

News release

21 July 2011

Vodacom Group Limited trading statement for the quarter ended 30 June 2011

Highlights

- **Brand refresh underpins solid Group performance**
 - Group revenue up 8.1% (9.6%*)
 - Group service revenue up 5.9% (7.5%*)
 - Group customers up 20.4% to 45.4 million
 - Net customer additions of 1.9 million in the quarter
- **Continued robust data growth**
 - Group data revenue growth of 37.6%
 - 43.3% increase in Group active data customers to 10.9 million
 - Mobile internet bundle customers up 86.0% to 3.0 million[#]
- **Strong commercial success in South Africa**
 - Revenue up 7.7%
 - Service revenue up 5.0% (7.4% excluding the impact of MTRs)
 - Customers up 19.7% to 27.7 million, adding 1.2 million in the quarter
 - Data revenue growth of 35.4%
- **Encouraging revenue trends in International operations**
 - Service revenue up 11.0% (23.7%*)
 - Customers up 21.5% to 17.7 million, adding 729 000 in the quarter

Pieter Uys, Vodacom Group CEO commented:

“This quarter started on a high note with our team delivering a really well executed brand refresh. Internally we used the opportunity to signal a new direction and culture, involving all our employees in how we approach our vision of making every customer smile.

The positive sentiment from the refresh was mirrored by good performances from both the South African and International operations. Strong data growth was again a major feature with Group data revenue increasing 37.6% and active data customers increasing 43.3% to 10.9 million. This helped support overall Group revenue growth of 8.1%.

In South Africa, we added 1.2 million customers in the quarter, coupled with a 16.3% year on year increase in average minutes of use. This helped to offset a reduction in our average effective price per minute of 24.8%. We continued to drive investment in the network, adding 107 new 3G base stations in the quarter.

I'm also pleased to say that for another successive quarter we saw an improvement from the International operations with service revenue growing 11.0% (23.7%*) and customers increasing 21.5%.

Not everything went our way this quarter. We unfortunately experienced some outages in our South African network. While the financial impact was minimal, the negative impact on the customer experience was not acceptable. We have subsequently installed more fibre capacity and upgraded certain software to avoid future disruptions. Our number one priority over the coming months is to ensure that our customers get the best possible network experience.”

* Growth at constant currency.

South African operation only.

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Operating review

Group

Group service revenue increased 5.9% (7.5%*) mainly due to customer growth of 20.4% and a 37.6% growth in data revenue offsetting the reduced mobile interconnect revenue and lower effective prices per minute. Customers increased 1.9 million in the quarter to 45.4 million. The active data customers increased 43.3% to 10.9 million. Revenue grew faster than service revenue at 8.1% (9.6%*) boosted by strong handset sales. Competition remains intense in all our markets and we expect further pressure on pricing in the future.

South Africa

South Africa delivered a robust performance with service revenue growing 5.0% to R11 558 million mainly due to the robust data growth. Revenue increased 7.7% outpacing service revenue growth, largely due to a 28.0% increase in equipment revenue.

Customers increased 19.7% to 27.7 million, adding 1.2 million in the quarter. Prepaid customers closed at 22.4 million adding just over 1.0 million in the quarter. Contract customer growth remained strong, up 13.9% to 5.3 million. Gross connections were up 58.9% to 3.6 million coupled with a slight decrease in churn (excluding the change in the disconnection rule). Vodacom had registered 96.6% of the customer base for RICA at 30 June 2011, approximately 953 000 customers did not register and we were obliged to lock their SIMs. As at 11 July 2011, about 205 000 of these customers had registered and their service has since been reactivated. The SIMs locked due to RICA will be removed from our customer base in line with our disconnection rule.

Total ARPU was down 4.7% to R142, largely due to a 24.8% reduction in the effective price per minute, offset by a 16.3% increase in average minutes of use stimulated by off-peak promotional offers. Contract ARPU was down 10.2% to R369 due to strong growth of lower end contract packages and reduced out of bundle spend. Prepaid ARPU remained flat at R79.

Data revenue increased 35.4% to R1 856 million and active data customers grew 37.7% to 9.6 million. We continued to increase the penetration of data bundles into our customer base with mobile internet bundle customers¹ up 86.0% to 3.0 million, adding 425 000 in the quarter due to the continued success of BlackBerry[®] sales, our low-end internet starter pack and our Red is Mofaya promotion. PC connectivity devices increased by approximately 43 000 in the quarter to 1.1 million. Active smartphones on the network increased by more than 406 000 in the quarter to 3.7 million.

We continued to make substantial investments in the network, to enhance quality and support the growth in data traffic, adding 107 3G base stations in the quarter.

International

Revenue in the International operations increased by 10.2% (23.3%*) to R2 119 million. Service revenue increased by 11.0% (23.7%*) to R 2 064 million, largely due to growth in voice traffic of 10.8% offset by a decline in the effective price per minute of 2.3%. In local currencies, ARPU in Tanzania and Mozambique increased year on year.

The International operations recorded customer growth of 21.5% to 17.7 million, adding 729 000 customers in the quarter.

While data revenue is only 4.4% of service revenue in the International operations, it increased by 109.3% mainly due to strong growth in M-Pesa active customers to 1.6 million in Tanzania, adding just over 342 000 in the quarter.

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

1. A unique count of customers who have made a commitment to use data, either as part of their primary offering, or as an additional bundle. Includes customers using the BlackBerry[®] service.

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Financial review for the quarters ended

Revenue

	June	March	June	Year on year	Quarterly
Rm	2011	2011	2010	% change	% change
South Africa	13 537	13 602	12 567	7.7	(0.5)
International	2 119	2 138	1 922	10.2	(0.9)
Corporate and eliminations	(87)	(92)	(83)	(4.8)	5.4
Revenue	15 569	15 648	14 406	8.1	(0.5)

Service revenue

	June	March	June	Year on year	Quarterly
Rm	2011	2011	2010	% change	% change
South Africa	11 558	11 863	11 012	5.0	(2.6)
International	2 064	2 081	1 859	11.0	(0.8)
Corporate and eliminations	(70)	(74)	(69)	(1.4)	5.4
Service revenue	13 552	13 870	12 802	5.9	(2.3)

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Key indicators for the quarters ended

South Africa key indicators

	June 2011	March 2011	June 2010	Year on year % change	Quarterly % change
Customers (thousand)¹	27 731	26 535	23 161	19.7	4.5
Prepaid ²	22 411	21 409	18 489	21.2	4.7
Contract	5 320	5 126	4 672	13.9	3.8
Churn (%)³	35.5	28.5	87.2		
Prepaid ²	41.9	33.0	105.0		
Contract	8.5	9.7	9.5		
Traffic (millions of minutes)⁴	8 141	8 108	6 371	27.8	0.4
Outgoing	6 079	6 060	4 442	36.9	0.3
Incoming	2 062	2 048	1 929	6.9	0.7
MOU per month⁵	100	104	86	16.3	(3.8)
Prepaid ²	81	82	59	37.3	(1.2)
Contract	181	195	205	(11.7)	(7.2)
Total ARPU (Rand per month)⁶	142	153	149	(4.7)	(7.2)
Prepaid ²	79	85	79	–	(7.1)
Contract	369	387	411	(10.2)	(4.7)

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. Prior year numbers have not been restated.
3. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period. 3.3 million customers were deleted during the June 2010 quarter, due to the change in the disconnection rule. Excluding the 3.3 million deletions, total churn was 36.4% and prepaid churn was 43.1% for the quarter ended June 2010.
4. Traffic comprises of 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 customer base during the period.
6. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period. Prepaid and contract ARPU only includes service revenue generated from Vodacom customers.

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Key indicators for the quarters ended (continued)

International key indicators

	June 2011	March 2011	June 2010	Year on year % change	Quarterly % change
Customers (thousand)¹	17 686	16 957	14 561	21.5	4.3
Tanzania	9 260	8 861	8 009	15.6	4.5
DRC	4 245	4 155	3 419	24.2	2.2
Mozambique	3 277	3 082	2 411	35.9	6.3
Lesotho	904	859	722	25.2	5.2
Churn (%)²					
Tanzania	43.5	51.1	42.9		
DRC	75.3	45.3	77.5		
Mozambique	42.5	43.0	76.9		
Lesotho	20.3	21.5	17.2		
MOU per month³					
Tanzania	54	53	58	(6.9)	1.9
DRC	43	38	56	(23.2)	13.2
Mozambique	34	36	29	17.2	(5.6)
Lesotho	28	32	31	(9.7)	(12.5)
Total ARPU (Rand per month)⁴					
Tanzania	19	19	22	(13.6)	–
DRC	33	34	39	(15.4)	(2.9)
Mozambique	24	22	22	9.1	9.1
Lesotho	54	55	62	(12.9)	(1.8)
Total ARPU (local currency)⁴					
Tanzania (TZS)	4 276	4 098	4 127	3.6	4.3
DRC (USD)	4.8	4.9	5.2	(7.7)	(2.0)
Mozambique (MZN)	106	102	98	8.2	3.9

Notes:

1. Customers are based on the total number of mobile customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated.
2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.
3. Minutes of use ('MOU') per month is calculated by dividing the average monthly minutes (traffic) during the period by the average monthly total reported mobile customer base during the period.
4. Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period.

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Key indicators for the quarters ended (continued)

Historical key indicators for the quarters ended

Revenue

	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
Rm							
South Africa	13 537	13 602	14 072	13 130	12 567	12 621	13 439
International	2 119	2 138	2 056	2 080	1 922	1 893	2 066
Corporate and eliminations	(87)	(92)	(95)	(100)	(83)	(79)	(80)
Revenue	15 569	15 648	16 033	15 110	14 406	14 435	15 425

Service revenue

	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
Rm							
South Africa	11 558	11 863	12 075	11 442	11 012	11 236	11 645
International	2 064	2 081	2 001	2 016	1 859	1 822	1 997
Corporate and eliminations	(70)	(74)	(78)	(76)	(69)	(67)	(52)
Service revenue	13 552	13 870	13 998	13 382	12 802	12 991	13 590

South Africa

	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
Customers (thousand)¹	27 731	26 535	25 302	23 873	23 161	26 262	27 102
Prepaid ²	22 411	21 409	20 310	19 074	18 489	21 765	22 753
Contract	5 320	5 126	4 992	4 799	4 672	4 497	4 349
Churn (%)³	35.5	28.5	32.7	35.9	87.2	42.9	41.5
Prepaid ²	41.9	33.0	38.3	42.5	105.0	49.6	47.5
Contract	8.5	9.7	10.3	9.6	9.5	9.1	8.8
Traffic (millions of minutes)⁴	8 141	8 108	8 402	7 352	6 371	6 379	6 655
Outgoing	6 079	6 060	6 307	5 351	4 442	4 434	4 632
Incoming	2 062	2 048	2 095	2 001	1 929	1 945	2 023
MOU per month⁵	100	104	114	105	86	80	80
Prepaid ²	81	82	92	79	59	53	55
Contract	181	195	202	207	205	214	220
Total ARPU (Rand per month)⁶	142	153	164	163	149	140	140
Prepaid ²	79	85	93	90	79	74	76
Contract	369	387	408	411	411	436	455

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Key indicators for the quarters ended (continued)

Historical key indicators for the quarters ended (continued)

International

	June 2011	March 2011	December 2010	September 2010	June 2010	March 2010	December 2009
Customers (thousand)¹	17 686	16 957	16 288	15 504	14 561	13 630	13 352
Tanzania	9 260	8 861	8 665	8 421	8 009	7 270	6 878
DRC	4 245	4 155	3 847	3 638	3 419	3 353	3 522
Mozambique	3 277	3 082	2 953	2 676	2 411	2 329	2 312
Lesotho	904	859	823	769	722	678	640
Churn (%)³							
Tanzania	43.5	51.1	41.5	41.9	42.9	42.3	43.3
DRC	75.3	45.3	80.8	91.1	77.5	50.9	157.5
Mozambique	42.5	43.0	45.3	65.3	76.9	68.9	61.1
Lesotho	20.3	21.5	24.6	20.2	17.2	17.4	19.5
MOU per month⁵							
Tanzania	54	53	58	55	58	69	74
DRC	43	38	74	77	56	44	37
Mozambique	34	36	43	49	29	28	33
Lesotho	28	32	32	33	31	33	49
Total ARPU (Rand per month)⁶							
Tanzania	19	19	20	21	22	25	28
DRC	33	34	32	39	39	31	35
Mozambique	24	22	23	22	22	23	27
Lesotho	54	55	62	60	62	63	73
Total ARPU (local currency)⁶							
Tanzania (TZS)	4 276	4 098	4 330	4 393	4 127	4 472	5 060
DRC (USD)	4.8	4.9	4.7	5.3	5.2	4.3	4.7
Mozambique (MZN)	106	102	115	109	98	96	109

Notes:

- 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.
- South Africa changed its disconnection policy for call-forward SIMs from 13 months to seven months during the quarter ended 30 June 2010. Prior year numbers have not been restated.
- Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported mobile customer base during the period.
- 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.
- 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 customer base during the period.
- Total ARPU is calculated by dividing average monthly service revenue by the average monthly total reported mobile customer base during the period. Prepaid and contract ARPU only include service revenue generated from Vodacom customers.

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Revenue for the quarter ended 30 June 2011

Rm	South Africa	Yoy % change	International	Yoy % change	Corporate/ Eliminations	Group	Yoy % change
Mobile voice	7 028	2.8	942	7.5	(1)	7 969	3.3
Mobile interconnect	1 469	(10.4)	157	9.8	(30)	1 596	(9.6)
Mobile messaging	743	4.1	57	7.5	–	800	4.4
Mobile data	1 856	35.4	90	109.3	–	1 946	37.6
Other service revenue	462	2.2	818	9.9	(39)	1 241	8.5
Service revenue	11 558	5.0	2 064	11.0	(70)	13 552	5.9
Equipment revenue	1 819	28.0	30	–	(13)	1 836	27.1
Non-service revenue	160	19.4	25	(24.2)	(4)	181	13.8
Revenue	13 537	7.7	2 119	10.2	(87)	15 569	8.1

Average quarterly exchange rates

	June 2011	March 2011	June 2010	Year on year % change	Quarterly % change
USD/ZAR	6.79	7.01	7.55	(10.1)	(3.1)
ZAR/MZN	4.43	4.53	4.52	(2.0)	(2.2)
ZAR/TZS	226.86	214.51	188.02	20.7	5.8
EUR/ZAR	9.78	9.58	9.60	1.9	2.1

Non-GAAP information

This trading statement 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.

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Forward-looking statements

This trading statement for Vodacom Group Limited for the quarter ended 30 June 2011 contains unaudited '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.