Vodacom Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
(ISIN: ZAE000132577 Share Code: VOD)
(ISIN: ZAG000106063 JSE Code: VOD008)
(ISIN: US92858D2009 ADR Code: VDMCY)
('Vodacom')

Interim results

for the six months ended 30 September 2014

10 November 2014

Power to you

Shameel Aziz Joosub - Vodacom Group CEO commented:

We have faced tough macroeconomic conditions in all markets, increased competitive intensity, and have also seen a significant impact from lower mobile termination rates ('MTRs') in South Africa. Against that backdrop Vodacom performed well, adding 7.2 million customers to take our total customer base to 61 million and increasing revenue by 2.3% to R37.5 billion.

The impact of the lower MTRs was to reduce service revenue by almost a billion rand. Excluding this impact, South Africa would have seen service revenue growth of 2.9%. In order to help offset the impact of lower MTRs we have continued to implement a range of cost management programmes.

Our commercial strategy centres on offering better value to customers in each market segment. In the prepaid market our low cost bundles have proven extremely popular with more than 40 million sold per month. The postpaid approach has been to offer integrated packages covering all voice, data and SMS needs at a fixed price, allowing customers to more effectively manage their spend. This strategy has enabled us to reduce our blended average effective price per minute by 19.0%, this resulted in a 17.6% increase in total outgoing traffic.

To clearly differentiate Vodacom's services, we invested R4.1 billion in the network in South Africa. We added over 1 000 new LTE base stations and 745 new 3G sites. This additional capacity supported the 18% increase in outgoing voice traffic and 75% increase in data traffic. This investment also positions us well to capitalise on data demand which is expected to accelerate as the penetration of smart devices increases. We also completed a six-year project to replace all of our base station radio equipment across the country, meaning that we're 4G-ready country-wide and just need access to sufficient spectrum to make it operational.

We have also continued to focus on developing additional sources of growth such as financial services, the enterprise business, and fixed broadband connectivity. The speed of deployment of fibre connections to homes and businesses, which is crucial to addressing South Africa's relative lack of fixed connectivity, is dependent on the outcome of the regulatory approvals process underway in relation to Neotel.

Our international customer base increased 20%, with outgoing voice traffic increasing 60% and data traffic more than doubled. This once again highlights the importance of continued investment in network capacity as we increased the number of 3G sites by 44% and the number of 2G sites by 30%. Service revenue grew by 13%, supported by data revenue growth (excluding m-pesa) of more than 50%. Importantly, due to a strong focus on managing costs, we were able to expand the EBITDA margin in these businesses.

Highlights

Group revenue increased 2.3% (1.0%*) and service revenue 1.7% (0.2%*).

Excluding the impact of a 50% cut in mobile termination rates ('MTRs') in South Africa, both Group revenue and service revenue increased 5.0%.

Group active customers increased 13.3% to 61.0 million.

Strong growth in Group data revenue of 24.7%; active data customers up 27.6% to 25.9 million.

South Africa service revenue declined 1.3%; service revenue grew 2.9% excluding the MTR cuts.

International operations' service revenue grew 13.0% (5.6%*); representing 24.0% of Group service revenue, EBITDA grew 21.1% representing 16.8% of Group EBITDA.

Strong progress on our accelerated capital expenditure programme with R5 881 million, 15.7% of Group revenue, spent to date to speed up LTE rollout and to expand 3G coverage.

	Six months ended 30 September		Year on year % change	
Rm	2014	2013	Reported	Normalised*
Revenue	37 546	36 688	2.3	1.0
Service revenue	30 725	30 213	1.7	0.2
EBITDA	12 993	13 221	(1.7)	(1.8)
Operating profit	9 430	9 998	(5.7)	(5.0)
Capital expenditure	5 881	4 850	21.3	
Operating free cash flow	4 462	6 308	(29.3)	
Free cash flow	1 224	3 178	(61.5)	
Headline earnings per share (cents)	415	439	(5.5)	

* Represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base). Refer below for a reconciliation of normalised growth.

All comparative information refers to the current six months period compared to the same period in the prior year, unless otherwise stated.

Operating review

South Africa

Revenue grew by 0.1% to R30 171 million. Equipment revenue growth slowed as the volume of handset finance deals starts to stabilise year-on-year. Overall volumes reduced slightly to 4.5 million devices sold in the period.

Service revenue declined 1.3% impacted by a 50% cut in MTRs in April 2014. Excluding the impact of the MTR cuts, which reduced interconnect revenue by 42.2%, service revenue grew 2.9%. Growth was positively affected by a R325 million1 accounting estimate change in the period.

We continue to make good progress on our pricing transformation journey. We have executed well on our strategy to offer better value to customers through a clear segmented approach where we offer bundles at affordable prices and postpaid integrated plans which contain generous allocations of voice minutes, SMSs and data. This has enabled us to reduce our blended average effective price per minute by 19.0%, resulting in a 17.6% increase in total outgoing traffic.

The number of contract customers remained stable at 4.8 million. We have migrated 69.6% of our contract base (excluding top-up) from voice centric plans to our integrated price plans. Together with 36.7% of our hybrid customers who are now also on better value price plans, in-bundle spend by our contract customers increased to 68.9% (2013: 63.8%). Our price plans have successfully encouraged our customers to use more of our services, while reducing their exposure to out-of-bundle prices and competing services. Contract customer revenue declined by 1.1% and ARPU declined 3.3% mainly due to reduced MTRs.

Despite the challenging competitive and economic environment our prepaid active customer base grew 9.8% to 27.8 million, an increase of 2.5 million customers in 12 months. This was achieved through our targeted bundles, improved national distribution, and continued investment in our network. More than six million customers are now engaged in our time based bundles buying more than 40 million bundles a month. Outgoing traffic grew 22.8% and prepaid customer revenue increased 4.7%.

Data revenue grew strongly at 21.6% to R6 198 million. Data now makes up 26.4% (2013: 21.5%) of service revenue. Active data customers (excluding machine-to-machine ('M2M')) grew 17.4% to 16.7 million. More than half of our customer base now actively uses data and data traffic increased 75.2% in comparison to last year. We reduced our effective price per megabyte by 30.4% through our bundle strategy and by introducing lower priced time based bundles. The number of bundles sold doubled from a year ago.

The average amount of data used per smartphone increased 55.4% to 336 MB per month. Average monthly usage on tablets increased 28.9% to 879 MB. The number of active smartphones and tablets on the network increased 22.3%, to 8.6 million. To support our goal of making connectivity accessible to all we launched new low-cost devices that were designed specifically for South Africa and other emerging markets. The new sub R600 android smartphone (Vodacom Kicka) and the Vodacom Smart Tab 3G which has a retail price below R1 000 and has already seen strong interest since launch.

Our M2M sims increased 21.2% to 1.6 million and revenue increased 53.5%. We continue to utilise the Vodafone global M2M platform to launch additional applications in target industries in order to build scale in this area.

The steep MTR cuts and increased foreign exchange related costs due to the sharp devaluation of the Rand impacted our profitability. EBITDA declined 5.1% (grew 0.1%, excluding MTR impact) to R10 844 million and EBITDA margins contracted 2ppt year on year to 35.9%.

Our accelerated capital expenditure program is progressing well. We have spent R4 137 million in capex in the first six months of the year, 35.3% more than in the prior year. We doubled the number of our LTE sites to nearly 2 000 sites and we have added 745 3G sites to improve our 3G coverage to 94.1% of the population. We have now also concluded our six-year project to upgrade our radio access network with 4G ready equipment and have extended our self-provided high speed transmission to 76.3% of our sites. Our focus remains on building out fibre to reach multiple businesses in the coming year.

On 11 April 2014, the Group entered into a purchase agreement in terms of which Nashua Mobile will dispose of its Vodacom customer base to the Group. The transaction was unconditionally approved by the Competition Tribunal on 29 September 2014 and will be accounted for on the successful migration of the customer base.

1. During the period we changed our accounting estimate relating to revenue recognition of un-recharged vouchers resulting in a positive adjustment of R325 million in South Africa.

International

The International businesses achieved strong customer growth of 19.8%, taking the total number of customers to 28.4 million. Total voice traffic growth was robust at 61.2%.

Service revenue grew 13.0% (5.6%*) to R7 366 million. Overall growth was impacted by intense price competition and regulatory challenges. Tanzania is progressing through a prolonged pricing repair, with improvement towards the end of the period as price competition stabilises.

Data revenue grew 41.0% to increase the contribution of data to 18.9% (2013: 15.1%) of service revenue. Excluding m-pesa, mobile data revenue grew 52.2% supported by a 51.5% increase in active data customers to 9.2 million, or 32.4% of our customer base. We recently launched a low cost smartphone and a tablet in all our operations, with good early traction in sales.

M-pesa continues to grow strongly in all of our markets. We added 1.1 million customers in the six month period, increasing the number of active customers to seven million1, an increase of 25.9% from the prior year. M-pesa revenue grew 29.7% and now represents 8.7% of service revenue (2013: 7.6%). Tanzania, our most advanced market, has 54.2% of our customers using m-pesa. Building on this base, in May, we launched m-pawa, in partnership with the Commercial Bank of Africa, the first savings and loans product based on a mobile platform in Tanzania.

Our International operations' EBITDA increased 21.1% (12.2%*) to R2 187 million and EBITDA margin expanded 2.0 ppts to 28.9% (2013: 26.9%). The main drivers of the improved margin were the leveraging of efficiencies of scale and focused cost management programmes. The contribution to Group EBITDA from these operations increased to 16.8% (2013: 13.7%).

We continue to invest significantly in all our markets to strengthen our network and service differentiation. To support the significant data growth in these operations we increased the number of 3G sites by 43.8%. To support wider voice coverage the number of 2G sites was increased by 29.5%. We were also the first operator to launch LTE services in Lesotho in the period.

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, 5.1 million (2013: 4.3 million) have been active in the past 30 days.

Financial review

Summary financial information

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
Service revenue	30 725	30 213	29 632	1.7	2.0
Revenue	37 546	36 688	34 426	2.3	6.6
EBITDA	12 993	13 221	12 060	(1.7)	9.6
Operating profit	9 430	9 998	8 970	(5.7)	11.5
Net profit	6 302	6 631	6 117	(5.0)	8.4
Operating free cash flow	4 462	6 308	6 156	(29.3)	2.5
Free cash flow	1 224	3 178	3 432	(61.5)	(7.4)
Capital expenditure	5 881	4 850	4 713	21.3	2.9
Net debt	16 006	11 963	11 572	33.8	3.4
Basic earnings per share (cents)	422	443	410	(4.7)	8.0
Headline earnings per share (cents)	415	439	396	(5.5)	10.9
Contribution margin (%)	57.1	57.4	56.1		
EBITDA margin (%)	34.6	36.0	35.0		
Operating profit margin (%)	25.1	27.3	26.1		
Effective tax rate (%)	30.2	30.5	30.8		
Net profit margin (%)	16.8	18.1	17.8		
Net debt/EBITDA (times)	0.6	0.5	0.5		
Capital intensity (%)	15.7	13.2	13.7		

Service revenue

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
South Africa	23 437	23 747	23 757	(1.3)	0.0
International	7 366	6 516	5 992	13.0	8.7
Corporate and eliminations	(78)	(50)	(117)	56.0	(57.3)
Service revenue	30 725	30 213	29 632	1.7	2.0

Group revenue increased by 2.3% (1.0%*) to R37 546 million and service revenue by 1.7% (0.2%*) to R30 725 million. The growth in revenue is supported by equipment revenue which now contributes 17.1% of Group revenue compared to 16.7% a year ago.

Group service revenue growth reflects solid operational execution in challenging regulatory and competitive environments.

In South Africa, service revenue declined 1.3% due to a 50% reduction in MTRs in the period which led to a 42.2% decline in interconnect revenue. Excluding the impact of MTR cuts, service revenue grew 2.9%, driven by a 21.6% growth in data revenue which continues to strongly offset declining voice revenue.

In our International operations service revenue grew 13.0% (5.6%*) from a 19.8% growth in active customers supported by our accelerated network investment programme. International operations now contribute 24.0% of service revenue, up from 21.6% a year ago.

Total expenses1

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
South Africa	19 189	18 634	17 677	3.0	5.4
International	5 414	4 915	4 887	10.2	0.6
Corporate and eliminations	(164)	(160)	(162)	2.5	(1.2)
Total expenses1	24 439	23 389	22 402	4.5	4.4

Group total expenses increased by 4.5% to R24 439 million. Although expenses increased ahead of revenue growth, managing the increase in expenses to this level is commendable given rising wages, fuel, electricity costs and our accelerated capex programme. Total expenses include a net foreign exchange loss on the revaluation of foreign currency denominated trading items of R163 million (2013: R34 million).

In South Africa the savings in publicity expenses of 7.2% was mainly offset by higher direct costs relating to equipment sales, an increase in payroll expenses due to wage inflation and an increase in other operating costs not denominated in South African Rand. International operations total expenses increased by 10.2% (2.9%*), which is below revenue growth of 12.7% (5.1%*).

EBITDA

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
South Africa	10 844	11 421	10 789	(5.1)	5.9
International	2 187	1 806	1 269	21.1	42.3
Corporate and eliminations	(38)	(6)	2	>200%	<(200%)
EBITDA	12 993	13 221	12 060	(1.7)	9.6

Group EBITDA declined 1.7% (1.8%*) with the Group EBITDA margin contracting 1.4 ppts to 34.6% (2013: 36.0%). South Africa EBITDA declined 5.1% from reduced MTRs which had a negative impact of 5.2 ppts on EBITDA with a margin of 35.9% (2013: 37.9%). In our International operations, EBITDA grew 21.1% (12.2%*), with the EBITDA margin expanding 2.0 ppts to 28.9%. International operations contribution to Group EBITDA improved to 16.8% from 13.7% a year ago.

Operating profit

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
South Africa	8 504	9 147	8 456	(7.0)	8.2
International	957	843	525	13.5	60.6
Corporate and eliminations	(31)	8	(11)	<(200%)	(172.7)
Operating profit	9 430	9 998	8 970	(5.7)	11.5

Group operating profit declined 5.7% to R9 430 million mainly due lower EBITDA, an 8.7% increase in depreciation and amortisation as a result of our accelerated capex programme and a loss of R65 million recognised from associates.

In South Africa, operating profit declined 7.0% to R8 504 million due to lower EBITDA as well as an increase in depreciation and amortisation as a result of a 35.3% increase in capital investment. International operations' operating profit grew 13.5% to R957 million.

1. Excluding depreciation, amortisation, impairment losses and BBBEE charge.

Net finance charges

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
Finance income	149	218	67	(31.7)	>200%
Finance costs	(635)	(533)	(476)	19.1	12.0
Remeasurement of loans	(14)	(13)	(10)	7.7	30.0
Gain on remeasurement	34	44	21	(22.7)	109.5
Gain/(loss) on derivatives	69	(170)	43	(140.6)	<(200%)
Net finance charges	(397)	(454)	(355)	(12.6)	27.9

Net finance charges decreased 12.6% to R397 million mainly due to net gains on derivatives as a result of hedge accounting. This was partially offset by increased finance costs as a result of higher average debt for the period, together with reduced finance income due to lower cash balances for the period.

Taxation

The tax expense of R2 731 million is 6.2% lower than the prior year (2013: R2 913 million). The decline is mainly due to reduced profitability in South Africa and in Tanzania where we experienced intense pricing competition. The Group's effective tax rate reduced from 30.5% to 30.2%.

Earnings

HEPS declined 5.5% to 415 cents and EPS decreased by 4.7% to 422 cents. The decline in both HEPS and EPS is mainly a result of MTR cuts in South Africa, as well as increased depreciation as a result of accelerated capital investments.

Capital expenditure

Rm	Six months ended 30 September 2014	2013	2012	% change 13/14	12/13
South Africa	4 137	3 058	3 214	35.3	(4.9)
International	1 743	1 781	1 023	(2.1)	74.1
Corporate and eliminations	1	11	476	(90.9)	(97.7)
Capital expenditure	5 881	4 850	4 713	21.3	2.9
Capital intensity1 (%)	15.7	13.2	13.7		

The Group's capital expenditure increased by 21.3% to R5 881 million or 15.7% of revenue due to our accelerated capex programme. In South Africa capital expenditure was directed at expanding our 3G coverage, adding 745 sites in the period while continually increasing the number of sites connected to self-provided high speed transmission. We also more than doubled our LTE coverage to 1 942 sites and completed our RAN renewal programme in South Africa. In our International operations the focus remained on increasing both coverage and capacity, while also extending our data network to cater for continued growth.

1. Capital expenditure as a percentage of revenue.

Statement of financial position

Property, plant and equipment increased by 8.3% to R33 373 million at 30 September 2014 comprising of net additions of R5 080 million, depreciation of R3 038 million and a net foreign currency translation gain of R655 million. During the prior year we entered into a sale and lease back agreement with HTT Infraco Limited in Tanzania. At 30 September 2014 R187 million of assets still had to be transferred and are currently included in non-current assets held for sale.

Net debt increased slightly to R16 006 million, also resulting in increased gearing, with net debt to EBITDA of 0.6 times. 92.5% (2013: 90.3%) of the debt1 is denominated in South African Rand. R7 596 million (2013: R2 740 million) of debt1 matures in the next 12 months and 81.9% (2013: 74.5%) of interest bearing debt (including bank overdrafts) is at floating rates.

During the period a loan with a nominal value of R2 576 million was raised from Vodafone to finance additional investments in Tanzania. The loan bears interest payable quarterly at three-month JIBAR plus 1.2% and is unsecured. The loan is repayable on 25 April 2019.

Net debt

	As at 30 September	As at 31 March	Movement Mar/Sep	As at 30 September
Rm	2014	2013	13/14	2013
Bank and cash balances	2 858	6 127	(3 269)	3 392
Bank overdrafts	(1 802)	(335)	(1 467)	(720)
Borrowings and net derivative financial instruments	(17 062)	(13 844)	(3 218)	(14 635)
Net debt	(16 006)	(8 052)	(7 954)	(11 963)
Net debt/EBITDA (times)	0.6	0.3		0.5

Cash flow

Free cash flow

	Six months ended 30 September			% change	
Rm	2014	2013	2012	13/14	12/13
Cash generated from operations	10 102	11 328	9 865	(10.8)	14.8
Cash capital expenditure2	(5 640)	(5 020)	(3 709)	12.4	35.3
Operating free cash flow	4 462	6 308	6 156	(29.3)	2.5
Tax paid	(2 698)	(2 696)	(2 413)	0.1	11.7
Net finance costs paid	(467)	(396)	(299)	17.9	32.4
Net dividends paid to non-controlling interest	(73)	(38)	(12)	92.1	>200%
Free cash flow	1 224	3 178	3 432	(61.5)	(7.4)

Operating free cash flow declined by 29.3% to R4 462 million. Operating free cash flow was impacted by lower EBITDA, mainly in South Africa and increased capital expenditure. Free cash flow decreased by 61.5% as a result of the decline in operating free cash flow, as well as increased net finance cost due to higher average debt for the period.

1. Debt includes interest bearing debt, non-interest bearing debt, bank overdrafts and commercial paper.

2. Cash capital expenditure comprises the purchase of property, plant and equipment and intangible assets, other than license and spectrum payments, net of cash from disposals. Purchases of customer bases are excluded from cash capex.

Declaration of final dividend No. 11 - payable from income reserves

Notice is hereby given that a gross interim dividend number 11 of 375 cents per ordinary share in respect of financial year end 31 March 2015 has been declared payable on Monday 1 December 2014 to shareholders recorded in the register at the close of business on Friday 28 November 2014. There is no secondary tax on company ('STC') credits available for utilisation. The number of ordinary shares in issue at date of this declaration is 1 487 954 000. The dividend will be subject to a local dividend withholding tax rate of 15% which will result in a net final dividend to those shareholders not exempt from paying dividend withholding tax of 318.75000 cents per ordinary share.

Last day to trade shares cum dividend	Friday 21 November 2014
Shares commence trading ex dividend	Monday 24 November 2014
Record date	Friday 28 November 2014
Payment date	Monday 1 December 2014

Share certificates may not be dematerialised or rematerialised between Monday 24 November 2014 and Friday 28 November 2014, both days inclusive.

On Monday 1 December 2014, the interim dividend will be electronically transferred into the bank accounts of all certificated shareholders where this facility is available. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 1 December 2014.

Vodacom Group Limited tax reference number is 9316/041/71/5.

Dividend policy

The final dividend of 375 cents per share declared above reflects 90% of HEPS, in line with policy. The Board maintains its dividend policy to pay at least 90% of headline earnings.

Notice in terms of section 45(5) of the Companies Act of 2008, as amended

At the annual general meeting of Vodacom held in July 2013, Vodacom shareholders approved of a special resolution in terms of Section 45 of the Companies Act of 2008, as amended ('the Act'), authorising the company to provide financial assistance to related or interrelated companies or corporations of the company.

Section 45(5) of the Act requires a company to provide written notice to shareholders of the adoption of a board resolution to provide financial assistance, if the value and/or obligations of the financial assistance so contemplated together with any previous such resolutions during the financial year, exceeds one-tenth of 1% of the company's net worth at the time of the resolution.

Vodacom's Board has adopted several resolutions during this past financial year in terms of which financial assistance as contemplated by the Act has been or will be provided to related and interrelated companies and corporations of Vodacom, the total value of which together with any other resolutions adopted in the previous financial year, exceeds one-tenth of 1% of the company's net worth.

The Board has confirmed that it is satisfied that immediately after the provision of the financial assistance; Vodacom has and will satisfy a solvency and liquidity test as contemplated by Section 4 of the Act and that the terms under which such financial assistance has been or will be given would be fair and reasonable to Vodacom.

Regulatory

The Independent Communications Authority of South Africa ('Icasa') announced the final regulations on call termination rates in South Africa on 29 September 2014. A new three year glide path commenced 1 October 2014 and will end on 30 September 2019. In the first year MTRs will be 20 cents with asymmetry of 55%, this will decline to 16 cents in year 2 and end at 13 cents in year 3, with 50% and 46% asymmetry respectively.

Outlook

Conditions are expected to remain challenging in the short-term, particularly in South Africa where the continued impact of lower mobile termination rates, constrained consumer spend, and intense competitive pressure are all factors. In the international markets, particularly Tanzania and the DRC, continued pricing pressure is also likely to have an impact. However, positive trends in the adoption of smart devices and data usage will help to offset this, as will the ongoing focus on reducing operating expenditure.

Given the difficult environment, we have performed well. A key factor has been network leadership through our continued investment in coverage and capacity. This has provided a strong base from which to weather the current conditions. The conclusion of the MTR process has now resulted in certainty over the next three years. In the medium term the Group will continue with the three year accelerated capital expenditure program in order to be in the best possible position to capitalise on future improvements in demand.

This investment will also support further growth in data usage, which is expected to help drive the contribution of data revenue to Group service revenue. In addition to increased data revenue, the contribution to the business from the International operations, from the Enterprise business, and from financial services is expected to increase.

The regulatory process in relation to the Neotel acquisition is ongoing and we are co-operating fully with the authorities on this matter. This acquisition would support an accelerated roll-out of fibre-to-the-business and fibre-to-the-home services, and in doing this support the South African Government's national development plan objectives. We are hopeful that the process will be completed by the end of the financial year.

As a result of the significant impact of the change in MTRs and conditions described above, the Board has revised its medium term (three years) EBITDA guidance to mid single digit growth, from the mid-to-high single digit growth previously announced. Medium term guidance for service revenue of low single digit growth and capital expenditure of between 14% and 17% of Group revenue remains unchanged. This guidance excludes the impact of acquisitions.

For and on behalf of the Board

Peter Moyo
Chairman

Shameel Aziz Joosub
Chief Executive Officer

Ivan Dittrich
Chief Financial Officer

7 November 2014
Midrand

Condensed consolidated income statement
for the six months ended 30 September

		Reviewed Six months ended 30 September		Audited Year ended 31 March
Rm	Notes	2014	2013	2014
Revenue	3	37 546	36 688	75 711
Direct expenses		(16 105)	(15 635)	(32 866)
Staff expenses		(2 444)	(2 289)	(4 563)
Publicity expenses		(1 036)	(1 029)	(2 095)
Other operating expenses		(4 854)	(4 436)	(8 779)
Broad-based black economic empowerment charge		(25)	-	(232)
Depreciation and amortisation		(3 587)	(3 301)	(6 785)
(Loss)/profit from associate and joint venture		(65)	-	3
Operating profit		9 430	9 998	20 394
Finance income		149	218	333
Finance costs		(635)	(533)	(1 051)
Net profit/(loss) on remeasurement and disposal of financial instruments		89	(139)	(91)
Profit before tax		9 033	9 544	19 585
Taxation		(2 731)	(2 913)	(5 918)
Net profit		6 302	6 631	13 667
Attributable to:				
Equity shareholders		6 190	6 487	13 243
Non-controlling interests		112	144	424
		6 302	6 631	13 667

		Reviewed Six months ended 30 September		Audited Year ended 31 March
Cents	Notes	2014	2013	2014
Basic earnings per share	4	422.1	442.5	903.3
Diluted earnings per share	4	421.6	441.9	901.9

Condensed consolidated statement of comprehensive income
for the six months ended 30 September

Rm	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
Net profit	6 302	6 631	13 667
Other comprehensive income	624	629	820
Foreign currency translation differences, net of tax	617	621	794
Gain on hedging instruments in cash flow hedges, net of tax	7	8	26
Total comprehensive income	6 926	7 260	14 487
Attributable to:			
Equity shareholders	6 891	7 153	14 165
Non-controlling interests	35	107	322
	6 926	7 260	14 487

Condensed consolidated statement of financial position
as at 30 September

Rm	Notes	Reviewed As at 30 September 2014	2013	Audited As at 31 March 2014
Assets				
Non-current assets		41 542	35 091	37 954
Property, plant and equipment		33 373	28 830	30 802
Intangible assets		5 712	5 233	5 369
Financial assets		622	216	141
Investment in associate		427	-	367
Investment in joint venture		3	2	3
Trade and other receivables		759	136	659
Finance lease receivables		639	542	591
Deferred tax		7	132	22
Current assets		21 373	22 716	22 787
Financial assets		1 738	1 469	1 822
Inventory		1 261	1 212	1 069
Trade and other receivables		13 153	13 445	11 557
Non-current assets held for sale		187	1 274	569
Finance lease receivables		1 253	1 346	1 284
Tax receivable		923	578	359
Cash and cash equivalents		2 858	3 392	6 127
Total assets		62 915	57 807	60 741
Equity and liabilities				
Fully paid share capital		*	*	*
Treasury shares		(1 616)	(1 563)	(1 589)
Retained earnings		22 410	21 544	22 506
Other reserves		420	1 578	2 140
Equity attributable to owners of the parent		21 214	21 559	23 057
Non-controlling interests		92	477	686
Total equity		21 306	22 036	23 743
Non-current liabilities		14 506	14 554	12 010
Borrowings	9	11 260	12 553	9 683
Trade and other payables		845	127	472
Provisions		240	332	263
Deferred tax		2 161	1 542	1 592
Current liabilities		27 103	21 217	24 988
Borrowings	9	5 794	2 020	4 067
Trade and other payables		19 334	18 257	20 357
Provisions		81	144	169
Liabilities associated with non-current assets held for sale		-	5	-
Tax payable		68	49	38
Dividends payable		24	22	22
Bank overdrafts		1 802	720	335
Total equity and liabilities		62 915	57 807	60 741

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity
for the six months ended 30 September

Rm	Notes	Equity attributable to owners of the parent	Non-controlling interests	Total equity
1 April 2014		23 057	686	23 743
Total comprehensive income		6 891	35	6 926
Dividends		(6 307)	(79)	(6 386)
Repurchase, vesting and sale of shares		(161)	-	(161)
Share-based payments		63	-	63
Reclassification of BBBEE reserve to liability	10	(324)	-	(324)
Acquisition of additional interest in subsidiary		(2 026)	(550)	(2 576)
Deconsolidation of subsidiary		21	-	21
30 September 2014 - Reviewed		21 214	92	21 306
1 April 2013		20 800	416	21 216
Total comprehensive income		7 153	107	7 260
Dividends		(6 300)	(42)	(6 342)
Repurchase and sale of shares		(121)	-	(121)
Share-based payments		46	-	46
Acquisition of additional interest in subsidiary		(16)	(4)	(20)
Investment in joint venture		(3)	-	(3)
30 September 2013 - Reviewed		21 559	477	22 036
1 April 2013		20 800	416	21 216
Total comprehensive income		14 165	322	14 487
Dividends		(12 098)	(48)	(12 146)
Repurchase, vesting and sale of shares		(338)	-	(338)
Share-based payments		544	-	544
Acquisition of additional interest in subsidiary		(16)	(4)	(20)
31 March 2014 - Audited		23 057	686	23 743

Condensed consolidated statement of cash flows
for the six months ended 30 September

	Reviewed Six months ended 30 September		Audited Year ended 31 March
Rm	2014	2013	2014
Cash flows from operating activities			
Cash generated from operations	10 102	11 328	28 901
Tax paid	(2 698)	(2 696)	(5 298)
Net cash flows from operating activities	7 404	8 632	23 603
Cash flows from investing activities			
Net additions to property, plant and equipment and intangible assets	(5 675)	(5 038)	(9 535)
Acquisition of additional interest in subsidiary	(2 576)	-	-
Other investing activities	268	(10)	160
Net cash flows utilised in investing activities	(7 983)	(5 048)	(9 375)
Cash flows from financing activities			
Movement in borrowings, including finance costs paid	2 282	(509)	(2 235)
Dividends paid	(6 384)	(6 337)	(12 141)
Repurchase and sale of shares	(158)	(330)	(343)
Net cash flows utilised in financing activities	(4 260)	(7 176)	(14 719)
Net decrease in cash and cash equivalents	(4 839)	(3 592)	(491)
Cash and cash equivalents at the beginning of the year	5 792	6 188	6 188
Effect of foreign exchange rate changes	103	76	95
Cash and cash equivalents at the end of the period/year	1 056	2 672	5 792

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the framework concepts, the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') and in accordance with and containing the information required by International Accounting Standard 34: Interim Financial Reporting as issued by the International Accounting Standards Board ('IASB'), the Financial Reporting Guides as issued by the South African Institute of Chartered Accountants Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Johannesburg Stock Exchange Limited ('JSE') Listings Requirements and the requirements of the Companies Act of 2008, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, which is the parent Company's functional and presentation currency.

The significant accounting policies, judgements, estimates and methods of computation are consistent in all material respects with those applied in the consolidated annual financial statements for the year ended 31 March 2014, except as disclosed in Note 2. The significant accounting policies are available for inspection at the Group's registered office.

The preparation of these condensed consolidated interim financial statements was supervised by the Chief Financial Officer, IP Dittrich CA(SA).

These condensed consolidated interim financial statements have been reviewed by PricewaterhouseCoopers Inc. whose unmodified review report is available for inspection at the Group's registered office.

2. Changes in accounting policies and estimates

The Group adopted the new, revised or amended accounting pronouncements as issued by the IASB, which were effective and applicable to the Group from 1 April 2014, none of which had any material impact on the Group's financial results for the year.

Full details on changes in accounting policies will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2015, which will be available online.

The Group changed its estimate regarding revenue recognition of un-recharged vouchers in South Africa from a fixed period after the vouchers were sold, to a period that based on evidence, more reasonably and objectively reflects the performance period of the Group. The once-off impact of the change amounted to an adjustment of R325 million to revenue at 30 September 2014.

	Reviewed Six months ended 30 September		Audited Year ended 31 March
Rm	2014	2013	2014
3. Segment analysis			
External customers segment revenue	37 546	36 688	75 711
South Africa	30 054	30 020	61 483
International	7 492	6 666	14 228
Corporate	-	2	-
EBITDA	12 993	13 221	27 314
South Africa	10 844	11 421	23 087
International	2 187	1 806	4 256
Corporate and eliminations	(38)	(6)	(29)
Reconciliation of segment results			
EBITDA	12 993	13 221	27 314
Depreciation, amortisation and impairment losses	(3 587)	(3 301)	(6 785)
Other	114	78	94
Broad-based black economic empowerment charge	(25)	-	(232)
(Loss)/profit from associate and joint venture	(65)	-	3
Operating profit	9 430	9 998	20 394
Net finance charges	(397)	(454)	(809)
Finance income	149	218	333
Finance costs	(635)	(533)	(1 051)
Net profit /(loss) on remeasurement and disposal of financial instruments	89	(139)	(91)
Profit before tax	9 033	9 544	19 585
Taxation	(2 731)	(2 913)	(5 918)
Net profit	6 302	6 631	13 667
Total assets	62 915	57 807	60 741
South Africa	41 569	37 842	37 929
International	20 792	17 444	18 787
Corporate and eliminations	554	2 521	4 025

Cents	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
4. Per share calculations			
4.1 Earnings and dividends per share			
Basic earnings per share	422.1	442.5	903.3
Diluted earnings per share	421.6	441.9	901.9
Headline earnings per share	415.4	438.8	895.8
Diluted headline earnings per share	415.0	438.1	894.4
Dividends per share	430.0	430.0	825.0

Million	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
4.2 Weighted average number of ordinary shares outstanding for the purpose of calculating:			
Basic and headline earnings per share	1 466	1 466	1 466
Diluted earnings and diluted headline earnings per share	1 468	1 468	1 468
4.3 Ordinary shares for the purpose of calculating:			
Dividends per share	1 488	1 488	1 488

Vodacom Group Limited acquired 1 421 125 shares in the market during the period at an average price of R131.05 per share. Share repurchases did not exceed 1% of Vodacom Group Limited's issued share capital. Dividend per share calculations are based on a dividend declared of R6 398 million (30 September 2013: R6 398 million; 31 March 2014: R12 275 million) of which R22 million (30 September 2013: R29 million; 31 March 2014: R46 million) was offset against the forfeitable share plan reserve, R3 million (30 September 2013: R3 million; 31 March 2014: R4 million) expensed as staff expenses and R66 million (30 September 2013: R66 million; 31 March 2014: R127 million) paid to Wheatfields Investments 276 (Pty) Limited, a wholly-owned subsidiary holding treasury shares on behalf of the Group.

Rm	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
4.4 Headline earnings reconciliation			
Earnings attributable to equity shareholders for basic and diluted earnings per share	6 190	6 487	13 243
Adjusted for:			
Net profit on disposal of property, plant and equipment and intangible assets	(132)	(77)	(147)
	6 058	6 410	13 096
Tax impact of adjustments	36	21	41
Non-controlling interests in adjustments	(2)	-	(4)
Headline earnings for headline and diluted headline earnings per share	6 092	6 431	13 133

5. Forfeitable share plan ('FSP')

During the current period the Group allocated 1 372 915 (30 September 2013: 1 627 613; 31 March 2014: 1 861 447) shares to eligible employees under its FSP, an equity-settled share-based payment scheme in terms of IFRS 2: Share-based Payment.

6. Related parties

The amounts disclosed in Notes 6.1 and 6.2 include significant balances and transactions with the Group's joint venture, associate and parent, including entities in its group.

Rm	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
6.1 Balances with related parties			
Borrowings	13 147	10 528	10 532
6.2 Transactions with related parties			
Dividends declared	(4 159)	(4 159)	(7 978)
Finance costs	(451)	(193)	(536)

Full details of balances and transactions with related parties will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2015, which will be available online.

6.3 Directors' and key management personnel remuneration

Compensation paid to the Group's Board, prescribed officers and key management personnel will be disclosed in the Group's consolidated annual financial statements for the year ending 31 March 2015, which will be available online. Ms YZ Cuba, an independent non-executive director has been appointed as Chief Officer: Strategy and Business Development with effect from 1 November 2014. She stepped down from the Board on 31 October 2014.

Rm	Reviewed Six months ended 30 September 2014	2013	Audited Year ended 31 March 2014
7. Capital commitments			
Capital expenditure contracted for but not yet incurred	5 261	4 139	2 390
8. Capital expenditure incurred			
Capital expenditure additions including software	5 881	4 850	10 779

9. Borrowings

During the current period the Group obtained a loan from Vodafone Investments Luxembourg s.a.r.l. with a nominal value of R2 576 million to finance the acquisition of an additional 17.2% interest in Vodacom Tanzania Limited. The loan bears interest payable quarterly at three-month JIBAR plus 1.20%, is unsecured, has a five year term and is ultimately repayable on 25 April 2019.

Also refer to Note 13.2 for extension of payment terms approved after the reporting date.

10. Broad-based black economic empowerment ('BBBEE') arrangement

During the current period the Group advanced BBBEE through direct shareholding in Yebo Yethu Limited ('Yebo Yethu')1 by the establishment of the Innovator Trust. The Innovator Trust utilised the loan funding obtained from Vodacom (Pty) Limited to acquire Yebo Yethu shares from the black public. As a result, the Group reclassified R324 million from equity to liability in terms of IFRS 2: Share-based payment.

1. A ring-fenced limited purpose vehicle whose purpose is to acquire and hold Vodacom (Pty) Limited shares for the benefit of shareholders.

11. Contingent liabilities

11.1 Guarantees

The Group issued various guarantees, relating to the financial obligations of its subsidiaries, which amounted to R112 million (30 September 2014: R87 million; 31 March 2014: R93 million).

Vodacom (Pty) Limited provides a guarantee for borrowings entered into by Vodacom Group Limited. At 30 September 2014, R1 583 million of the borrowings under guarantee was utilised (30 September 2013 and 31 March 2014: RNil).

11.2 Tax matters

The Group is regularly subject to an evaluation by tax authorities of its direct and indirect tax filings. The consequence of such reviews is that disputes can arise with tax authorities over the interpretation or application of certain tax rules applicable to the Group's business. These disputes may not necessarily be resolved in a manner that is favourable to the Group. Additionally, the resolution of the disputes could result in an obligation to the Group.

The Group has considered all matters in dispute with tax authorities and has accounted for any exposure identified, if required.

11.3 Legal contingencies

The Group is currently involved in various legal proceedings and has, in consultation with its legal counsel, assessed the outcome of these proceedings. Following this assessment, the Group's management has determined that no provision is required in respect of these legal proceedings as at 30 September 2014. Litigations, current or pending, are not likely to have a material adverse effect on the Group.

12. Other significant matters

12.1 Mobile termination rates ('MTR')

Following a ruling in which the High Court in South Africa declared that the reduction of MTRs were unlawful, the Independent Communications Authority of South Africa ('Icasa') conducted a wholesale call termination market review resulting in the promulgation of final MTR regulations on 29 September 2014. The MTRs are 20 cents per minute for the periods 1 October 2014 to 30 September 2015, 16 cents per minute for the periods 1 October 2015 to 30 September 2016 and 13 cents per minute for the periods 1 October 2016 to 30 September 2017, for Vodacom and MTN, with asymmetrical rates for smaller mobile service providers at 31 cents, 24 cents and 19 cents per minute, for the aforementioned periods.

12.2 VM, SA option

Options held by non-controlling parties over the shares of VM, SA were exercised on 26 August 2014 by way of a funding arrangement, subject to approval by the Bank of Mozambique. The transaction will be recognised once the suspensive conditions have been met.

12.3 Vodacom Congo (RDC) SA ('Vodacom Congo')

The Group obtained a favourable outcome in the final hearing with regards to the International Chamber of Commerce arbitration with Congolese Wireless Network s.a.r.l., the other shareholder in Vodacom Congo. The Group is still pursuing a settlement with that shareholder.

12.4 Nashua Mobile (Pty) Limited ('Nashua Mobile')

On 11 April 2014, the Group entered into a purchase agreement in terms of which Nashua Mobile will dispose of its Vodacom customer base to the Group. The transaction was unconditionally approved by the Competition Tribunal on 29 September 2014 and will be accounted for on the successful migration of the customer base.

12.5 Proposed acquisition of Neotel (Pty) Limited ('Neotel')

The transaction remains subject to the fulfilment of a number of conditions precedent, including the regulatory approvals by both the Icasa and the Competition Tribunal.

13. Events after the reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

13.1 Dividend declared after the reporting date and not recognised as a liability

An interim dividend of R5 580 million (375 cents per ordinary share) for the year ending 31 March 2015, was declared on Friday 7 November 2014, payable on Monday 1 December 2014 to shareholders recorded in the register at the close of business on Friday 28 November 2014. The net dividend after taking into account dividend withholding tax for those shareholders not exempt from dividend withholding tax is 318.75000 cents per share.

13.2 Modification of debt repayment terms

The Board approved the extension of the payment terms of the R3 000 million funding obtained from Vodafone Investments Luxembourg s.a.r.l. which was originally repayable on 23 November 2014. The Group is currently finalising borrowing terms and will reclassify the funding to non-current liabilities.

14. Financial instruments' fair value

The Group holds money market investments, foreign forward exchange contracts, interest rate swaps and unit trusts at fair value, none of which have a material fair value as at 30 September 2014. Fair value related disclosure will be made in the Group's consolidated annual financial statements for the year ending 31 March 2015. As the investments in unit trusts are actively traded in an exchange market, they are classified as level one in the fair value hierarchy. All other mentioned financial assets and liabilities are classified as level two.

Reconciliation of normalised growth

	Reported1	Trading foreign exchange2	Translation foreign exchange3	Normalised
	% change	ppt	ppt	% change
	2014			2014
Service revenue				
Group	1.7	-	(1.5)	0.2
International	13.0	-	(7.4)	5.6
Revenue				
Group	2.3	-	(1.3)	1.0
International	12.7	-	(7.6)	5.1
Total expense				
International	10.2	0.1	(7.4)	2.9
EBITDA				
Group	(1.7)	0.9	(1.0)	(1.8)
South Africa	(5.1)	1.2	-	(3.9)
International	21.1	(0.5)	(8.4)	12.2
Operating profit				
Group	(5.7)	1.3	(0.6)	(5.0)
South Africa	(7.0)	1.4	-	(5.6)
International	13.5	(0.9)	(8.3)	4.3

The reconciliation represents normalised growth excluding foreign exchange gains/losses and at a constant currency (using current year as base). 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 auditors.

Notes:

1. The reported percentage change relates to the year on year percentage growth from 31 March 2013 to 31 March 2014. The Group's presentation currency is the South African rand. Our International operations include functional currencies mainly in United States dollar, Tanzanian shilling and Mozambican metical. The prevailing exchange for the current and comparative periods is disclosed above.
2. Trading foreign exchange are foreign exchange gains/losses on foreign denominated monetary assets and liabilities resulting from trading activities of entities within the Group.
3. 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 current period's average rate (which is derived by dividing the individual subsidiary's translated rand value with the functional currency for the year) to prior year numbers, thereby giving a user a view of the performance which excludes exchange variances. The prevailing exchange for the current and comparative periods are disclosed above.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. This announcement contains certain non-IFRS financial measures which has not been reviewed or reported on by the Group's auditors. The Group's management believes these measures provide valuable additional information in understanding the performance of the Group or the Group's businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures. Refer above for detail relating to EBITDA and headline earnings per share.

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Forward-looking statements

This announcement which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 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.

Corporate information

Directors

MP Moyo (Chairman), MS Aziz Joosub (CEO), DH Brown, IP Dittrich, M Joseph1, HMG Dowidar2, TM Mokgosi-Mwantembe, PJ Moleketi, JWL Otty3, RAW Schellekens4, S Timuray5

1. American 2. Egyptian 3. British 4. Dutch 5. Turkish

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SF Linford

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Debt Sponsor
ABSA Bank Limited (acting through its Corporate and Investment Banking division)

ADR depositary bank
Deutsche Bank Trust Company Americas