

**VODACOM GROUP LIMITED**  
Annual Financial Results  
31 March 2009



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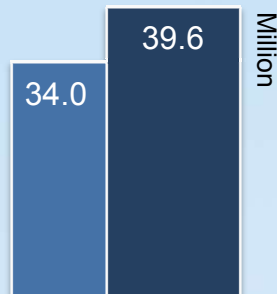
# Overview

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# Group highlights

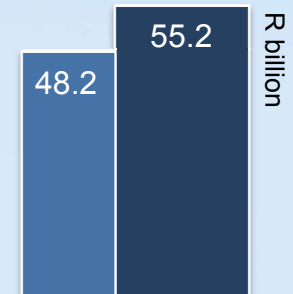
**16.5%**

growth in group mobile customers



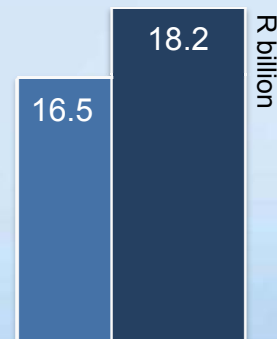
**14.5%**

growth in group revenue



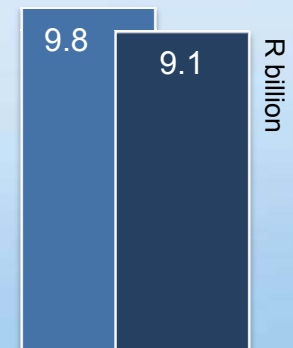
**10.5%**

growth in group EBITDA



**R9.1bn**

group operating free cash flow



■ FY 2008   ■ FY 2009

# Key developments

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- **BBBEE transaction completed in October 2008**
  - 6.25% of Vodacom SA sold to strategic partners, black partners, black public and employees
- **Acquisition of Gateway in December 2008**
  - New market entry points – physical presence in 14 African countries
- **Restructured balance sheet**
  - Funds raised to refinance debt and fund both Gateway and capital expenditure
- **Challenging economic environment**
  - DRC profitability negatively impacted by worsening economic climate
- **Subsidiary of Vodafone**
  - Part of the world's leading mobile communications group
- **Listed on the JSE Limited on 18 May 2009**

# Delivery against strategic objectives

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## ○ **Grow core mobile business**

- Highest level ever of gross connections in South Africa
  - Maintained market leadership positions
- 

## ○ **Leadership in broadband**

- 80% increase in broadband customers to 720 000
  - 5 million unique mobile internet users
  - 1 million Vodacom email accounts
- 

## ○ **Develop new ICT solutions**

- Strong growth in On-line Services, Mobile Media and Social Media
  - Launch of M-PESA in Tanzania
  - Successful start to Vodacom Business
- 

## ○ **Expansion in sub-Saharan Africa**

- Acquisition of Gateway
  - 31% of mobile customers outside of South Africa
-

# Operational review

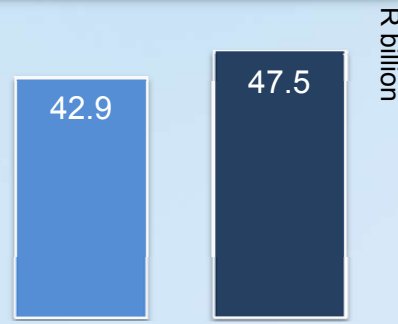
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## South Africa

# South African performance

Vodacom SA revenue grew by 10.8%, and despite the BBBEE transaction expenses and the investment in Vodacom Business, EBITDA margins were relatively stable

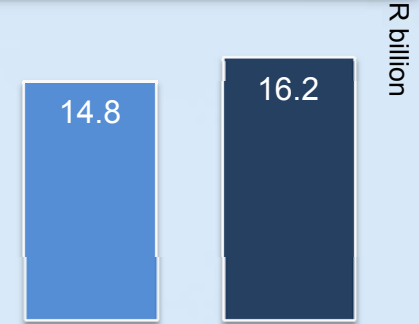
## Revenue



**10.8%**  
growth

FY 2008      FY 2009

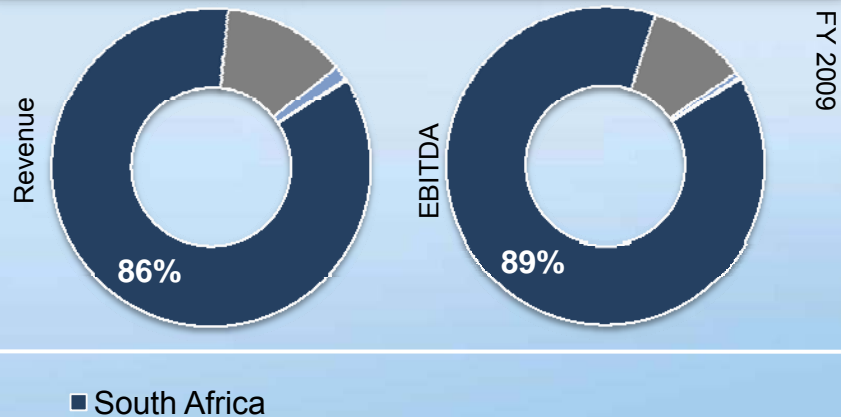
## EBITDA



**9.7%**  
growth

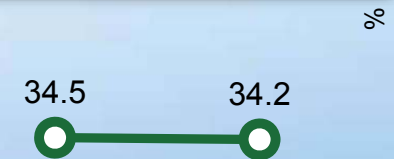
FY 2008      FY 2009

## Revenue and EBITDA contribution



■ South Africa

## EBITDA margin



**34.4%**

Excl the BEE  
transaction expenses

FY 2008      FY 2009



# Market developments

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## Economic

- **Slowing GDP growth**
- **SARB recently cut the repo rate by 100bps to 8.5% on back of subdued domestic growth and easing of inflation**
- **South Africa expects 200K net job losses this year, unemployment at 23.2%**

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## Competition

- **New Electronic Communications Act**
- **Increased price competition in the market**

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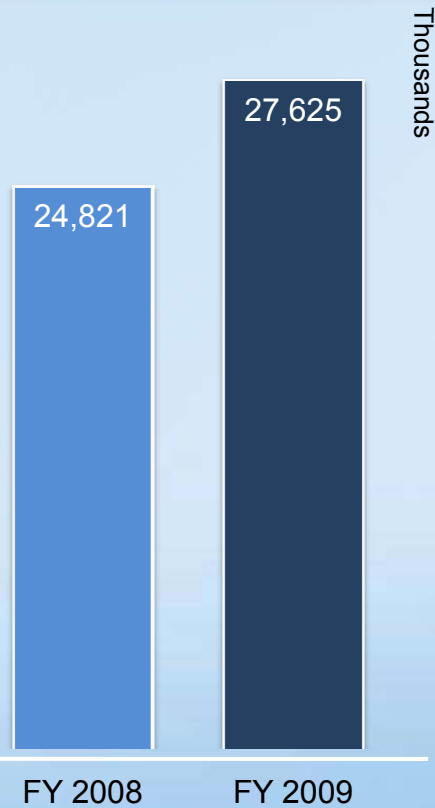
## Regulatory

- **New license fee regulation**
  - **RICA expected to be implemented in late 2009**
-

# Leading market share in mobile voice

Vodacom SA customer base grew 11.3% adding 2.8 million additional customers to reach 27.6 million. Vodacom maintained its leadership position with 53% share of customers and revenue<sup>1</sup>

Vodacom mobile customers



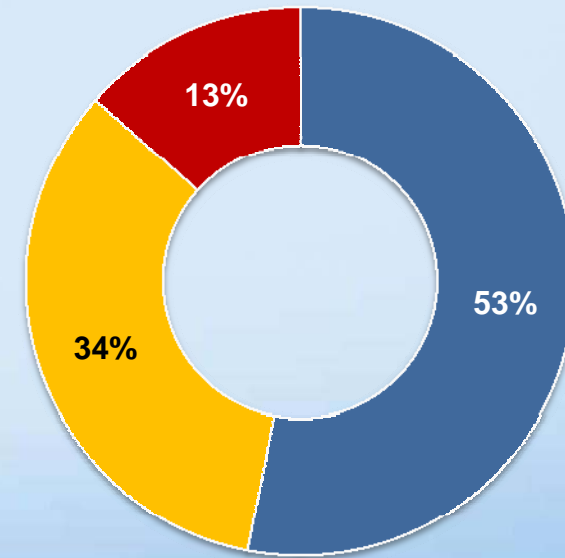
**2.8m**

customers added

FY 2008

FY 2009

Market share of mobile customers



As at 31 March 2009

■ Vodacom

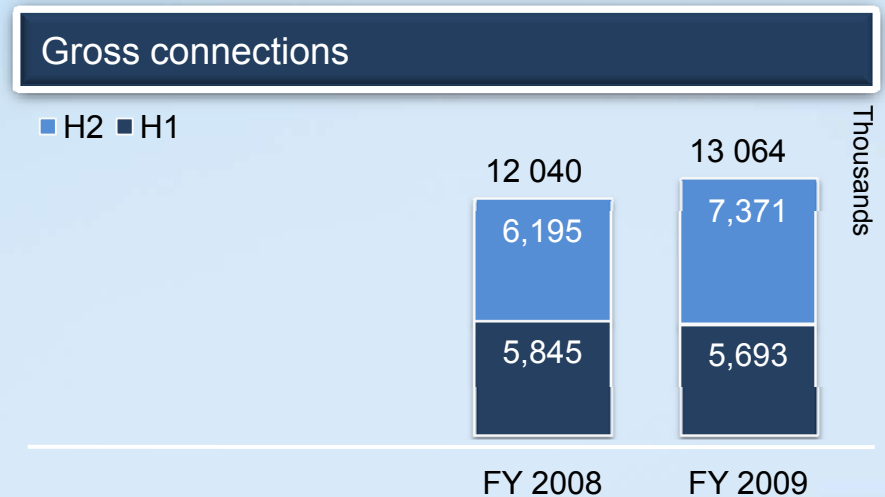
■ MTN

■ Cell C

1. Revenue market share based on company reported results for the 12 months to 31 December 2008

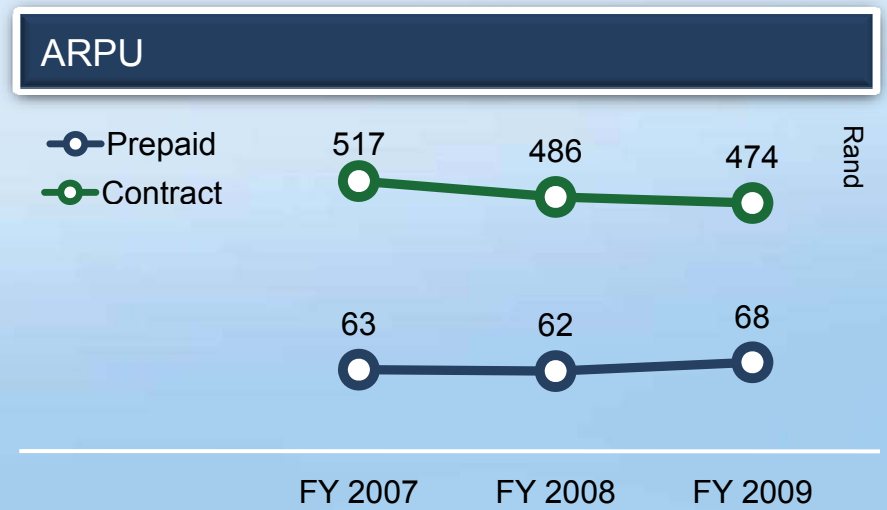
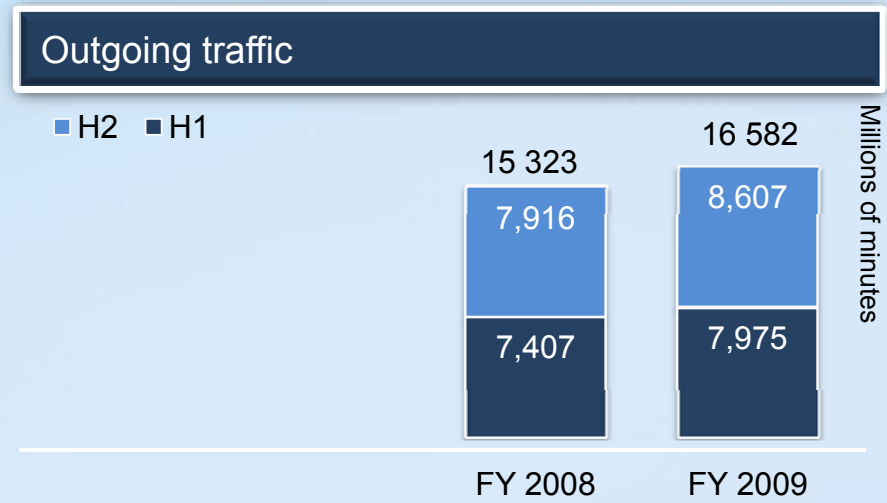
# Robust activity in the South African market

- **Gross connections reach record levels of more than 13 million**
- **8% increase in handsets sold**
- **Increased distribution points by more than 6 000**
- **Reduction in prepaid churn to 45.4% through focused campaign management**
- **Contract growth and churn impacted by slow down in economy**



# More affordable products driving usage

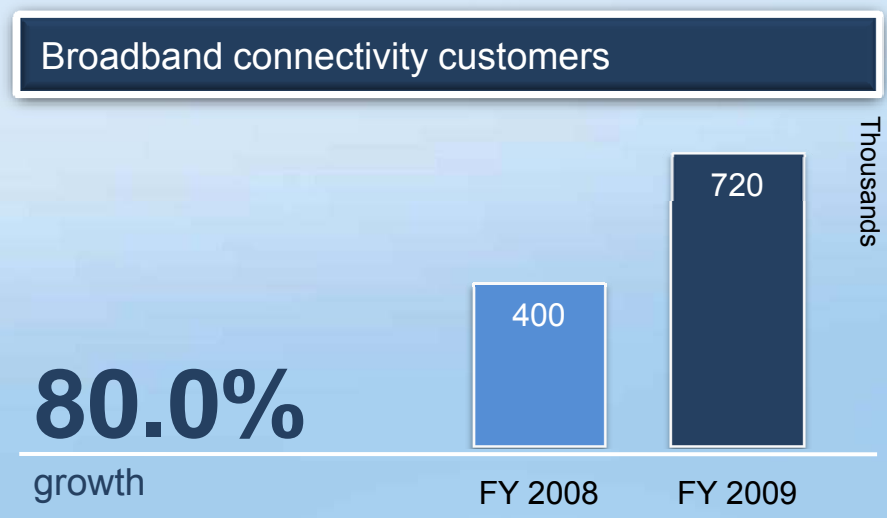
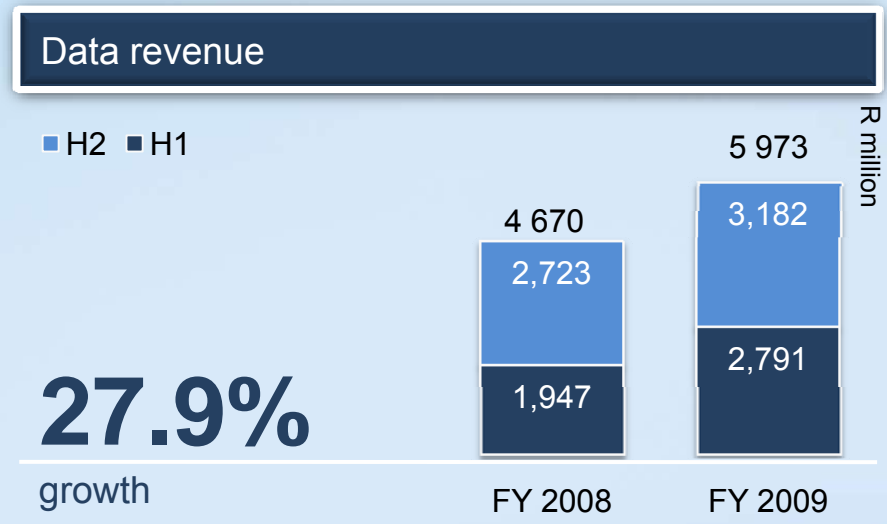
- **Outgoing traffic increased 8.2%**
- **Total ARPU increased 3.9% to R133**
- **Prepaid ARPU increased 9.7% to R68**
  - Yebo4Less
  - Lower denomination vouchers
- **Contract ARPU down 2.5% to R474**
  - Growth of low-end hybrid contracts
  - Customers not exceeding bundles
- **Promotions to add greater value**
  - March Madness, Night Shift



South African operations

# Strong growth in data revenue driven by broadband

- **97.8% growth in data traffic to 3 175 Tbytes**
- **27.9% growth in data revenue**
  - 69.3% increase in connectivity and usage revenue to R2.9 billion
- **Launch of new data packages**
- **Improving internet access**
  - Launched Mobile Internet in June 2008
  - 5 million unique Vodacom internet users
  - 1 million free Vodacom email accounts
- **Increasing penetration of 3G handsets**
  - 78.9% growth in 3G handsets to 2.8 million

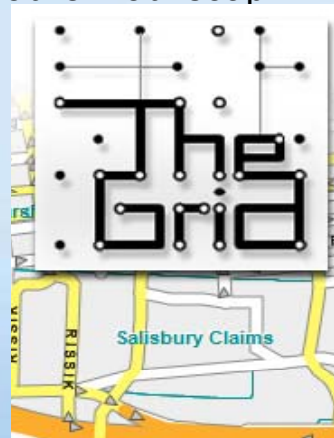


South African operations

# Progressing converged ICT solutions

## Consumer

- **On-line services**
  - *Vodafone live!* now has 2.8 million unique users
- **Mobile advertising**
  - Campaigns for over 130 unique brands
  - 18 million *Please call me* messages sent daily, advertising fully sold out
  - Launched a made-for-mobile mobi-soap fully funded by advertising
- **Social networking**
  - 320 000 registered users on the Grid, with over 2 million messages sent per month



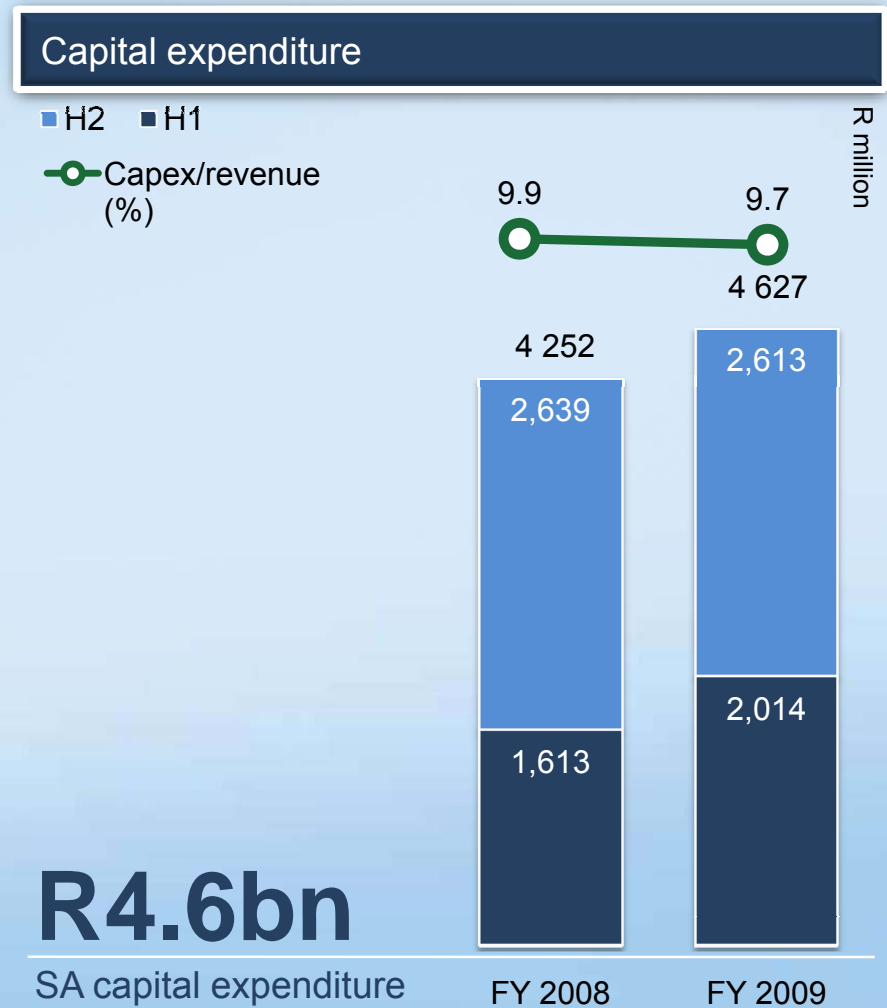
## Business

- **Comprehensive portfolio developed**
  - 28 products
- **Recruited resources**
  - Top talent recruited
  - Acquired control of StorTech
- **Substantial infrastructure investment**
  - Tier 1 internet network capability
  - Corporate grade national MPLS VPN
  - New data centre
- **Customer wins**
  - 60 corporate customers, with 15 customers in multi-year large contracts



# Continued capital investment to support growth

- **Capital expenditure increased 8.8%**
- **Radio access network investment**
  - Improving coverage and cost efficiencies
- **Continued network expansion**
  - 316 and 322 new 2G and 3G base stations
- **Self provisioning accelerates**
  - 8 of 11 fibre rings completed – 460kms
  - National longhaul fibre network agreement with MTN and Neotel
- **Secured future international bandwidth**
  - Major investor in the WACS, due to come on stream in 2011



South African operations

# Operational review

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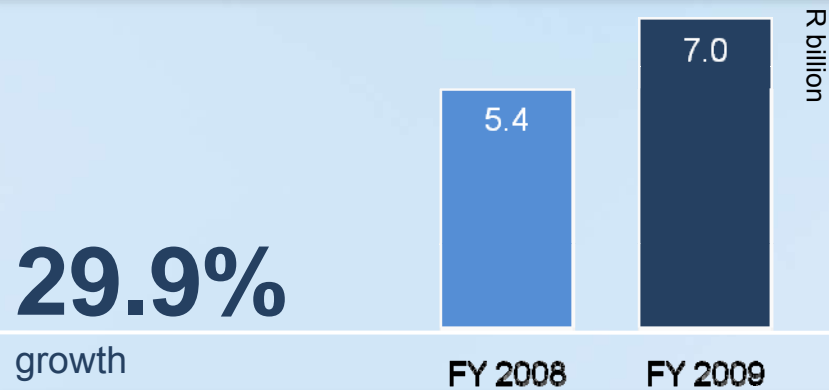
## International



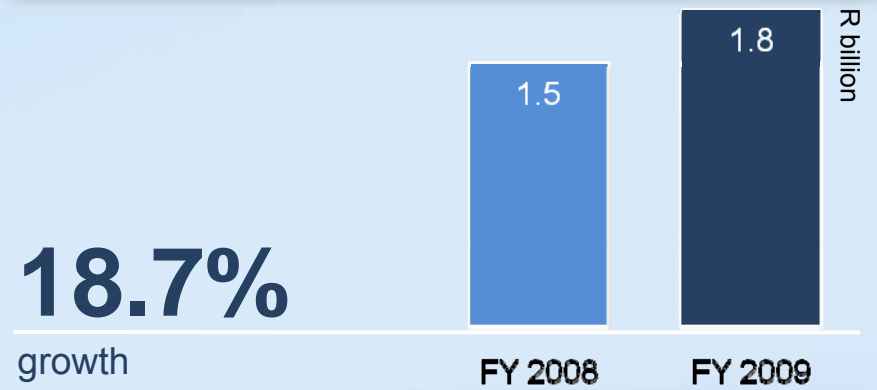
# International performance

Vodacom international revenue grew by 29.9% supported by customer growth of 30.7%. EBITDA margins impacted by the DRC. Margins in all the other operations improved

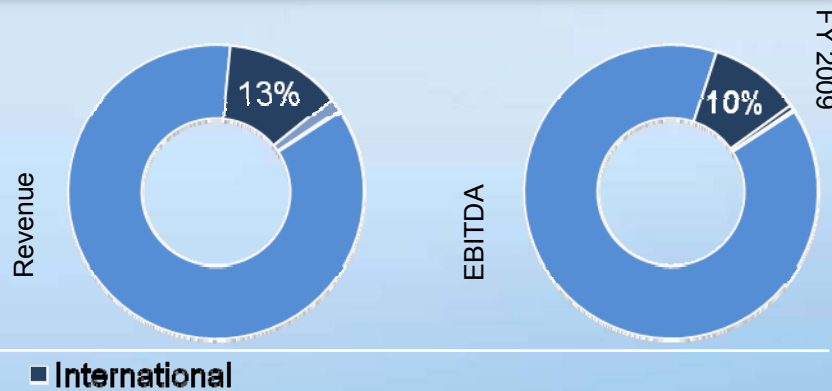
## Revenue



## EBITDA



## Revenue and EBITDA contribution



## EBITDA margin



# Market developments

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## Economic

- **DRC economy adversely impacted by mine closures**
- **Tanzania GDP growth slowing**

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## Competition

- **Price competition in Tanzania and DRC**

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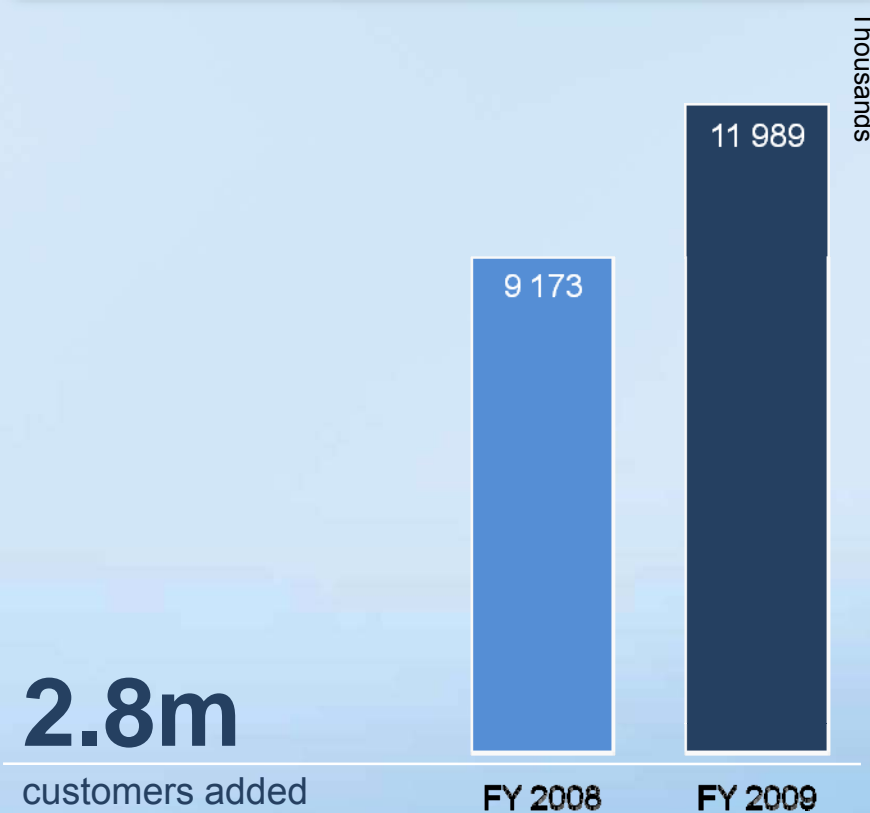
## Regulatory

- **Subscriber registration**
  - **Excise duty introduced in the DRC and Tanzania**
  - **End of tax concession in the DRC**
-

# Strong growth in international mobile customers

International customer base grew 30.7% adding 2.8 million additional customers to reach 12.0 million. Maintained leadership position in three countries and fast approaching the leader in Mozambique

Vodacom mobile customers



- **30.7% growth in the customer base**
  - launch of new products and services
  - sales campaigns
  - enhanced network coverage
- **Gross connections up 32.9% to 7.9 million**
  - Further penetration expected from lower cost handsets - sub \$15
- **Churn reduced in H2 across all countries**

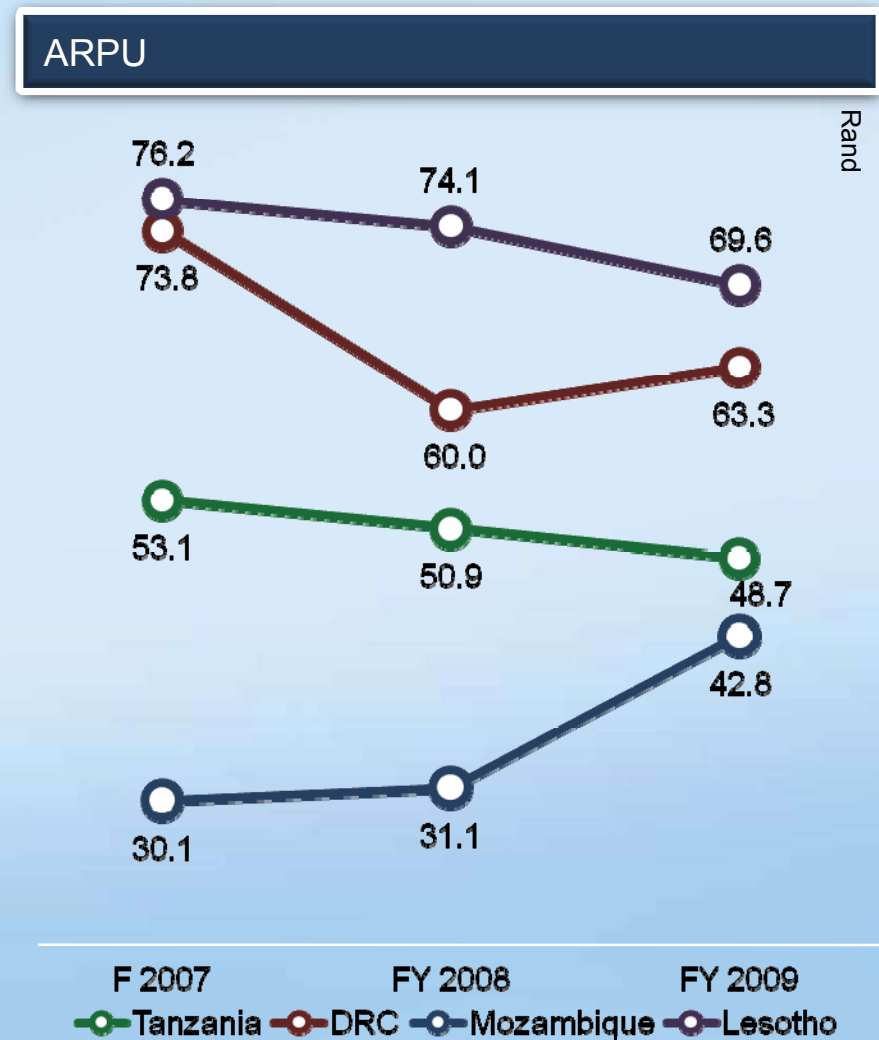
# More affordable products to respond to market conditions

## ○ Tanzania and DRC

- DRC and Tanzania local currency ARPU declined by 14.3% and 20.7%
- Various bonus airtime and on-net call promotions introduced
- Vodacom Tanzania launched Yebo4Less service offering

## ○ Mozambique

- In local currency, ARPU increased by 9.0% supported by tariff increases and increased usage from promotional tariffs offering free on-net calls



# Capital investment to support expansion

- **Capital expenditure increased 58.4%**
  - 34.4% of revenue
- **Increased network coverage**
  - 214 new base stations in Tanzania
  - 60 new base stations in Mozambique
- **Investment in data networks**
  - 3G in all major centres in Tanzania
  - EDGE deployed throughout Tanzania
  - Launched 3G and WiMAX in Lesotho



# Operational review

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## Gateway

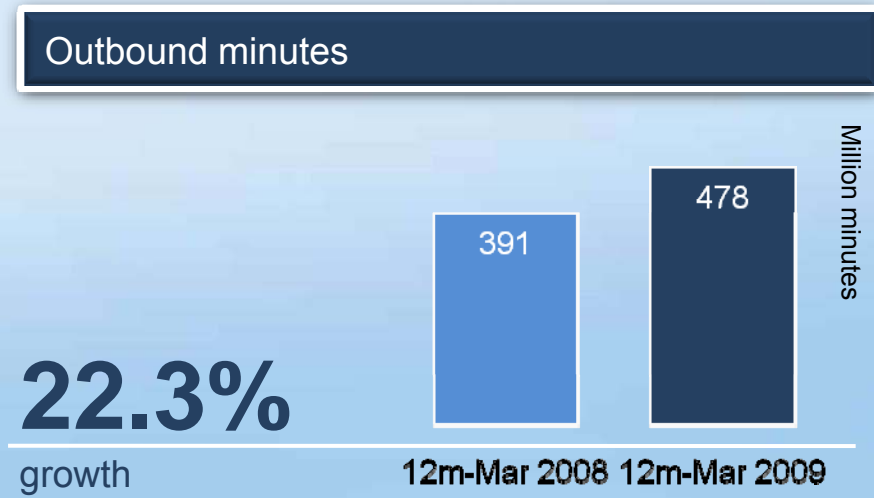
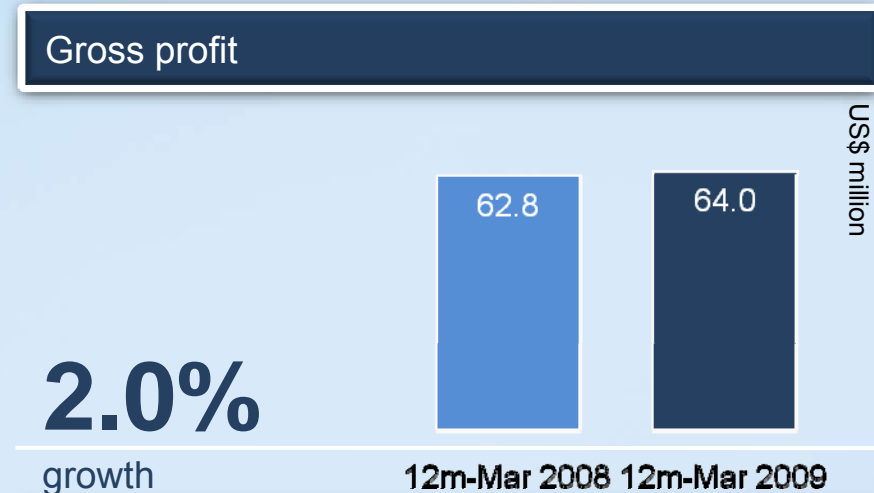
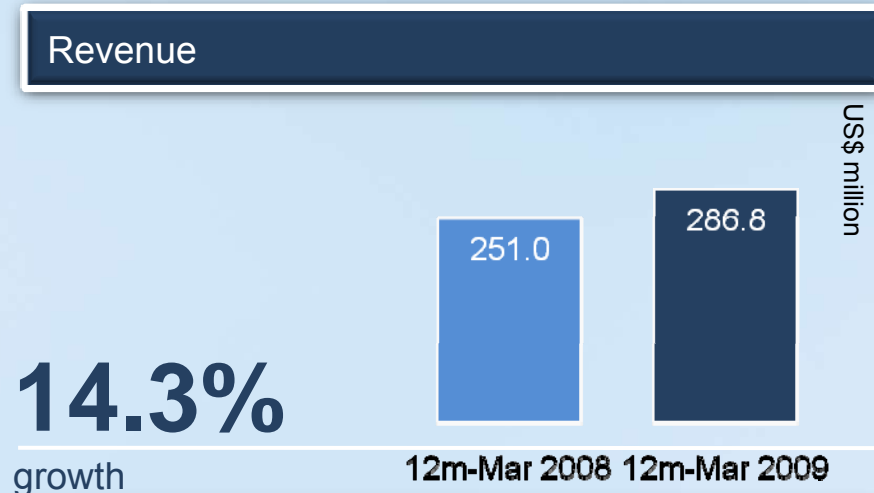
# Key Gateway developments

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- **Increased customer reach and network**
  - Expanded offices in Kenya and opened in Uganda
- **New product launches to address market demand**
  - Africa IPJetDirect – highly efficient mobile Internet offering for carriers
  - AfricaConnect on Ku band – cost effective VSAT solution for large site applications
  - Launch of MetroLink – broadband wireless solution
- **Expanded capacity positions for growth**
  - Over 20 additional transponders of capacity added in the last 12 months
  - Increased investment in undersea cable projects
- **Progress on Gateway integration**
  - Transfer of Vodacom traffic and satellite capacity progressing with group savings being realised
  - Creation of an African-wide MPLS network underway

# Carrier services performance impacted by global slowdown

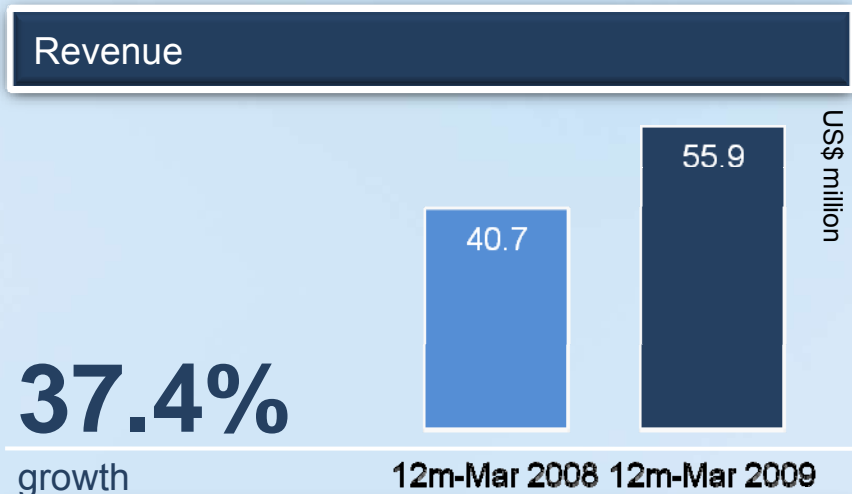
Traffic volumes continue to increase and steady carrier data growth. Overall margins impacted by market conditions





# Business services growth remained robust

Revenue increase driven by significant growth in services to Nigerian banks and oil companies



- **37.4% growth in business services revenue to US\$55.9m**
- **Business services gross profit margin of 45.3% in 12 months to March 2009 compared to 51.1% in the prior 12 month period**
  - Lower overall gross profit margin due to rapid revenue growth from Nigeria where margins are generally lower when compared to rest of continent
- **Gateway expansion into key African growth markets on track**
  - Focus on East Africa in preparation for SEACOM

# Financial review

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# Factors impacting results

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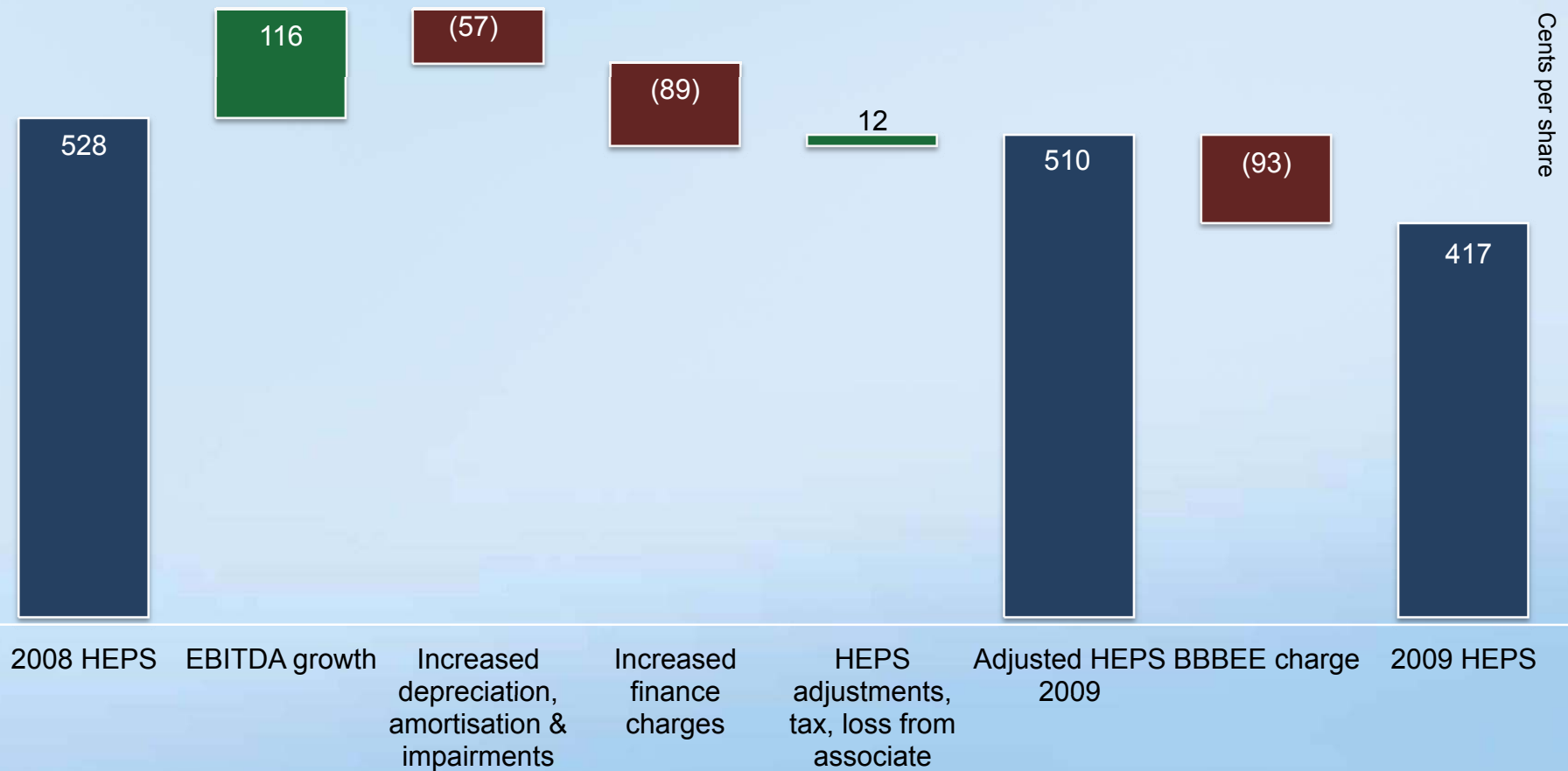
- **Vodacom SA BBBEE transaction**
  - BBBEE transaction expenses of R95 million included in EBITDA
  - BBBEE charge of R1.4 billion (non-tax deductible) reflected below EBITDA
- **Acquisition of Gateway**
  - Completed on 30 December 2008, results included for 3 months to 31 March 2009
  - Equity purchase price of R5.7 billion, goodwill arising of R5.4 billion
- **Debt raising and refinancing**
  - Net debt more than doubled from R8.7 billion to R17.5 billion, resulting in substantial increase in finance expenses
- **Depreciation of the rand**
  - Positive impact on the performance of the international operations
  - Negative for the South African maintenance costs, handset purchases and capital expenditure
- **Deteriorating economic environment**
  - DRC profitability negatively impacted by worsening economic climate
  - SA contract customers starting to contain spend

# Group income statement

R million	FY 2009	FY 2008	% change
<b>Revenue</b>	<b>55 187</b>	<b>48 178</b>	<b>14.5</b>
<b>EBITDA</b>	<b>18 196</b>	<b>16 463</b>	<b>10.5</b>
<b>Adjusted operating profit</b>	<b>13 387</b>	<b>12 491</b>	<b>7.2</b>
BBBEE charge	1 382	-	-
<b>Operating profit</b>	<b>12 005</b>	<b>12 491</b>	<b>(3.9)</b>
Net finance charges	(1 749)	(424)	-
Loss from associate	(19)	-	-
<b>Profit before taxation</b>	<b>10 237</b>	<b>12 067</b>	<b>(15.2)</b>
Taxation	(4 045)	(4 109)	1.6
<b>Net profit</b>	<b>6 192</b>	<b>7 958</b>	<b>(22.2)</b>
<b>Attributable to:</b>			
Equity shareholders	<b>6 089</b>	7 811	(22.0)
Minority interests	<b>103</b>	146	(29.5)

# Group headline earnings per share

Headline earnings per share impacted by the BBBEE charge of R1.4 billion, higher finance charges and increased depreciation from higher capital invested



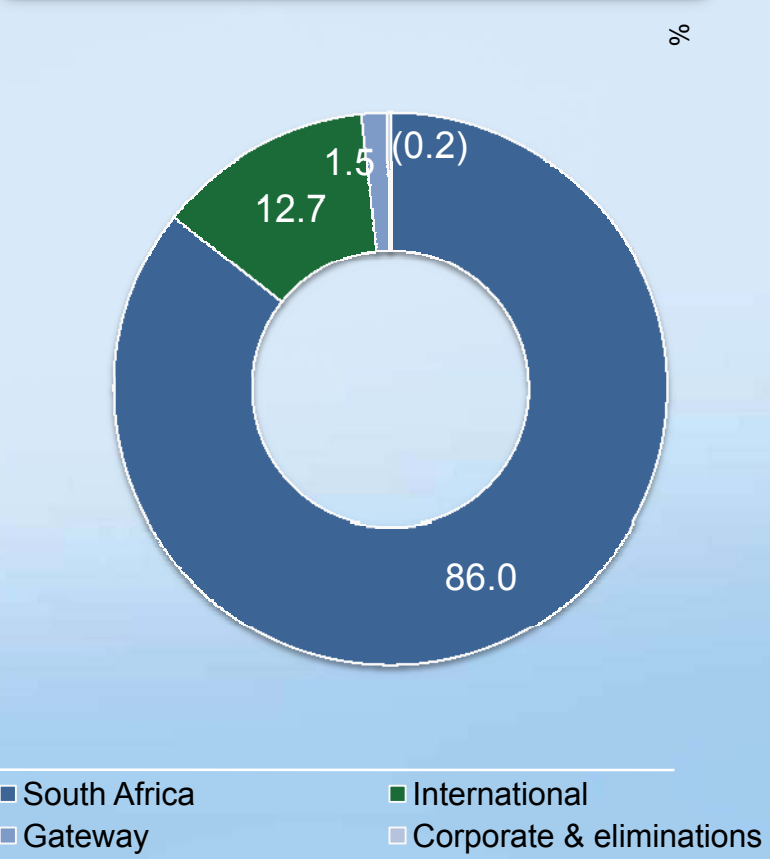
# Group revenue

Revenue growth of 14.5% driven by a 16.5% increase in the customer base to 39.6 million. Revenue contribution from the international operations increased from 11.2% to 12.7%

Group revenue growth



Group revenue composition



# Group EBITDA

EBITDA growth of 10.5% driven by revenue growth, offset by the BBBEE transaction expenses of R95 million, the investment in Vodacom Business and deterioration in DRC profitability

R million	FY 2009	% change
<b>South Africa</b>	<b>16 222</b>	<b>9.7</b>
<b>International</b>	<b>1 835</b>	<b>18.7</b>
Tanzania	1 049	37.1
DRC	743	(0.3)
Mozambique	(19)	40.6
Lesotho	189	36.0
Mauritius/eliminations	(127)	-
<b>Gateway</b>	<b>100</b>	<b>-</b>
Corporate/eliminations	39	-
<b>Total EBITDA</b>	<b>18 196</b>	<b>10.5</b>

## EBITDA margins

■ FY 2008 ■ FY 2009



# Group finance charges

Net finance charges increased due to increased borrowings, higher effective cost of borrowings, foreign exchange loss of R408 million for Gateway, offset by the gain on revaluation of DRC put option

R million	FY 2009	FY 2008	Movement
Finance income	108	72	36
Finance expenses	(1 460)	(681)	(779)
(Loss)/gain on foreign exchange forward contract revaluation	(567)	346	(913)
Gain/(loss) on revaluation of foreign denominated liabilities	228	(162)	390
Other	(58)	1	(59)
<b>Net finance charges</b>	<b>(1 749)</b>	<b>(424)</b>	<b>(1 325)</b>

*Includes the R408 million  
FEC loss on Gateway*

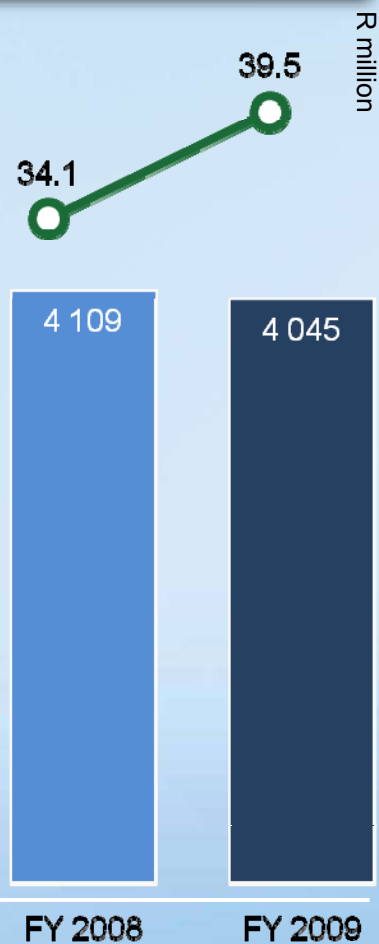
*Includes the R392 million  
on the revaluation of the  
DRC put option*



# Group taxation expense

## Group taxation expense

—○ Effective tax rate (%)



**1.6%**

decrease

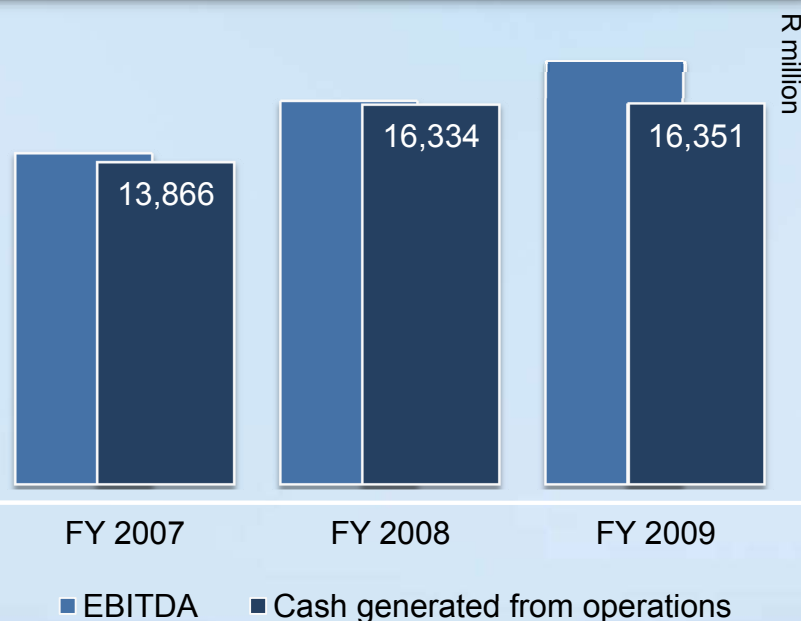
## Material items in tax reconciliation

%	FY 2009	FY 2008
<b>Normal tax rate</b>	<b>28.0</b>	<b>29.0</b>
Disallowed expenditure	2.5	1.0
BBBEE charge	3.8	-
STC	5.1	5.0
Other	0.1	(0.9)
<b>Effective tax rate</b>	<b>39.5</b>	<b>34.1</b>

# Group operating cash flow

Strong cash flow generation offset by once-off movements in working capital at year end

## Cash flow generated from operations



## Movements in working capital

R million	FY 2009	FY 2008
Trade debtors	(1 371)	(985)
Deferred cost	217	(55)
Inventory	33	(259)
Trade creditors and other	(653)	965
Deferred revenue	(56)	236
	<b>(1 830)</b>	<b>(98)</b>

### Working capital impacted by:

- The conversion of a deposit guarantee to a demand guarantee to the value of R602 million
- The early settlement in the prior period of a debtor to the value of R391 million
- The once-off impact of normalising trade creditor payments of approximately R450 million

# Group summarised balance sheet

Balance sheet impacted by the Gateway acquisition, BBBEE transaction and the raising of new debt. The balance sheet remains strong, with the net debt to EBITDA at 1.0x at 31 March 2009

R million	FY 2009	FY 2008	Movement	
<b>Assets</b>				
PPE	21 844	19 120	2 724	Goodwill arising from Gateway acquisition of R5.4 billion
Intangible assets	11 794	4 224	7 570	
Other non-current assets	1 586	1 124	462	Includes Gateway current assets of R908 million
Current assets	12 135	9 707	2 428	
<b>Total assets</b>	<b>47 359</b>	<b>34 175</b>	<b>13 184</b>	
<b>Equity and liabilities</b>				
Total equity	15 098	11 805	3 293	Includes an amount of R1.4 billion in NDR for the BBBEE charge
Interest bearing liabilities	16 205	6 126	10 079	Debt raising of R6.5 billion in Oct 2008 and R3.0 billion in Dec 2008
Dividends payable	2 211	3 190	(979)	
Other liabilities	13 845	13 054	791	
<b>Total equity and liabilities</b>	<b>47 359</b>	<b>34 175</b>	<b>13 184</b>	

## Group analysis of net debt

Debt was raised to restructure the balance sheet, support higher capital expenditure and to acquire Gateway. 93% of debt is at a floating rate and R3.0 billion is denominated in foreign currencies

R million	FY 2009	FY 2008
Cash and cash equivalents	(1 104)	(978)
Bank borrowings	2 203	2 597
Current liabilities	5 692	503
Non-current liabilities	8 316	3 032
<b>Net debt (excl dividends)</b>	<b>15 107</b>	<b>5 154</b>
Dividends and STC payable	2 430	3 509
<b>Net debt</b>	<b>17 537</b>	<b>8 663</b>
<b>Net debt/EBITDA (x)</b>	<b>1.0</b>	<b>0.5</b>

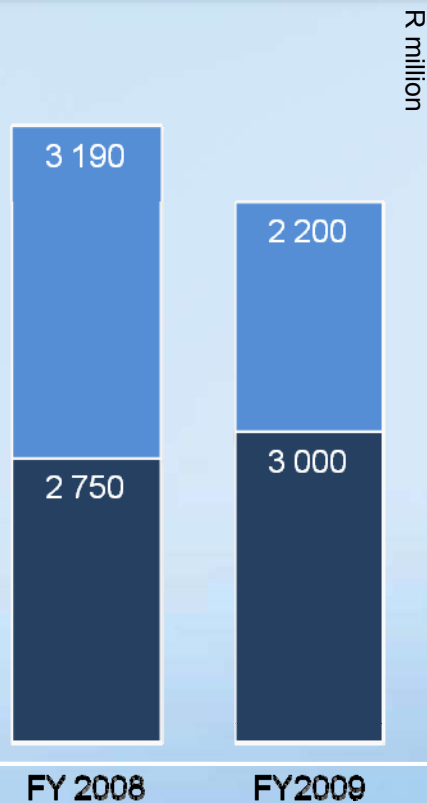


# Shareholder distributions

Vodacom's strong cash flow and balance sheet will provide the flexibility both to invest prudently in strategic growth opportunities and to return cash to shareholders on a sustainable basis

## Dividends

■ H2 ■ H1



## Dividend policy

- For the financial year ended 31 March 2010, Vodacom anticipates a dividend payout ratio of approximately 40% of headline earnings
- Dividends expected to be paid semi-annually
- Dividends will be determined at the discretion of the Board having regard to operating results, financial position, cashflow requirements, investment strategy, capital requirements and other factors

# Conclusion

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# Outlook and priorities

## Outlook

- **South African customer expected to remain under pressure**
  - Lower interest rate, inflation and fuel prices should provide relief
  - Negative impact expected to worsen in business segment
  - Further job losses expected
- **International markets trading condition remain challenging**
  - Worsening economic impact
  - Intense competition
- **Vodacom plans to invest to further grow the business**
  - Capital expenditure for 2010 expected to be R8.0 billion

## Management priorities

- **Market leadership in all countries of operation**
- **Lead in broadband and mobile internet**
- **Contain costs and leverage Vodafone global cost benefits**
- **Integrate Gateway and maximise synergies**
- **Increase performance and profitability of African operations**
- **Deliver returns on the investment in Vodacom Business**

# Supplementary information

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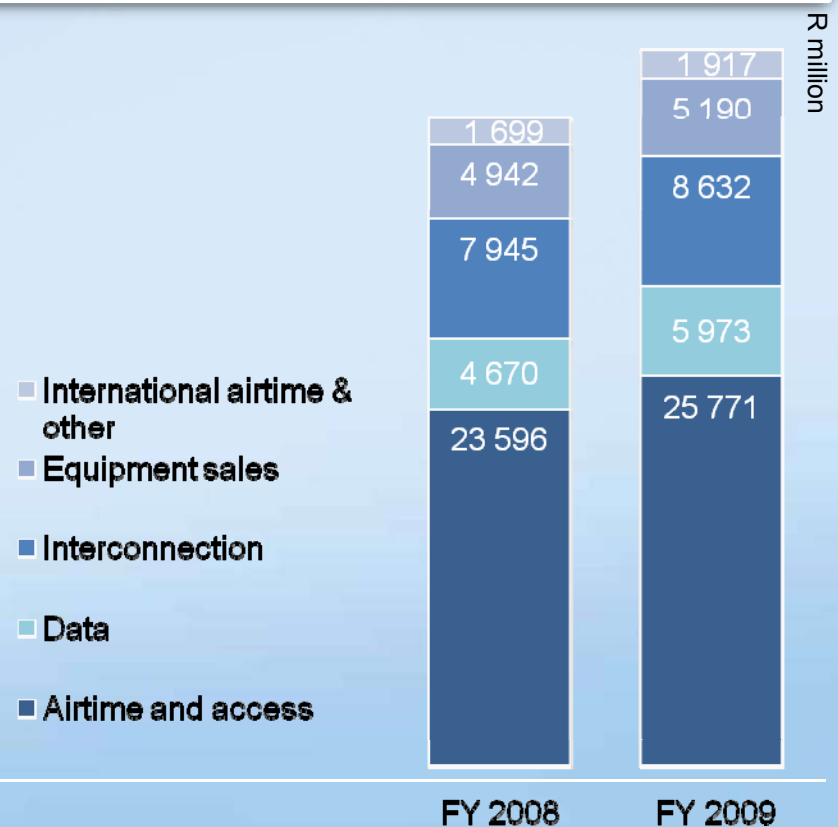


# Revenue analysis – South Africa

Revenue growth of 10.8% to R47.5 billion supported by 11.3% growth in customer base and growth in data revenue

- **Airtime and access revenue increased 9.2%**
  - Growth in customers and 8.2% growth in outgoing voice traffic minutes
- **Data revenue increased 27.9%**
  - 69.3% increase in revenue from data connectivity and usage (excl messaging)
- **Interconnection revenue increased 8.6%**
  - 4.8% increase in incoming traffic
  - Increase in national roaming revenue from Cell C
- **Equipment sales increased 5.0%**
  - 8.2% increase in handsets sold, offset by faster growth of lower-end handset sales

South Africa revenue composition

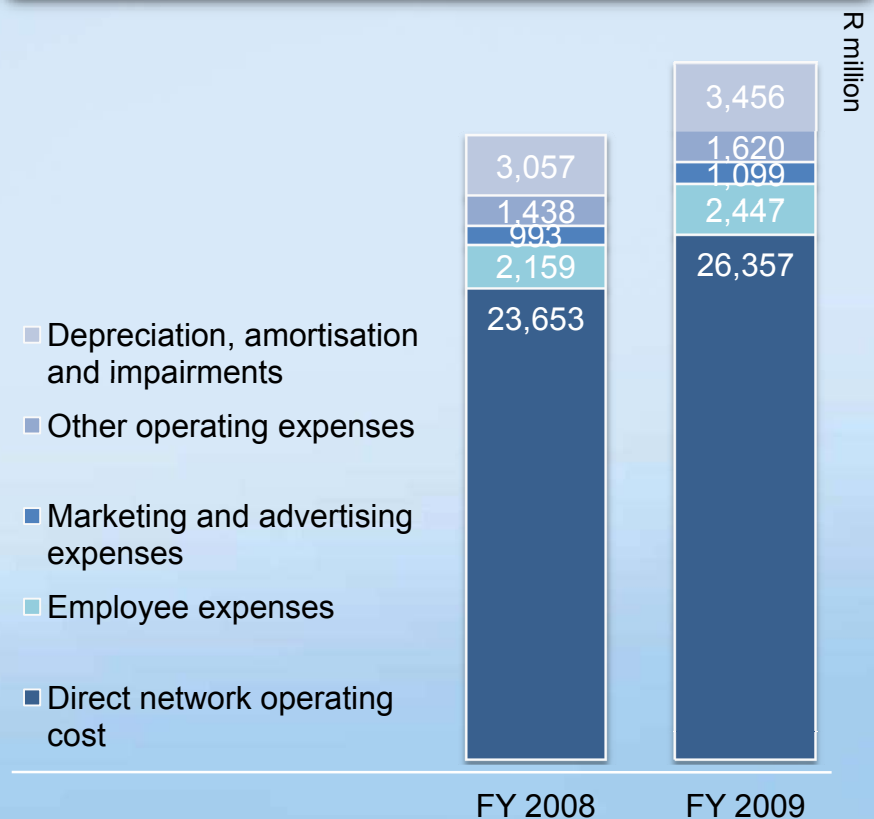


# Expense analysis – South Africa

Operating expenses increased by 11.7% largely due to the increase in selling and distribution costs, the BBBEE transaction expense and the increase in the amortisation of intangibles

- **Direct network operating cost increased 11.4%**
  - Increased cost of selling and distribution
  - Higher retention costs for contract customers
- **Employee expenses increased 13.3%**
  - 9.5% increase in headcount (customer care, StorTech and Vodacom Business)
  - Salary increases, offset by lower performance based remuneration
- **Other operating expenses increased 12.7%**
  - BEE transaction and listing expenses
- **Depreciation and amortisation increased 12.9%**
  - Increased capital expenditure

South Africa expense composition

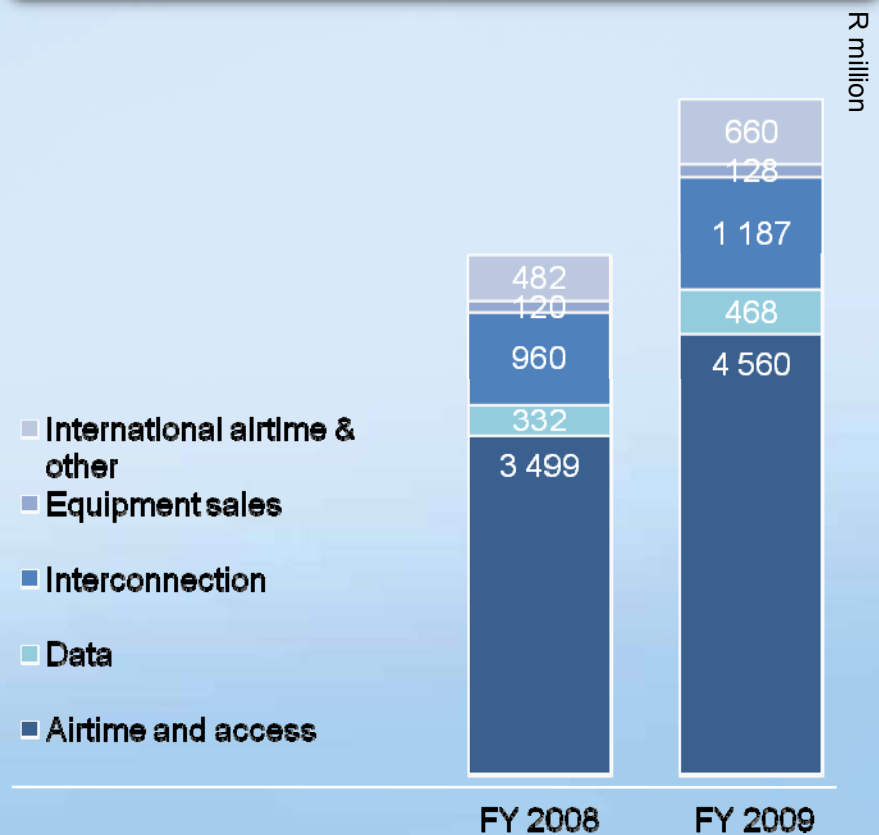


# Revenue analysis – International

Revenue growth of 29.9% supported by 30.7% growth in customer base to 12.0 million and favourable local currency movements

- **Airtime and access revenue increased 30.3%**
  - Growth in the customer base
- **Data revenue increased 41.0%**
  - Growth in SMS traffic
- **Interconnection revenue increased 23.6%**
  - Increase in on-net traffic across mobile operators
  - Rapid increase of dual SIMs resulting in slower interconnection revenue growth

International revenue composition

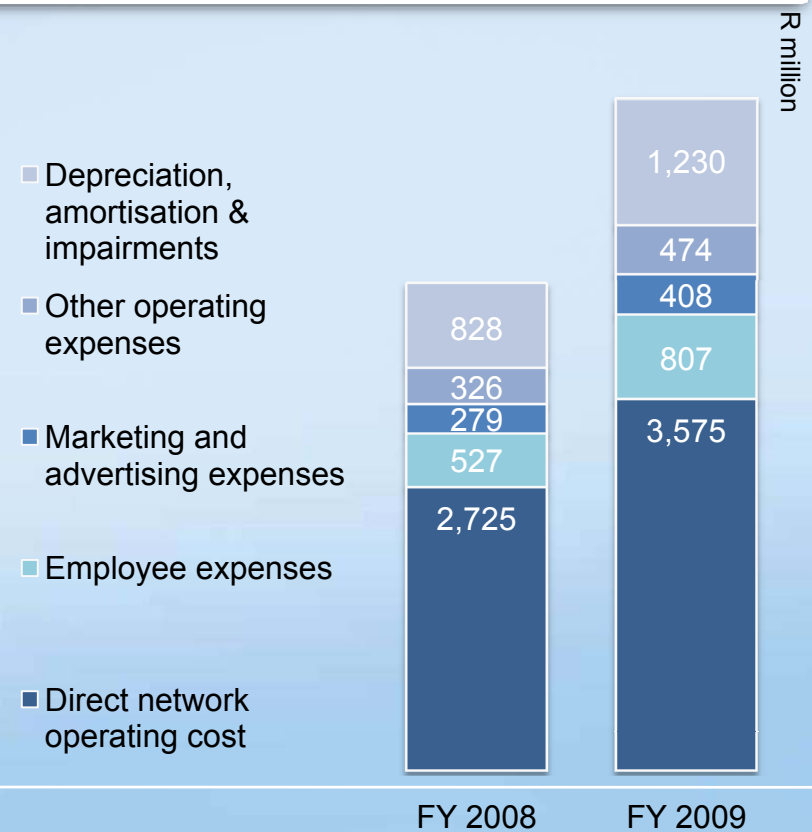


# Expense analysis – International

Operating expenses increased by 38.6% largely due to the growth in the international business

- **Direct network operating cost increased 31.2%**
  - Increase in network operational expenses relating to the rollout of 360 new base stations
- **Employee expenses increased 53.1%**
  - 6.2% increase in headcount and annual salary increases
  - The classification of secondee costs previously classified in other operating costs
- **Other operating expenses increased 45.4%**
  - Increased fuel and transmission costs
  - Offset by secondee costs classified as employee costs in 2009
- **Depreciation and amortisation increased 40.9%**
  - due to increase capital expenditure

International operating expense composition



## Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population (million)	48.7	41.0	68.7	21.7	2.1
Mobile penetration (%)	108	30	16	17	30
Number of operators	3	5	5	2	2
Market position	1	1	1	2	1
Market share (%)	53	46	37	44	80
Ownership (%)	93.75	65	51	85	88.3
License expiry period	2029/2024	2031	2018	2018	2016
Customers (thousand)	27 625	5 667	4 170	1 634	518
ARPU (R)	133	48.7	63.3	42.8	69.6
Revenue (R million)	47 483	2 975	2 928	735	398
EBITDA (R million)	16 222	1 049	743	(19)	189
EBITDA margin (%)	34.2	35.3	25.4	(2.6)	47.5
Capital expenditure (R million)	4 627	1 355	693	267	91
Employees	4 930	689	672	188	83

# Definitions

<b>ARPU</b>	ARPU is calculated by dividing the average monthly revenue (recurring mobile) by the average monthly total reported customer base during the period. ARPU excludes revenues from equipment sales and other sales and services. With effect from 1 April 2008, ARPU calculations include revenues from national roamers and international visitors roaming on Vodacom's network. Historical ARPU numbers have been restated in line with this new methodology.
<b>Mobile churn</b>	Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported customer base during the period.
<b>Traffic</b>	Traffic comprises total traffic registered on Vodacom's network, including bundled minutes, outgoing international roaming calls and calls to free services, but excluding national and incoming international roaming calls.
<b>MOU</b>	Average monthly minutes of use per customer, or average MOU, is calculated by dividing the average monthly minutes during the period by the average monthly total reported customer base during the period. MOU excludes calls to free services, bundled minutes and data minutes.
<b>EBITDA</b>	Earnings before interest, taxation, depreciation, amortisation, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets and BBBEE IFRS 2 charge
<b>HEPS</b>	Headline earnings per share.
<b>Operating fee cash flow</b>	Cash generated from operations less additions to property, plant and equipment and intangible asset; and less proceeds on disposal of property, plant and equipment and intangible assets.
<b>Free cash flow</b>	Net cash flows from operating activities before dividends less net cash flows utilised in investing activities.
<b>BBBEE</b>	Broad-based black economic empowerment as contemplated in the Broad-Based Black Economic Empowerment Act (No. 53 of 2003), as amended.
<b>Gateway</b>	100% of the shares in each of Gateway Telecommunications Plc, Gateway Communications (Proprietary) Limited, Gateway Communications Mozambique LDA, Gateway Communications (Tanzania) Limited and GS Telecom (Proprietary) Limited and their respective subsidiaries.
<b>Vodacom SA</b>	Vodacom (Proprietary) Limited (registration number 1993/003367/07), a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries.



Vodacom Corporate Park  
082 Vodacom Boulevard  
4th Floor West Voda Valley  
Midrand | 1685  
Tel: 011 653 5579  
[www.vodacom.com](http://www.vodacom.com)

