



# Vodacom Group Limited

## Interim results

30 September 2009

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# Strong performance

**41.6m**



**Customers**

**R28.7bn**



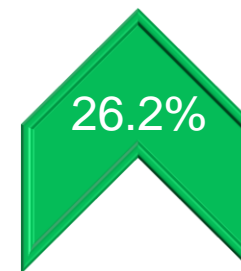
**Revenue**

**R9.3bn**



**EBITDA**

**R5.2bn**



**OpFCF**

**Interim dividend declared of 110 cents per share**

# Key highlights

Robust performance in South Africa

Improving international performance

Strong growth in mobile broadband

Earnings impacted by non-cash items

Strong cash flow



**South Africa**

International

Converged  
services

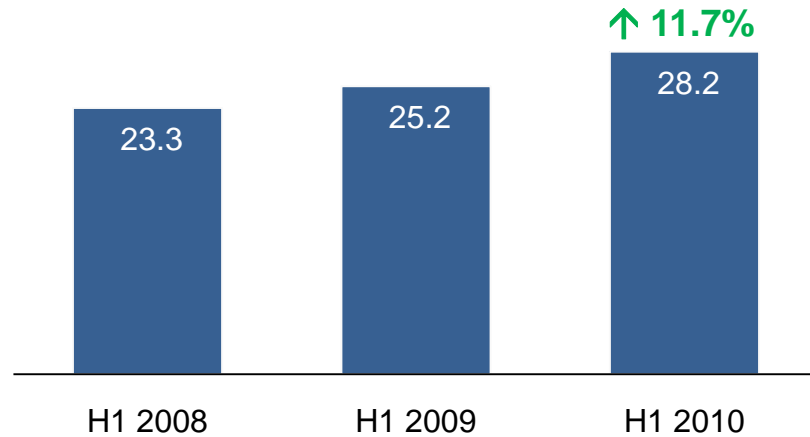
Financials

Outlook

# South Africa delivered a robust performance

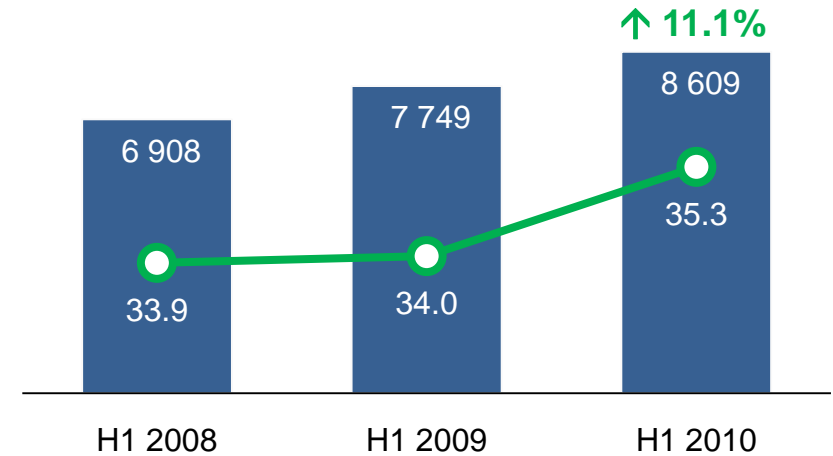
## Customers

Million



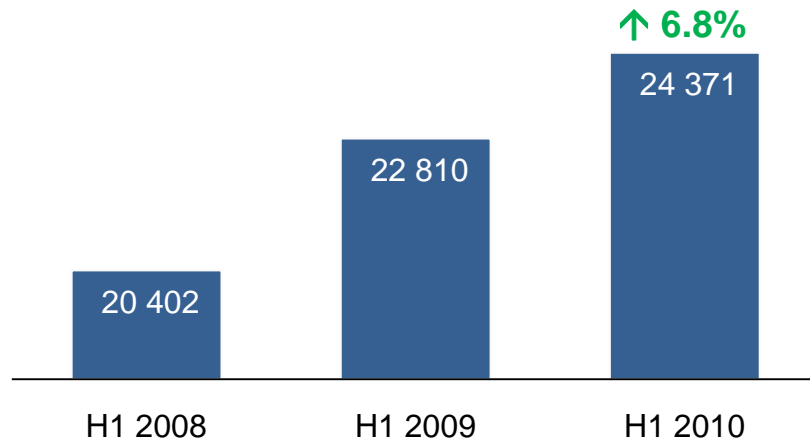
## EBITDA/EBITDA margin

R million/%



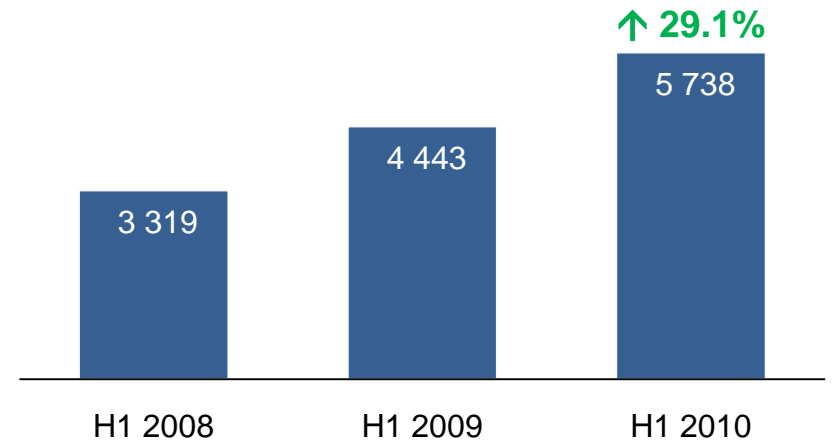
## Revenue

R million



## Operating free cash flow

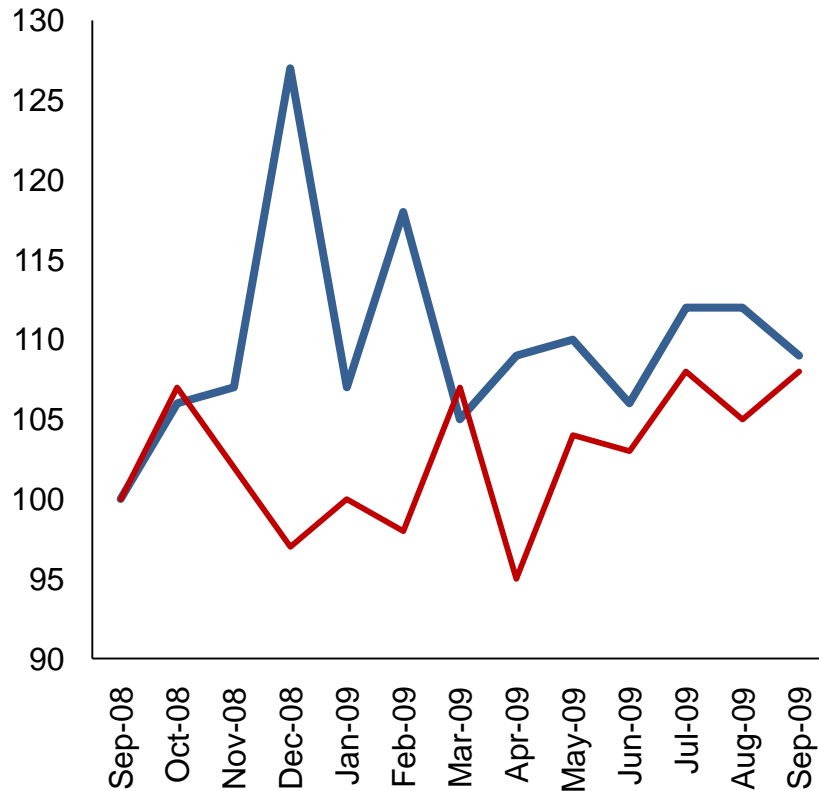
R million



# Headwinds from the recession and RICA

## Contract and prepaid revenue

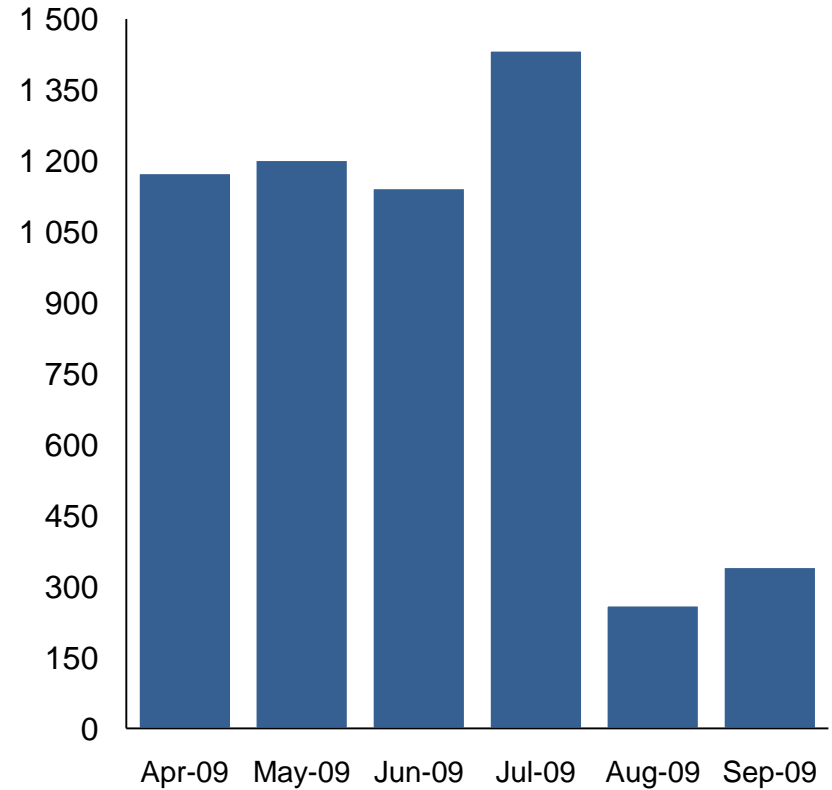
Indexed



— Prepaid — Contract

## Monthly gross connections

Thousand



# Increased focus on mobile termination rates

- **MTR per minute**
  - Peak: R1.25
  - Off-peak: R0.77
  - Community services: R0.06
  
- **10% reduction in peak MTRs**
  - Estimated R200 million loss

## Interconnection

R million	H1 2010	H1 2009	% change
Interconnection revenue	4 075	3 914	4.1
<b>% of service revenue</b>	<b>19.1</b>	<b>19.7</b>	
Interconnection cost	(3 111)	(2 830)	9.9
<b>Net interconnection revenue</b>	<b>964</b>	<b>1 084</b>	<b>(11.1)</b>
<b>% of EBITDA</b>	<b>11.2</b>	<b>14.0</b>	

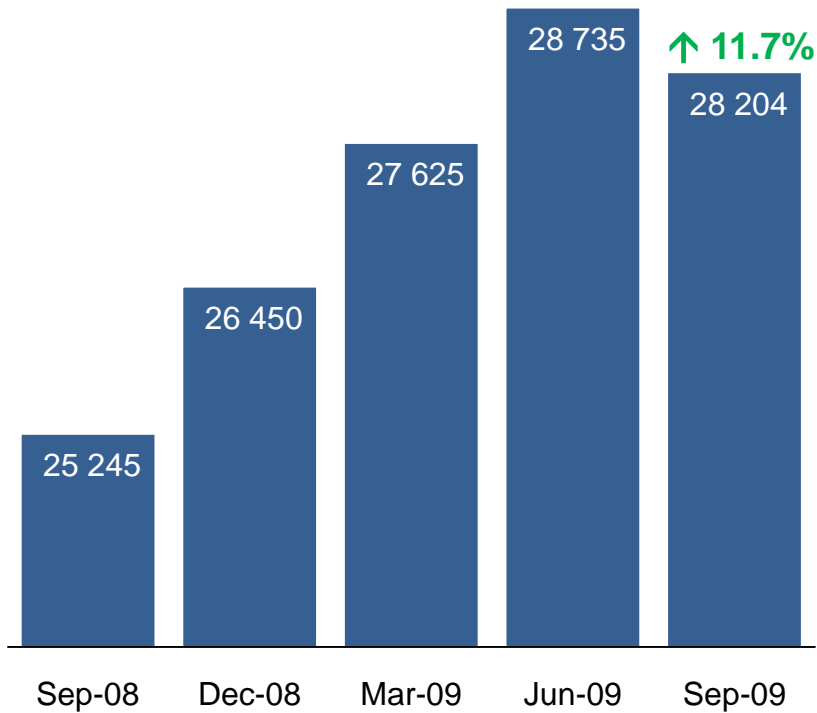
Minutes (million)	H1 2010	H1 2009	% change
<b>Net mobile</b>	<b>(154)</b>	<b>(161)</b>	<b>(4.3)</b>
<b>Net fixed-line</b>	<b>512</b>	<b>638</b>	<b>(19.7)</b>



# Maintained market leading position

## Customers

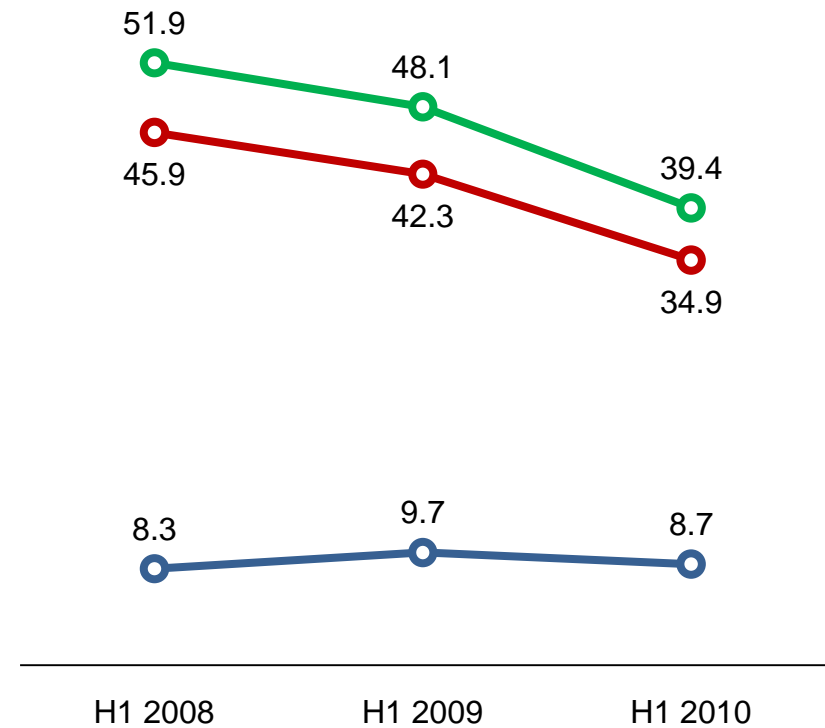
Thousand



■ Customers

## Churn

%

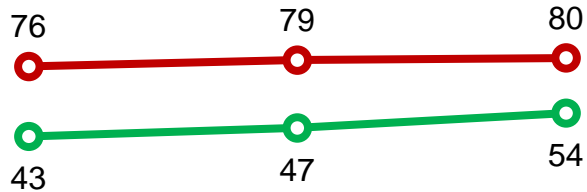
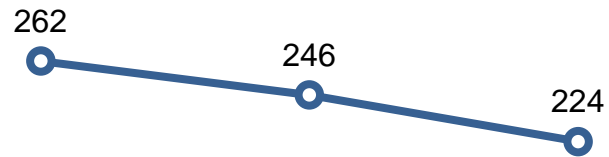


● Contract ● Prepaid ● Blended

# Promotional activity resulting in increased usage

## Minutes of use

Minutes per customer



H1 2008

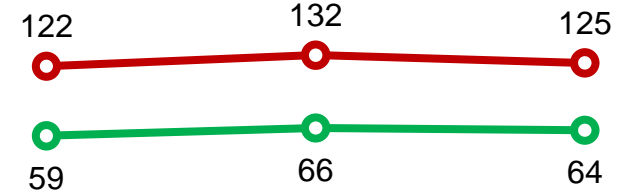
H1 2009

H1 2010

Contract Prepaid Blended

## Average revenue per user (ARPU)

R



H1 2008

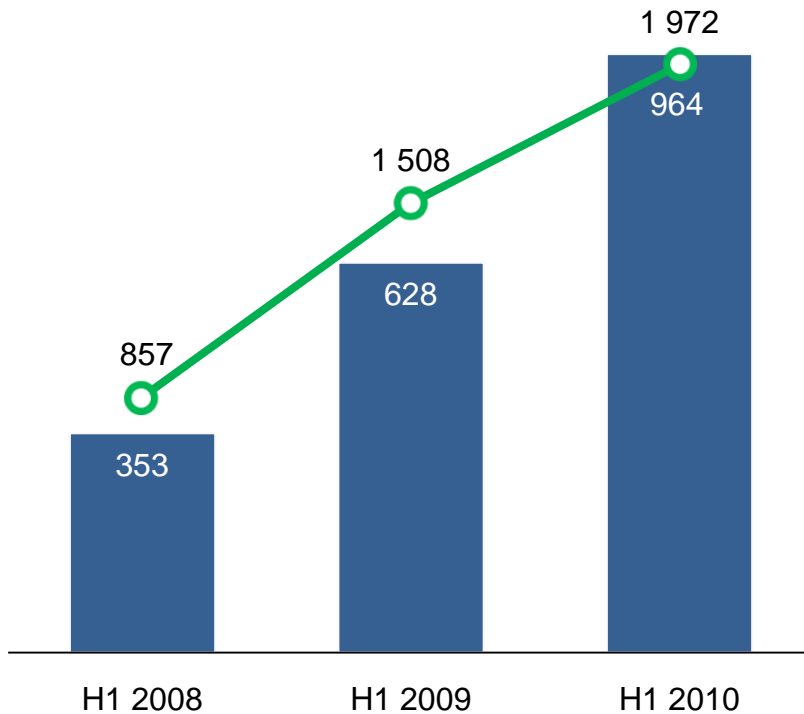
H1 2009

H1 2010

Contract Prepaid Blended

# Growth fuelled by mobile broadband

## Broadband customers and data revenue



■ SA broadband customers (thousand)

○ SA data revenue (R million)

**STAY CONNECTED WHEREVER YOU ARE**

**Winning Deal!**

**ASPIRE ONE**  
ACER ASPIRE ONE LINPUS NETBOOK

**INCLUDES FREE K3520 MODEM**

TOTAL PRICE **R259.00\*** ON STD MYMIG 250

**R202** ONCE-OFF SIM AND CONNECTION  
36-Month Warranty

Includes Aspire One Mail & Messenger and Open Office Standard

Get 250MB Data PM And Top Up As You Go

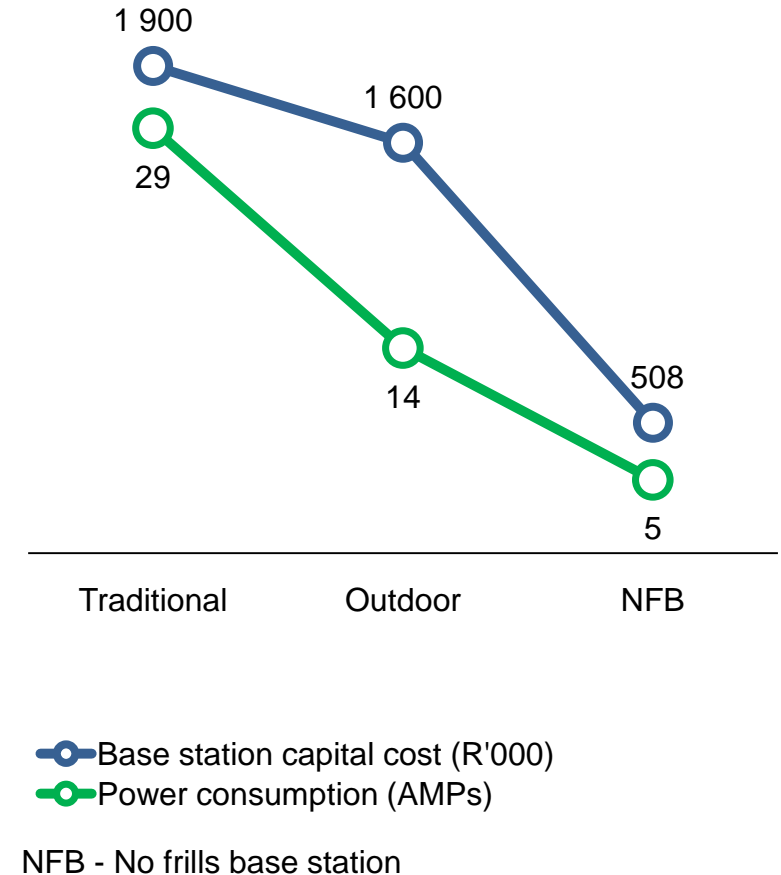
**voda.com**  
South Africa's Leading Cellular Network

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# Investment to support data growth and improve efficiencies

- **Self provisioning transmission**
  - Improves radio network availability
  - Faster delivery
  - Improved quality
- **Radio Access Network (RAN) swap**
  - Lowering radio capex
  - LTE ready
  - Spectrum efficiencies
  - Energy efficiencies
- **Vodafone procurement benefits**

## Base station evolution (example in Mpumalanga)





South Africa

**International**

Converged  
services

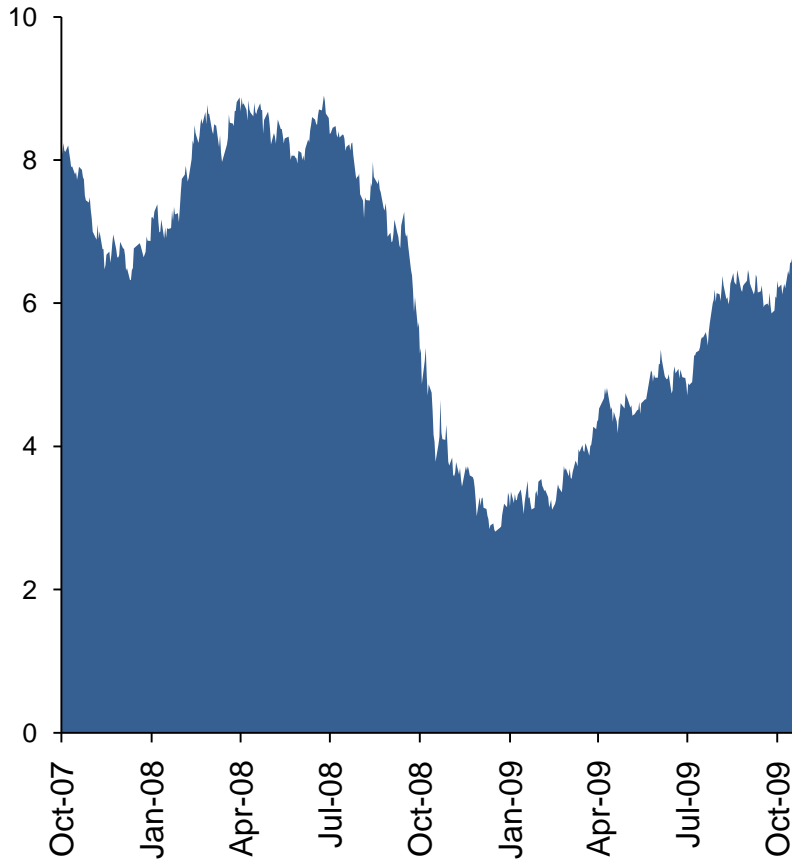
Financials

Outlook

# International business impacted by weakening demand

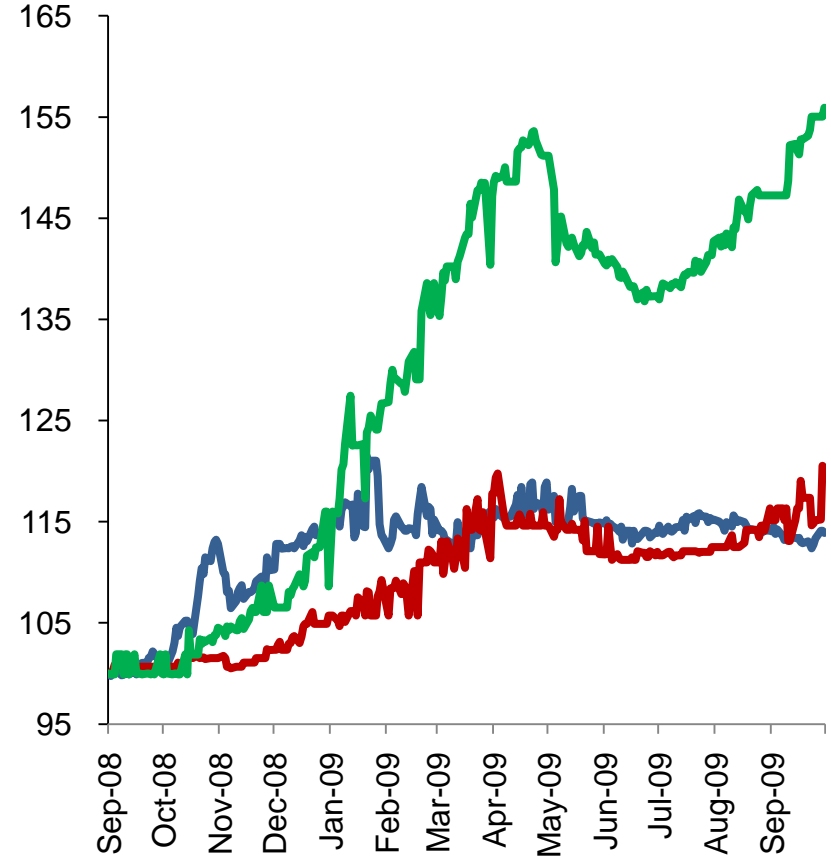
## Copper price

USD thousand/ton



## Local currencies against the dollar

Indexed

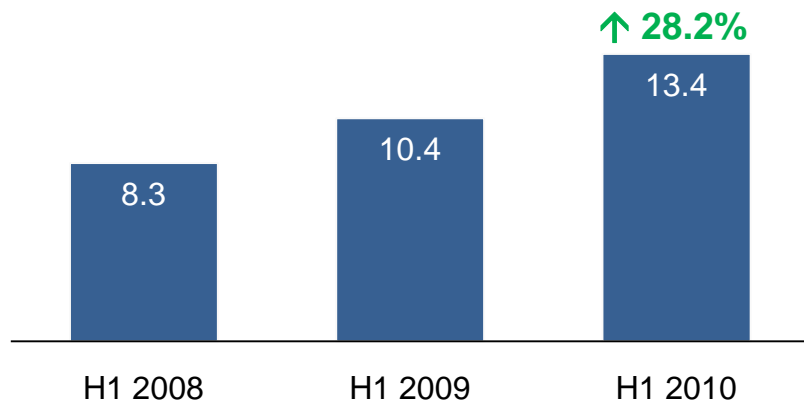


— TZS — MZN — CDF

# Continued growth in international customers

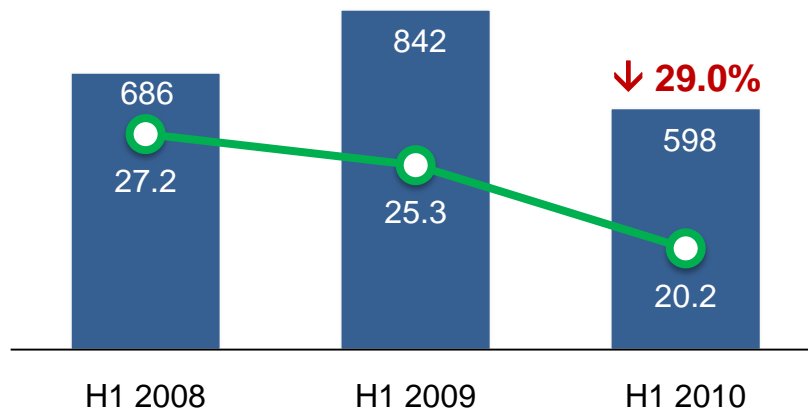
## Customers

Million



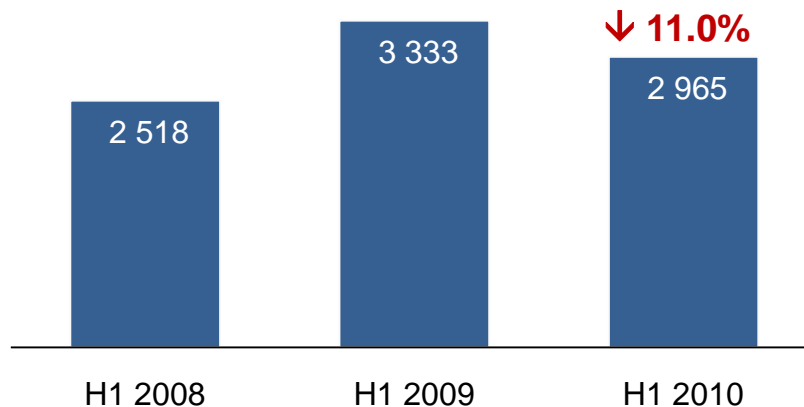
## EBITDA/EBITDA margin

R million/%



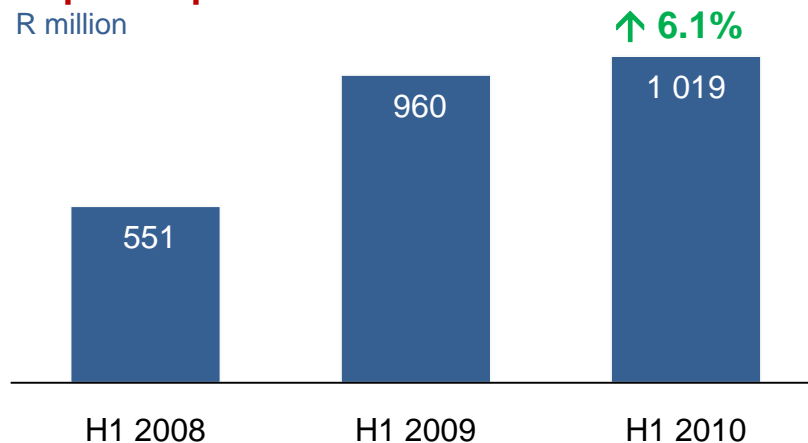
## Revenue

R million



## Capital expenditure

R million

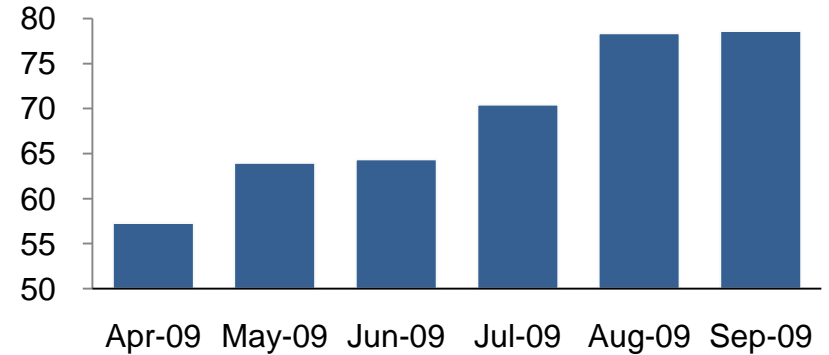


# Effectively managing difficult trading conditions

- Competitive offerings in markets
- Market share and on-net traffic increasing
- Strong cost focus

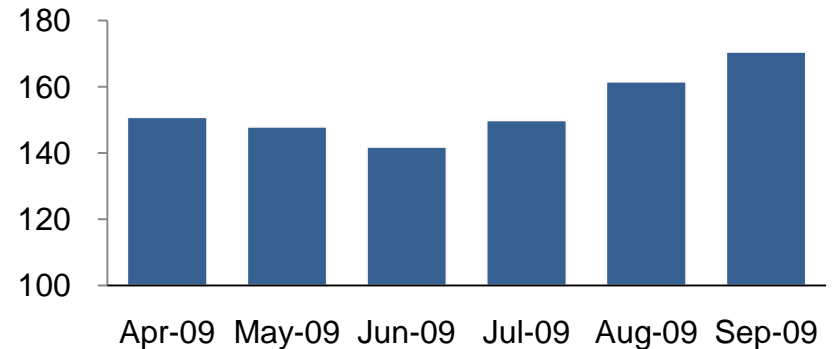
## DRC on-net minutes

Million



## Tanzania on-net minutes

Million







South Africa

International

**Converged  
services**

Financials

Outlook

# Advancing total communications strategy

## Consumer services

- 5 million mobile internet users
- Vodafone live! customers increased 62.1%
- 1 million Grid users
- Launch of Vodafone MyWeb
- Lowering device costs

## Connectivity services

- Gateway carrier services contributed R1.3bn
- Negatively impacted by pricing pressure
- Vodacom's international traffic increasingly moving to Gateway
- Consolidate internet transmission

## Business services

- Vodacom Business group revenue of almost R400m
- Gateway Business USD revenue grew 27.4%
- Tanzania launched Vodacom Business



Highlights

South Africa

International

**Financials**

Outlook

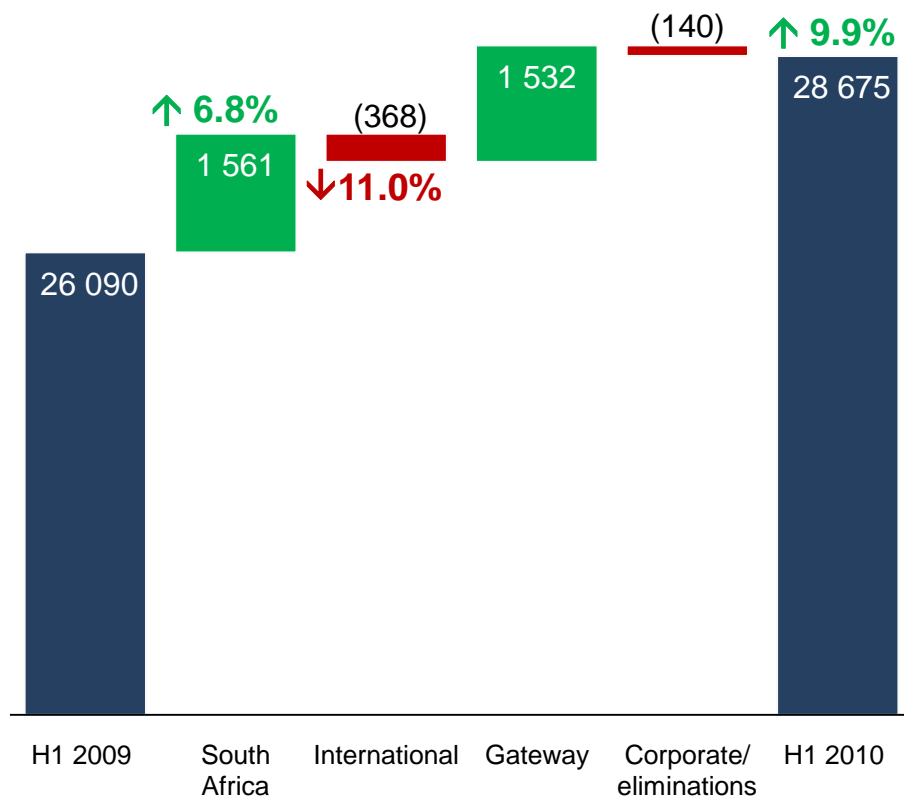
# Group income statement

R million	H1 2010	H1 2009	% change
<b>Revenue</b>	<b>28 675</b>	<b>26 090</b>	<b>9.9</b>
<b>EBITDA</b>	<b>9 347</b>	<b>8 654</b>	<b>8.0</b>
<b>Operating profit before impairment</b>	<b>6 724</b>	<b>6 451</b>	<b>4.2</b>
Impairment	(3 189)	(21)	> 200.0
<b>Operating profit after impairment</b>	<b>3 535</b>	<b>6 430</b>	<b>(45.0)</b>
Net finance charges	(1 111)	(659)	68.6
Loss from associate	(14)	-	n/a
<b>Profit before taxation</b>	<b>2 410</b>	<b>5 771</b>	<b>(58.2)</b>
Taxation	(2 351)	(1 995)	17.8
<b>Net profit</b>	<b>59</b>	<b>3 776</b>	<b>(98.4)</b>
<b>Headline earnings</b>	<b>3 255</b>	<b>3 720</b>	<b>(12.4)</b>

# Normalised revenue growth of 4.7%

## Group revenue growth

R million



## Group revenue by category

R million

	H1 2010	% change
Mobile voice	15 477	2.6
Mobile interconnect	4 457	0.4
Mobile messaging	1 548	7.3
Mobile data	2 031	30.1
Other service revenue	2 018	> 200.0
<b>Service revenue</b>	<b>25 531</b>	<b>10.9</b>
Equipment revenue	2 589	3.9
Non-service revenue	555	(2.8)
<b>Revenue</b>	<b>28 675</b>	<b>9.9</b>

# Group operating costs increased 3.2% excluding Gateway

## Group operating costs<sup>1</sup> per segment

R million	H1 2010	% change
South Africa	15 820	5.0
International	2 367	(5.0)
Corporate/eliminations	(189)	(64.3)
<b>Total (pre Gateway)</b>	<b>17 998</b>	<b>3.2</b>
Gateway	1 389	n/a
<b>Operating costs<sup>1</sup></b>	<b>19 387</b>	<b>11.1</b>

## Group operating costs<sup>1</sup> per category

R million	H1 2010	%	% <sup>2</sup>
Direct network operating costs	12 135	11.9	0.8
Interconnect expenditure	3 453	3.8	3.8
Staff expenses	2 143	25.5	19.0
Marketing and advertising expenses	757	(1.8)	(2.6)
Other operating expenses	899	12.7	4.6
<b>Operating costs<sup>1</sup></b>	<b>19 387</b>	<b>11.1</b>	<b>3.2</b>

<sup>1</sup> Excluding depreciation, amortisation and net impairment charges

<sup>2</sup> Excluding Gateway

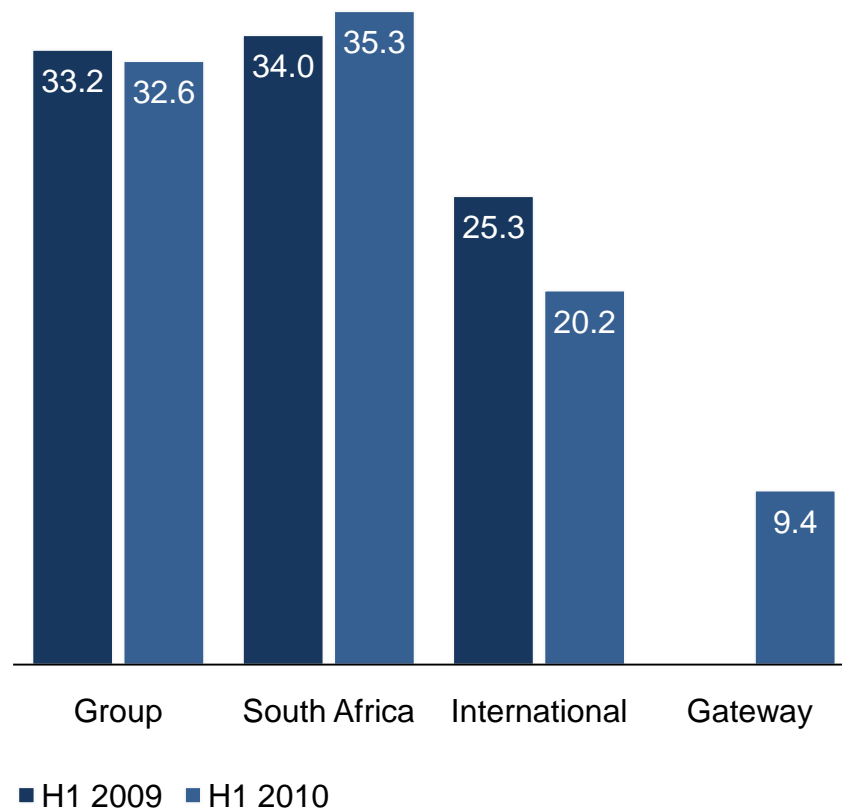
# Group EBITDA increased 8%

## Group EBITDA

R million	H1 2010	% change
South Africa	8 609	11.1
International	598	(29.0)
Corporate/eliminations	(4)	(106.3)
<b>EBITDA (pre Gateway)</b>	<b>9 203</b>	<b>6.3</b>
Gateway	144	n/a
<b>EBITDA</b>	<b>9 347</b>	<b>8.0</b>

## Group EBITDA margin

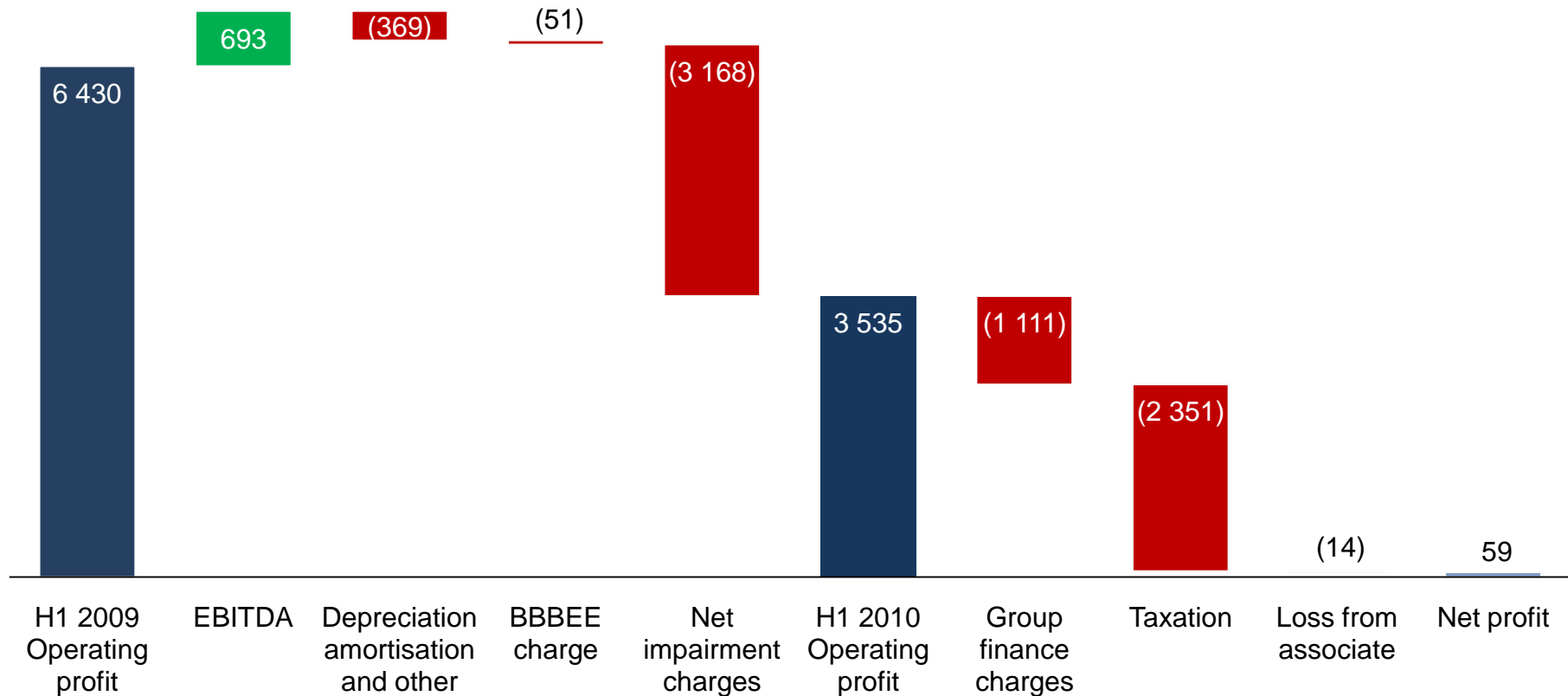
%



# Group net profit impacted by impairments and higher taxation

## Net profit analysis

R million





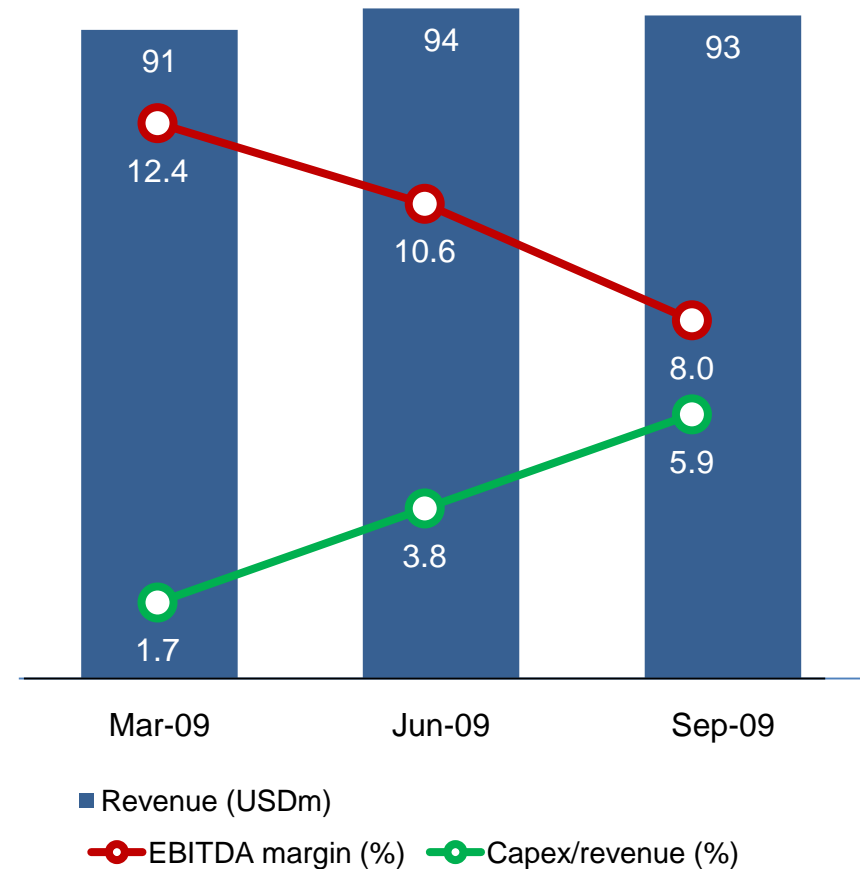
# Impairment of Gateway

## Gateway impairment

USD million	H1 2010
<b>Acquisition price (enterprise value)</b>	<b>700</b>
Carrying value (pre impairment)	719
Less: New valuation (enterprise value)	308
<b>Impairment charge</b>	<b>411</b>

- Adverse macroeconomic environment
- Poor trading performance
- Change in business plan assumptions

## Gateway quarterly financial information



# Group finance charges impacted by higher debt

## Group net debt

R million	H1 2010	H1 2009
Cash and cash equivalents	(729)	(822)
Bank borrowings	747	3 364
Debt	14 822	3 520
<b>Net debt before dividends and STC</b>	<b>14 840</b>	<b>6 062</b>
Dividends and STC	-	3 300
<b>Net debt including dividends and STC</b>	<b>14 840</b>	<b>9 362</b>
<b>Net debt/EBITDA (x)</b>	<b>0.8</b>	<b>0.5</b>

## Group finance charges

R million	H1 2010	% change
Net finance expense	(762)	8.9
Remeasurement of loans	(232)	-
Gain on translation of foreign assets and liabilities	142	(37.2)
Loss on derivatives	(259)	40.0
<b>Net finance charges</b>	<b>(1 111)</b>	<b>68.6</b>
<b>Average cost of debt (%)</b>	<b>9.3</b>	<b>(3.0pp)</b>

Unproductive interest on debt amounts to approximately R198 million.

# Group taxation expense impacted by non-cash items

- The derecognised taxation asset is mainly due to the DRC deferred tax asset
- The revaluation adjustment and impairments is primarily due to the Gateway impairment
- No STC was paid for the period, dividend declaration is now post interim

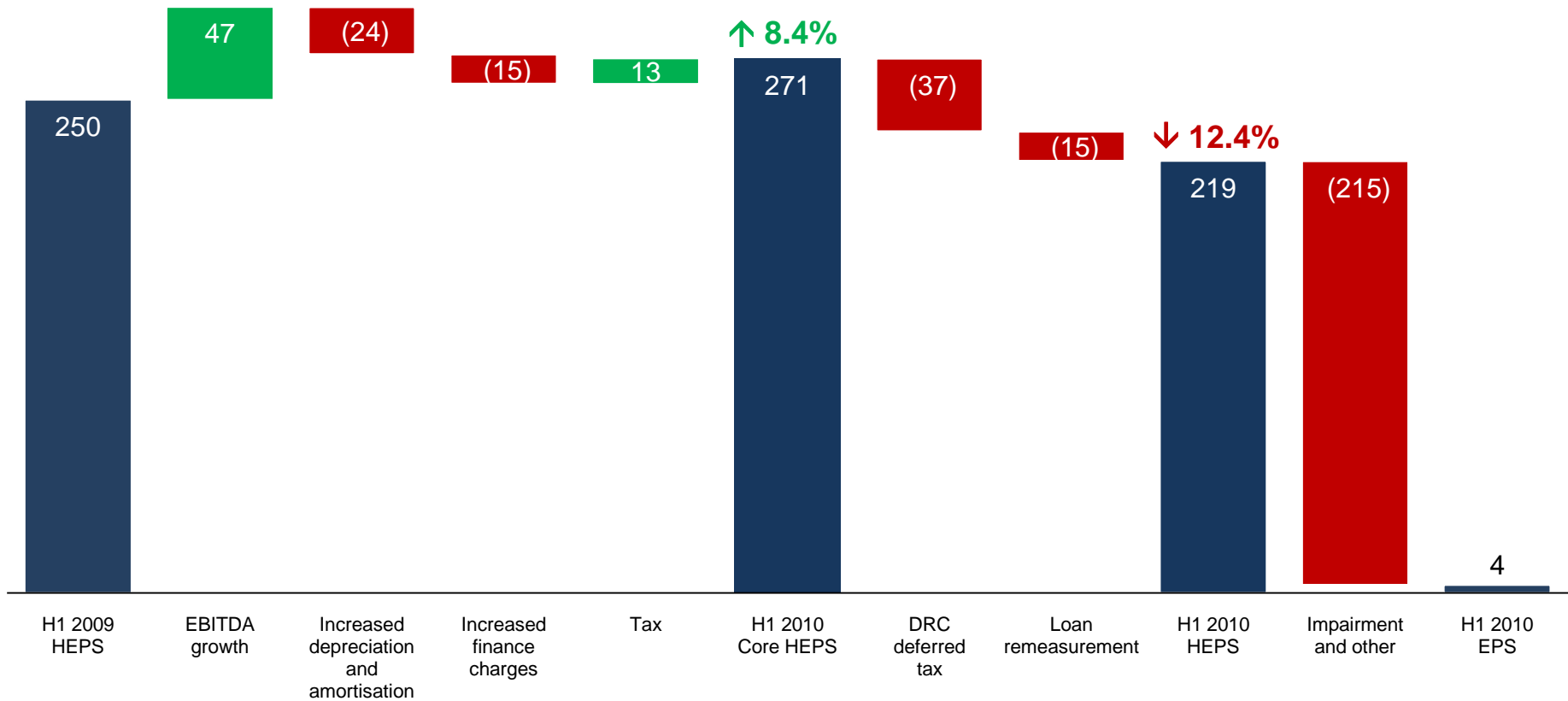
## Group tax expense

R million	H1 2010	Rate (%)
<b>Normal tax</b>	<b>675</b>	<b>28.0</b>
Unproductive interest	56	2.3
BBBEE charge	14	0.6
Other	26	1.1
<b>Effective taxation rate (pre impairment and unrecognised taxation assets)</b>	<b>771</b>	<b>32.0</b>
Derecognised taxation asset	622	25.8
Revaluation adjustment and impairments	958	39.8
<b>Effective tax rate</b>	<b>2 351</b>	<b>97.6</b>

# Core headline earnings per share increased 8.4%

## Earnings per share

Cents per share

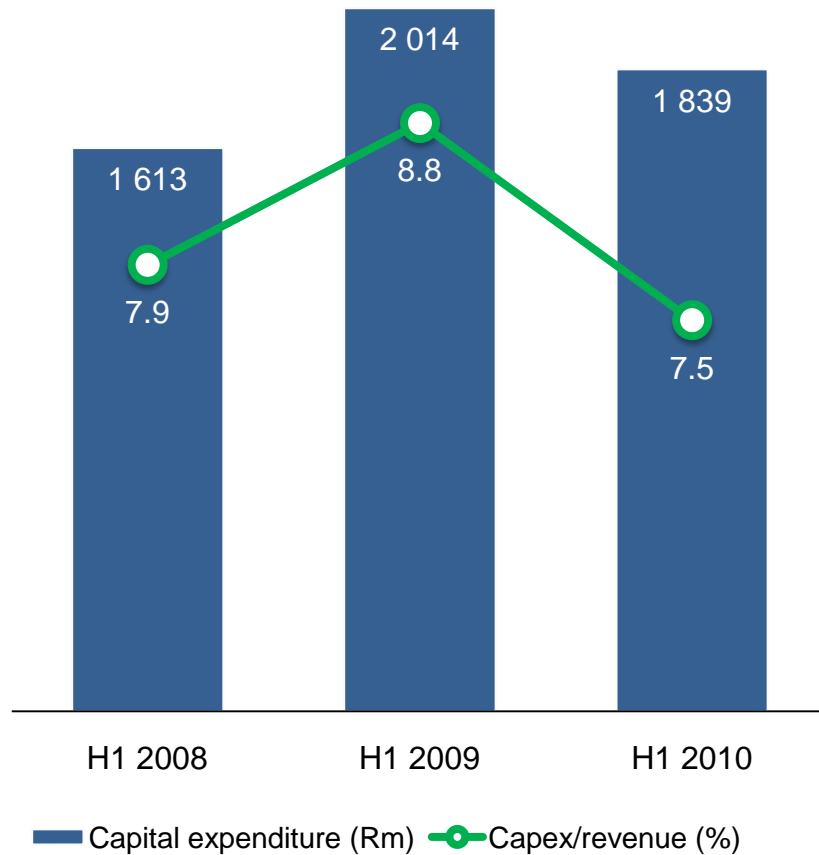


# Net asset value impacted by currency translation losses

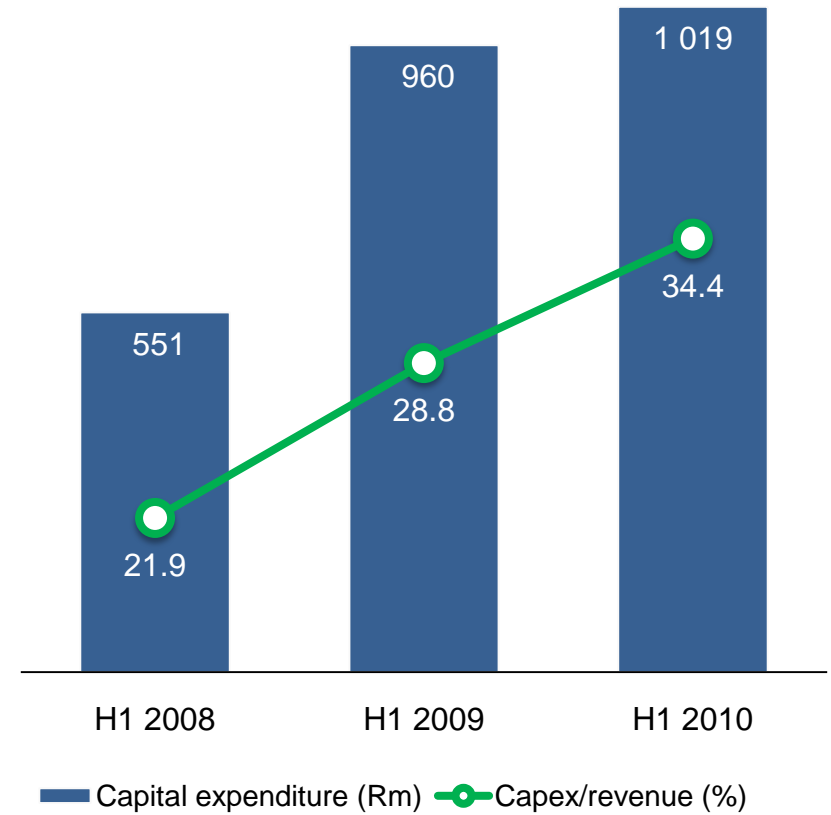
R million	H1 2010	FY 2009	Movement
<b>Assets</b>			
Property, plant and equipment	20 686	21 844	(1 158)
Intangible assets	6 749	11 794	(5 045)
Other non-current assets	1 112	1 586	(474)
Current assets	12 146	12 135	11
<b>Total assets</b>	<b>40 693</b>	<b>47 359</b>	<b>(6 666)</b>
<b>Equity and liabilities</b>			
Total equity	12 629	15 098	(2 469)
Interest bearing liabilities	15 564	16 205	(641)
Dividends payable	-	2 211	(2 211)
Other liabilities	12 500	13 845	(1 345)
<b>Total equity and liabilities</b>	<b>40 693</b>	<b>47 359</b>	<b>(6 666)</b>
<b>Net asset value per share (cents)</b>	<b>849</b>	<b>1 015</b>	<b>(166)</b>

# Group capital expenditure of R2.9bn, 10.2% of revenue

## South African capital expenditure



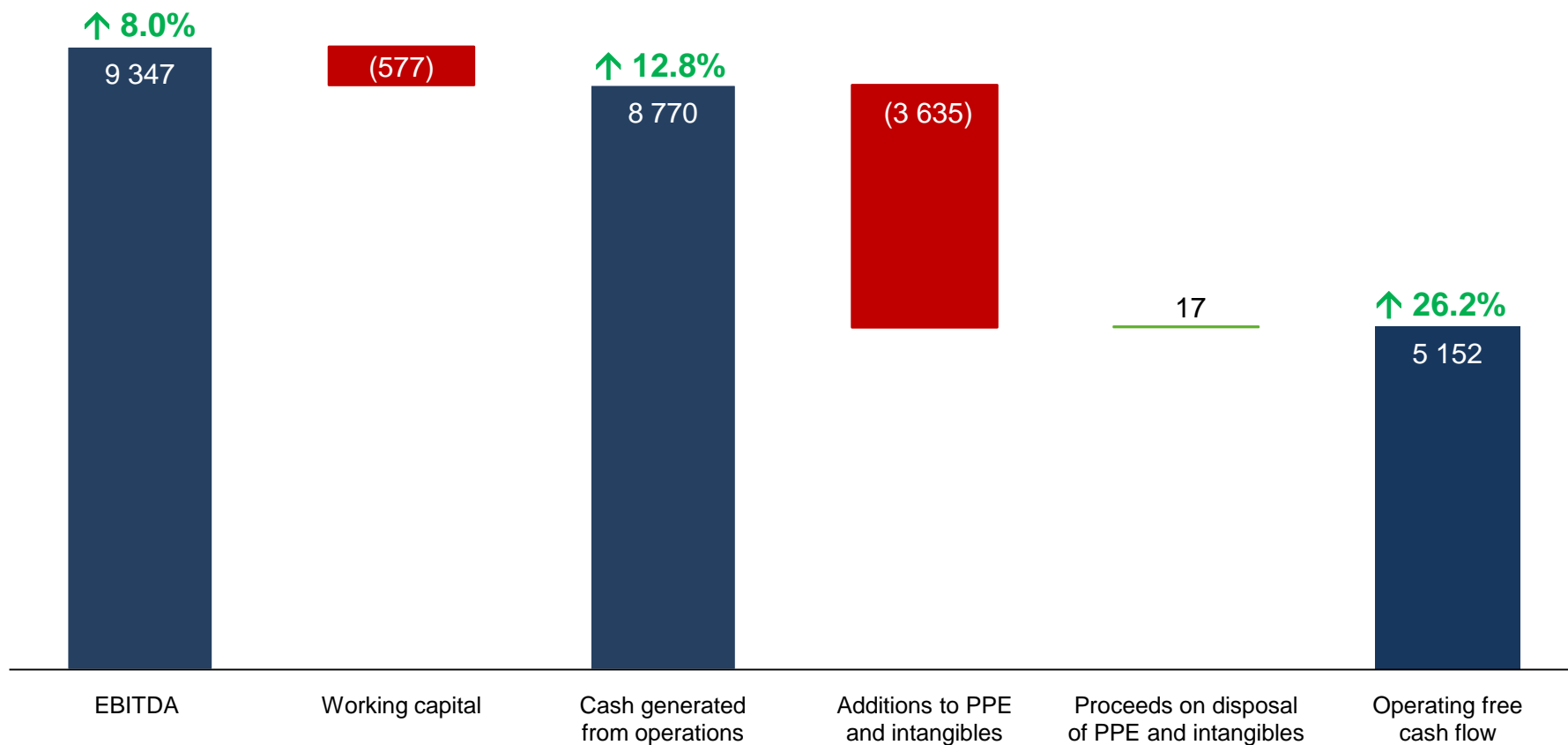
## International capital expenditure



# Group operating free cash flow increased 26.2%

## Cash flow generation

R million



# Interim dividend declared of 110 cents per share

- Dividend per share set at approximately 40% of headline earnings<sup>1</sup> per share
- Dividend payable on 7 December 2009
- Consideration of potential acquisitions and investment opportunities
- Short-term objective to optimise debt

## Dividend

	H1 2010	H1 2009
Headline earnings (Rm)	3 255	3 720
HEPS (cents)	219	250
Dividend (Rm)	1 637	3 000
DPS (cents)	110	202
Payout ratio <sup>1</sup> (%)	40	81

<sup>1</sup>Excluding material non-cash items





Highlights

South Africa

International

Financials

**Outlook**

# Outlook

## Revenue

- Continued impact of RICA in SA
- Risk of lower MTRs in SA
- Pricing pressure in all markets

## Profitability

- Accelerate cost reduction programmes
- Pressure on Gateway profitability

## Capex

- SA capex of R5bn for March 2010
- International capex of R2bn for March 2010, down from R3bn

# Strategic priorities remain unchanged

Grow core mobile  
businesses

Leadership in  
broadband and  
connectivity

Develop  
converged  
ICT solutions

Expansion  
in sub-Saharan  
Africa

Efficient and lean operations

# Key take-aways

Robust performance in South Africa

Improving international performance

Strong growth in mobile broadband

Earnings impacted by non-cash items

Strong cash flow



# Thank you

## Q & A



Highlights

South Africa

International

Financials

Outlook

# Exchange rates

	Average year to date				
	H1 2010	H1 2009	% change	FY 2009	% change
USD/ZAR	8.15	7.78	4.8	8.84	(7.8)
ZAR/MZN	3.35	3.09	8.4	2.83	18.4
ZAR/TZS	163.29	152.79	6.9	142.67	14.5
EUR/ZAR	11.36	11.92	(4.7)	12.46	(8.8)

	Closing rate				
	H1 2010	H1 2009	% change	FY 2009	% change
USD/ZAR	7.39	8.34	(11.4)	9.64	(23.3)
ZAR/MZN	3.83	2.89	32.5	2.84	34.9
ZAR/TZS	178.59	140.37	27.2	139.52	28.0
EUR/ZAR	10.81	11.97	(9.7)	12.75	(15.2)

# Country data

	South Africa	Tanzania	DRC	Mozambique	Lesotho
Population (million)	49.3	41.0	68.7	21.8	2.1
Estimated mobile penetration (%)	104	33	18	22	34
Number of operators	3	6	4	2	2
Market position	1	1	2	2	1
Estimated market share (%)	55	47	36	45	80
Ownership (%)	93.75	65	51	85	88.3
License expiry period	2024	2031	2018	2019	2016
Customers (thousand)	28 204	6 260	4 404	2 134	586
ARPU (R)	125	33	39	35	66
ARPU (local currency)	125	5 375	4.8	117	66
Revenue (R million)	24 371	1 227	1 048	413	233
EBIT (R million)	6 669	170	(164)	(54)	96
EBITDA (R million)	8 609	393	95	11	112
EBITDA margin (%)	35.3	32.0	9.1	2.7	48.1
Capital expenditure (R million)	1 839	635	166	180	38
Employees	5 002	683	665	197	91

# Definitions

<b>ARPU</b>	Total ARPU is calculated by dividing the average monthly recurring revenue by the average monthly total reported customers during the period. Total ARPU excludes revenues from equipment sales and non-service revenue. Prepaid, contract and community services ARPU only includes recurring 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 customer base during the period.
<b>Traffic</b>	Traffic comprises total traffic registered on Vodacom's 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.
<b>EBITDA</b>	Earnings before interest, taxation, depreciation, amortisation, net impairment charges, BBBEE charges, profit/loss on disposal of investments and on disposal of property, plant and equipment, investment properties and intangible assets.
<b>HEPS</b>	Headline earnings per share.
<b>Operating free cash flow ("OpFCF")</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>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 and joint ventures.



# Forward-looking statements

This presentation 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 (including in particular the outlook contained in slide 38); 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

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