



# Annual results presentation

31 March 2011

OUR VISION

To make every customer

**smile**

WHERE  
we are going

**OUR PURPOSE**

WHY  
we exist

Connecting **YOU**  
Creating possibilities  
Changing lives

OUR CULTURE

HOW  
we need to do it

the  
**vodacom**  
way

Speak. Simplify. & Trust.

WHAT  
we need to do

OUR STRATEGY

- Grow passionate promoters through dramatically improving the customer experience
- Actively create an environment for our people to excel and grow
  - Put the power of the Internet in people's hands
- Together drive operational excellence
- Proactively partner with our stakeholders

OUR VISION

To make every customer

**smile**

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**HOW**  
we need to do it

OUR CULTURE

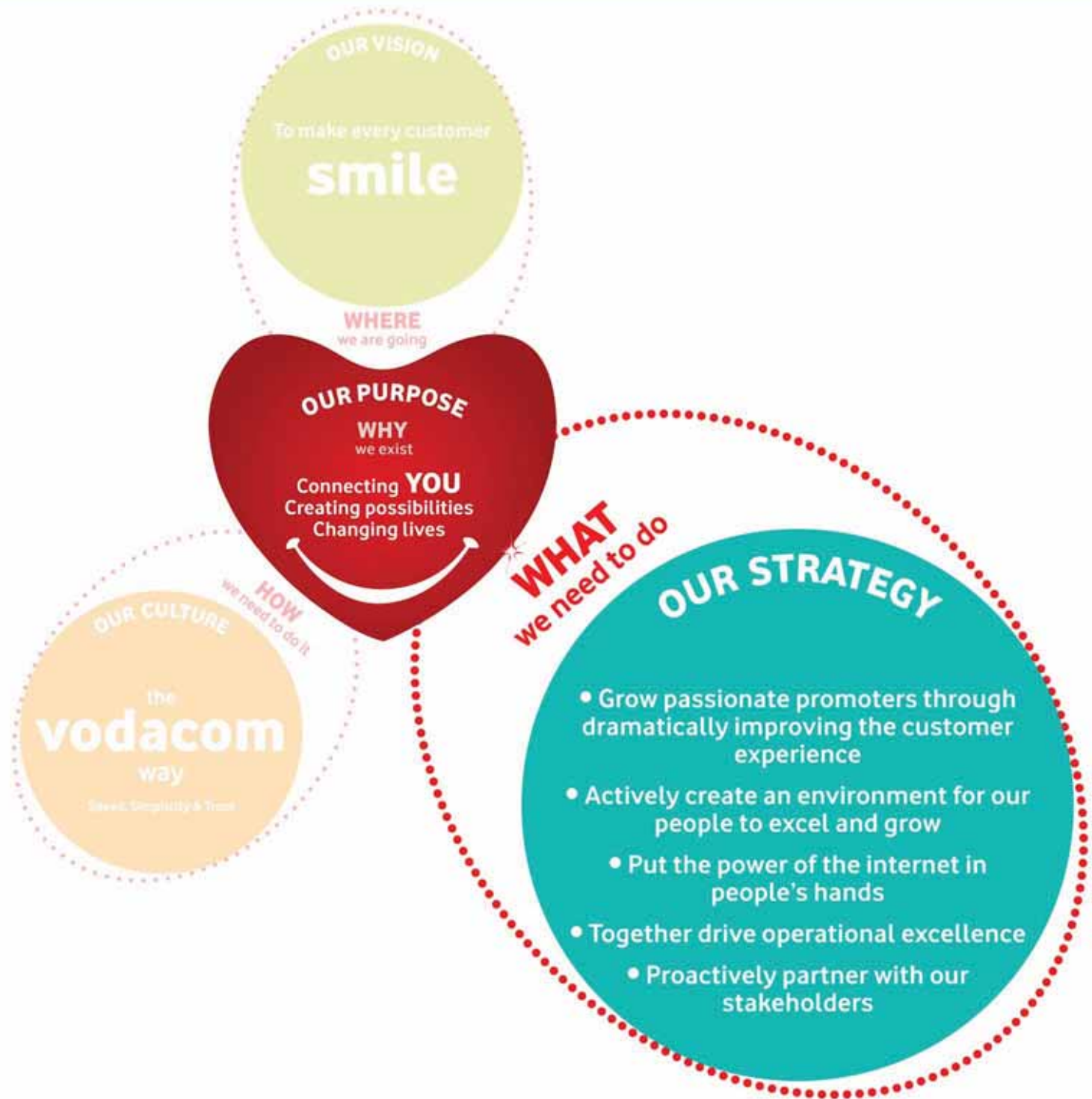
the  
**vodacom**  
way

Speed. Reliability. Trust.

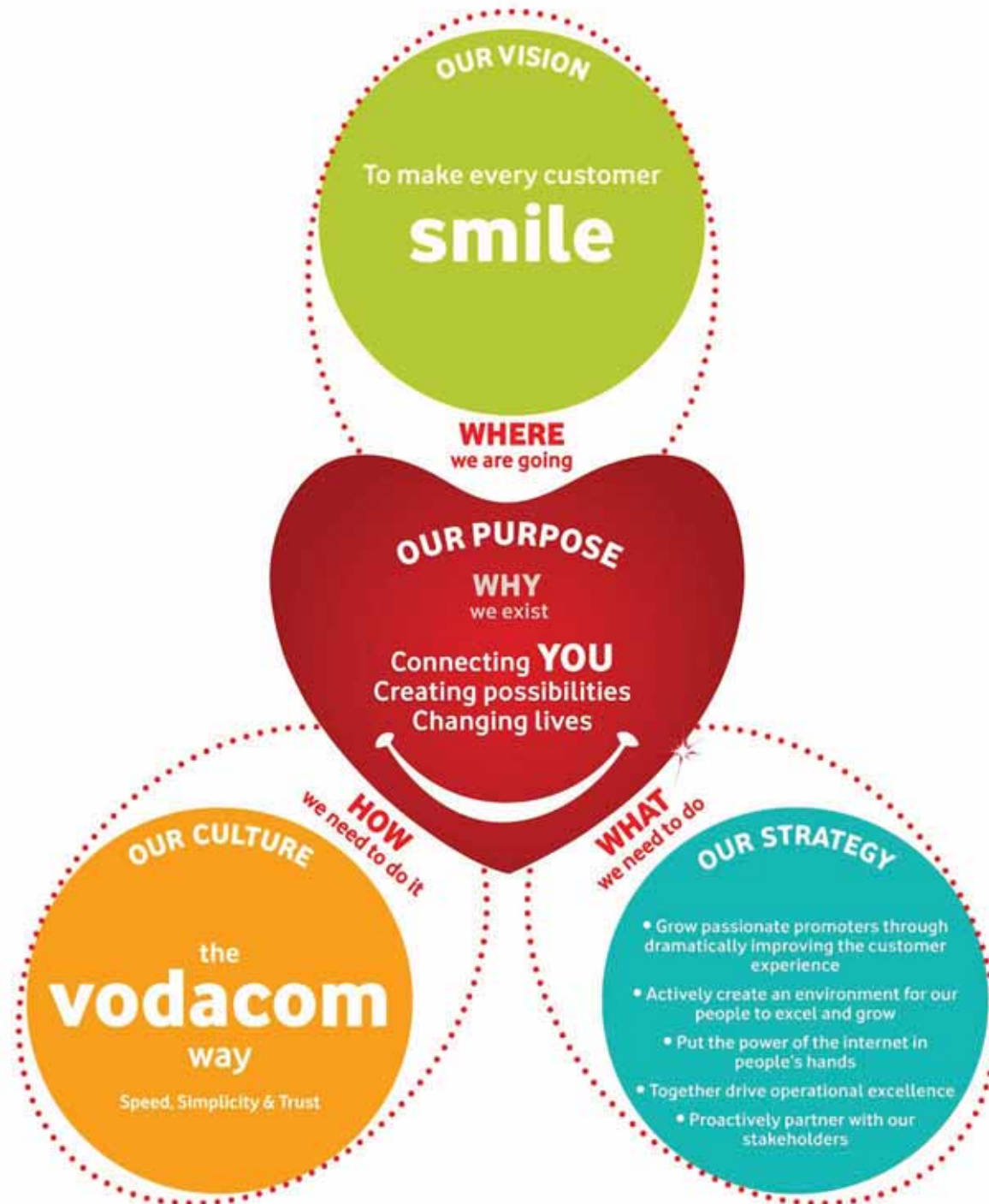
**WHAT**  
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OUR STRATEGY

- Grow passionate promoters through dramatically improving the customer experience
- Actively create an environment for our people to excel and grow
  - Put the power of the internet in people's hands
- Together drive operational excellence
  - Proactively partner with our stakeholders









# Delivery on strategy

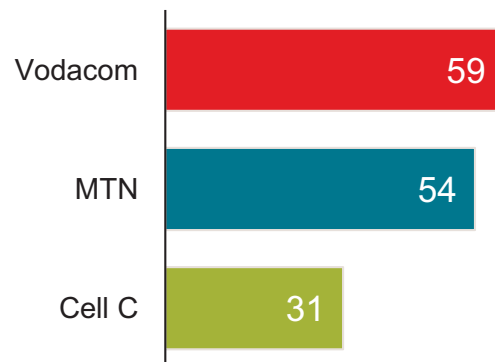
# #1: Dramatically improve the customer experience

- Adopted NPS as our number one measure across the Group
- Executive involvement in customer focus groups and customer days
- Steps taken to improve customer touch points
- High level of promotional activities and more value added for customers
- 'Change the World' and 'Red Alert' initiatives launched with customers



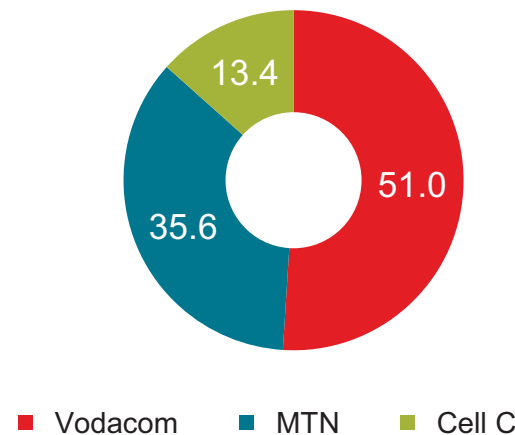
## SA Net Promoter Score

Rolling 3 month average at 31 March 2011



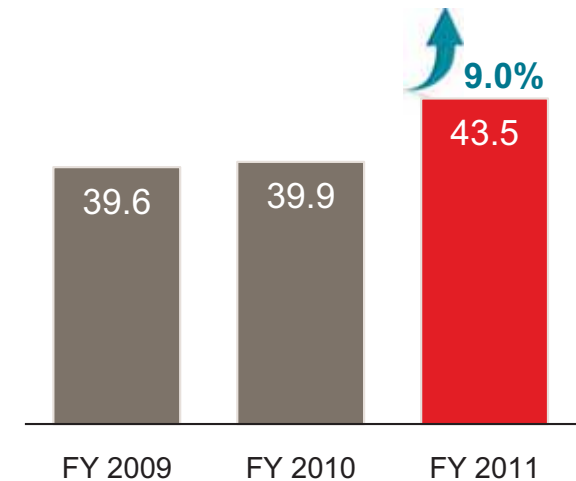
## SA net active customer additions

% 6 months to 31 December 2010



## Group mobile customers

Million



Source : CIBI Market Research

## #2: High level of employee engagement

- People Survey framework and measures rolled out in performance targets
- CEO engaged all employees on new strategy
- Tools to enable all employees to be better customer agents
- Investment in talent management and training
- Focused attention on health and safety



Engagement index



Manager index



Diversity and Inclusion index



Source : Key measures from the Vodacom People Survey

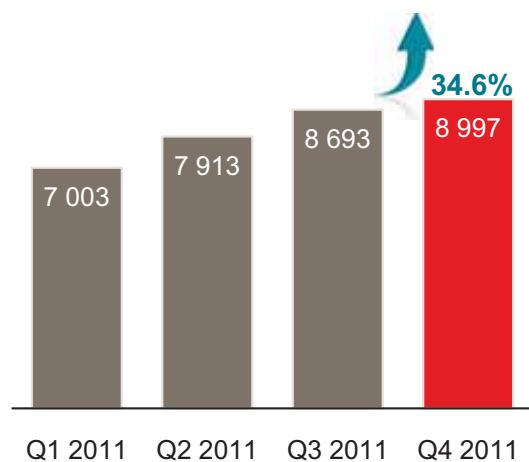
# #3: Substantial investment in mobile data business

- Substantial 3G and fibre network investments
- Several new value offerings launched such as Night Owl
- Low cost smartphone retailing at just over \$100
- Internet Starter Pack and WebBox launched
- 2010 Broadband provider of the year (MyBroadband survey)

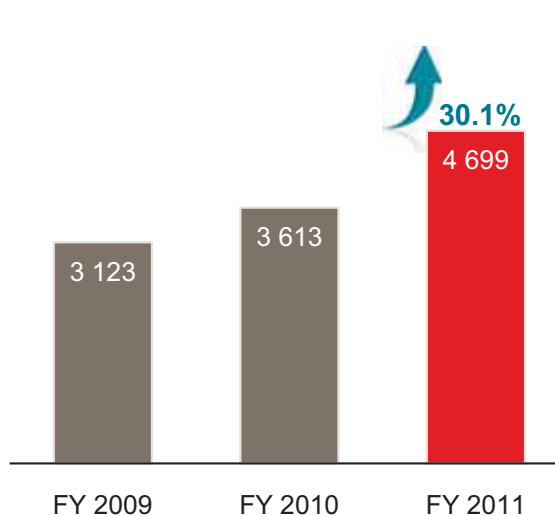


SA data customers

Thousands

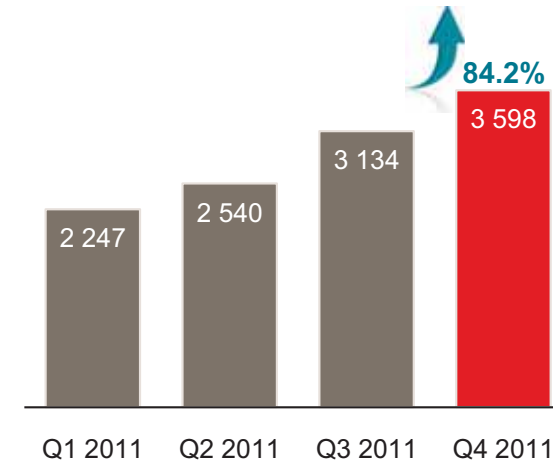


Group 3G base stations



SA active smartphones

Thousands



## #4: Driving operational excellence across the Group

- Delivered on the R500 million cost efficiency programme
- Completed 3 217 base stations under RAN swap in South Africa
- Focused initiatives to simplify business processes
- Medium-term targets set for reduction in carbon footprint
- Group opex to service revenue<sup>1</sup> stable at 24.1%



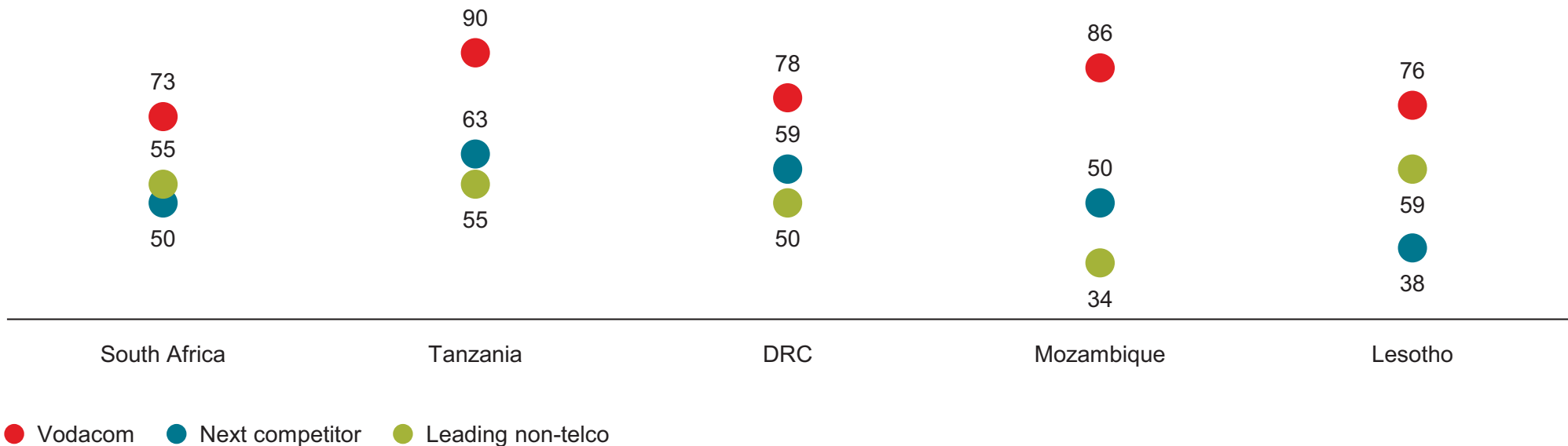
1. Operating expenses excluding direct expenses and trading foreign exchange

# #5: Cementing partnerships for long-term value creation

- Completed first comprehensive Reputation Survey across the Group
- Rolled out measures to monitor stakeholder relations and reputation
- Three of the nine planned 21<sup>st</sup> Century Educator centres operational
- 1<sup>st</sup> overall Telco brand and 2<sup>nd</sup> best brand for Community Upliftment in South Africa (Markinor Sunday Times survey)



“Likelihood to recommend” score from Reputation Survey





# Highlights

# Highlights for the 2011 year

 **5.5%**<sup>1</sup>

**Group service revenue**

R54 052 million

 **35.5%**

**Group data revenue**

R6 433 million

 **22.4%**

**Group free cash flow**

R8 829 million

 **28.6%**

**Headline earnings per share**

656 cents per share

 **61.4%**

**Total dividend for year**

460 cents per share



1. Growth in constant currency



# Financial review

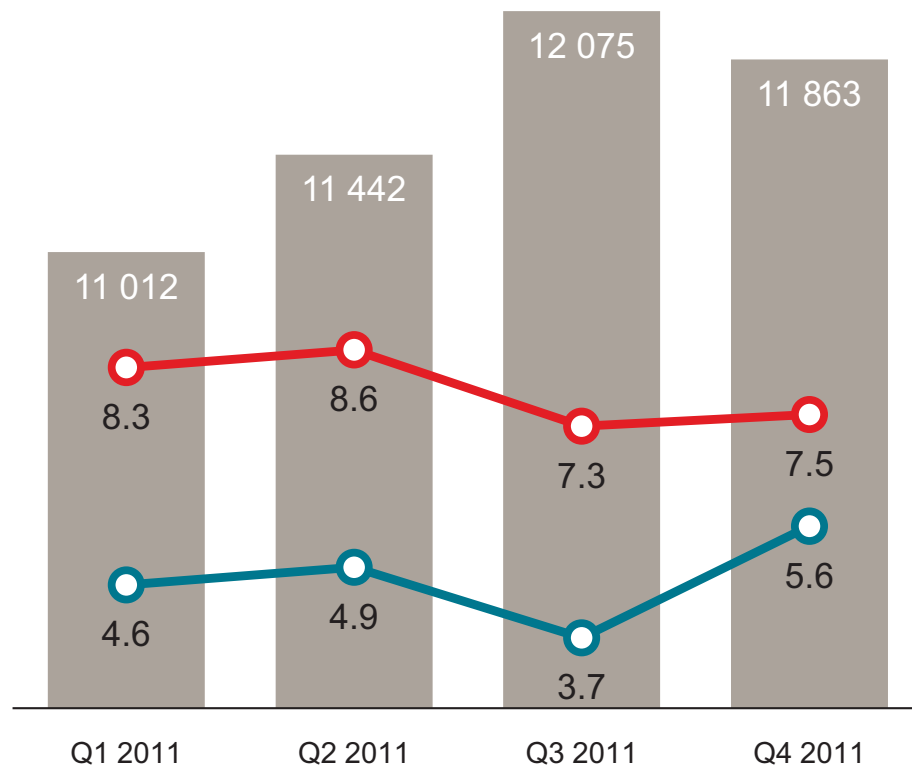
# Group income statement

| R million   | <b>FY 2011</b> | <b>FY 2010</b> | <b>% change</b> |
|---|----------------|----------------|-----------------|
| <b>Service revenue</b>                            | <b>54 052</b>  | <b>52 184</b>  | <b>3.6</b>      |
| <b>Revenue</b>                                    | <b>61 197</b>  | <b>58 535</b>  | <b>4.5</b>      |
| <b>EBITDA</b>                                     | <b>20 594</b>  | <b>19 782</b>  | <b>4.1</b>      |
| <b>Operating profit before impairment losses</b>  | <b>15 204</b>  | <b>14 608</b>  | <b>4.1</b>      |
| Impairment losses                                 | (1 508)        | (3 370)        | (55.3)          |
| <b>Operating profit after impairment losses</b>   | <b>13 696</b>  | <b>11 238</b>  | <b>21.9</b>     |
| Net finance charges                               | (1 058)        | (2 272)        | (53.4)          |
| Loss from associate                               | -              | (21)           | -               |
| <b>Profit before tax</b>                          | <b>12 638</b>  | <b>8 945</b>   | <b>41.3</b>     |
| Taxation  | (4 659)        | (4 745)        | (1.8)           |
| <b>Net profit</b>                                 | <b>7 979</b>   | <b>4 200</b>   | <b>90.0</b>     |
| <b>Attributable to:</b>                           |                |                |                 |
| Equity shareholders                               | 8 245          | 4 196          | 96.5            |
| Non-controlling interests                         | (266)          | 4              | < (200.0)       |
| <b>HEPS (cents)</b>                               | <b>656</b>     | <b>510</b>     | <b>28.6</b>     |
| <b>Weighted average shares in issue (million)</b> | <b>1 468</b>   | <b>1 486</b>   | <b>(1.2)</b>    |

# Solid service revenue growth

## SA service revenue

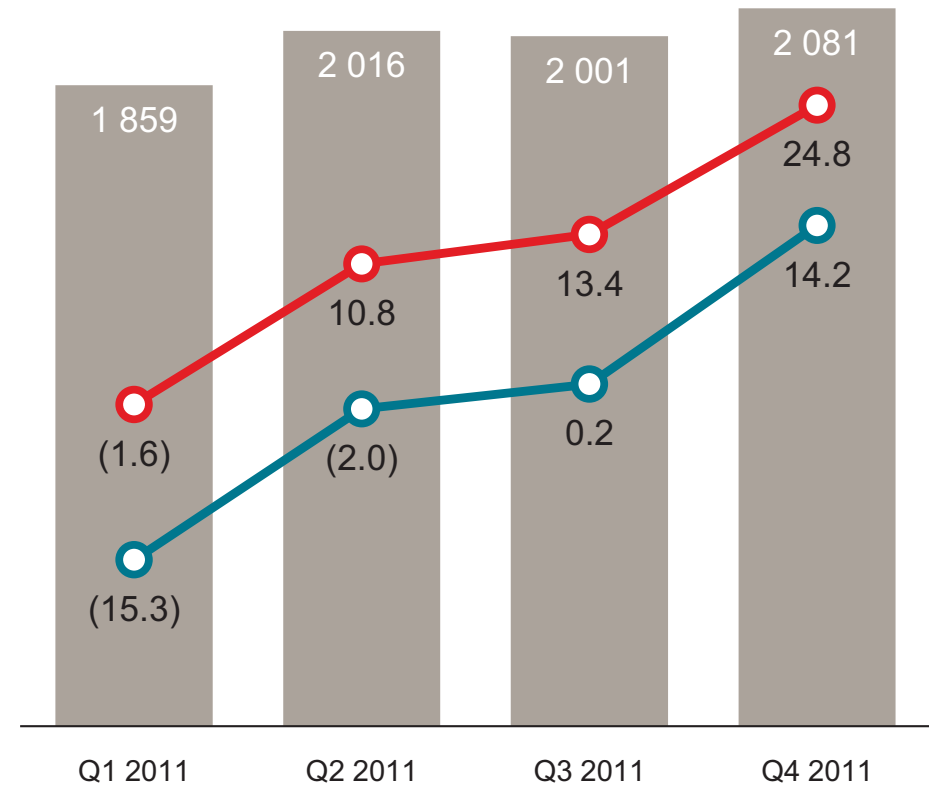
R million/%



Service revenue  
—○— YoY growth  
—○— YoY growth excl. MTR impact

## International service revenue

R million/%

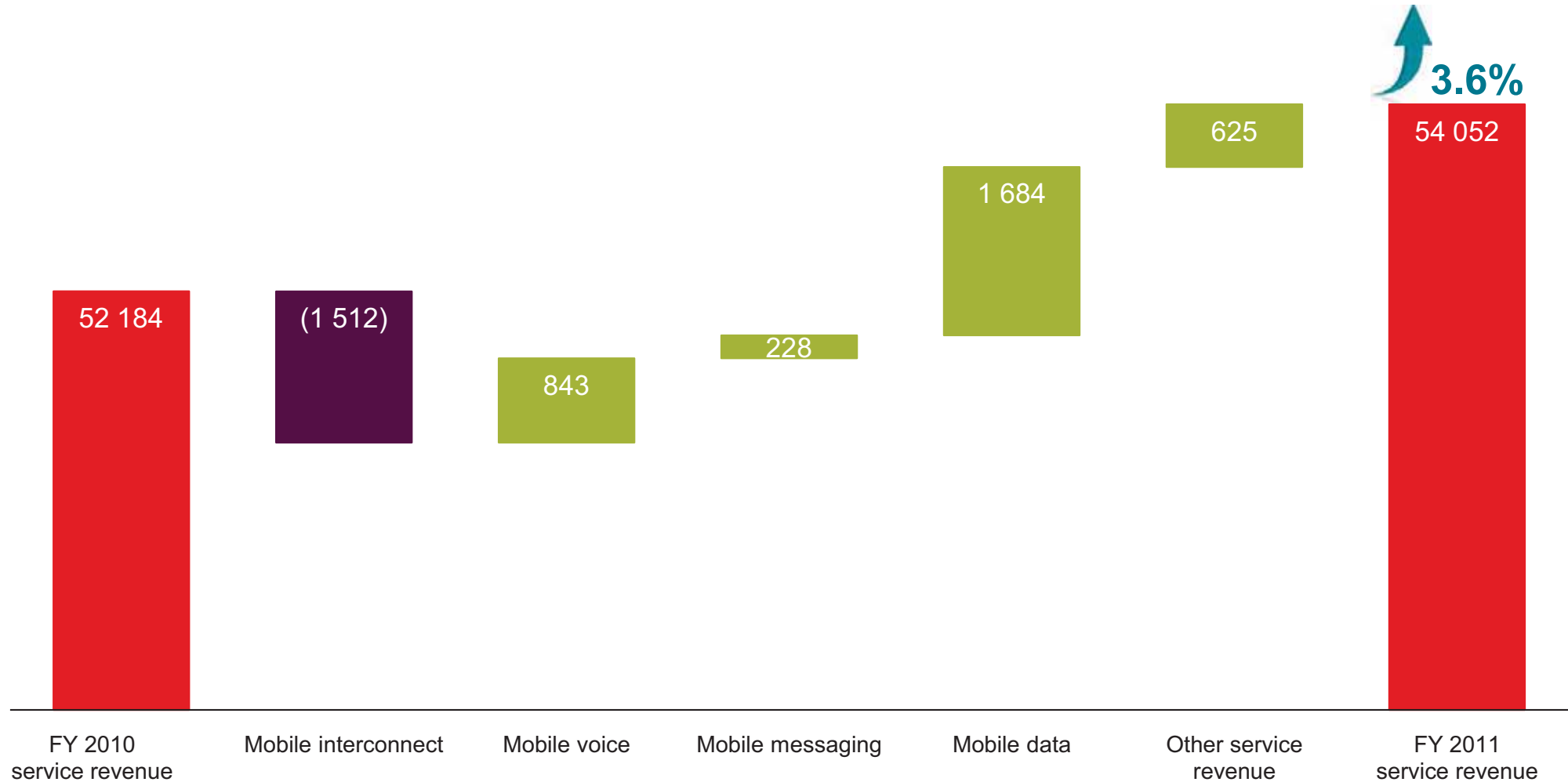


Service revenue  
—○— YoY growth  
—○— YoY constant currency growth

# Strong growth in mobile data and voice usage

## Group service revenue growth by category

R million



# Group operating expenses well contained

## Group operating expenses<sup>1</sup> by category

| R million                             | FY 2011       | %          | % <sup>2</sup> |
|---------------------------------------|---------------|------------|----------------|
| Direct expenses                       | 27 600        | 3.1        | 5.2            |
| Staff expenses                        | 4 024         | 3.8        | 6.9            |
| Publicity expenses                    | 2 086         | 12.9       | 16.6           |
| Other operating expenses              | 6 928         | 10.3       | 11.0           |
| <b>Operating expenses<sup>1</sup></b> | <b>40 638</b> | <b>4.8</b> | <b>6.8</b>     |

- Excluding MTR impact in South Africa, Group direct expenses increased 6.7%
- Excluding brand refresh expenses, Group publicity expenses increased 0.4%

1. Excluding depreciation, amortisation and impairment losses
2. Excluding trading foreign exchange and at a constant currency

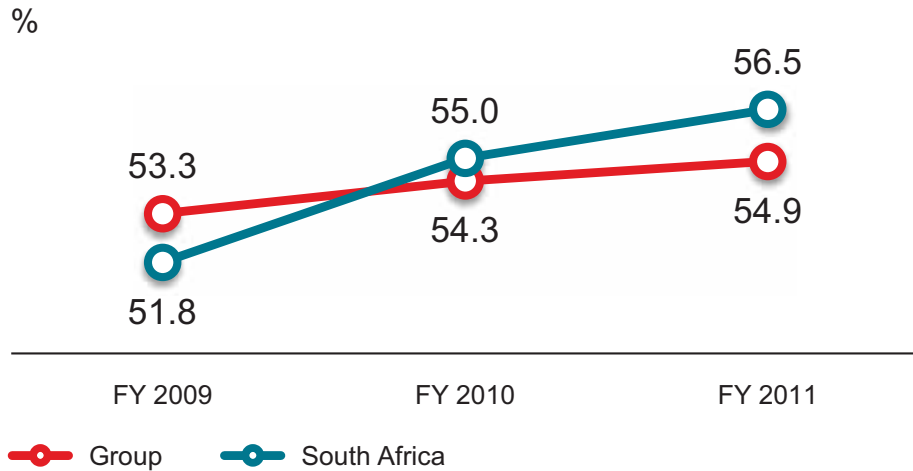
## Group operating expenses<sup>1</sup> by segment

| R million                             | FY 2011       | %          | % <sup>2</sup> |
|---------------------------------------|---------------|------------|----------------|
| South Africa                          | 33 758        | 6.0        | 5.3            |
| International                         | 7 348         | 1.4        | 16.2           |
| Corporate/eliminations                | (468)         | (44.9)     | (43.1)         |
| <b>Operating expenses<sup>1</sup></b> | <b>40 638</b> | <b>4.8</b> | <b>6.8</b>     |

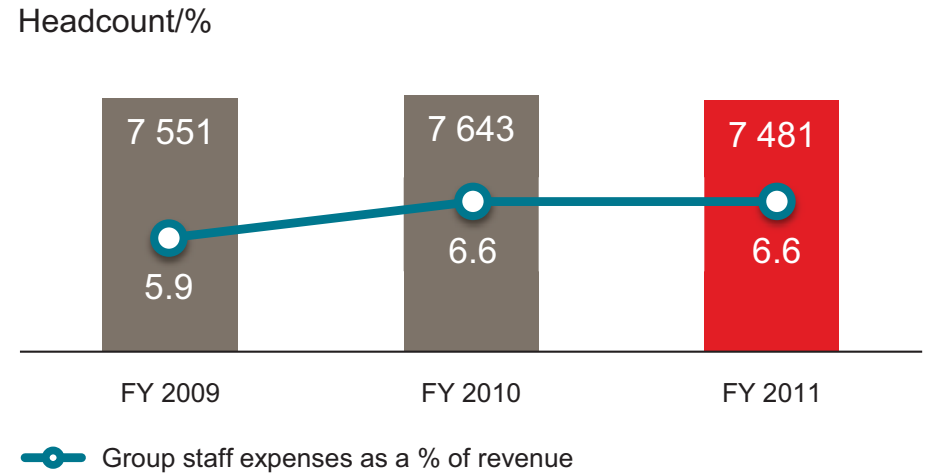
- Cost growth of International MNO's was contained to 6.2%<sup>2</sup>

# Delivered cost efficiency programme

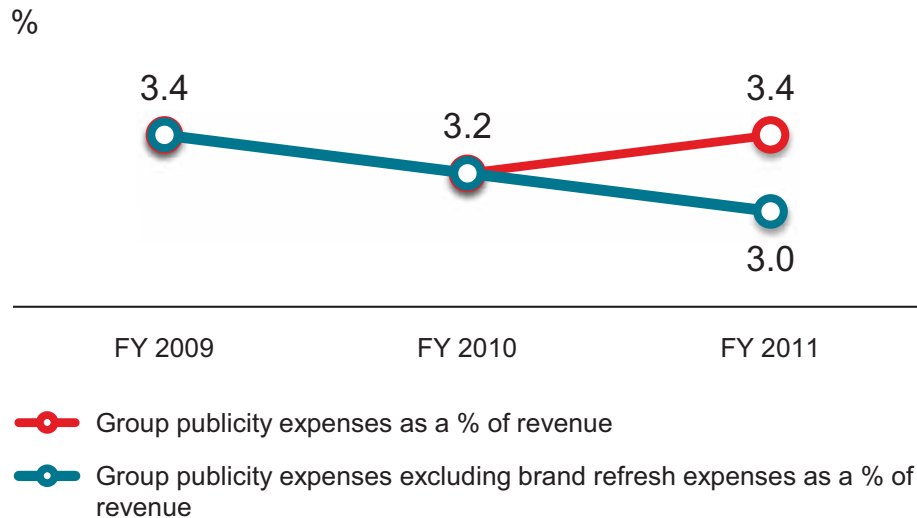
## Improved contribution margin



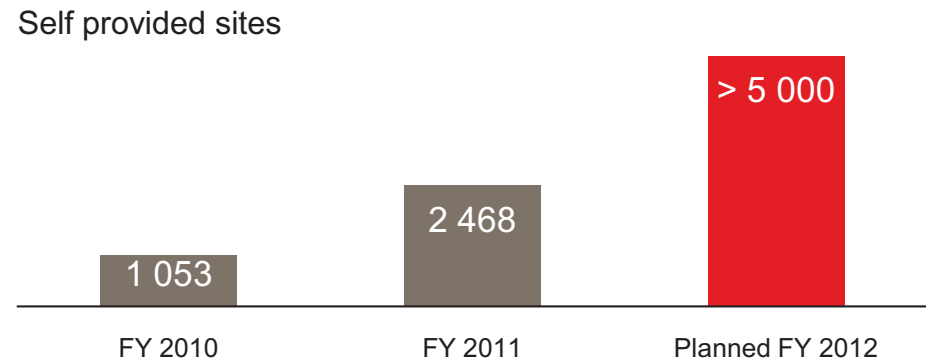
## Group headcount reduced



## Reduced sponsorship exposure



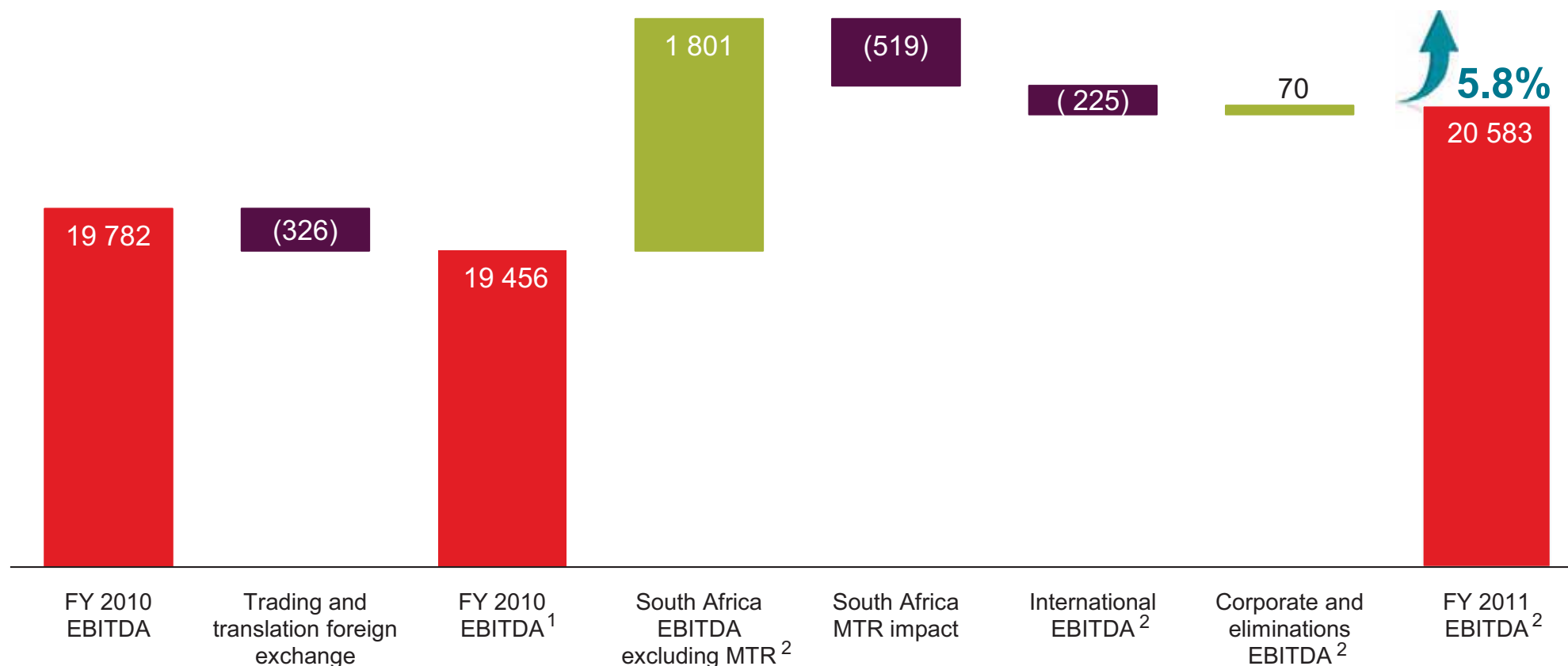
## Network savings delayed



# Group EBITDA increased 5.8% in constant currency

## Group EBITDA

R million



1. Restated to 2011 foreign exchange rates and excluding trading foreign exchange

2. Excluding trading foreign exchange and at a constant currency

# Group finance charges reduced due to lower average debt

## Group net finance charges

| R million   | FY 2011        | % change        |
|---|----------------|-----------------|
| Net finance costs                                     | (755)          | (48.9)          |
| Gain on remeasurement of loans                        | 28             | 107.5           |
| Loss on translation of foreign assets and liabilities | (131)          | > 200.0         |
| Loss on derivatives <sup>1</sup>                      | (164)          | (58.6)          |
| Other   | (36)           | n/a             |
| <b>Net finance charges</b>                            | <b>(1 058)</b> | <b>(53.4)</b>   |
| <b>Average cost of debt (%)</b>                       | <b>7.7</b>     | <b>(1.3ppt)</b> |

1. Mainly revaluation of foreign currency exchange contracts

## Group net debt

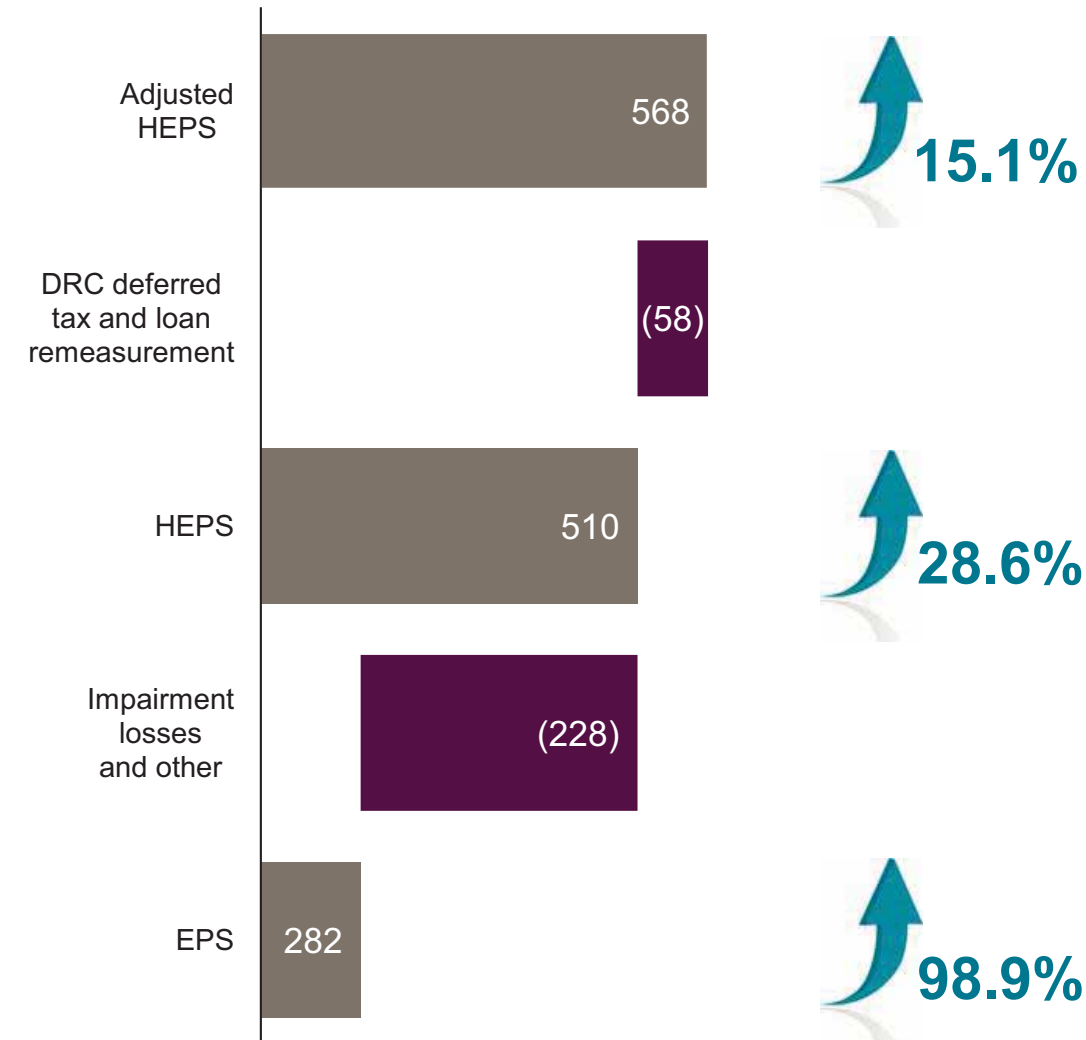
| R million                      | FY 2011         | FY 2010         |
|--------------------------------|-----------------|-----------------|
| Bank and cash balances         | 870             | 1 061           |
| Bank overdrafts                | (331)           | (110)           |
| Debt                           | (9 997)         | (13 112)        |
| <b>Net debt</b>                | <b>(9 458)</b>  | <b>(12 161)</b> |
| <b>Net debt/EBITDA (times)</b> | <b>0.5</b>      | <b>0.6</b>      |
| <b>Average debt</b>            | <b>(11 033)</b> | <b>(15 200)</b> |

- Fixed R3 billion of long-term debt at weighted average rate of 6.7% in December 2010

# Adjusted headline earnings per share increased 15.1%

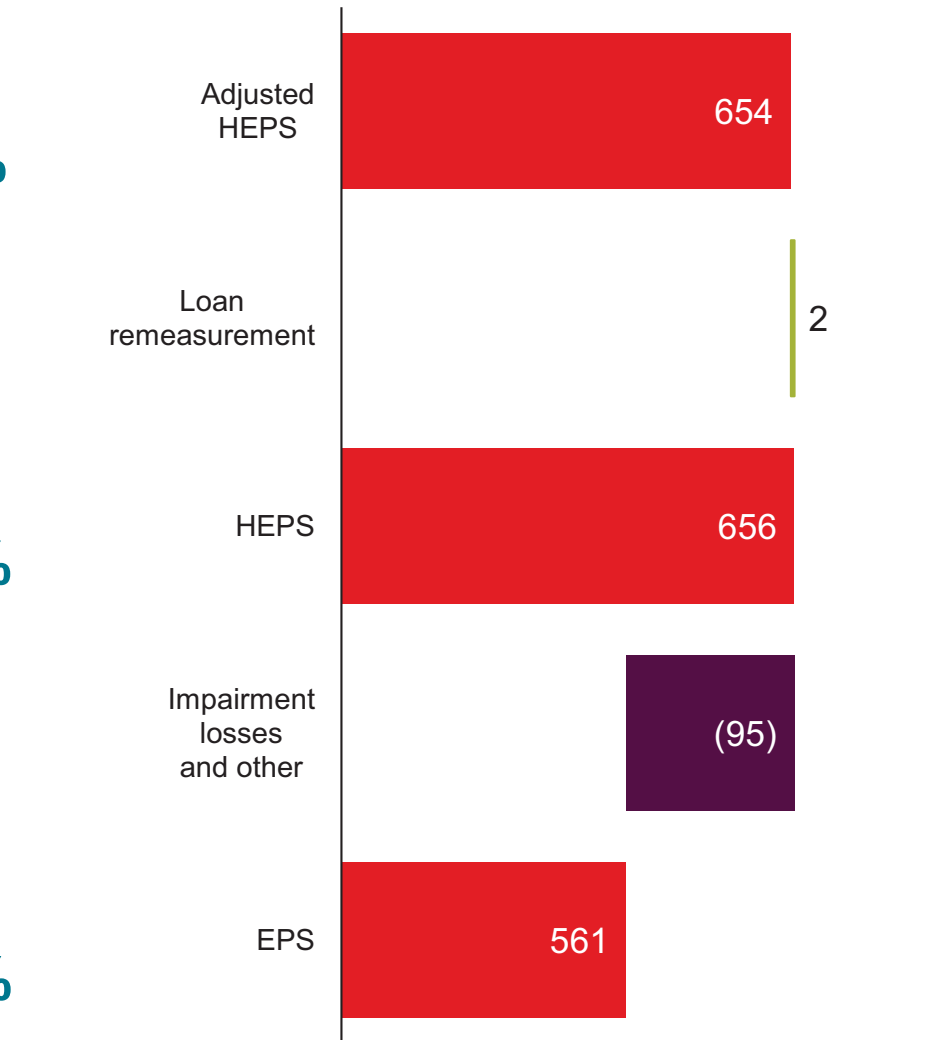
## FY 2010 headline earnings per share

Cents per share



## FY 2011 headline earnings per share

Cents per share



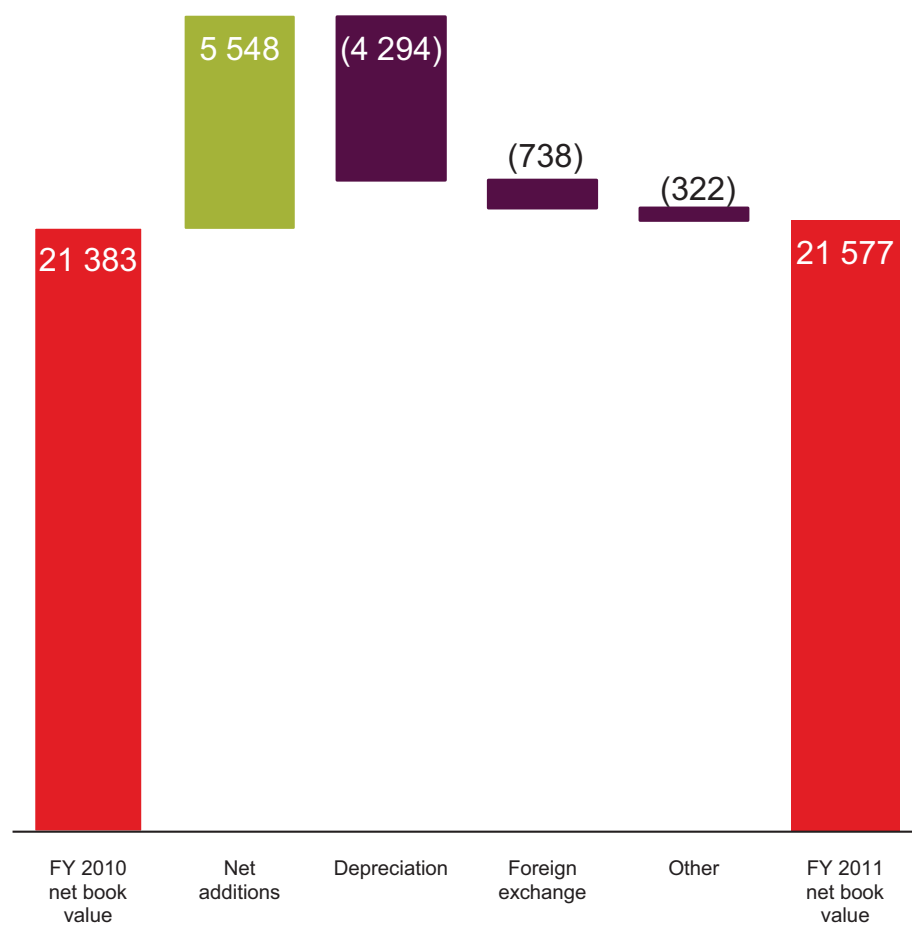
# Group statement of financial position

| R million                                | FY 2011       | FY 2010       | Movement     |
|--|---------------|---------------|--------------|
| <b>Assets</b>                            |               |               |              |
| Property, plant and equipment            | 21 577        | 21 383        | 194          |
| Intangible assets                        | 5 215         | 6 673         | (1 458)      |
| Other non-current assets                 | 1 190         | 1 075         | 115          |
| Current assets                           | 13 453        | 12 560        | 893          |
| <b>Total assets</b>                      | <b>41 435</b> | <b>41 691</b> | <b>(256)</b> |
| <b>Equity and liabilities</b>            |               |               |              |
| Total equity                             | 16 180        | 14 636        | 1 544        |
| Borrowings                               | 10 063        | 13 025        | (2 962)      |
| Other liabilities                        | 15 192        | 14 030        | 1 162        |
| <b>Total equity and liabilities</b>      | <b>41 435</b> | <b>41 691</b> | <b>(256)</b> |
| <b>Net asset value per share (cents)</b> | <b>1 099</b>  | <b>985</b>    |              |

# Movement in PPE and intangible assets

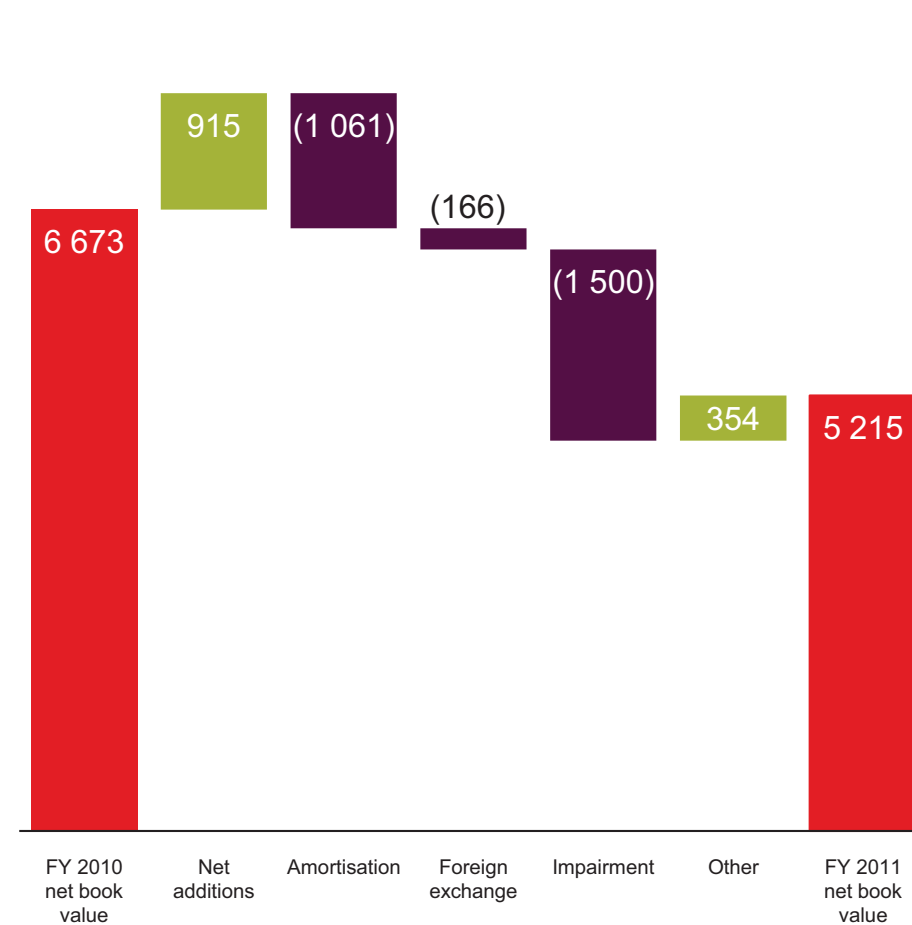
## Property, plant and equipment

R million



## Intangible assets

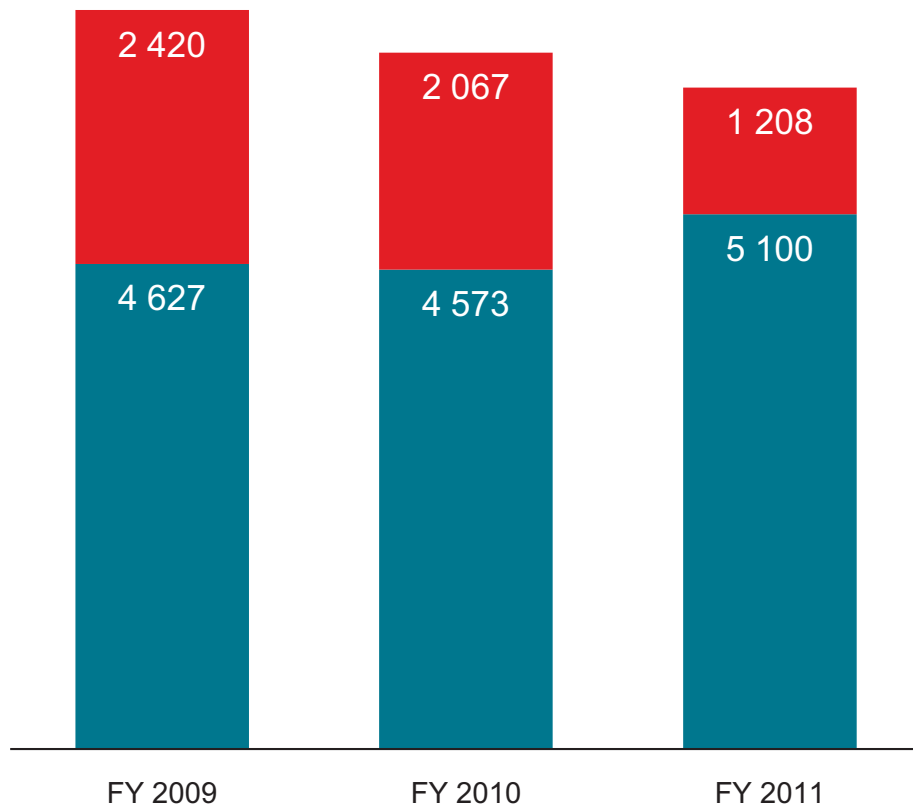
R million



# Capex investment focused on data networks

## SA and International capex

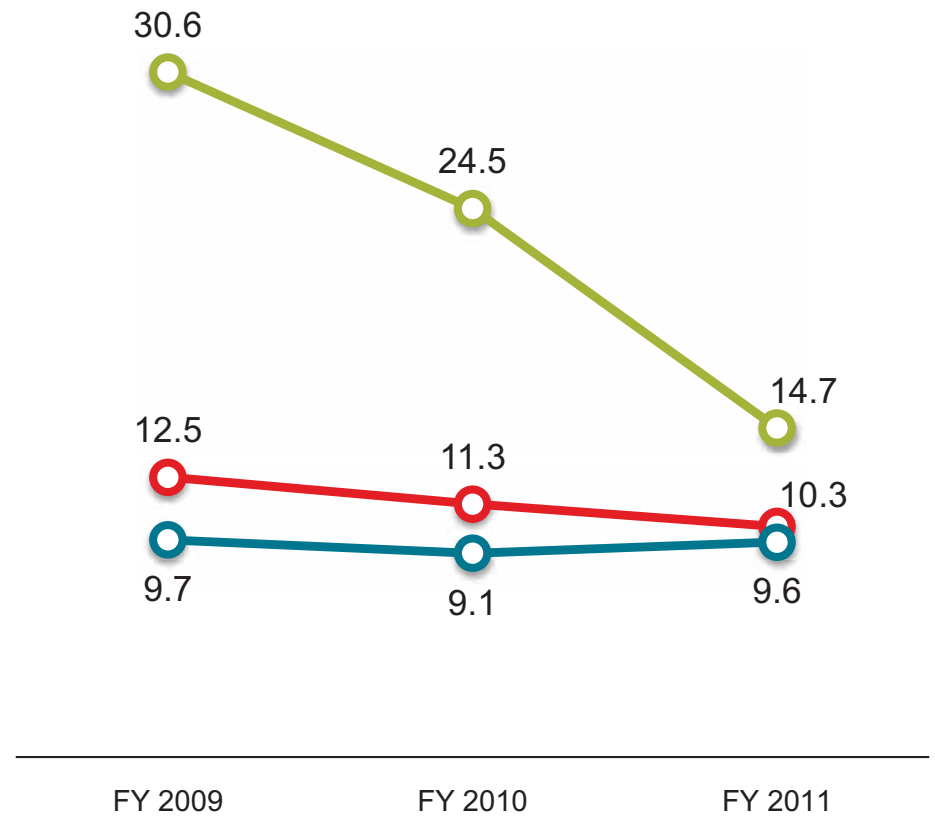
R million



■ South Africa capex ■ International capex

## Capex intensity

%

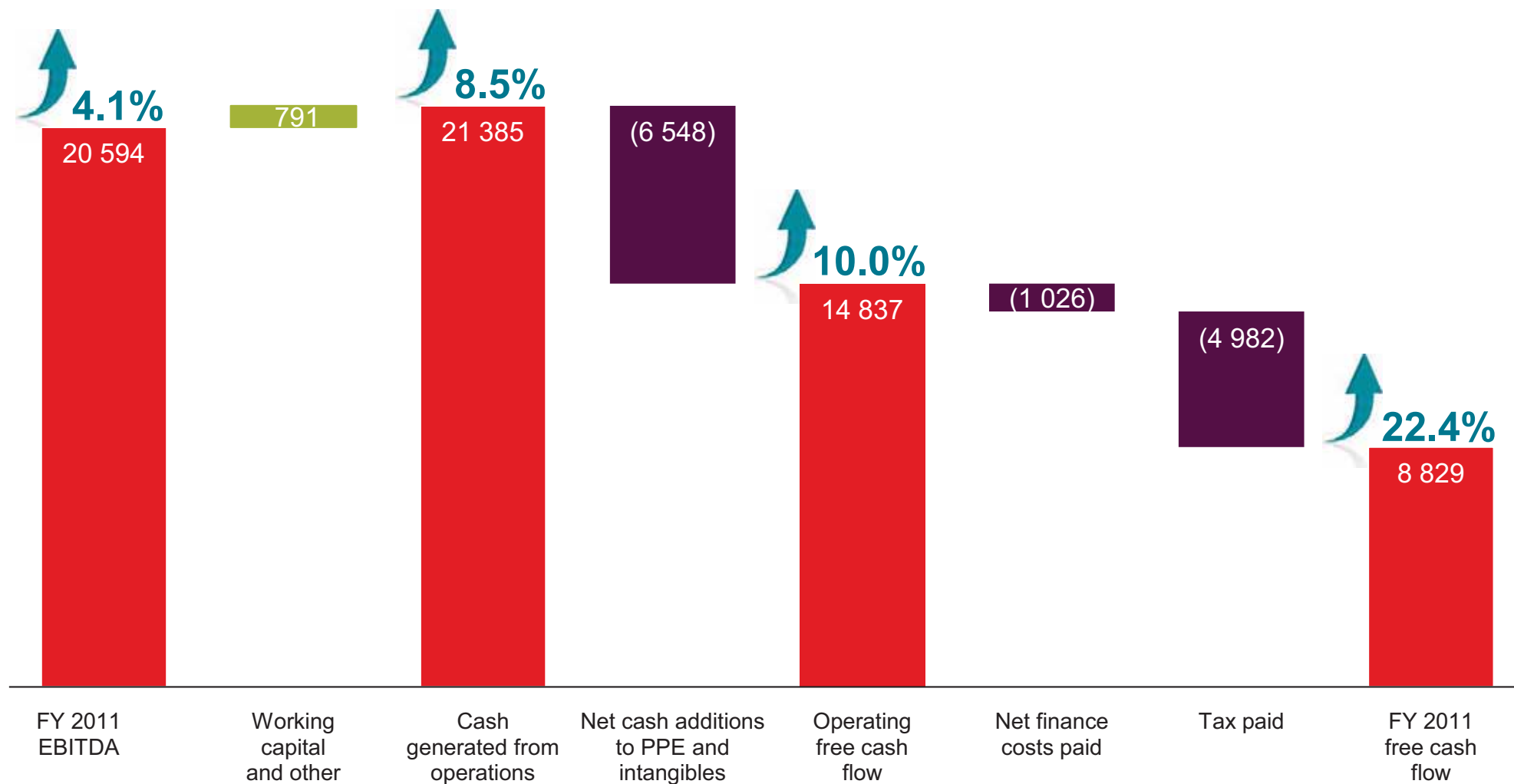


○ Group ○ South Africa ○ International

# Group free cash flow increased 22.4%

## Cash flow generation

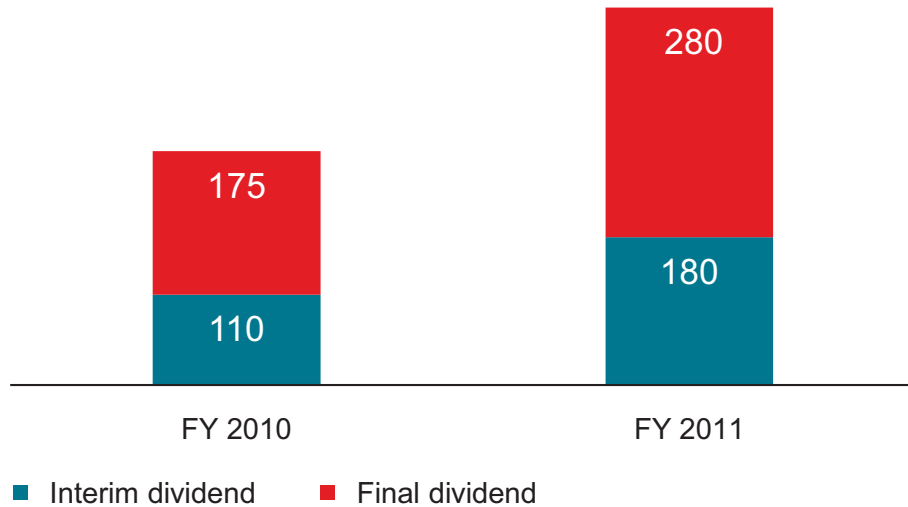
R million



# Improving shareholder returns

## Dividend per share

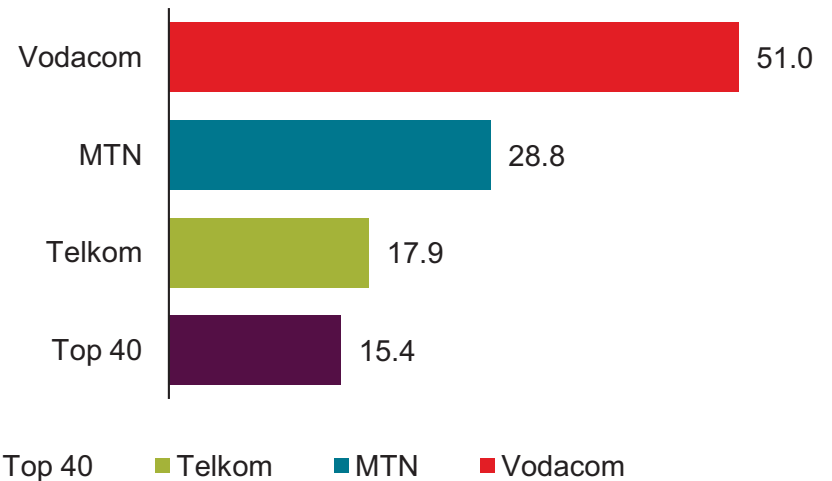
Cents



- R984 million cash spent on share repurchase plan
- 60% increase in final dividend to 280 cents
- Full year payout ratio 70.1%
- Dividend policy revised to “at least 70% of headline earnings”

## Total shareholder returns

% return for the year ended 31 March 2011



Source : Bloomberg

# Group medium-term targets remain unchanged

|                            |  |
|----------------------------|--|
| <b>Market position</b>     | <b>Maintain or improve market position in all geographies</b>                                |
| <b>Service revenue</b>     | <b>Growth in service revenue despite reduced interconnect revenue<br/>(low single digit)</b> |
| <b>EBITDA</b>              | <b>Improve EBITDA margin through operational efficiencies</b>                                |
| <b>Capital expenditure</b> | <b>Manage capital expenditure between 11% and 13% of Group revenue</b>                       |

Medium-term financial targets are indicated over a three year period ending March 2013 assuming constant currencies and excluding the non-cash accounting for RAN swaps

## In summary

**Strategy refocused to include sustainability**

**Strong focus on customer experience**

**Cost efficiency programme delivered**

**Demand for data services remains strong**

**High total shareholder returns**



**Thank you**

# Definitions

|                                  |  |
|----------------------------------|--|
| <b>ARPU</b>                      | Total ARPU is calculated by dividing the average monthly service revenue by the average monthly total reported mobile customers during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom customers.                                |
| <b>Churn</b>                     | Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.  |
| <b>Contribution margin</b>       | Revenue less direct expenses as a percentage of revenue.   |
| <b>Customers</b>                 | Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, at the end of the period indicated.   |
| <b>EBITDA</b>                    | Earnings before interest, taxation, depreciation, amortisation, impairment losses, BBBEE charges, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets.                                    |
| <b>Free cash flow</b>            | Cash generated from operations less additions to property, plant and equipment and intangible assets, proceeds on disposal of property, plant and equipment and intangible assets, tax paid and net finance charges paid.  |
| <b>HEPS</b>                      | Headline earnings per share.   |
| <b>International</b>             | The International segment includes Vodacom Tanzania Limited, Vodacom Congo (RDC) s.p.r.l., Vodacom Mozambique, Vodacom Lesotho (Pty) Limited, Vodacom International Limited and Gateway Business Africa and Gateway Carrier Services.                                      |
| <b>MNO</b>                       | Mobile network operator.   |
| <b>MOU</b>                       | Minutes of use per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total of reported mobile customers during the period.  |
| <b>Operating free cash flow</b>  | Cash generated from operations less additions to property, plant and equipment and intangible assets and proceeds on disposal of property, plant and equipment and intangible assets.  |
| <b>RAN</b>                       | Radio access network.  |
| <b>South Africa</b>              | Vodacom (Pty) Limited, a private limited liability company duly incorporated in accordance with the laws of South Africa and its subsidiaries, joint ventures and SPV's.   |
| <b>Total shareholder returns</b> | Shareholder returns consist of the aggregate share price appreciation and dividend yield.  |
| <b>Traffic</b>                   | Traffic comprises of total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services. |

# Forward-looking statements

This presentation which sets out the annual results for Vodacom Group Limited for the year ended 31 March 2011 contains 'forward-looking statements' 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.

Investor Relations  
[www.vodacom.com](http://www.vodacom.com)  
Belinda Williams  
+27 11 653 5195

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