

Vodacom Group Limited
(Incorporated in the Republic of South Africa)
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(`Vodacom`)

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

	December	September	December	Year on	Quarterly
Rm	2011	2011	2010	% change	% 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

	December	September	December	Year on	Quarterly
Rm	2011	2011	2010	% change	% 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					
Outgoing	9 012	9 186	8 402	7.3	(1.9)
Incoming	6 741	7 050	6 307	6.9	(4.4)
MOU per month ⁴					
Prepaid	99	108	114	(13.2)	(8.3)
Contract	83	91	92	(9.8)	(8.8)
Total ARPU (rand per month) ⁵					
Prepaid	171	181	202	(15.3)	(5.5)
Contract	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.

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:

- 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.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customers during the period.
- 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.
- Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customers during the period.

Historical key indicators for the quarters ended

Revenue

	December 2011	September 2011	June 2011
Rm			
South Africa	15 135	13 881	13 537
International	2 983	2 394	2 119
Corporate and eliminations	(121)	(97)	(87)
Revenue	17 997	16 178	15 569

	March 2011	December 2010	September 2010	June 2010
Rm				
South Africa	13 602	14 072	13 130	12 567
International	2 138	2 056	2 080	1 922
Corporate and eliminations	(92)	(95)	(100)	(83)
Revenue	15 648	16 033	15 110	14 406

Service revenue

	December 2011	September 2011	June 2011	March 2011
Rm				
South Africa	12 755	11 947	11 558	11 863
International	2 905	2 326	2 064	2 081
Corporate and eliminations	(93)	(73)	(70)	(74)
Service revenue	15 567	14 200	13 552	13 870

	December 2010	September 2010	June 2010
Rm			
South Africa	12 075	11 442	11 012
International	2 001	2 016	1 859
Corporate and eliminations	(78)	(76)	(69)
Service revenue	13 998	13 382	12 802

South Africa

	December 2011	September 2011	June 2011	March 2011
Customers (thousand)1	31 727	28 907	27 731	26 535
Prepaid2	26 189	23 468	22 411	21 409
Contract	5 538	5 439	5 320	5 126
Churn (%)3	30.7	44.6	35.5	28.5
Prepaid2	35.3	53.0	41.9	33.0
Contract	10.1	8.9	8.5	9.7
Traffic (millions of minutes)4	9 012	9 186	8 141	8 108
Outgoing	6 741	7 050	6 079	6 060
Incoming	2 271	2 136	2 062	2 048
MOU per month5	99	108	100	104
Prepaid2	83	91	81	82
Contract	171	181	181	195
Total ARPU (rand per month)6	140	140	142	153
Prepaid2	80	77	79	85
Contract	362	370	369	387
	December 2010	September 2010	June 2010	
Customers (thousand)1	25 302	23 873	23 161	
Prepaid2	20 310	19 074	18 489	
Contract	4 992	4 799	4 672	
Churn (%)3	32.7	35.9	87.2	
Prepaid2	38.3	42.5	105.0	
Contract	10.3	9.6	9.5	
Traffic (millions of minutes)4	8 402	7 352	6 371	
Outgoing	6 307	5 351	4 442	
Incoming	2 095	2 001	1 929	
MOU per month5	114	105	86	
Prepaid2	92	79	59	
Contract	202	207	205	
Total ARPU (rand per month)6	164	163	149	
Prepaid2	93	90	79	
Contract	408	411	411	

International

	December 2011	September 2011	June 2011	March 2011
Customers (thousand) 1	21 200	18 990	17 686	16 957
Tanzania	11 621	10 273	9 260	8 861
DRC	5 119	4 783	4 245	4 155
Mozambique	3 451	2 990	3 277	3 082
Lesotho	1 009	944	904	859
Churn (%) 3				
Tanzania	37.7	35.2	43.5	51.1
DRC	66.5	64.3	75.3	45.3
Mozambique	48.2	111.7	42.5	43.0
Lesotho	24.3	24.5	20.3	21.5
MOU per month 5				
Tanzania	51	56	54	53
DRC	42	47	43	38
Mozambique	44	33	34	36
Lesotho	29	30	28	32
Total ARPU (rand per month) 6				
Tanzania	23	20	19	19
DRC	38	37	33	34
Mozambique	48	32	24	22
Lesotho	58	55	54	55
Total ARPU (local currency per month) 6				
Tanzania (TZS)	4 752	4 550	4 276	4 098
DRC (USD)	4.7	5.1	4.8	4.9
Mozambique (MZN)	158	122	106	102

	December 2010	September 2010	June 2010
Customers (thousand) 1	16 288	15 504	14 561
Tanzania	8 665	8 421	8 009
DRC	3 847	3 638	3 419
Mozambique	2 953	2 676	2 411
Lesotho	823	769	722
Churn (%) 3			
Tanzania	41.5	41.9	42.9

DRC	80.8	91.1	77.5
Mozambique	45.3	65.3	76.9
Lesotho	24.6	20.2	17.2
MOU per month 5			
Tanzania	58	55	58
DRC	74	77	56
Mozambique	43	49	29
Lesotho	32	33	31
Total ARPU (rand per month) 6			
Tanzania	20	21	22
DRC	32	39	39
Mozambique	23	22	22
Lesotho	62	60	62
Total ARPU (local currency per month) 6			
Tanzania (TZS)	4 330	4 393	4 127
DRC (USD)	4.7	5.3	5.2
Mozambique (MZN)	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	Inter- national
Mobile voice	7 753	4.3	1 440
Mobile interconnect	1 611	(9.4)	213
Mobile messaging ¹	823	6.5	75
Mobile data ¹	1 929	19.3	153
Other service revenue ²	639	34.8	1 024
Service revenue	12 755	5.6	2 905
Equipment revenue	2 208	19.4	39
Non-service revenue ²	172	17.0	39
Revenue	15 135	7.6	2 983

Rm	Yoy % change	Corporate/ Elimina- tions	Group	Yoy % change
Mobile voice	60.4	-	9 193	10.3
Mobile interconnect	54.3	(32)	1 792	(5.0)
Mobile messaging ¹	27.1	-	898	7.9
Mobile data ¹	135.4	-	2 082	23.8
Other service revenue ²	21.8	(61)	1 602	26.5
Service revenue	45.2	(93)	15 567	11.2
Equipment revenue	39.3	(11)	2 236	19.4
Non-service revenue ²	44.4	(17)	194	19.8
Revenue	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.

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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.

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