

Balance sheet

Total assets grew by R13 184 million to R47 359 million as at 31 March 2009, largely as a result of the increase in intangible assets from R4 224 million to R11 794 million, with goodwill comprising the largest element at R5 533 million, attributable mainly to the acquisition of Gateway.

Net debt rose to R17 537 million as at 31 March 2009, compared to R8 663 million at 31 March 2008. Debt was raised to refinance debt, support higher capital expenditure and acquire Gateway. Net debt as at 31 March 2009 includes the final dividend and related STC of R2 430 million paid to Vodacom Group's shareholders on 8 April 2009. 93% of the total debt is at a floating rate and R5 692 million will mature in less than a year. R2 977 million of the total debt is denominated in foreign currencies. The balance sheet remains strong; with the net debt to EBITDA ratio at 1.0x at 31 March 2009.

Group net debt

Rm	At 31 March			% change	
	2009	2008	2007	08/09	07/08
Cash and cash equivalents	(1 104)	(978)	(771)	(12.9)	(26.8)
Bank borrowings	2 203	2 597	879	(15.2)	195.4
Current liabilities	5 692	503	501	>200.0	0.4
Non-current liabilities	8 316	3 032	2 054	174.3	47.6
Net debt before dividends and STC	15 107	5 154	2 663	193.1	93.5
Dividends and STC payable	2 430	3 509	3 364	(30.7)	4.3
Net debt (incl dividend)	17 537	8 663	6 027	102.4	43.7
Net debt/EBITDA (x)	1.0	0.5	0.4		

Operational review

South Africa

Vodacom SA revenue grew 10.8% with customer growth of 11.3% or 2.8 million additional customers to 27.6 million. A record 13 million gross connections were achieved and churn was down 2.2 percentage points to 40.1% as a result of the focused retention campaigns and loyalty programmes. Vodacom SA maintained its market leadership position with 53.0% market share of mobile customers as at 31 March 2009.

Contract and prepaid customer revenue grew by 4.2% and 16.5% respectively. Prepaid ARPU increased 9.7% to R68 per month, driven by the introduction of more affordable products and lower denomination vouchers. Yebo4Less, the dynamically priced prepaid product, attracted 4.8 million customers, representing 20.4% of the prepaid customer base. Contract customer ARPU was 2.5% lower at R474 per month due to the growth in low-end hybrid contract customers and customers not exceeding their bundles.



Vodacom SA extended its leading position in data and broadband services with year-on-year data revenue growth of 27.9% to R6.0 billion. Data revenue from connectivity and usage (excluding messaging revenue) increased by 69.3%, largely as a result of the 80.0% increase in broadband customers to 720 000 at year end. The introduction of Mobile Internet in June 2008, which makes accessing the internet easier and cheaper, substantially increased the number of customers accessing the internet via their mobile phones to nearly 5 million. In February 2009, *Vodafone Connect via the Phone* was launched, which enables customers to use a 3G phone as a modem to access the internet from their PCs or laptops.

Despite the increase in costs as a result of the depreciation of the rand, the BBBEE transaction expenses and the costs related to establishing Vodacom Business, EBITDA margins were relatively flat at 34.2% compared to 34.5% in the prior year.

Vodacom SA's capital expenditure of R4.6 billion includes the investment in the radio access network, which is expected to be more cost efficient and improve network coverage. 316 2G and 322 3G base transceiver stations were rolled out during the year, bringing the total number of 2G sites to 7 481 and 3G sites to 2 880. A new WiMAX network was deployed on behalf of WBS consisting of 141 sites at the year end. The programme to self-provide transmission capacity is well on track in South Africa, with eight of the 11 fibre rings planned nationally for metropolitan areas completed in the year. Agreement has been reached for the construction of a national long-distance fibre network jointly with MTN and Neotel.

On the regulatory front, the Electronic Communications Act was finalised, with ICASA issuing licences in January 2009 to approximately 350 individual ECS and ECNS licensees. The final license fee regulations were published in March 2009, setting the fee at 1.5% of gross profit effective 1 April 2009. The RICA act was signed into law by the President in January 2009, with implementation expected in the latter part of 2009.

Vodacom SA's 6.25% BBBEE transaction, together with the progress made in skills development and preferential procurement have resulted in an improved BBBEE rating to Level 4 based on the DTI BBBEE Codes.

International

The international operations continued to record strong customer growth, up 30.7% to 12.0 million in the year, which lifted revenue by 29.9%. The growth in customers was driven by the launch of new products and services, aggressive sales and marketing campaigns, and enhanced network coverage.

Gross connections were 32.9% higher at 7.9 million. Churn remained relatively constant at 48.1% for the year, contained by various loyalty programmes such as Tuzo Points and Tuzo Draw in Tanzania. ARPU in local currency declined in most of the international operations due to the growth in lower-usage customers, the impact on disposable income of the economic conditions and competitive pressure on tariffs, which has taken the form of various discounted airtime and free on-net call promotions by competitors.

Following the successful launch of M-PESA by Vodafone's affiliate, Safaricom, in Kenya, Vodacom has this year launched a similar mobile money transfer product in Tanzania. With over 250 000 customers already registered for the service, Vodacom has appointed over 835 agents to facilitate the registration of customers and to support cash-in and cash-out activities. The target is to have over 2 000 agents appointed within the next financial year.

The international EBITDA margin declined from 28.7% to 26.2% due to the lower DRC profitability. EBITDA margins increased in all the other international operations.



Capital expenditure of R2 406 million was primarily allocated to expanding coverage, with more than 400 new base stations added during the year in the four countries. The largest share of this investment was made in Tanzania.

Gateway

In the quarter ended 31 March 2009, Gateway achieved revenue of R808 million and EBITDA of R100 million, with its largest market Nigeria growing 43.5% year on year. Gateway's network footprint was strengthened during the period with the opening of two new offices in Kenya and Uganda. IPJetDirect, a new service offering for mobile operators was launched to provide high speed, low-latency internet connectivity. Progress has been made in identifying synergies with Vodacom, specifically in international voice and carrier data services. In April 2009, Gateway was awarded "Satellite Service Provider of the Year" at the SatCom Star Awards 2009.

Shareholder distributions

Dividends declared for the year ended 31 March 2009 totalled R5 200 million, compared to R5 940 million in the prior year. The final dividend for the year of R2 200 million was paid on 8 April 2009. As a private company, Vodacom Group has historically paid a dividend equal to approximately all of its free cash flow on a semi-annual basis. As a publicly listed entity and for the financial year ending 31 March 2010, Vodacom Group anticipates a dividend payout ratio of approximately 40% of headline earnings. The first dividend is expected to be the interim dividend for the 2010 financial year.

Outlook

In South Africa lower interest rates, inflation and fuel prices have provided some relief to consumers. However, the deterioration in global macroeconomic conditions is expected to deepen further the negative impact on the business segment as well as result in increased unemployment. As customers continue to contain their spending, the Group will seek to offer them greater value. To further mitigate the pressure on top-line growth and preserve margins, greater operational efficiencies will be driven across the business.

Trading conditions are expected to remain challenging for the international operations, with economic weakness persisting particularly in the DRC and aggressive competition in all markets. Vodacom will ensure it remains competitive and efficient to mitigate the pressures.

Vodacom Group will continue to invest to position the Group for growth in the sub-Saharan African communications markets, which remain among the fastest growing in the world. Vodacom Group's capital expenditure is expected to be R8.0 billion for the year ended 31 March 2010. The Group'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.

For and on behalf of the board

Pieter Uys
Chief Executive Officer

19 May 2009
Midrand

Johan van der Watt
Acting Chief Financial Officer

