# News release

8 February 2012

**Vodacom Group Limited trading statement for the quarter ended 31 December 2011**

## Highlights

- **Strong customer growth underpins robust Group performance**
  - Group revenue up 12.2% (9.9%*)
  - Group service revenue up 11.2% (8.7%*)
  - Record net customer additions of 5.0 million in the quarter
  - Group customers up 27.3% to 52.9 million
- **Demand for data services remains high**
  - Group data revenue growth of 23.8%
  - 41.2% increase in Group active data customers to 13.8 million
- **Strong commercial success in South Africa**
  - Revenue up 7.6%
  - Service revenue up 5.6% (7.9% excluding the impact of MTRs)
  - Customers up 25.4% to 31.7 million, adding 2.8 million in the quarter
- **Excellent momentum continues in International operations**
  - Service revenue up 45.2% (24.8%*)
  - Customers up 30.2% to 21.2 million, adding 2.2 million in the quarter
  - 2.7 million active M-Pesa customers in Tanzania

**Pieter Uys, Vodacom Group CEO commented:**

"This was a good quarter for Vodacom, with a record increase in our customers of five million pushing us past the 50 million customers milestone. Overall Group revenue increased 12% to R18 billion.

The South African business defied the somewhat gloomy economic conditions and achieved a 25% increase in customers, ending the quarter at 32 million customers. More than nine billion voice minutes were carried over the three month period. The success of our summer campaigns, targeted promotions and very attractive handset deals boosted customer additions, particularly in the rural areas. The strong growth in customers and data usage helped offset the year to date reduction of 16% in both voice and data prices.

Our International operations maintained the positive momentum and accounted for more than 40% of the increase in our total customers.

Network investment continued to be a major focus with on-going upgrades to our transmission and radio access networks supporting the 41% increase in Group data customers. Vodacom now delivers data connectivity to nearly 14 million people."

---

* Represents normalised growth at a constant currency.

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

# Operating review

## Group

Group service revenue for the quarter ended 31 December 2011 increased 11.2% (8.7%*) year on year and 7.8% (7.5%*) for the nine months. Growth was driven by a 27.3% increase in customers to 52.9 million and stronger voice revenue growth. Data revenue increased 23.8% to R2 082 million as active data customers grew 41.2% to 13.8 million. Equipment revenue was particularly strong, growing 19.4%, contributing to overall revenue growth of 12.2% (9.9%*).

## South Africa

South Africa delivered a solid performance with service revenue growing 5.6% to R12 755 million (7.9% excluding the impact of cuts in mobile termination rates). Service revenue growth was boosted by strong net customer additions, higher voice revenue growth and good performance in data and enterprise services.

The quarter was characterised by attractive handset deals and summer promotions with 5.1 million gross connections, up 49.9% year on year. Customers increased 25.4% year on year to 31.7 million, a record net increase of 2.8 million in the quarter. Ten customers won R1 million each as part of our Millionaire Mofaya summer campaign, which saw in excess of 58 million entries. Total ARPU was down 14.6% to R140; largely due to lower interconnect rates and the higher prevalence of lower usage customers in the mix. We expect a seasonal increase in churn in the coming quarters from the current low level.

Following our data price cuts in the previous quarter, data revenue growth slowed to 19.3% year on year to R1 929 million. The active data customers increased 31.5% to 11.4 million; a third of these customers are now buying data bundles compared to a quarter a year ago. Demand for smartphones remains high, with 655 000 devices activated during the quarter. We now have 4.8 million active smartphones on the network, which as of 31 December 2011 accounted for 18.0% of all active devices.

We continue to make substantial investments in the network, to enhance quality and support the growth in data traffic. Our radio access network renewal initiative is now complete in Gauteng and we have commenced similar initiatives in Kwa-Zulu Natal, Limpopo, Free State and North West provinces. This is expected to further improve network quality and operational efficiency.

## International

Service revenue increased 45.2% (24.8%*) to R2 905 million mainly driven by strong customer growth and the positive impact from foreign exchange translation. The International operations recorded customer growth of 30.2% to 21.2 million, adding 2.2 million customers in the quarter.

In Tanzania, customer growth of 34.1% was supported by promotional offerings and improved distribution. During the quarter pricing increased in the market after a long period of unsustainably low tariffs. Our capital investment in Mozambique, smarter pricing and a specific focus on distribution underpinned a 16.9% increase in customers. Despite uncertain political conditions during the quarter, the DRC delivered a good performance and also received a boost from the regulated minimum price.

Data revenue in the International operations increased by 135.4% (115.5%*) as the appetite for data and mobile financial services continues to grow. M-Pesa growth accelerated in Tanzania where we now have 2.7 million active customers representing 23.4% of the base. The M-Pesa system processed transactions in Tanzania worth more than US$400 million during the month of December alone. M-Pesa now accounts for 8.5% of Tanzania's service revenue, compared to 3.1% a year ago.

## Outlook

While we are encouraged by the strong revenue growth in the quarter, we remain focused on tackling the increased competition in all our geographies and also remain alert to fragile global economic conditions. Therefore our medium-term service revenue guidance of "low single digit" remains unchanged.

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

# Financial review for the quarters ended

## Revenue

| Rm | December 2011 | September 2011 | December 2010 | Year on year % change | Quarterly % change |
|---|---|---|---|---|---|
| South Africa | **15 135** | 13 881 | 14 072 | **7.6** | 9.0 |
| International | **2 983** | 2 394 | 2 056 | **45.1** | 24.6 |
| Corporate and eliminations | **(121)** | (97) | (95) | **(27.4)** | (24.7) |
| **Revenue** | **17 997** | 16 178 | 16 033 | **12.2** | 11.2 |

## Service revenue

| Rm | December 2011 | September 2011 | December 2010 | Year on year % change | Quarterly % change |
|---|---|---|---|---|---|
| South Africa | **12 755** | 11 947 | 12 075 | **5.6** | 6.8 |
| International | **2 905** | 2 326 | 2 001 | **45.2** | 24.9 |
| Corporate and eliminations | **(93)** | (73) | (78) | **(19.2)** | (27.4) |
| **Service revenue** | **15 567** | 14 200 | 13 998 | **11.2** | 9.6 |

# Key indicators for the quarters ended

## South Africa key indicators

| | December 2011 | September 2011 | December 2010 | Year on year % change | Quarterly % change |
|---|---|---|---|---|---|
| **Customers (thousand)**[1] | **31 727** | 28 907 | 25 302 | **25.4** | 9.8 |
| Prepaid | **26 189** | 23 468 | 20 310 | **28.9** | 11.6 |
| Contract | **5 538** | 5 439 | 4 992 | **10.9** | 1.8 |
| **Churn (%)**[2] | **30.7** | 44.6 | 32.7 | | |
| Prepaid | **35.3** | 53.0 | 38.3 | | |
| Contract | **10.1** | 8.9 | 10.3 | | |
| **Traffic (millions of minutes)**[3] | **9 012** | 9 186 | 8 402 | **7.3** | (1.9) |
| Outgoing | **6 741** | 7 050 | 6 307 | **6.9** | (4.4) |
| Incoming | **2 271** | 2 136 | 2 095 | **8.4** | 6.3 |
| **MOU per month**[4] | **99** | 108 | 114 | **(13.2)** | (8.3) |
| Prepaid | **83** | 91 | 92 | **(9.8)** | (8.8) |
| Contract | **171** | 181 | 202 | **(15.3)** | (5.5) |
| **Total ARPU (rand per month)**[5] | **140** | 140 | 164 | **(14.6)** | – |
| Prepaid | **80** | 77 | 93 | **(14.0)** | 3.9 |
| Contract | **362** | 370 | 408 | **(11.3)** | (2.2) |

**Notes:**

1. 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. Prepaid customers inactive for three months were 14.2% (2010: 6.3%) at 31 December 2011.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customers during the period.
3. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
4. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customers during the period.
5. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customers during the period. Prepaid and contract ARPU only includes service revenue generated from Vodacom customers.

## Key indicators for the quarters ended (continued)

### International key indicators

| | December 2011 | September 2011 | December 2010 | Year on year % change | Quarterly % change |
|---|---|---|---|---|---|
| **Customers (thousand)**[1] | **21 200** | 18 990 | 16 288 | **30.2** | 11.6 |
| Tanzania | **11 621** | 10 273 | 8 665 | **34.1** | 13.1 |
| DRC | **5 119** | 4 783 | 3 847 | **33.1** | 7.0 |
| Mozambique | **3 451** | 2 990 | 2 953 | **16.9** | 15.4 |
| Lesotho | **1 009** | 944 | 823 | **22.6** | 6.9 |
| **Churn (%)**[2] | | | | | |
| Tanzania | **37.7** | 35.2 | 41.5 | | |
| DRC | **66.5** | 64.3 | 80.8 | | |
| Mozambique | **48.2** | 111.7 | 45.3 | | |
| Lesotho | **24.3** | 24.5 | 24.6 | | |
| **MOU per month**[3] | | | | | |
| Tanzania | **51** | 56 | 58 | **(12.1)** | (8.9) |
| DRC | **42** | 47 | 74 | **(43.2)** | (10.6) |
| Mozambique | **44** | 33 | 43 | **2.3** | 33.3 |
| Lesotho | **29** | 30 | 32 | **(9.4)** | (3.3) |
| **Total ARPU (rand per month)**[4] | | | | | |
| Tanzania | **23** | 20 | 20 | **15.0** | 15.0 |
| DRC | **38** | 37 | 32 | **18.8** | 2.7 |
| Mozambique | **48** | 32 | 23 | **108.7** | 50.0 |
| Lesotho | **58** | 55 | 62 | **(6.5)** | 5.5 |
| **Total ARPU (local currency per month)**[4] | | | | | |
| Tanzania (TZS) | **4 752** | 4 550 | 4 330 | **9.7** | 4.4 |
| DRC (USD) | **4.7** | 5.1 | 4.7 | **–** | (7.8) |
| Mozambique (MZN) | **158** | 122 | 115 | **37.4** | 29.5 |

**Notes:**

1. Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated. Prepaid customers inactive for three months were 19.1% (2010: 19.7%) for Tanzania, 21.6% (2010: 34.0%) for Mozambique and 21.3% (2010: 17.5%) for Lesotho at 31 December 2011. DRC reports 90 day active customers.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customers during the period.
3. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customers during the period.
4. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customers during the period.

# Key indicators for the quarters ended (continued)

## Historical key indicators for the quarters ended

### Revenue

| Rm | December 2011 | September 2011 | June 2011 | March 2011 | December 2010 | September 2010 | June 2010 |
|---|---|---|---|---|---|---|---|
| South Africa | **15 135** | 13 881 | 13 537 | 13 602 | **14 072** | 13 130 | 12 567 |
| International | **2 983** | 2 394 | 2 119 | 2 138 | **2 056** | 2 080 | 1 922 |
| Corporate and eliminations | **(121)** | (97) | (87) | (92) | **(95)** | (100) | (83) |
| **Revenue** | **17 997** | 16 178 | 15 569 | 15 648 | **16 033** | 15 110 | 14 406 |

### Service revenue

| Rm | December 2011 | September 2011 | June 2011 | March 2011 | December 2010 | September 2010 | June 2010 |
|---|---|---|---|---|---|---|---|
| South Africa | **12 755** | 11 947 | 11 558 | 11 863 | **12 075** | 11 442 | 11 012 |
| International | **2 905** | 2 326 | 2 064 | 2 081 | **2 001** | 2 016 | 1 859 |
| Corporate and eliminations | **(93)** | (73) | (70) | (74) | **(78)** | (76) | (69) |
| **Service revenue** | **15 567** | 14 200 | 13 552 | 13 870 | **13 998** | 13 382 | 12 802 |

### South Africa

| | December 2011 | September 2011 | June 2011 | March 2011 | December 2010 | September 2010 | June 2010 |
|---|---|---|---|---|---|---|---|
| **Customers (thousand)**[1] | **31 727** | 28 907 | 27 731 | 26 535 | **25 302** | 23 873 | 23 161 |
| Prepaid[2] | **26 189** | 23 468 | 22 411 | 21 409 | **20 310** | 19 074 | 18 489 |
| Contract | **5 538** | 5 439 | 5 320 | 5 126 | **4 992** | 4 799 | 4 672 |
| **Churn (%)**[3] | **30.7** | 44.6 | 35.5 | 28.5 | **32.7** | 35.9 | 87.2 |
| Prepaid[2] | **35.3** | 53.0 | 41.9 | 33.0 | **38.3** | 42.5 | 105.0 |
| Contract | **10.1** | 8.9 | 8.5 | 9.7 | **10.3** | 9.6 | 9.5 |
| **Traffic (millions of minutes)**[4] | **9 012** | 9 186 | 8 141 | 8 108 | **8 402** | 7 352 | 6 371 |
| Outgoing | **6 741** | 7 050 | 6 079 | 6 060 | **6 307** | 5 351 | 4 442 |
| Incoming | **2 271** | 2 136 | 2 062 | 2 048 | **2 095** | 2 001 | 1 929 |
| **MOU per month**[5] | **99** | 108 | 100 | 104 | **114** | 105 | 86 |
| Prepaid[2] | **83** | 91 | 81 | 82 | **92** | 79 | 59 |
| Contract | **171** | 181 | 181 | 195 | **202** | 207 | 205 |
| **Total ARPU (rand per month)**[6] | **140** | 140 | 142 | 153 | **164** | 163 | 149 |
| Prepaid[2] | **80** | 77 | 79 | 85 | **93** | 90 | 79 |
| Contract | **362** | 370 | 369 | 387 | **408** | 411 | 411 |

## Key indicators for the quarters ended (continued)

## Historical key indicators for the quarters ended (continued)

### International

| | December 2011 | September 2011 | June 2011 | March 2011 | December 2010 | September 2010 | June 2010 |
|---|---|---|---|---|---|---|---|
| **Customers (thousand)**[1] | **21 200** | 18 990 | 17 686 | 16 957 | **16 288** | 15 504 | 14 561 |
| Tanzania | **11 621** | 10 273 | 9 260 | 8 861 | **8 665** | 8 421 | 8 009 |
| DRC | **5 119** | 4 783 | 4 245 | 4 155 | **3 847** | 3 638 | 3 419 |
| Mozambique | **3 451** | 2 990 | 3 277 | 3 082 | **2 953** | 2 676 | 2 411 |
| Lesotho | **1 009** | 944 | 904 | 859 | **823** | 769 | 722 |
| **Churn (%)**[3] | | | | | | | |
| Tanzania | **37.7** | 35.2 | 43.5 | 51.1 | **41.5** | 41.9 | 42.9 |
| DRC | **66.5** | 64.3 | 75.3 | 45.3 | **80.8** | 91.1 | 77.5 |
| Mozambique | **48.2** | 111.7 | 42.5 | 43.0 | **45.3** | 65.3 | 76.9 |
| Lesotho | **24.3** | 24.5 | 20.3 | 21.5 | **24.6** | 20.2 | 17.2 |
| **MOU per month**[5] | | | | | | | |
| Tanzania | **51** | 56 | 54 | 53 | **58** | 55 | 58 |
| DRC | **42** | 47 | 43 | 38 | **74** | 77 | 56 |
| Mozambique | **44** | 33 | 34 | 36 | **43** | 49 | 29 |
| Lesotho | **29** | 30 | 28 | 32 | **32** | 33 | 31 |
| **Total ARPU (rand per month)**[6] | | | | | | | |
| Tanzania | **23** | 20 | 19 | 19 | **20** | 21 | 22 |
| DRC | **38** | 37 | 33 | 34 | **32** | 39 | 39 |
| Mozambique | **48** | 32 | 24 | 22 | **23** | 22 | 22 |
| Lesotho | **58** | 55 | 54 | 55 | **62** | 60 | 62 |
| **Total ARPU (local currency per month)**[6] | | | | | | | |
| Tanzania (TZS) | **4 752** | 4 550 | 4 276 | 4 098 | **4 330** | 4 393 | 4 127 |
| DRC (USD) | **4.7** | 5.1 | 4.8 | 4.9 | **4.7** | 5.3 | 5.2 |
| Mozambique (MZN) | **158** | 122 | 106 | 102 | **115** | 109 | 98 |

**Notes:**

1. 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.
2. South Africa changed its disconnection policy for call-forward SIMs from 13 months inactivity to seven months during the quarter ended 30 June 2010.
3. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customers during the period.
4. Traffic comprises total traffic registered on Vodacom's mobile network, including bundled minutes, promotional minutes and outgoing international roaming calls, but excluding national roaming calls, incoming international roaming calls and calls to free services.
5. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customers during the period.
6. Total ARPU is calculated by dividing 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.

## Revenue for the quarter ended 31 December 2011

| Rm | South Africa | Yoy % change | International | Yoy % change | Corporate/ Eliminations | Group | Yoy % change |
|---|---|---|---|---|---|---|---|
| Mobile voice | 7 753 | 4.3 | 1 440 | 60.4 | – | 9 193 | 10.3 |
| Mobile interconnect | 1 611 | (9.4) | 213 | 54.3 | (32) | 1 792 | (5.0) |
| Mobile messaging[1] | 823 | 6.5 | 75 | 27.1 | – | 898 | 7.9 |
| Mobile data[1] | 1 929 | 19.3 | 153 | 135.4 | – | 2 082 | 23.8 |
| Other service revenue[2] | 639 | 34.8 | 1 024 | 21.8 | (61) | 1 602 | 26.5 |
| **Service revenue** | 12 755 | 5.6 | 2 905 | 45.2 | (93) | 15 567 | 11.2 |
| Equipment revenue | 2 208 | 19.4 | 39 | 39.3 | (11) | 2 236 | 19.4 |
| Non-service revenue[2] | 172 | 17.0 | 39 | 44.4 | (17) | 194 | 19.8 |
| **Revenue** | 15 135 | 7.6 | 2 983 | 45.1 | (121) | 17 997 | 12.2 |

**Notes:**

1. In the prior year December quarter, we reclassified year-to-date revenue of R194 million relating to telemetry, from mobile messaging to mobile data revenue of which R65 million related to the December quarter only. Reclassified values for the quarter ended 31 December 2010: South Africa: Mobile messaging R773 million; Mobile data R1 617 million; Group: Mobile messaging R832 million; Mobile data R1 682 million.
2. In the prior year December quarter, we reclassified year-to-date revenue of R134 million relating to tower sharing revenue and returned debit order handling fees, from non-service revenue to other service revenue of which R44 million related to the December quarter only. Reclassified values for the quarter ended 31 December 2010: South Africa: Other service revenue R474 million; Non-service revenue R147 million; Group: Other service revenue R1 266 million; Non-service revenue R162 million.

## Average quarterly exchange rates

| | December 2011 | September 2011 | December 2010 | Year on year % change | Quarterly % change |
|---|---|---|---|---|---|
| USD/ZAR | **8.10** | 7.15 | 6.90 | **17.4** | 13.3 |
| ZAR/MZN | **3.32** | 3.86 | 5.12 | **(35.2)** | (14.0) |
| ZAR/TZS | **208.36** | 226.02 | 215.19 | **(3.2)** | (7.8) |
| EUR/ZAR | **10.92** | 10.09 | 9.37 | **16.5** | 8.2 |

## Non-GAAP information

This trading statement contains certain non-GAAP financial information 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 GAAP measures.

## Trademarks

Vodafone, the Vodafone logo, Vodafone Mobile Broadband, Vodafone WebBox, Vodafone Passport, Vodafone live!, Power to You, Vodacom, Vodacom M-Pesa, Vodacom Millionaires, Vodacom 4 Less and Vodacom Change the World are trademarks of Vodafone Group Plc (or have applications pending). The trademarks RIM® and BlackBerry® are owned by Research in Motion Limited and are registered in the US and may be pending or registered in other countries. Java® is a registered trademark of Oracle and/or its affiliates. Microsoft, Windows Mobile and ActiveSync are either registered trademarks or trademarks of Microsoft Corporation in the US and/or other countries. Google, Google Maps and Android are trademarks of Google Inc. Apple, iPhone and iPad are trademarks of Apple Inc., registered in the US and other countries. Other product and company names mentioned herein may be trademarks of their respective owners.

## Forward-looking statements

This trading statement which sets out the quarterly results for Vodacom Group Limited for the quarter ended 31 December 2011 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.