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Manufactured capital

Our manufactured capital provides connectivity for over 200 million customers across the African continent, supporting rural villages, capital cities, entrepreneurs, small and medium-sized businesses to multinational organisations and individual customers.



What manufactured capital means to Vodacom

Vodacom's manufactured capital encompasses a network footprint across Africa, including base stations, masts, fibre, microwave transmission, and distribution channels. This includes our hardware, undersea capacity, site infrastructure and professional services that support new physical site deployment. We prioritise upgrades to both hardware and software to continuously improve the overall network capacity, develop new technologies for system compatibility, and invest in network maintenance and reliability. Collaboration through partnerships and joint ventures supports our manufactured capital expansion, optimising assets through sharing, and improving our reach. Our manufactured capital is further enhanced by our extensive retail and merchant presence, digital channels, point-of-sale terminals and M-Pesa agents.



How manufactured capital supports our purpose and strategy

Our primary purpose of connecting people for a better future is enabled by the foundation of providing internet access and connectivity, on which digital societies are built. Our manufactured capital forms the backbone of our operations and powers our strategy, the **System of Advantage**.

We are committed to building the best infrastructure for mobile and fixed in support of our strategic ambition of becoming Africa's leading connectivity, digital and FinTech operator. Our customers remain our core focus, and our manufactured capital provides opportunities to improve on customer value proposition as our diverse and innovative solutions thrive on a reliable network. We have invested R78.1 billion in total over the last five years to extend our network and rural coverage, maintain market share leadership, develop systems to empower our channels and achieve leadership in network NPS.



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Our manufactured capital at a glance

Our key focus areas	Key FY2024 achievements	Strategic pillar affected
Strengthening our presence in Africa	<ul style="list-style-type: none"> Connecting over 203.1 million customers across our eight markets in Africa (FY2023: 185.8 million), including Safaricom Egypt fully integrated into the Group Ethiopia gaining traction, albeit slower than anticipated, since launching in FY2023 	1 2
Expanding and enhancing our network reach	<ul style="list-style-type: none"> Group sites added: <ul style="list-style-type: none"> 5G sites: 900 (FY2023: 1 150) 4G sites: 2 306 (FY2023: 2 352) 2Africa subsea cable landed in South Africa (Eastern Cape) and Mozambique 	1 2 8
Investing in network resilience to retain leadership	<ul style="list-style-type: none"> R20.4 billion capital investment in network capacity and resilience (FY2023: R16.5 billion) Achieved #1 network NPS leadership in four of our six OpCos, and #1 in Kenya #1 in drive testing in Egypt, Lesotho, Mozambique, South Africa and Tanzania Vodacom named “Most Reliable Network” and “Best In Test” network in South Africa, by umlaut 	2 5 8
Driving digital inclusion through smartphone penetration	<ul style="list-style-type: none"> Our smartphone customer base has reached 74.4 million, up 9.1% (and 97.3 million including Safaricom), supported by new innovative financing model pilots Smartphone penetration <ul style="list-style-type: none"> South Africa: 61.7% (FY2023: 64.5%) International business: 35.2% (FY2023: 32.9%) Egypt: 74.3% 	3 5
Supporting growth of government and business with our digital services infrastructure	<ul style="list-style-type: none"> Increasing multi-sector cloud transformations for a range of enterprises 47 data centres across our footprint Enhancing our broadband enterprise portfolio of offerings, including SD-WAN 	2 4
Enhancing our retail and agent presence	<ul style="list-style-type: none"> International business retail points of presence exceeded 300 000 from 240 000 in FY2023 Increased our M-Pesa agents to 616 791 (FY2023: 552 612) 	4 5

The value we create, preserve and erode

- Value created
- Value eroded
- Value sustained

Strengthening our presence in Africa

One of our strategic ambitions is to become Africa’s leading communications company. We continue to seek synergistic partnerships for growth in our operating countries, including acquisitions, joint ventures, partnership agreements and infrastructure sharing that are tailored to the context of the operating countries in which they take place. Being meticulous in our approach capital allocation is essential to ensuring success in a continent as diverse as Africa.

Egypt synergies contributing to Group success

- Since the finalisation of the transaction in December 2022, **Egypt** has become **fully integrated** into the Group, providing high-quality network and data services. This strengthens our position as a leading pan-African connectivity, digital and FinTech operator with a diversified product proposition and geographic presence while accelerating our growth profile.

Egypt is a best-in-class operator and was awarded Best Mobile Performing Network by umlaut in 2024, Best Performing Fixed Broadband Network award by umlaut Crowd Sourcing in 2023, and Best Network Coverage by Crowd Sourcing – OpenSignal FY2023/24. From this position of strength, attractive synergies exist for shared best practices across the Group in terms of financial services and technology platforms, scaling our products and services, enterprise solutions, global partnerships and talent sharing.

For more information on how Egypt contributes to our intellectual capital, see **Page 80**

Manufactured capital continued

Strengthening our presence in Africa continued

Navigating a new market in Ethiopia

- Safaricom Ethiopia, a Safaricom-led consortium and Vodacom associate, switched on its mobile telecommunications network and services in October 2022, subsequently rolling out over 2 800 sites and **reaching 38% of the population** in FY2024. Access to connectivity for the population of approximately 130 million remains a challenge. As such, we aim to support Ethiopia through our financial, digital and connectivity services. We are committed to enabling inclusive development in the country over the long term and navigating this new market with due care and planning.



Exploring partnerships for fibre connectivity

- Vodacom continues to explore partnership opportunities to bring fibre connectivity and drive digital inclusion across all of our markets.

In South Africa, our proposed Maziv transaction, which would be a joint venture that will house the fibre assets of Vodacom South Africa and CIVH, aims to narrow the digital divergence in South Africa by enabling affordable access to connectivity in some of the most vulnerable parts of the country through an ambitious fibre rollout programme. In May 2024, the Competition Tribunal – an independent adjudicative body – heard our public interest and pro-competitive arguments for the transaction to proceed. The Tribunal has yet to conclude the hearings and provide its findings.

Optimising our assets through sharing

- TowerCos provide an opportunity to enhance asset returns, lower costs to communicate, and further our ambitions to connect for a better future. Across our markets, we are looking for like-minded partners to establish TowerCos to improve efficiencies and accelerate the rural rollout of towers.

In FY2024, we finalised the separation of our South African tower portfolio into a stand-alone TowerCo business, which was incorporated as Mast Services (Pty) Limited.



Expanding and enhancing our network reach

Vodacom is committed to delivering the most advanced communication technology across all our markets to empower a digital society and accelerate inclusion for all. In FY2024, we invested R20.4 billion in our network (FY2023: R16.5 billion). Our strategy – the System of Advantage – focuses on expanding and developing our network through mobile, fibre, undersea cable, or from space through satellite, and enables us to accelerate economic growth through the provision of accessible and affordable products and services aligned to the customers’ needs.



Refer to **Page 36** to read more about our products and services and **Page 26** to read more about how we support inclusion for all.

Increasing our network coverage

- We made good progress in the financial year on our Tech2025 strategic goal and our stated commitment¹ to **drive 4G coverage**. Our Group 4G sites have increased by 7.4%, with International business sites up 22.1%. In addition, having been the first operator to launch 5G services in Africa, we are pleased with our progress in making 5G services available across our markets. We now offer 5G services in five out of our eight markets. Our efforts to increase coverage and offer competitive products and services have grown our data customers by 10.5% to reach 82.1 million (FY2023: 74.3 million) and 106.4 million, including Safaricom.

	2024	2023
Network sites		
Total sites, including Safaricom	46 273	42 603
4G population coverage		
South Africa	98.7%	98.5%
Egypt	98.1%	97.5%
DRC	37.2%	33.7%
Lesotho	96.0%	94.0%
Mozambique	86.6%	80.0%
Tanzania	66.1%	56.2%

Advancing rural coverage

We continue to scale within our existing footprint and explore partnership opportunities in rural connectivity, making progress on innovative new financing models for rural base stations. We are partnering with governments, mobile operators, TowerCos and over-the-top service providers to scale innovative solutions for rural coverage.

- In South Africa, the number of rural network sites reached 5 485 (FY2023: 5 266).
- In Tanzania, we actively participated with the government through the Universal Communications Service Access Fund (UCSAF) to support network rollout in underserved areas. Across our International business we added 232 rural sites in FY2024.
- Our commitment to connecting rural Egypt is reflected in the growth and number of sites. In FY2024, Egypt’s rural sites reached 4 075, with 217 sites added during the year.

1. In FY2022, Vodacom made a five-year commitment as part of the International Telecommunication Union’s Partner2Connect programme to increase 4G population coverage by an additional 70 million people across our footprint.

Managing foreign exchange depreciation and volatility

- Across our markets, hard currency-denominated capital expenditure accounts for between 40% and 60% of our budget. We manage foreign exchange risk by using forward exchange contracts, where possible, and by delivering within a targeted capital intensity ratio of 13% to 14.5% of Group revenue. In FY2024, the average ZAR rate depreciated by 10.2% to the US dollar, negatively impacting the purchasing power of hard currency capital expenditure in South Africa.



For more details on our population coverage in our markets, see **Where we operate** on **Page 06**

Case study

2Africa undersea cable expands rural network coverage

The **2Africa** project is helping to build an inclusive digital society on the continent and around the world. The subsea cable system enables more communities to access transformative online resources, from education and healthcare to jobs and financial services, and experience the economic and social benefits of seamless connectivity.

The **2Africa** subsea cable, the largest subsea cable system in the world, landed at the Vodacom network facility in Gqeberha, South Africa, in January 2023. This is the first submarine cable landing in the Eastern Cape region, promising greater internet capacity and acceleration of connectivity across the province and supporting South Africa’s growing digital economy.

The cable system’s landing in the Eastern Cape offers the potential for much-needed regional job creation in sectors that rely on direct international connectivity, such as data centres, call centres and software development. This employment opportunity can help to contribute to both local and national socioeconomic development.

2Africa also landed at Vodacom’s stations in Maputo, Mozambique, in 2023 and recently completed the **2Africa** North final splice, which is the very last joint and fibre splice of a submarine cable system that allows for a complete end-to-end optical fibre system.

The **2Africa** project underpins further growth of 4G, 5G and fixed broadband access by providing improved connectivity to underserved and rural areas, as well as network resilience from the Eastern Cape to the rest of South Africa.

Manufactured capital continued

Investing in network resilience to retain leadership

Across our OpCos, we face various challenges to network resilience, including the availability of grid-based power, theft and vandalism, and extreme weather events. As such, we have accelerated technology-related operating expenditure and capital investment to manage these challenges and keep our customers connected. Our success in doing so is reflected in our network leadership position across our markets.

Maintaining technology resilience

Our industry faces network challenges related to cyber threats, theft and vandalism, power shortages and natural disasters. Due to our successful management of these challenges across our footprint, we remain class-leading in terms of network resilience.

- The Group has achieved **#1 in network NPS** in Kenya, Lesotho, Mozambique, South Africa and Tanzania.
- ✔ Vodacom was named as South Africa's "Most Reliable Network" and "Best In Test" ahead of competitors by independent benchmarking organisation umlaut, which is part of Accenture.
- Maintained **#1 in Drive Testing** according to umlaut in Lesotho, South Africa and Tanzania. We also ranked first in local drive testing in Egypt and Mozambique.
- ✘ Despite the severity of loadshedding in South Africa, Vodacom has been able to mitigate the effects of loadshedding through its substantial investment in battery backup power. While grid availability has decreased by an estimated 23.5% between 2021 and 2023, Vodacom network availability has only decreased by 2.29% during the same period.

- ✘ In South Africa, we have invested R5 billion over five years in batteries to support class-leading resilience. This allocation of capital into batteries is not optimal and dilutes our potential spend on digital and financial inclusion, while also impacting our depreciation charge as a result of the lower useful life of batteries compared with network infrastructure.
- Our technology resilience programme ensures all technical recovery plans are periodically reviewed and maintained as needed. All critical systems are tested to provide auditable proof of recovery capabilities while also ensuring the right plans – including geo-resilient architectures and capabilities – are in place to meet the prescribed recovery time and recovery point objectives.
- ✘ Group **energy costs** were up more than 20% in FY2024, negatively impacting our EBITDA performance. In South Africa, energy costs were impacted by grid availability challenges and a 19% increase in the price of electricity. Energy costs account for 19.6% of Group operating expenses.

Driving digital inclusion through smartphone penetration

Vodacom is focused on increasing smartphone penetration to bridge the digital divide. Our initiatives, including device subsidies, financing, bundled plans and refurbishing, bringing more affordable smart devices into the market.


Driving digital inclusion through device penetration

- ✔ We are focused on supporting the migration from 2G/3G technology to 4G/5G technology to ensure customers have access to devices to drive mobile internet access. In FY2024, we saw a reduction in customers using 2G/3G devices, while the use of 4G/5G devices continues to grow. This trend reflects customer demand for up-to-date technology to support their access to content and services that meet their needs. Across International business, smartphone penetration increased to 2.3pp to 35.2%.
- ✔ Vodacom subsidises affordable 4G-capable smartphones. In FY2024, we invested more than R250 million in prepaid device subsidies in South Africa. In addition, the Group is making progress in securing access to a 4G cloud smart feature phone for less than US\$15. We expect to launch this phone in FY2025.
- ✔ We piloted affordable, flexible, all-in-one prepaid **device financing bundles** in several of our markets that aim to make smartphones available to more customers. The product provides device financing and includes voice and data services in one package with various payment options, from daily to monthly instalments, to meet customer needs.
- As part of our drive to enhance affordability, we encourage customers to consider buying refurbished devices, certified Good as New and sold with a six-month warranty through our retail stores in South Africa.
- ✔ In Kenya we launched a state-of-the-art smartphone assembly plant. Through local assembly we are able to meaningfully reduce smartphone device costs, while also creating employment opportunities. We intend to scale local assembly across the Group over the medium term.

Supporting growth of government and business with our digital services infrastructure


Manufactured capital capacity is an essential part of providing government and businesses with digital services to become a digital partner of choice. We increase our digital services infrastructure capacity through our data centres, SD-WAN connections, mobile private networks, and IoT-managed services and connectivity.

Increasing capacity in cloud and hosting services

-  Enterprise customers increasingly use hybrid cloud technology strategies, including multi-cloud deployment models, to take advantage of the scalability and flexibility of the cloud-based technologies offer. We accelerate business connectivity through cloud and hosting services in South Africa through our 24 owned and leased **data centres**, with 10 MW of capacity. Our other OpCos provide cloud and hosting services through 23 data centres.

Increases in our built capacity and service offering have increased our cloud-based revenue from R524 million in FY2023 to R685 million in FY2024, of which enterprise customers opting for a hybrid cloud technology strategy represent 78% of our customer base.


Increasing our SD-WAN connection capacity

-  **SD-WAN** offers intelligent connectivity, along with high-speed dedicated or broadband connection, with greater efficiencies and control through a management portal that provides complete network visibility. We were the first African TelCo to attain the MEF 3.0 SD-WAN certification.

Enhancing our retail and agent presence


Our retail and agent presence across our footprint supports our digital ecosystem, representing the closest point of contact our manufactured capital has to our customers. Our Vodacom branded stores and M-Pesa agents play an important role in supporting our customer experience.

Transforming our retail presence


-  Transforming our retail presence into innovative stores, embodying our vision of the future store experience, continued in FY2024 with 34 additional stores in South Africa being refreshed. Our store refresh model takes a collaborative approach to creating a future-ready retail environment by integrating physical and digital environments. This model caters to diverse consumer segments, including individuals, enterprises, and SMEs, offering a range of core and accelerator products and services.


Leveraging our global scale in IoT

-  We have unique scale and capabilities in the IoT segment, supported by Vodafone, the global connectivity leader in IoT. Our IoT connections reached 10.3 million in FY2024, with the majority originating from South Africa. As we drive uptake across critical sectors like healthcare, agriculture, energy, and education, we expect IoT to scale meaningfully across the Group.


 For further details on our IoT offering, refer to intellectual capital from **Page 76**

Technology unlocking mobile private network (MPN)

-  Vodacom's MPN is a dedicated network that allows businesses to interconnect people and things using 4G or 5G technology. While enabling new applications, an MPN can also support enterprises with a secure and reliable local network connectivity. Vodacom's MPN can deliver new possibilities for next-generation businesses, supported by multi-access edge computing. The combined solution delivers secure connectivity and powerful computing in real-time from the edge of the network in places that could not be connected previously.

 For details on how we build and customise our enterprise services, see intellectual capital from **Page 76**

Supporting M-Pesa and Vodafone Cash agents to scale financial and digital services

-  Vodacom Financial Services, M-Pesa and Vodafone Cash provide financial services¹ to 78.9 million customers. Across our **M-Pesa footprint**, including Safaricom, we reached over 1.0 million merchants (FY2023: 0.8 million) and 616 791 agents (FY2023: 552 612).

 For details on how we leverage our financial and digital services, see intellectual capital from **Page 76**

1. Includes airtime advance and express recharge.