

Vodacom Group Limited

Quarterly update for the period ended 31 December 2014

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

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News release

Vodacom Group Limited quarterly update for the period ended 31 December 2014

4 February 2015

Salient features

- Group revenue decreased 1.1% (-2.2%*) to R19 993 million with service revenue down 2.7% (-3.9%*) to R15 815 million
- Excluding the impact of the 50% cut in mobile termination rates ('MTRs') in South Africa, Group revenue increased 1.5% and service revenue increased 0.6%
- Group data revenue increased 19.9% to R4 330 million, representing 27.4% of service revenue
- Group active customers increased 9.1% to 61.1 million and active data customers grew 16.4% to 26.5 million
- International operations' service revenue increased 7.6% (1.9%*) to R3 975 million representing 25.1% of Group service revenue
- Strong progress on accelerated capital expenditure programme with 15.0% of Group revenue spent for the quarter to speed up LTE rollout and to expand 3G coverage

Rm	Quarter ended	Year on year % change		Quarter on quarter ¹ % change	
	December 2014	Reported	Normalised*	Reported	Normalised*
Revenue	19 993	(1.1)	(2.2)	3.8	3.3
South Africa	15 987	(3.1)	(3.1)	3.9	3.9
International	4 092	6.6	0.8	2.7	0.5
Service revenue	15 815	(2.7)	(3.9)	(0.1)	(0.6)
South Africa	11 856	(5.8)	(5.8)	(1.2)	(1.2)
International	3 975	7.6	1.9	2.6	(0.5)

Shameel Joosub, Vodacom Group CEO commented:

We added 5.1 million customers in comparison to last year, taking our total customer base to 61.1 million. Despite this increase in customers, it's still been a challenging quarter with Group revenue down 1.1%. There was a significant impact from the 50% decline in mobile termination rates in South Africa, increased competition and we're seeing increased pressure on consumer spending. Revenue in South Africa declined 3.1%; excluding the impact from MTRs revenue would have remained flat. The international operations posted a 6.6% increase in revenue.

Data was once again a key highlight, with active data customers up 16.4% to 26.5 million and data traffic growing 62.2% in South Africa and an almost threefold increase in the international operations. Data now makes up 27.4% of service revenue.

To support this boom in data demand as well as increase our coverage footprint, we continued with our accelerated capital expenditure programme. In South Africa, Vodacom's LTE service now covers 34% of the population through 2 194 sites, while 3G population coverage is 94% through 8 407 sites. In our international operations, we've increased the number of 3G sites by 52.7% in comparison to last year, and the number of 2G sites is up 27.2%.

Despite difficult trading conditions, we are continuing to invest in our networks and business, because we believe it supports our network quality and growth aspirations which will deliver positive returns for our shareholders.

We're continuing to work through the approvals process for the acquisition of Neotel. South Africa's fixed broadband penetration level is 1/10th of that seen in developed economies, which impacts our competitiveness as a nation. If the transaction goes through, our ambition is to add at least one million fibre connections to homes and businesses to address this shortfall. By boosting investment in Neotel, we're convinced we can play a major part in helping Government reach its 2020 and 2030 broadband targets.

* Represents normalised growth at a constant currency (using current period as base). Refer to page 10 for a reconciliation of normalised growth.

1. Quarter on quarter represents Q3'15 performance against Q2'15

All growth rates refer to the quarter compared to prior year same quarter unless stated otherwise.

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Operating review

South Africa

Revenue declined 3.1% to 15 987 million (up 3.9% on Q2 2015) with 8.9% growth in equipment revenue from increased handset sales offset by a decline in service revenue. Growth in Q2 was positively impacted by a once-off R325 million* accounting estimate change; excluding this impact revenue grew 6.2% over Q2 2015.

Service revenue declined 5.8% (up 1.6%* on Q2 2015) due to the 50% cut in MTRs in April 2014 and by increased competition and weaker consumer spending. Excluding the impact of MTRs service revenue declined 1.7%.

Our strategy to transform pricing through integrated packages for contract customers and low cost bundles for the prepaid segment is well advanced. We reduced our blended price per minute by 21.3% to 63 cents (Q3 2014:80 cents) and grew outgoing voice traffic by 10.1%.

We have migrated 74.2% of our contract customers to integrated plans. 45.6% of Top Up customers have switched to our uChoose packages which give customers access to integrated plans with the option to access prepaid promotions on an ad hoc basis. 68.9% of contract revenue is in bundle with a slight ARPU decline of 1.8%. Excluding interconnect, ARPU increased 1.1%. Notably, Contract ARPU has stabilised quarter on quarter and we have reduced contract churn to its lowest levels ever at 7.8%. Active contract customers increased 1.2% to 4.9 million (excluding machine to machine (M2M)) to grow mobile contract customer revenue 1.5% to R5 418 million after four successive quarters of declines.

The number of prepaid customers using bundles grew 18.8% to 6.2 million and we sold over 50 million prepaid bundles per month in the quarter. Active prepaid customers increased 1.4% year on year to 26.5 million. We took actions to decrease flow of starter packs to the market to reduce rotation of sim cards. This reduced our number of gross connections resulting in a reduction of our prepaid base of 1.3 million customers in the quarter. Mobile prepaid customer revenue declined 7.6% to R5 032 million due to 16.3% decline in ARPU driven by increasing macroeconomic challenges; however we achieved flat ARPU quarter on quarter.

We delivered encouraging growth in new business segments. Business managed services revenue grew 27.4% and active M2M connections increased 17.1% to 1.6 million. We continue to utilise the Vodafone Global Enterprise network and the Vodafone global M2M platform to increase the scale to our enterprise services.

Data revenue grew 18.8% to R3 526 million, against exceptionally strong data growth in Q3 last year, to make up 29.7% (Q3 2014: 23.6%) of service revenue. Data traffic increased 62.2% and active data customers (excluding M2M) increased to 16.8 million or 53.4% of our active customers. Although our effective price per MB reduced by 26.5%, we maintained stable pricing quarter on quarter. We also drove data adoption by increasing the number of data capable devices on our network through our handset financing programme and through strong sales of our low cost devices. The number of active smartphones and tablets on our network grew 23.6% to 9.5 million devices. Average monthly data usage was up 41.1% to 358 MB on smartphones.

The relaunch of m-pesa in August 2014 is progressing well. We currently have approximately 700k registered users. Our priority is to continue increasing awareness and to widen the m-pesa ecosystem.

We maintained our tight cost management to mitigate the impact of the steep MTR reductions. We have achieved further improvements in our opex and direct expenses.

We are progressing well with our accelerated capital investment programme. We more than doubled the number of LTE sites to 2 194 and increased 3G sites by 22.4% to 8 407. Our LTE network now covers 34% of the population and our 3G network covers 94% of the population. 77.8% of our sites are now connected to our self-provided high capacity transmission network. We also launched our fibre to the business (FTTB) on a limited basis in September 2014.

We still await ICASA and Competition Commission approvals to complete the Neotel acquisition.

* In Q2 2015 we changed our accounting estimate relating to revenue recognition of un-recharged vouchers resulting in a once off positive adjustment of R325 million in South Africa in that quarter.

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International

International service revenue grew 7.6% (1.9%*) to R3 975 million to now contribute 25.1% (Q3 2014: 22.7%) of Group service revenue. Our International customer base increased 18.6% to 29.7 million and outgoing voice traffic grew 49.8%. The slower growth in service revenue reflects the on-going price competition and regulatory pressures in our key markets. Tanzania experienced severe pricing pressures since Q3 last year, but during the course of this year pricing repair has led to more stable pricing. Growth in the DRC reduced due to slower than anticipated network rollout and competitive pressures. Mozambique and Lesotho continue to grow strongly.

Data revenue grew 24.8% to R804 million. Excluding m-pesa, mobile data revenue grew 22.1% supported by a 30.7% growth in active data customers to 9.7 million and an almost threefold increase in data traffic.

M-pesa revenue grew 28.2% contributing 9.4% of service revenue. M-pesa customers increased 29.7% to 7.6 million¹ reflecting strong uptake in all our markets. We continue to expand the ecosystem to drive up the volume and value of m-pesa transactions. In Tanzania, we now have more than 1.3 million customers using our m-pawa savings and loans service resulting in a 7% uplift in m-pesa ARPU after launch in September 2014.

Our continued investment in network capacity and coverage remains on track. We increased the number of 3G sites by 52.7% to further support the strong growth of mobile data and we increased the number of 2G sites by 27.2% to extend our voice coverage.

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

1. Number of unique customers who have generated revenue related to any m-pesa activities in relation to m-pesa revenue during the last three months. Of these, 5.5 million (Q3 2014: 4.4 million) have been active in the past 30 days.

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Financial review

Revenue for the quarter ended

Rm	December	September	December	Year on year % change		Quarterly % change	
	2014	2014	2013	Reported	Normalised*	Reported	Normalised*
South Africa	15 987	15 380	16 502	(3.1)	(3.1)	3.9	3.9
International	4 092	3 984	3 838	6.6	0.8	2.7	0.5
Corporate and eliminations	(86)	(105)	(121)	(28.9)	(28.9)	(18.1)	(18.1)
Revenue	19 993	19 259	20 219	(1.1)	(2.2)	3.8	3.3

Service revenue for the quarter ended

Rm	December	September	December	Year on year % change		Quarterly % change	
	2014	2014	2013	Reported	Normalised*	Reported	Normalised*
South Africa	11 856	11 995	12 587	(5.8)	(5.8)	(1.2)	(1.2)
International	3 975	3 873	3 695	7.6	1.9	2.6	(0.5)
Corporate and eliminations	(16)	(40)	(34)	(52.9)	(52.9)	(60.0)	(60.0)
Service revenue	15 815	15 828	16 248	(2.7)	(3.9)	(0.1)	(0.6)

Revenue for the quarter ended 31 December 2014

Rm	South Africa	Yoy % Change	International	Yoy % change	Corporate/ Eliminations	Group	Yoy % change
Mobile contract revenue	5 418	1.5	242	6.6	(1)	5 659	1.8
In bundle	3 731	8.4	61	(4.7)	-	3 792	8.2
Out of bundle	1 687	(10.9)	181	11.0	(1)	1 867	(9.1)
Mobile prepaid revenue	5 032	(7.6)	2 918	9.9	(1)	7 949	(1.8)
In bundle	766	46.5	460	102.6	-	1 226	63.5
Out of bundle	4 266	(13.3)	2 458	1.3	(1)	6 723	(8.5)
Mobile customer revenue	10 450	(3.1)	3 160	9.7	(2)	13 608	(0.4)
Mobile interconnect	546	(45.3)	387	(10.4)	(10)	923	(34.8)
Other service revenue	860	6.4	428	12.0	(4)	1 284	9.4
Service revenue	11 856	(5.8)	3 975	7.6	(16)	15 815	(2.7)
Equipment revenue	3 879	8.9	78	11.4	(18)	3 939	9.2
Non-service revenue	252	(28.6)	39	(46.6)	(52)	239	(34.5)
Revenue	15 987	(3.1)	4 092	6.6	(86)	19 993	(1.1)
Of which mobile voice	6 420	(12.0)	2 224	8.3	(1)	8 643	(7.5)
Of which mobile messaging	652	0.3	136	(28.0)	-	788	(6.1)
Of which mobile data	3 526	18.8	804	24.8	-	4 330	19.9

Notes:

- Mobile in-bundle revenue: Represents revenue from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge, with some expectation of recurrence.
- Mobile in-bundle revenue – Contract: Revenue from all bundles and add-ons lasting 30 days or more.
- Mobile in-bundle revenue – Prepay: Revenue from bundles lasting seven days or more.
- Out-of-bundle: Revenue from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles.

* Represents normalised growth at a constant currency (using current period as base). Refer to page 10 for a reconciliation of normalised growth.

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Revenue for the quarter ended 31 December 2013

Rm	South Africa	Yoy% Change	International	Yoy% change	Corporate/ Eliminations	Group	Yoy% change
Mobile contract revenue	5 336	(0.1)	227	37.6	(2)	5 561	1.1
In bundle	3 443	2.7	64	36.2	(1)	3 506	3.2
Out of bundle	1 893	(4.8)	163	38.1	(1)	2 055	(2.4)
Mobile prepaid revenue	5 444	6.8	2 654	32.9	(1)	8 097	14.1
In bundle	523	98.1	227	>200	-	750	151.6
Out of bundle	4 921	1.8	2 427	23.6	(1)	7 347	8.1
Mobile customer revenue	10 780	3.3	2 881	33.3	(3)	13 658	8.4
Mobile interconnect	999	(24.1)	432	38.5	(15)	1 416	(12.7)
Other service revenue	808	7.6	382	22.0	(16)	1 174	11.2
Service revenue	12 587	0.6	3 695	32.6	(34)	16 248	6.4
Equipment revenue	3 562	26.9	70	70.7	(26)	3 606	27.0
Non-service revenue	353	68.1	73	(64.1)	(61)	365	58.9
Revenue	16 502	6.6	3 838	33.5	(121)	20 219	10.5
Of which mobile voice	7 296	(3.7)	2 053	18.1	(6)	9 343	0.4
Of which mobile messaging	650	(16.3)	189	54.9	-	839	(6.7)
Of which mobile data	2 967	31.2	644	110.5	-	3 611	40.7

Notes:

- Mobile in-bundle revenue: Represents revenue from bundles that include a specified number of minutes, messages or megabytes of data that can be used for no additional charge, with some expectation of recurrence.
- Mobile in-bundle revenue – Contract: Revenue from all bundles and add-ons lasting 30 days or more.
- Mobile in-bundle revenue – Prepay: Revenue from bundles lasting seven days or more.
- Out-of-bundle: Revenue from minutes, messages or megabytes of data which are in excess of the amount included in customer bundles.

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Key indicators

South Africa

	December 2014	September 2014	December 2013	Year on year % change	Quarterly % change
Active customers (thousand)¹	31 379	32 613	30 964	1.3	(3.8)
Prepaid	26 479	27 806	26 123	1.4	(4.8)
Contract	4 900	4 807	4 841	1.2	1.9
Active data customers (thousand)²	16 751	16 679	15 314	9.4	0.4
Machine to machine customers (thousand)	1 613	1 578	1 378	17.1	2.2
Churn (%)³	70.9	63.7	52.3		
Prepaid	79.8	71.0	58.4		
Contract	7.8	9.9	11.4		
Traffic (millions of minutes)⁴	12 402	12 182	11 298	9.8	1.8
Outgoing	9 827	9 570	8 928	10.1	2.7
Incoming	2 575	2 612	2 370	8.6	(1.4)
MOU per month⁵	130	124	124	4.8	4.8
Prepaid	120	113	113	6.2	6.2
Contract	188	190	183	2.7	(1.1)
Total ARPU (rand per month)⁶	116	115	129	(10.1)	0.9
Prepaid	67	67	80	(16.3)	-
Contract	386	389	393	(1.8)	(0.8)

Notes:

- Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Active data customers are a number of unique users who have generated revenue related to any data activities in the reported month (this excludes SMS and MMS messaging users). A unique user is a customer who needs to be counted once regardless of what data services they have utilised. A user is defined as a count of all active customers that have generated data revenue for a contractual monthly fee for this service or have used the service during the reported month.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
- Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
- Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

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Key indicators (continued)

International

	December 2014	September 2014	December 2013	Year on year % change	Quarterly % change
Active customers (thousand)¹	29 676	28 367	25 019	18.6	4.6
Tanzania	11 810	11 316	10 289	14.8	4.4
DRC	11 493	11 003	9 334	23.1	4.5
Mozambique	5 049	4 913	4 120	22.5	2.8
Lesotho	1 324	1 135	1 276	3.8	16.7
Active data customers (thousand)²	9 749	9 188	7 457	30.7	6.1
Tanzania	5 160	4 963	3 554	45.2	4.0
DRC	2 324	2 241	2 280	1.9	3.7
Mozambique	1 817	1 636	1 285	41.4	11.1
Lesotho	448	348	338	32.5	28.7
Churn (%)³					
Tanzania	47.1	42.4	46.6		
DRC	92.3	95.1	88.6		
Mozambique	93.5	86.8	74.3		
Lesotho	44.0	125.5	34.1		
MOU per month⁴					
Tanzania	154	165	131	17.6	(6.7)
DRC	45	47	33	36.4	(4.3)
Mozambique	111	124	104	6.7	(10.5)
Lesotho	69	58	51	35.3	19.0
Total ARPU (rand per month)⁵					
Tanzania	43	45	49	(12.2)	(4.4)
DRC	30	33	34	(11.8)	(9.1)
Mozambique	55	52	61	(9.8)	5.8
Lesotho	58	50	51	13.7	16.0
Total ARPU (local currency per month)⁵					
Tanzania (TZS)	6 593	6 978	7 700	(14.4)	(5.5)
DRC (USD)	2.7	3.1	3.4	(20.6)	(12.9)
Mozambique (MZN)	156	147	178	(12.4)	6.1

Notes:

- Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Active data customers are a number of unique users who have generated revenue related to any data activities in the reported month (this excludes SMS and MMS messaging users). A unique user is a customer who needs to be counted once regardless of what data services they have utilised. A user is defined as a count of all active customers that have generated data revenue for a contractual monthly fee for this service or have used the service during the reported month.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
- Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. ARPU has been restated to only include service revenue generated from Vodacom mobile customers.

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Historical financial review

Revenue

Rm	December 2014	September 2014	June 2014	March 2014	December 2013	September 2013	June 2013
South Africa	15 987	15 380	14 791	15 170	16 502	15 585	14 549
International	4 092	3 984	3 591	3 798	3 838	3 655	3 065
Corporate and eliminations	(86)	(105)	(95)	(164)	(121)	(88)	(78)
Revenue	19 993	19 259	18 287	18 804	20 219	19 152	17 536

Service revenue

Rm	December 2014	September 2014	June 2014	March 2014	December 2013	September 2013	June 2013
South Africa	11 856	11 995	11 442	11 982	12 587	12 069	11 678
International	3 975	3 873	3 493	3 684	3 695	3 538	2 978
Corporate and eliminations	(16)	(40)	(38)	(80)	(34)	(30)	(20)
Service revenue	15 815	15 828	14 897	15 586	16 248	15 577	14 636

Historical key indicators

South Africa

	December 2014	September 2014	June 2014	March 2014	December 2013	September 2013	June 2013
Active customers (thousand)¹	31 379	32 613	32 516	31 520	30 964	30 139	29 282
Prepaid	26 479	27 806	27 723	26 726	26 123	25 331	24 488
Contract	4 900	4 807	4 793	4 794	4 841	4 808	4 794
Active data customers (thousand)²	16 751	16 679	16 996	15 172	15 314	14 204	n/a
Machine to machine customers (thousand)	1 613	1 578	1 512	1 443	1 378	1 302	1 239
Churn (%)²	70.9	63.7	51.9	49.0	52.3	58.4	55.5
Prepaid	79.8	71.0	57.5	54.4	58.4	65.3	62.1
Contract	7.8	9.9	10.4	11.8	11.4	12.6	11.6
Traffic (millions of minutes)³	12 402	12 182	11 776	11 453	11 298	11 034	9 752
Outgoing	9 827	9 570	9 392	9 193	8 928	8 681	7 448
Incoming	2 575	2 612	2 384	2 260	2 370	2 353	2 304
MOU per month⁴	130	124	122	122	124	124	112
Prepaid	120	113	112	112	113	112	98
Contract	188	190	181	179	183	183	183
Total ARPU (rand per month)⁵	116	115	110	119	129	127	125
Prepaid	67	67	64	71	80	75	74
Contract	386	389	372	379	393	398	387

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Historical key indicators (continued)

International

	December 2014	September 2014	June 2014	March 2014	December 2013	September 2013	June 2013
Active customers (thousand)¹	29 676	28 367	27 086	25 969	25 019	23 672	22 259
Tanzania	11 810	11 316	10 638	10 284	10 289	10 023	9 666
DRC	11 493	11 003	10 502	10 008	9 334	8 790	8 129
Mozambique	5 049	4 913	4 604	4 333	4 120	3 688	3 310
Lesotho	1 324	1 135	1 342	1 344	1 276	1 171	1 154
Active data customers (thousand)²	9 749	9 188	8 311	7 675	7 457	6 065	4 903
Tanzania	5 160	4 963	4 480	3 788	3 554	2 958	2 343
DRC	2 324	2 241	2 016	2 218	2 280	1 748	1 421
Mozambique	1 817	1 636	1 474	1 368	1 285	1 090	922
Lesotho	448	348	341	301	338	269	217
Churn (%)³							
Tanzania	47.1	42.4	47.3	49.9	46.6	51.5	56.8
DRC	92.3	95.1	74.8	76.6	88.6	88.8	87.7
Mozambique	93.5	86.8	91.2	87.2	74.3	71.4	69.8
Lesotho	44.0	125.5	41.9	50.9	34.1	39.5	43.7
MOU per month⁴							
Tanzania	154	165	158	131	131	122	116
DRC	45	47	39	31	33	36	39
Mozambique	111	124	131	118	104	95	92
Lesotho	69	58	48	49	51	35	26
Total ARPU (rand per month)⁵							
Tanzania	43	45	42	43	49	48	41
DRC	30	33	31	35	34	37	33
Mozambique	55	52	49	52	61	61	57
Lesotho	58	50	43	41	51	47	44
Total ARPU (local currency per month)⁵							
Tanzania (TZS)	6 593	6 978	6 655	6 377	7 700	7 801	6 992
DRC (USD)	2.7	3.1	3.0	3.2	3.4	3.7	3.5
Mozambique (MZN)	156	147	146	150	178	184	182

Notes:

- Active customers are based on the total number of mobile customers using any service during the last three months. This includes customers paying a monthly fee that entitles them to use the service even if they do not actually use the service and those customers who are active whilst roaming.
- Active data customers are a number of unique users who have generated revenue related to any data activities in the reported month (this excludes SMS and MMS messaging users). A unique user is a customer who needs to be counted once regardless of what data services they have utilised. A user is defined as a count of all active customers that have generated data revenue for a contractual monthly fee for this service or have used the service during the reported month.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly customers during the period.
- Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly active customers during the period.
- Total ARPU is calculated by dividing the average monthly service revenue by the average monthly active customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom mobile customers.

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Reconciliation of normalised growth

The reconciliation represents normalised growth at a constant currency (using current period as base) from on-going operations. The presentation of the pro-forma constant currency information from on-going operations is the responsibility of the directors of Vodacom Group Limited. The purpose to presenting this information is to assist the user in understanding the underlying growth trends in these segments. It has been prepared for illustrative purposes only and may not fairly present the financial position, changes in equity, and results of operations or cash flows of Vodacom Group Limited. This information has not been reviewed and reported on by the Group's auditors.

Year on year reconciliation

	Reported ¹	Translation foreign exchange ²	Normalised
	% change	ppt	% change
	14/15		14/15
Revenue			
Group	(1.1)	(1.1)	(2.2)
International	6.6	(5.8)	0.8
Service revenue			
Group	(2.7)	(1.2)	(3.9)
International	7.6	(5.7)	1.9

Notes:

1. The reported percentage change relates to the quarter to date year on year percentage growth between 31 December 2013 and 31 December 2014. The Group's presentation currency is the South African rand. Our International operations include functional currencies in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange rates for the current and comparative periods are disclosed on page 11.
2. Translation foreign exchange arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the quarter 31 December 2014 average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the quarter) to 31 December 2013 quarter numbers, thereby giving a user a view of the performance which excludes exchange rate variances. The prevailing exchange rates for the current and comparative quarters are disclosed on page 11.

Quarter on quarter reconciliation

	Reported ¹	Translation foreign exchange ²	Normalised
	% change	ppt	% change
	14/15		14/15
Revenue			
Group	3.8	(0.5)	3.3
International	2.7	(2.2)	0.5
Service revenue			
Group	(0.1)	(0.5)	(0.6)
International	2.6	(2.1)	0.5

Notes:

1. The reported percentage change relates to the quarter to date quarter on quarter percentage growth between 30 September 2014 and 31 December 2014. The Group's presentation currency is the South African rand. Our International operations include functional currencies in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange rates for the current and comparative periods are disclosed on page 11.
2. Translation foreign exchange arises from the translation of the results, at average rates, of subsidiaries' functional currencies to Vodacom's presentation currency, being rand. The exchange variances are eliminated by applying the quarter 31 December 2014 average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the quarter) to 30 September 2014 numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange rates for the current and comparative quarters are disclosed on page 11.

Vodacom Group Limited

Quarterly update for the period ended 31 December 2014

Average quarterly exchange rates

	December 2014	September 2014	December 2013	Year on year % change	Quarterly % change
USD/ZAR	11.22	10.77	10.17	10.3	4.2
ZAR/MZN	2.84	2.86	2.94	(3.4)	(0.7)
ZAR/TZS	152.79	154.64	158.06	(3.3)	(1.2)
EUR/ZAR	14.01	14.26	13.84	1.2	(1.8)

The quarterly information has not been audited or reviewed by Vodacom's external auditors.

Trademarks

Vodafone, the Vodafone logo, Vodacom, Vodacom m-pesa and Vodacom m-pawa, are trademarks of Vodafone Group Plc (or have applications pending). Other product and company names mentioned herein may be trademarks of their respective owners.

Forward-looking statements

This quarterly update which sets out the quarterly results for Vodacom Group Limited for the period ended 31 December 2014 contains 'forward-looking statements', which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives. In particular, such forward-looking statements include statements relating to: the Group's future performance; future capital expenditures, acquisitions, divestitures, expenses, revenues, financial conditions, dividend policy, and future prospects; business and management strategies relating to the expansion and growth of the Group; the effects of regulation of the Group's businesses by governments in the countries in which it operates; the Group's expectations as to the launch and roll out dates for products, services or technologies; expectations regarding the operating environment and market conditions; growth in customers and usage; and the rate of dividend growth by the Group.

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

Sponsor: UBS South Africa (Pty) Limited

Debt sponsor: Absa Bank Limited (acting through its Corporate and Investment Banking division)

ADR depository bank: Deutsche Bank Trust Company Americas