom mobile phone benefit.
2. These amounts relate to the bonus payable in June 2019, which is derived from performance for the year ended 31 March 2019.
3. LTIP awards made in June 2016 will vest in June 2019.
4. Dividends are the total of cash receipts during the financial year based on previous unvested FSP LTIP awards and cash settled in lieu of dividends on Vodafone matching shares. This does not include dividends receipted on awards where the performance measurement period has been concluded such as the conditional benefit shares, co-investment contributions by the employee or matching awards, which have been settled previously.
5. Post tax values are indicative using a 45% rate of taxation rate being applicable to the gross amount.

Tables of outstanding share awards (value of shares)

In the tables presented below, the value at award represents the face value of shares at the time of award. The value at year end, after adjusting for share price movements and the targeted vesting level, thus represents the current estimate of value likely to accrue to participants.

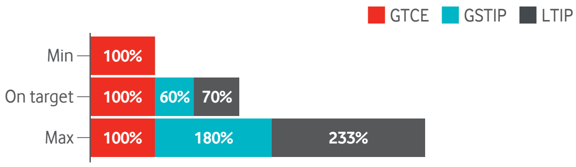
The column indicated by 'Settled in the year' represents the cash value of all awards that were settled per the disclosure requirements of King IV. Similarly, the column indicated by 'Forfeited in the year' represents the cash value forfeited by participants in the year.

Financial year awarded	Date awarded	Value at award date	Estimated effect of share price[1]	Estimated effect of performance targets[2]	Forfeited in the year[3]	Settled in the year[3]	Value at year end[4]	Currency
Conditional benefit – restricted shares								
2014	May 2013	23 669 391	(423 979)	–	–	–	23 245 412	ZAR
Vodacom FSP – with company performance vesting conditions								
2016	Jun 2015	13 140 009	(15 701)	–	(3 071 088)	(10 053 220)	–	ZAR
2017	Jun 2016	17 999 921	(5 954 450)	(6 022 736)	–	–	6 022 735	ZAR
2018	Jun 2017	18 000 294	(5 899 999)	(6 050 148)	–	–	6 050 147	ZAR
2019	**Jun 2018**	**29 680 063**	**(7 979 962)**	**(10 850 051)**	**–**	**–**	**10 850 050**	**ZAR**
Vodacom matching award								
2016	Aug 2015	7 963 471	(322 010)	–	(1 788 102)	(5 853 359)	–	ZAR
2016	Nov 2015	2 000 058	(340 814)	–	(388 263)	(1 270 981)	–	ZAR
2018	Jun 2017	14 442 206	(4 733 756)	(4 854 225)	–	–	4 854 225	ZAR
2018	Jun 2017	12 500 135	(4 097 199)	(4 201 468)	–	–	4 201 468	ZAR
Vodafone matching award Vodafone made a matching award of performance shares to the equivalent value. The Vodafone matching award will vest based on actual targets achieved.								
2016	Jun 2015	197 203	(73 616)	–	–	(206 204)[5]	–	GBP
2017	Jun 2016	216 350	(76 834)	–	–	–	139 516	GBP
2018	Aug 2017	283 622	(106 612)	–	–	–	177 010	GBP
Vodafone conditional shares								
2019	**Jun 2018**	**293 288**	**(70 671)**	**–**	**–**	**–**	**222 617**	**GBP**
YeboYethu units								
2009	Sep 2008	–	–	–	–	(1 051 399)	–	ZAR
2016	Sep 2015	–	–	–	–	(350 745)	–	ZAR
Siyanda units								
2019	**Mar 2019**	**700 690**	**–**	**–**	**–**	**–**	**700 690**	**ZAR**

Notes:
1. The estimated effect of share price is based on the share price movement between the date of award and the closing price on 31 March 2019.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. Shares settled and forfeited in the year were at a price of R133.74 for FSPs and R133.84 (August 2018) and R124.00 (November 2018) for matching awards.
4. Value at year end is based on the closing share price on 31 March 2019 of R111.43 for Vodacom shares and GBP1.398 for Vodafone shares.
5. The target range is 0% – 250%.

Till Streichert (CFO)

Pay mix for the CFO



Till's maximum STIP is 3.0 times the target since he may receive a maximum personal multiplier of 1.5 times in addition to the maximum business performance multiplier of 2.0 times.

Till participates in the Vodafone share scheme and qualifies for dividend equivalent shares at the end of the vesting period, and only on the portion of the shares which vested (performance and retention).

Tables of single total figure of remuneration

The following tables have been prepared in accordance with the provisions of King IV and practice notes and thus include an LTIP amount. The LTIP is valued at the year-end share price of R111.43 for Vodacom shares and GBP1.398 for Vodafone shares.

Till Streichert	2019	2018	% increase	Currency
GP	**373 033**	353 320	5.6	GBP
Other[1]	**2 065 501**	2 093 752	(1.3)	ZAR
Other[1]	**82 570**	77 968	5.9	GBP
STI[2]	**168 804**	221 818	(23.9)	GBP
LTI[3]	**173 492**	116 589	48.8	GBP
Vodafone shares	**173 492**	116 589	48.8	GBP
Dividend equivalent shares	**20 855**	20 541	1.5	GBP
Total (Pre tax)	**818 754**	790 236	3.6	GBP
Total (Pre tax)	**2 065 501**	2 093 752	(1.3)	ZAR

1. This includes the Vodacom mobile phone benefit. For assignees this amount includes the gross value of assignment allowances, accommodation and educational benefits for children paid.
2. These amounts relate to the bonus payable in June 2019, which is derived from performance for the year ended 31 March 2019.
3. LTIP awards made in June 2016 will vest in June 2019.
4. The CFO is taxed under a different regime, hence no post tax value is indicated for the CFO.

Tables of outstanding share awards (value of shares)

T Streichert

Financial year awarded	Date awarded	Value at award date	Estimated effect of share price[1]	Estimated effect of performance targets[2]	Forfeited in the year[3]	Settled in the year[3]	Value at year end[4]	Currency
Vodafone shares – no Company performance vesting conditions								
2016	Jun 2015	–	–	–	–	(31 727)	–	GBP
2017	Jun 2016	93 218	(33 105)	–	–	–	60 113	GBP
2018	Jun 2017	89 254	(33 475)	–	–	–	55 779	GBP
2019	**Jun 2018**	**96 251**	**(23 193)**	–	–	–	**73 058**	**GBP**
Vodafone shares – with Company performance vesting conditions								
2016	Jun 2015	–	–	–	–	(77 341)	–	GBP
2017	Jun 2016	372 861	(132 417)	(120 222)	–	–	120 222	GBP
2018	Jun 2017	355 877	(132 776)	(111 551)	–	–	111 550	GBP
2019	**Jun 2018**	**384 995**	**92 768**	–	–	–	**292 227**	**GBP**
Vodafone shares – matching award								
2017	Nov 2016	44 046	(14 060)	(14 993)	–	–	14 993	GBP

Notes:
1. The estimated effect of share price is based on the share price movement between the date of award and the closing price on 31 March 2019.
2. The estimated effect of performance targets is based on the targeted 50% vesting being applied.
3. No shares were forfeited during the year. Shares settled in the year were at a price of GBP1.824.
4. Value at year end is based on the closing Vodafone share price on 31 March 2019 of GBP1.398.

Termination of office payments

King IV recommends that the implementation report contain details of payments made as a result of any termination of employment for executive management. For the 2019 period, there were no payments made.

Shareholding

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

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

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

Compliance with policy

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

Non-executive directors

Non-executive director (NED) fees are benchmarked against a peer group of similar sized companies as detailed in the full remuneration report available on **www.vodacom.com**. Vodacom believes that NED duties and fiduciary responsibilities extend well beyond simple attendance at meeting. For this reason fees are set as single retainer amounts irrespective of meeting attendance. Non-executive directors do not receive any short-term cash, nor do they receive any long-term share awards.

Non-executive director payments

In accordance with our memorandum of incorporation, shareholders must approve these fees at the AGM. The current fee level was approved on 1 July 2018 at the AGM, and was implemented on 1 August 2018.

Based on Board and committee membership during the course of the year, the following payments were made to non-executive directors for the current financial year ended 31 March 2019.

Payments to non-executive directors

2019 Fees

Name	Director fee (R)	ARCC Chairman (R)	ARCC member (R)	RemCo Chairman (R)	RemCo member (R)	Nomination Committee member (R)	Social and Ethics Committee Chairman (R)	Social and Ethics Committee member (R)	Other Committees member (R)	Total (R)
PJ Moleketi[1,2]	2 695 333	–	–	–	–	–	–	–	–	2 695 333
DH Brown[1,2]	466 501	333 808	–	–	145 133	–	–	–	216 163	1 161 605
V Badrinath[3,4]	466 501	–	–	–	145 133	124 400	–	31 650	113 300	880 984
M Joseph[4]	466 501	–	–	–	–	–	–	–	144 950	611 451
BP Mabelane[2]	466 501	–	190 747	–	–	–	–	–	–	657 248
SJ Macozoma[1,2,3]	594 784	–	190 747	–	–	31 650	217 701	–	–	1 034 882
JWL Otty[4]	466 501	–	–	–	–	–	–	–	144 950	611 451
M Pieters[3,4,5]	134 274	–	–	–	–	–	–	–	–	134 274
S Sood[3,4,6]	332 227	–	–	–	–	–	–	–	–	332 227
TM Mokgosi-Mwantembe[1,2,3,7]	347 813	–	–	189 365	–	92 750	–	–	–	629 928
P Mahanyele-Dabengwa[1,2,3,8]	118 688	–	–	64 619	–	–	–	–	–	183 307
RAW Schellekens[3,4,9]	347 813	–	–	–	108 208	92 750	–	92 750	–	641 521
T Reisten[3,4,10]	118 688	–	–	–	–	–	–	–	–	118 688
F Bianco[3,4,11]	–	–	–	–	36 925	31 650	–	–	–	68 575
	7 022 125	333 808	381 494	253 984	435 399	373 200	217 701	124 400	619 363	9 761 474

Notes:

1. Fees excluding VAT paid.
2. Independent non-executive directors received an amount of R2 500 or R4 000 in September 2018, for incidental expenses while travelling to Board meetings held in Germany.
3. Fees for a portion of the year.
4. Fees paid to Vodafone and not the individual director.
5. M Pieters resigned on 18 July 2018.
6. S Sood appointed on 18 July 2018.
7. TM Mokgosi-Mwantembe resigned on 31 December 2018.
8. P Mahanyele-Dabengwa appointed on 1 January 2019.
9. RAW Schellekens resigned on 31 December 2018.
10. T Reisten appointed on 1 January 2019.
11. F Bianco appointed as an alternate director to M Joseph on 1 January 2019.

Payments to non-executive directors

2018 Fees

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

Notes:

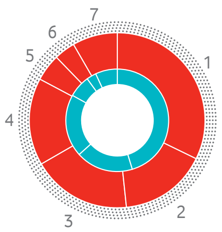
1. Fees excluding VAT paid from 1 June 2018.
2. Independent non-executive directors received an amount of R2 000 or R3 400 in September 2017, for incidental expenses while travelling to Board meetings held in Portugal.
3. Fees for a portion of the year.
4. Fees paid to Vodafone and not the individual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

Share information

Total shareholding

	March 2019 # of shares	% holding
Vodafone Group PLC[1]	1 110 629 881	60.5
Government Employees Pension Fund	245 076 128	13.3
YeboYethu Investment Company (Pty) Limited	114 451 180	6.2
Wheatfield Investments 276 (Pty) Limited	15 421 231	0.9
Institutional investors	271 205 172	14.8
Retail positions	24 222 199	1.3
Other[2]	54 859 170	3.0
Total	**1 835 864 961**	**100**

1. Directly held by Vodafone Investments SA (Pty) Ltd and Vodafone International Holdings B.V.
2. Other refers to the balance of remaining holdings, including shares below the analysis threshold which may include additional institutional/retail shareholdings.



Institutional shareholding[1] as at 31 March

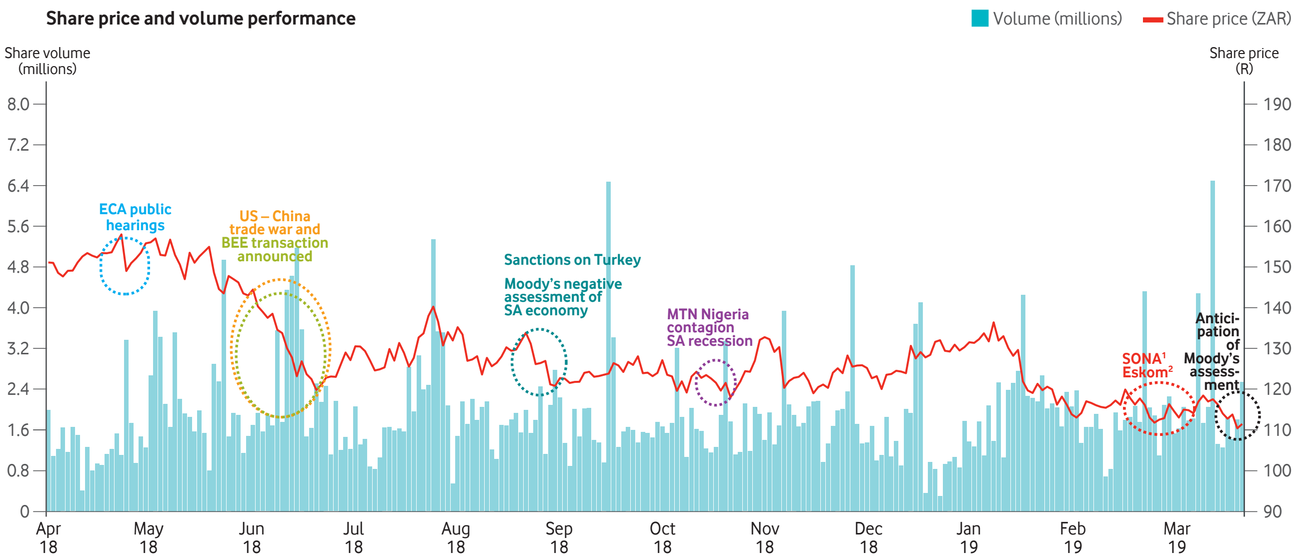
		2019	2018
1	PIC	**32%**	46%
2	YeboYethu	**16%**	–
3	South Africa (excl. PIC and YeboYethu)	**18%**	18%
4	United States	**16%**	20%
5	United Kingdom	**5%**	7%
6	Rest of Europe	**4%**	3%
7	Rest of World	**8%**	7%

1. Excluding Vodafone Group PLC.

Dividend per share (cents per share)

Source: JP Morgan Cazenove

Share price and volume performance



Notes:
1. State of the Nation Address.
2. Eskom loadshedding.

Ticker symbol	VOD
ADR code	VDMCY
Stock exchange	JSE Limited
Shares in issue	1 835 864 961
Free float	20%
Transfer agent	Computershare

Vodacom share price closed at

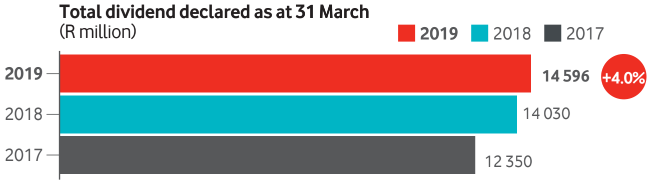
R111.43

on 31 March 2019 with a high of **R160.29 and a low of R109.40.**

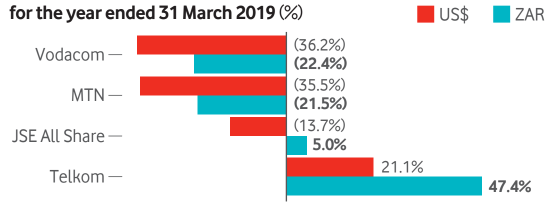
Total TSR since beginning of trade

235.8%

Total dividend declared as at 31 March (R million)

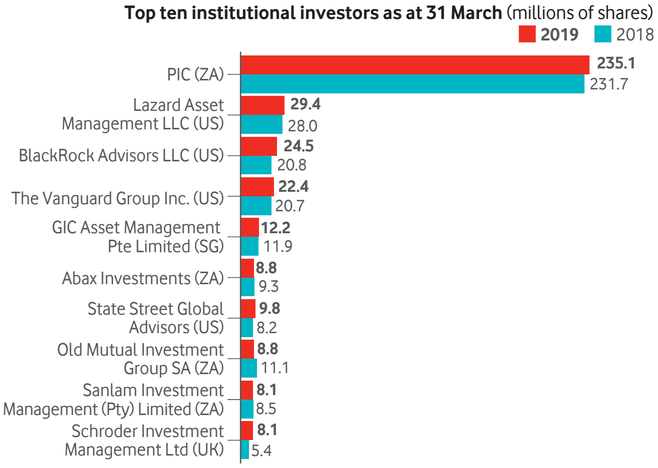


Total shareholder return for the year ended 31 March 2019 (%)



Source: FactSet

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



Source: JP Morgan Cazenove

2019 Investor relations calendar

Tuesday 23 July 2019	Vodacom Group AGM
Thursday 25 July 2019	Q1 results
Monday 11 November 2019	Interim results

Disclaimer

Non-IFRS information

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

Normalised growth

All amounts in this report marked with an '*' represent normalised growth which presents performance on a comparable IAS 18 basis. This excludes merger and acquisition activity where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using current year as base). We believe that normalised growth, which is not intended to be a substitute for or superior to reported growth, provides useful and necessary information to investors and other interested parties for the following reasons:

- It provides additional information on underlying growth of the business without the effect of certain factors unrelated to the operating performance of the business;
- It is used for internal performance analysis; and
- It facilitates comparability of underlying growth with other companies, although the term normalised is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies.

Trademarks

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

Forward-looking statements

This Integrated report, which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2019, contains 'forward-looking statements' which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include, but are not limited to, statements with respect to: expectations regarding the Group's financial condition or results of operations, including the confirmation of the Group's targets, expectations for the Group's future performance generally; expectations regarding the operating environment and market conditions and trends; intentions and expectations regarding the development, launch and expansion of products, services and technologies; growth in customers and usage; expectations regarding spectrum licence acquisitions; expectations regarding adjusted EBITDA, capital additions, free cash flow, and foreign exchange rate movements; and expectations regarding the integration or performance of current and future investments, associates, joint ventures, non-controlled interests and newly acquired businesses.

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

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

Glossary

*	All amounts in this Integrated report marked with an '*' represent normalised growth which presents performance on a comparable IAS 18 basis. This excludes merger and acquisition activity where applicable and adjusting for trading foreign exchange and foreign currency fluctuation on a constant currency basis (using the current year as base).
#	Information pertaining to South Africa only.
2G	2G networks are operated using global system for mobile (GSM) technology which offer services such as voice, text messaging and basic data. In addition, the entire Group's controlled networks support general packet radio services (GPRS), often referred to as 2.5G. GPRS allows mobile devices to access internet protocol (IP) based data services such as the internet and email.
3G	A cellular technology based on wideband code division multiple access (CDMA) delivering voice and data services.
4G	4G technology offers even faster data transfer speeds than 3G/HSPA.
5G	Fifth-generation wireless is the latest iteration of cellular technology, engineered to greatly increase the speed and responsiveness of wireless networks.

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

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

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

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

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

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

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

International
International comprises the segment information relating to the non-South African-based cellular networks in Tanzania, the Democratic Republic of Congo, Mozambique and Lesotho, as well as the operations of Vodacom International Limited and Vodacom Business Africa.

n/a
Not applicable.

n/m
Not measured.

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

Smart devices
Smart devices include smartphones, tablets and modems.

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

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

Corporate information

Vodacom Group Limited

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

Secretary and registered office of Vodacom Group Limited

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Auditors

PricewaterhouseCoopers Inc.

4 Lisbon Lane
Waterfall City
Jukskei View 2090, South Africa
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ADR depository bank

Deutsche Bank Trust Company Americas

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

Commercial bankers

First National Bank (a division of FirstRand Bank Limited)

(Registration number 1929/001225/06)
Corporate and Investment Banking
4 First Place, Corner of Pritchard and Simmonds Streets
Johannesburg 2001, South Africa
(PO Box 7791, Johannesburg 2000, South Africa)

The Standard Bank of South Africa Limited

(Registration number 1962/000738/06)
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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
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