VOD
VOD - Vodacom Group Limited - Interim Results for the six months ended
30 September 2010
Vodacom Group Limited
(Incorporated in the Republic of South Africa)
Registration number: 1993/005461/06
ISIN: ZAE000132577 Share Code: VOD
(`Vodacom`)
Interim Results for the six months ended 30 September 2010
Highlights
Solid Group performance
Group revenue up 5.1% in constant currency (2.9% reported growth)
South Africa service revenue up 8.4% excluding the impact of reduced MTRs1
(4.6% reported growth)
Group capital expenditure of R2 065 million
Group operating free cash flow up 21.8% to R6 560 million
Headline earnings per share up 38.4% to 303 cents
Delivery on mobile broadband strategy
41.1%2 growth in Group data revenue to R2 865 million
60.3% increase in South Africa data traffic
Accelerated investment in mobile broadband and fibre networks
Stronger customer and usage growth
Group voice traffic up 14.3%
712 000 customer additions in Q2 in South Africa
Group customers at 39.4 million
International operations returned to growth
Positive constant currency revenue growth
1.9 million customer additions in first six months
Cost programme on track
Group contribution margin expands 1.0ppt
Group EBITDA increased 5.4% in constant currency
Improving shareholder returns
R959 million share repurchase completed
63.6% increase in interim dividend per share to 180 cents
Operating review
South Africa
The South African operations posted solid revenue growth of 5.4% to R25 697 million, despite an 18.0% decline in interconnect revenue. Service revenue growth of 8.4% (excluding the impact of MTRs) was supported by the positive response to increased value offerings and the higher contribution from data revenue. Data revenue increased 39.2%3 to R2 746 million as demand for data services remained high. Data users increased by 1.2 million in the six month period to reach 7.9 million at 30 September 2010, of which 1.9 million were active data bundle users. Active smartphones on the network were up 65.0% to 2.5 million and mobile connect cards were up 46.1% to 916 000. During the period greater value was added to the data bundles reducing the effective price per megabyte by 16.1%.
The South Africa customer base has finally recovered from the effects of implementing the Regulation of Interception of Communications and Provision of Communication-Relation Information Act (`RICA`) with gross connections reaching 1.0 million in the month of September 2010. As at 30 September 2010, Vodacom had registered 73.6% of the active customer base for RICA. Although prepaid customer growth was impacted by the almost 3.3 million call-forward disconnections in the first quarter, 585 000 customers were added in the second quarter. Prepaid ARPU in the first half increased 28.8% to R85 largely as a result of the lower customer base, partially offset by a reduction in

interconnect rates.
Contract customer growth remained strong, up 15.4% to 4.8 million customers,
representing 20.1% of the South Africa customer base. Contract ARPU declined
9.1% to R411 due to reduced interconnect rates and strong growth in lower-end
contract packages.
During the period, various new value offerings were introduced such as free
contract bundle minutes and lower prepaid tariff plans. Following the success
of the Night Shift promotion in 2009, it was reintroduced during the period,
contributing to the 18.8% increase in monthly usage to 95 minutes per customer
and the reduction in the effective rate per minute of 16.9%.
Excluding the impact of trading foreign exchange movements, the South Africa
EBITDA increased 7.0% to R9 209 million (5.1% reported growth) and the EBITDA
margin expanded 0.5% from the prior period due to the improved contribution
margin as initiatives to reduce customer and distribution costs gained traction.
International4
International service revenue of R3 876 million includes R1 508 million (2009:
R1 501 million) for Gateway. International service revenue, excluding Gateway,
returned to positive growth after five quarters, increasing 4.5% in the second
quarter in constant currency due to strong customer growth and an 88.5%
increase in traffic. This was partially offset by substantially lower voice
tariffs. Data revenue increased 101.7% to R119 million and contributed 3.1% to
service revenue. Tanzania had over 799 000 data users and 772 000 active M-
PESA users at 30 September 2010. Gateway service revenue increased year-on-
year by 10.3% in US dollars.
International continued to record strong mobile customer growth of 15.8% year-
on-year to 15.5 million, adding almost two million customers in the six month
period. Tanzania reported customer growth of 34.5% year-on-year, adding 1.2
million customers, Mozambique and Lesotho posted year-on-year growth of 25.4%
and 31.2%, respectively. The decline of 17.4% year-on-year in the DRC customer
base was due to the change in the DRC disconnection policy from 215 to 90
inactive days in December 2009; since 31 March 2010 the DRC business has added
over 285 000 customers.
The EBITDA margin in the International operations recovered from 8.8% in the
second half of the prior year to 14.7% in the six months to September 2010.
Normalised5 EBITDA from the International operations declined 9.2% (reported
decline 20.9%) to R605 million, contributing 6.2% (2009: 7.2%) to normalised5
Group EBITDA for the period. Various cost efficiency programmes, such as
efforts to reduce site operating and maintenance costs, have been put in place
to adjust business structures in these operations in order to support lower

tariffs.
Financial review
Revenue
Group revenue and service revenue for the six months ended 30 September 2010
increased in constant currency by 5.1% and 4.4% respectively, with continued
robust performance in South Africa and a 41.1% growth in Group data revenue.
The South African rand strengthened against all the other functional currencies in the International operations, resulting in lower reported revenue growth of 2.9% and service revenue growth of 2.2%. Revenue from the International operations increased 3.1% in constant currency.
Operating costs6
From the 2010 financial year the Group aligned its presentation of foreign exchange gains and losses on the revaluation of foreign denominated trading items with that of its parent by including them in operating costs. Operating
costs for the period ended 30 September 2009 have been restated to include foreign exchange gains and losses on economically hedged foreign denominated
trading items for South Africa. A net foreign exchange loss of R1 million (2009: net gain of R135 million) has been included in operating costs.
Excluding the impact of the above, Group operating costs increased by 2.1% to
R19 748, below Group revenue growth of 2.9%.
EBITDA
Group EBITDA increased 2.8% to R9 788 million, negatively impacted in the current period by the inclusion of a net foreign exchange gain of R135 million
in the prior period coupled with unfavourable foreign exchange movements on translation. Excluding this impact, Group EBITDA grew by 5.4% and the Group margin expanded from 33.0% to 33.2%.
Operating profit
Operating profit increased 90.5% to R7 061 million mainly due to impairment losses of R3 189 million in the prior period offset by a 4.3% increase in depreciation and amortisation. Normalised7 operating profit increased by 5.0%.
Net finance charges
Net finance charges declined from R1 283 million in the prior period to R558
million in the six months ended 30 September 2010, mainly due to lower net finance costs in the current period and the negative impact the remeasurement
of loans granted of R232 million had in the prior period.
Finance costs for the period were R447 million compared to R810 million a year
ago, mainly due to approximately R3.0 billion debt repayments since September
2009 coupled with lower interest rates. The average cost of debt reduced from
9.3% to 7.9% as a result of lower interest rates and the benefit of floating
rate debt.
Taxation
The tax expense of R2 234 million for the period declined by 5.0% compared to
September 2009. The decline is largely due to the reversal of the DRC deferred
tax asset in the prior period offsetting increased taxation in South Africa of

R168 million and a secondary tax on companies (`STC`) charge of R258 million
in the current period, stemming from the change in the timing of the Group dividend declaration compared to the prior period.
The effective tax rate declined from 97.6% to 34.4%, mainly due to non-deductible impairment losses of R3 189 million and the unrecognised deferred
tax asset in the prior period. Excluding the impairment losses and the derecognition of the deferred tax asset, the prior period effective rate was
32.0%.

Earnings

Earnings per share for the period increased from 4 cents per share to 300 cents per share, impacted by the impairment losses and the reversal of the DRC
deferred tax asset in the prior period. Headline earnings per share, which excludes impairment losses, increased 38.4% to 303 cents per share.
Excluding the impact of several non-recurring charges, adjusted headline earnings per share increased 11.1% from 271 cents to 301 cents per share.

Cash flow

Operating free cash flow increased by 21.8% to R6 560 million for the period.
The cash generated from operations grew by R569 million and was mainly due to
increased EBITDA, coupled with an improvement in working capital. Net cash additions to property, plant and equipment and intangible assets decreased from R3 382 million to R2 779 million.
Net cash flows utilised in financing activities increased from R3 339 million
to R4 444 million. The increase over the period includes the partial repayment
of a facility utilised to fund the DRC, R959 million spent on the share repurchase programme in the current period, an increase in bank borrowings utilised for financing activities and reduced interest payments due to lower
interest rates and average debt.
The gain/loss arising from foreign exchange forward contracts entered into specifically for capital expenditure and inventory has been reclassified from
cash flows from investing activities and cash generated from operations to cash flows from financing activities in the prior period to align with accounting practices of the Group`s parent.

Capital expenditure

The Group`s capital expenditure for the period was R2 065 million, 29.6% less
than a year ago. South Africa capital expenditure was low at R1 644 million (6.4% of revenue) in line with our commitment to limit infrastructure deployment during the 2010 FIFA World Cup South AfricaTM. Capital expenditure
of R421 million (10.5% of revenue) in the International operations was 61.5%
lower (53.1% lower excluding the impact of foreign exchange translation) mainly due to a significant reduction in capital expenditure in Tanzania and
the DRC compared to the prior year.

Statement of financial position

Property, plant and equipment and intangible assets were negatively impacted
by foreign currency translation adjustments of R685 million and R136 million,
respectively due to the rand strengthening against functional reporting

currencies of the International markets since 31 March 2010.
Net debt decreased to R11 785 million, compared to R14 840 million a year ago.
The Group`s financial gearing reduced, with the net debt to EBITDA ratio at 0.6 times at 30 September 2010. 89.0% (2009: 93.4%) of the debt is denominated in rand. R4 115 million (2009: R4 217 million) of the debt matures in the next 12 months and 98.0% (2009: 95.1%) of total debt is at floating rates.

1. Mobile termination rates.
2. 37.4% excluding the impact of introducing a 60-day carry over rule in May 2009 for data packages.
3. Data revenue growth was impacted by the change in the data carry over rule in the prior year; excluding this impact data revenue growth was 35.6%.
4. The International segment has been restated to include Gateway.
5. Normalised to exclude trading foreign exchange and at a constant currency.
6. Excluding depreciation, amortisation and impairment losses.
7. Normalised to exclude trading foreign exchange, impairment losses and at a constant currency.

Declaration of interim dividend No. 3

Notice is hereby given that interim dividend No. 3 of 180 cents per ordinary share in respect of the financial year ending 31 March 2011 has been declared payable on Monday 6 December 2010 to shareholders recorded in the register at the close of business on Friday 3 December 2010:

| | |
|---|---|
| Last day to trade shares cum dividend | Friday 26 November 2010 |
| Shares commence trading ex dividend | Monday 29 November 2010 |
| Record date | Friday 3 December 2010 |
| Payment date | Monday 6 December 2010 |

Share certificates may not be dematerialised or rematerialised between Monday 29 November 2010 and Friday 3 December 2010, both days inclusive.
On Monday 6 December 2010, the interim dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic funds transfer is not required, cheques will be dated and posted on Monday 6 December 2010.
Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday 6 December 2010.

Outlook

While the macro economic climate is stable and there are positive signs in most of the countries in which Vodacom operates, markets are expected to remain challenging primarily due to ongoing competitive and regulatory pressures. In October 2010, the fourth mobile operator launched service in South Africa and the regulator announced further cuts in MTRs effective from 1 March 2011.
Increased voice usage and continued growth in data demand are expected to largely offset these pressures. The cost reduction programme is progressing well, with notable successes in managing customer acquisition and distribution

costs in the past six months.

While capital expenditure is expected to accelerate in the second half, full year forecast capital expenditure is expected to be lower at R6.8 billion due to efficiencies on budgeted spend and the favourable foreign exchange rates compared to budget.

For and on behalf of the Board

| | | |
|---|---|---|
| Peter Moyo | Pieter Uys | Rob Shuter |
| Non-executive Chairman | Chief Executive Officer | Chief Financial Officer |

5 November 2010

Midrand

Condensed consolidated income statement

for the six months ended 30 September 2010

| | Notes | Six months ended 30 September 2010 Rm Reviewed | 2009 Rm Reviewed | Year ended 31 March 2010 Rm Audited |
|---|---|---|---|---|
| Revenue | 3 | 29 516 | 28 675 | 58 535 |
| Direct costs | 7 | (13 495) | (13 384) | (26 774) |
| Staff expenses | 7 | (2 242) | (2 143) | (4 291) |
| Marketing and advertising expenses | 7 | (929) | (893) | (1 728) |
| Other operating expenses | 7 | (3 083) | (2 795) | (5 977) |
| Depreciation and amortisation | | (2 673) | (2 564) | (5 157) |
| Impairment losses | 4 | (33) | (3 189) | (3 370) |
| Operating profit | | 7 061 | 3 707 | 11 238 |
| Finance income | | 83 | 48 | 124 |
| Finance costs | | (447) | (810) | (1 602) |
| Loss on remeasurement and disposal of financial instruments | 7 | (194) | (521) | (794) |
| Loss from associate | | - | (14) | (21) |
| Profit before tax | | 6 503 | 2 410 | 8 945 |
| Taxation | | (2 234) | (2 351) | (4 745) |
| Net profit | | 4 269 | 59 | 4 200 |
| Attributable to: | | | | |
| Equity shareholders | | 4 416 | 61 | 4 196 |
| Non-controlling interests | | (147) | (2) | 4 |
| | | 4 269 | 59 | 4 200 |

| | Notes | Six months ended 30 September 2010 Cents Reviewed | 2009 Cents Reviewed | Year ended 31 March 2010 Cents Audited |
|---|---|---|---|---|
| Basic earnings per share | 5 | 300.0 | 4.1 | 282.3 |
| Diluted earnings per share | 5 | 299.7 | 4.1 | 282.0 |

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2010

Six months ended 30 September

Year ended 31 March

| | 2010 Rm Reviewed | 2009 Rm Reviewed | 2010 Rm Audited |
|---|---|---|---|
| Net profit | 4 269 | 59 | 4 200 |
| Other comprehensive income: | | | |
| Foreign currency translation differences, net of tax | (497) | (2 530) | (2 665) |
| Total comprehensive income | 3 772 | (2 471) | 1 535 |
| Attributable to: | | | |
| Equity shareholders | 3 891 | (2 367) | 1 645 |
| Non-controlling interests | (119) | (104) | (110) |
| | 3 772 | (2 471) | 1 535 |

## Condensed consolidated statement of financial position as at 30 September 2010

| | Notes | As at 30 September 2010 Rm Reviewed | 2009 Rm Reviewed | As at 31 March 2010 Rm Audited |
|---|---|---|---|---|
| Assets | | | | |
| Non-current assets | | 27 769 | 28 547 | 29 131 |
| Property, plant and equipment | | 20 233 | 20 686 | 21 383 |
| Intangible assets | | 6 376 | 6 749 | 6 673 |
| Financial assets | | 184 | 330 | 181 |
| Trade and other receivables | 7 | 205 | 259 | 231 |
| Finance lease receivables | 7 | 450 | 279 | 408 |
| Deferred tax | | 321 | 244 | 255 |
| Current assets | | 13 330 | 12 146 | 12 560 |
| Financial assets | 7 | 196 | 128 | 153 |
| Inventory | | 890 | 804 | 707 |
| Trade and other receivables | 7 | 10 681 | 9 978 | 10 024 |
| Finance lease receivables | 7 | 294 | 331 | 262 |
| Tax receivable | | 318 | 176 | 353 |
| Non-current assets held for sale | | 13 | - | - |
| Cash and cash equivalents | | 938 | 729 | 1 061 |
| Total assets | | 41 099 | 40 693 | 41 691 |
| Equity and liabilities | | | | |
| Fully paid share capital | | * | * | * |
| Treasury shares | | (1 384) | - | (422) |
| Retained earnings | | 16 672 | 12 328 | 14 832 |
| Other reserves | | (1 056) | (627) | (672) |
| Equity attributable to owners of the parent | | 14 232 | 11 701 | 13 738 |
| Non-controlling interests | | 763 | 928 | 898 |
| Total equity | | 14 995 | 12 629 | 14 636 |
| Non-current liabilities | | 10 262 | 13 146 | 11 590 |
| Borrowings | 11 | 8 604 | 11 343 | 9 786 |
| Trade and other payables | | 282 | 385 | 317 |
| Provisions | | 433 | 365 | 436 |
| Deferred tax | | 943 | 1 053 | 1 051 |
| Current liabilities | | 15 842 | 14 918 | 15 465 |
| Borrowings | 7, 11 | 4 115 | 4 217 | 3 239 |
| Trade and other payables | 7 | 11 260 | 10 097 | 11 714 |
| Provisions | | 242 | 223 | 193 |
| Tax payable | | 220 | 372 | 203 |
| Dividends payable | | 3 | - | 6 |
| Bank overdrafts | 7 | 2 | 9 | 110 |
| Total equity and liabilities | | 41 099 | 40 693 | 41 691 |

* Fully paid share capital of R100.

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2010

| | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|---|---|---|---|
| | Rm | Rm | Rm |
| 1 April 2010 | 13 738 | 898 | 14 636 |
| Total comprehensive income | 3 891 | (119) | 3 772 |
| Dividends declared | (2 576) | (38) | (2 614) |
| Repurchase of shares | (962) | - | (962) |
| Share-based payment expense | 73 | - | 73 |
| Sale of shares in subsidiary | 68 | 22 | 90 |
| 30 September 2010 - Reviewed | 14 232 | 763 | 14 995 |
| 1 April 2009 | 14 017 | 1 081 | 15 098 |
| Total comprehensive income | (2 367) | (104) | (2 471) |
| Dividends declared | - | (49) | (49) |
| Share-based payment expense | 51 | - | 51 |
| 30 September 2009 - Reviewed | 11 701 | 928 | 12 629 |
| 1 April 2009 | 14 017 | 1 081 | 15 098 |
| Total comprehensive income | 1 645 | (110) | 1 535 |
| Dividends declared | (1 631) | (73) | (1 704) |
| Repurchase of shares | (422) | - | (422) |
| Share-based payment expense | 129 | - | 129 |
| 31 March 2010 - Audited | 13 738 | 898 | 14 636 |

Condensed consolidated statement of cash flows
for the six months ended 30 September 2010

| | Notes | Six months ended 30 September 2010 Rm Reviewed | 2009 Rm Reviewed | Year ended 31 March 2010 Rm Audited |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Cash generated from operations | | 9 339 | 8 770 | 19 711 |
| Tax paid | | (2 154) | (2 058) | (4 764) |
| Net cash flows from operating activities | | 7 185 | 6 712 | 14 947 |
| Cash flows from investing activities | | | | |
| Net additions to property, plant and equipment and intangible assets | 7 | (2 779) | (3 382) | (6 222) |
| Business combinations net of cash acquired and sale of shares in subsidiary | | 64 | - | - |
| Other investing activities | | 37 | (177) | (107) |
| Net cash flows utilised in investing activities | | (2 678) | (3 559) | (6 329) |
| Cash flows from financing activities | | | | |

| | | | | |
|---|---|---|---|---|
| Movement in borrowings, including finance costs paid | 7 | (843) | (1 079) | (4 255) |
| Dividends paid | | (2 617) | (2 260) | (3 908) |
| Repurchase of shares | | (984) | - | (385) |
| Net cash flows utilised in financing activities | | (4 444) | (3 339) | (8 548) |
| Net increase/(decrease) in cash and cash equivalents | | 63 | (186) | 70 |
| Cash and cash equivalents at the beginning of the period/year | | 951 | 1 084 | 1 084 |
| Effect of foreign exchange rate changes | | (78) | (178) | (203) |
| Cash and cash equivalents at the end of the period/year | | 936 | 720 | 951 |

Notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (`IFRS`) as issued by the International Accounting Standards Board (`IASB`) and comply with the disclosure requirements of International Accounting Standard 34: Interim Financial Reporting (`IAS 34`), the AC 500 standards as issued by the Accounting Practices Board, the JSE Listings Requirements and the Companies Act of 1973, as amended. They have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value or at amortised cost, and are presented in South African rand, the currency in which the majority of the Group`s transactions are denominated.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period, except as disclosed in Note 2. The accounting policies are available for inspection at the Group`s registered office.

There have been no material changes in judgements or estimates of amounts reported in prior reporting periods.

Certain items pertaining to the six months ended 30 September 2009 have been reclassified as disclosed in Note 7.

The financial information has been reviewed by Deloitte & Touche whose unmodified review report is available for inspection at the Group`s registered office.

2. Change in accounting policies

The Group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 April 2010. The adopted accounting pronouncements, which had an impact on the Group, are discussed below.

IFRS 3: Business Combinations (Revised) (`IFRS 3`)

The Group now accounts for business combinations in terms of the revised IFRS 3, which introduced the following changes:

Acquisition-related costs are now expensed as incurred; and

Entities now have two measurement bases to choose from when measuring the non-controlling interest on acquisition date.

The above changes will impact the amount of goodwill recognised, the reported results in the period that a business combination occurs and future reported results.

The change in accounting policy did not have a significant impact on the Group`s financial report for the period.

IAS 27: Consolidated and Separate Financial Statements (Amended) (`IAS 27`)

The Group has adopted the amendment to IAS 27 which requires that when accounting for transactions with non-controlling parties in Group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any interest retained by the Group is remeasured to fair value, with the difference between fair value and the previous carrying amount being recognised immediately in profit or loss.

The change in accounting policy did not have a significant impact on the Group`s financial results for the period.

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| | Rm | Rm | Rm |
| | Reviewed | Reviewed | Audited |
| 3. Segment analysis | | | |
| External customers segment revenue | 29 516 | 28 675 | 58 535 |
| South Africa | 25 612 | 24 314 | 50 290 |
| International1 | 3 895 | 4 351 | 8 226 |
| Corporate | 9 | 10 | 19 |
| EBITDA | 9 788 | 9 519 | 19 782 |
| South Africa | 9 225 | 8 781 | 18 578 |
| International1 | 587 | 742 | 1 090 |
| Corporate and eliminations | (24) | (4) | 114 |

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| | Rm | Rm | Rm |
| | Reviewed | Reviewed | Audited |
| 3. Segment analysis (continued) | | | |
| Reconciliation of segment results | | | |
| EBITDA | 9 788 | 9 519 | 19 782 |
| Depreciation, amortisation and impairment losses | (2 706) | (5 753) | (8 527) |
| Other | (21) | (59) | (17) |
| Operating profit | 7 061 | 3 707 | 11 238 |
| Net finance charges | (558) | (1 283) | (2 272) |
| Finance income | 83 | 48 | 124 |
| Finance costs | (447) | (810) | (1 602) |
| Loss on remeasurement and disposal of financial instruments | (194) | (521) | (794) |
| Loss from associate | - | (14) | (21) |
| Profit before tax | 6 503 | 2 410 | 8 945 |
| Taxation | (2 234) | (2 351) | (4 745) |
| Net profit | 4 269 | 59 | 4 200 |
| | | | |
| Total assets | 41 099 | 40 693 | 41 691 |
| South Africa | 28 873 | 27 765 | 28 464 |
| International1 | 10 847 | 12 181 | 11 958 |
| Corporate and eliminations | 1 379 | 747 | 1 269 |

1. In the current period, the Gateway reportable segment has been incorporated into the International reportable segment in order to align with the change in operational structure within the Group. Comparative amounts have been restated.

| | Six months ended 30 September | | Year ended 31 March |
|---|---|---|---|
| | 2010 | 2009 | 2010 |
| | Rm | Rm | Rm |

| | Reviewed | Reviewed | Audited |
|---|---|---|---|
| **4. Impairment losses** | | | |
| Impairment losses recognised are as follows: | | | |
| Intangible assets | (1) | (3 134) | (3 285) |
| Property, plant and equipment | (32) | (5) | (34) |
| Available-for-sale financial assets carried at cost | - | - | (8) |
| Investment in associate | - | (50) | (43) |
| | (33) | (3 189) | (3 370) |

| | Six months ended | | Year ended |
|---|---|---|---|
| | 30 September | | 31 March |
| | 2010 | 2009 | 2010 |
| | Cents | Cents | Cents |
| | Reviewed | Reviewed | Audited |
| **5. Per share calculations** | | | |
| **5.1 Earnings, dividends and net asset value per share** | | | |
| Basic earnings per share | 300.0 | 4.1 | 282.3 |
| Diluted earnings per share | 299.7 | 4.1 | 282.0 |
| Headline earnings per share | 303.2 | 218.7 | 509.9 |
| Diluted headline earnings per share | 303.0 | 218.7 | 509.4 |
| Dividends per share | 175.0 | - | 110.0 |
| Net asset value per share | 1 018.4 | 848.8 | 985.3 |
| | Million | Million | Million |
| | Reviewed | Reviewed | Audited |
| **5.2 Weighted average number of ordinary shares outstanding** | | | |
| Basic and headline earnings per share | 1 472 | 1 488 | 1 486 |
| Diluted earnings and diluted headline earnings per share | 1 473 | 1 488 | 1 488 |
| Dividends per share | 1 480 | - | 1 488 |
| Net asset value per share | 1 472 | 1 488 | 1 485 |

Wheatfields Investments 276 (Pty) Limited, the Group`s wholly owned subsidiary, acquired 15 880 043 shares in the market during the period at an average price of R60.14 per share, representing approximately 1% of Vodacom Group Limited`s issued share capital.

| | Six months ended | | Year ended |
|---|---|---|---|
| | 30 September | | 31 March |
| | 2010 | 2009 | 2010 |
| | Rm | Rm | Rm |
| | Reviewed | Reviewed | Audited |
| **5.3 Headline earnings[1] reconciliation** | | | |
| Earnings attributable to equity shareholders for basic and diluted earnings per share | 4 416 | 61 | 4 196 |
| Adjusted for: | | | |
| Net loss on disposal of property, plant and equipment and intangible assets | 20 | 8 | 17 |
| Impairment losses (Note 4) | 33 | 3 189 | 3 370 |
| Other | - | - | 1 |
| | 4 469 | 3 258 | 7 584 |
| Tax impact of adjustments | (6) | (2) | (5) |
| Headline earnings for headline and diluted headline earnings per share | 4 463 | 3 256 | 7 579 |

1. This disclosure is a requirement of the JSE Limited and is not a recognised measure under IFRS. It has been calculated in accordance with Circular 3/2009: Headline Earnings as issued by the South African Institute of Chartered Accountants.

6. Forfeitable share plan (`FSP`)

During the period the Group allocated 3 135 332 shares out of treasury shares to eligible employees under its FSP, an equity-settled share-based payment transaction in terms of IFRS 2: Share-based Payment.

7. Reclassifications

Certain items in the condensed consolidated financial statements for the six months ended 30 September 2009 were reclassified so as to align with practices of the Group`s parent, Vodafone Group Plc, and to be consistent with the consolidated annual financial statements for the year ended 31 March 2010. A reconciliation of these reclassifications is presented below.

| | Balance as previously reported | Re-classification (Notes 7.1 - 7.3) | Balance as Re-classified |
|---|---|---|---|
| | Rm | Rm | Rm |
| Reconciliation 30 September 2009 | | | |
| Income statement | | | |
| Direct costs | (15 588) | 2 204 | (13 384) |
| Staff expenses | (2 092) | (51) | (2 143) |
| Marketing and advertising expenses | (757) | (136) | (893) |
| Broad-based black economic empowerment charge | (51) | 51 | - |
| Other operating expenses | (899) | (1 896) | (2 795) |
| Loss on remeasurement and disposal of financial instruments | (349) | (172) | (521) |
| Statement of financial position | | | |
| Non-current assets | | | |
| Trade and other receivables | 169 | 90 | 259 |
| Finance lease receivables | - | 279 | 279 |
| Lease assets | 369 | (369) | - |
| Current assets | | | |
| Financial assets | 140 | (12) | 128 |
| Trade and other receivables | 9 951 | 27 | 9 978 |
| Finance lease receivables | - | 331 | 331 |
| Lease assets | 346 | (346) | - |
| Current liabilities | | | |
| Borrowings | 3 542 | 675 | 4 217 |
| Trade and other payables | 10 034 | 63 | 10 097 |
| Bank overdrafts | 747 | (738) | 9 |
| Statement of cash flows | | | |
| Cash flows from investing activities | | | |
| Net additions to property, plant and equipment and intangible assets | (3 618) | 236 | (3 382) |
| Cash flows from financing activities | | | |
| Movement in borrowings, including finance costs | (843) | (236) | (1 079) |

paid

7.1 Income statement

Network operational overhead expenses has been reclassified from direct costs to other operating expenses. Fixed advertising support costs has been reclassified from direct costs to marketing and advertising expenses. The share-based payment expense relating to the employee share ownership plan has been reclassified from broad-based black economic empowerment charge to staff expenses. Foreign exchange gains and losses on the revaluation of foreign denominated trading items has been reclassified by including it in operating expenses.

7.2 Statement of financial position

Operating lease receivables has been reclassified from lease assets to trade and other receivables. Bank overdrafts classified as financing activities in the statement of cash flows has been reclassified from bank overdrafts to borrowings. Derivative financial assets and liabilities have been reclassified from financial assets and derivative financial liabilities to trade and other receivables and trade and other payables respectively.

7.3 Statement of cash flows

The gain/loss arising from foreign exchange forward contracts entered into specifically for capital expenditure and inventory has been reclassified from cash flows from investing activities and cash generated from operations to cash flows from financing activities.

7.4 Combination of line items

After a review of its consolidated financial statements the Group combined certain line items on the face of the income statement and statement of financial position.

8. Related parties

The Group`s related parties are its parent, joint venture, associate and key management including directors. In prior years Telkom SA Limited and its subsidiaries were included in related parties since Telkom SA Limited had joint control over the Group.

| | Six months ended 30 September 2010 Rm Reviewed | Six months ended 30 September 2009 Rm Reviewed | Year ended 31 March 2010 Rm Audited |
|---|---|---|---|
| 8.1 Balances with related parties | | | |
| Accounts receivable | 228 | 168 | 197 |
| Accounts payable | (313) | (216) | (154) |
| 8.2 Transactions with related parties | | | |
| Revenue | 112 | 395 | 994 |
| Expenses | (348) | (462) | (573) |
| Dividends declared | (1 693) | - | (1 064) |
| 8.3 Directors` and key management personnel remuneration | | | |
| Compensation paid to the Group`s Board and key management personnel will be disclosed in the Group`s annual report for the year ending 31 March 2011. | | | |
| 9. Capital expenditure incurred | | | |
| Capital expenditure additions including software | 2 065 | 2 934 | 6 636 |
| 10. Capital commitments | | | |
| Capital expenditure contracted for but not yet incurred | 3 223 | 2 981 | 2 213 |
| Capital expenditure approved but not yet contracted for | 3 390 | 5 673 | 6 364 |

11. Borrowings

11.1 Citibank syndicated loans

The Group increased its Citibank syndicated loans by an amount of TZS22 000 million on 24 June 2010 and US$20 million on 2 July 2010. The loans will be utilised for capital expenditure and general corporate requirements in Tanzania, and are repayable in six bi-annual instalments commencing on 16 June 2011.

11.2 The Standard Bank of South Africa Limited/Rand Merchant Bank

The loan with a nominal value of R2 500 million was partially repaid on 26 April 2010 using short-term borrowings amounting to R1 159 million.

12. Contingencies

There have been no material changes to the Group`s contingencies during the period.

13. Customer registration

The Group`s operations in South Africa, Lesotho, Mozambique, Tanzania and the Democratic Republic of Congo are subject to mobile customer registration legislation in their respective countries of operation. Significant progress has been made to register customers and to minimise disruptions to customer acquisitions as a result of registration.

14. Acquisitions and disposals of businesses

14.1 Acquisition of AfriConnect Zambia Limited (`AfriConnect`)

Effective 30 June 2010, the Group acquired 100% of the issued share capital in AfriConnect, an internet service provider, for a consideration of US$7 million. The acquired entity forms part of the Group`s International reportable segment.

14.2 Disposals

Effective 28 June 2010, the Group sold 8.28% of its stake in Vodacom Lesotho (Pty) Limited (`Vodacom Lesotho`) to the non-controlling party for a consideration of R90 million. The Group now owns 80% of the issued share capital in Vodacom Lesotho.

Effective 6 August 2010, the Group sold its 24.9% equity interest in its associate WBS Holdings (Pty) Limited for a consideration of R30 million.

15. Events after the reporting period

The Board is not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the period, other than the following:

15.1 Dividend declared after the reporting date and not recognised as a liability

An interim dividend of R2 650 million (180.0 cents per ordinary share) for the year ending 31 March 2011, was declared on 5 November 2010, payable on 6 December 2010 to shareholders recorded in the register at the close of business on 3 December 2010. The secondary tax on companies payable on this dividend amounts to R265 million.

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Directors

MP Moyo (Chairman), PJ Uys (CEO), MS Aziz Joosub, P Bertoluzzo1, TA Boardman,
M Joseph2, M Lundal3, T Mokgosi-Mwantembe,
PJ Moleketi, NJ Read4, RAW Schellekens5, RA Shuter

Alternate directors

TJ Harrabin4, HM Mahmoud6

Company secretary

SF Linford

Registered office

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082 Vodacom Boulevard, Vodavalley,
Midrand 1685

(Private Bag X9904, Sandton 2146)
Transfer secretary
Computershare Investor Services (Pty) Limited
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70 Marshall Street, Johannesburg 2001
(PO Box 61051, Marshalltown 2107)
Media relations
Richard Boorman
Investor relations
Belinda Williams
1. Italian 2. American 3. Norwegian 4. British 5. Dutch 6. Egyptian
Sponsor: UBS South Africa (Pty) Ltd
Non-GAAP information
The announcement contains certain non-GAAP financial information. 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
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Forward-looking statements
This announcement which sets out the interim results for Vodacom Group Limited for the six months ended 30 September 2010 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.

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