

VOD - Vodacom trading update for the quarter ended 30 June 2009

Vodacom Group Limited

(Incorporated in the Republic of South Africa)

(Registration number 1993/005461/06)

Share Code: VOD & ISIN: ZAE000132577

("Vodacom Group" or "Vodacom")

Vodacom trading update for the quarter ended 30 June 2009

Group mobile customers increased 19.5% from the prior year quarter to 41.3 million at 30 June 2009. The South African mobile operations contributed 69.6% (31 March 2009: 69.7%) of Group total mobile customers and the international mobile operations 30.4% (31 March 2009: 30.3%) at 30 June 2009.

Vodacom Group revenue for the three months ended 30 June 2009 rose 12.2% to R14.2 billion compared to the same quarter last year. The increase was as a result of organic revenue growth of 5.9% and Gateway contributing approximately R800 million in the quarter.

South Africa

South African revenue was up 8.2% year on year notwithstanding weaker economic conditions, largely as a result of the growth in customers and data revenue. The weaker conditions particularly impacted contract revenue as customers managed their bundles more effectively. The quarter's results were also impacted by the additional public holidays in April 2009 compared to the prior year quarter.

The South African operations continued to achieve strong customer growth, adding 1.1 million customers in the quarter to 28.7 million, 15.4% higher than the prior year and 4.0% higher than at 31 March 2009. Customers on the dynamically priced prepaid product, Yebo4Less, increased from 4.8 million at 31 March 2009 to 7.2 million at 30 June 2009, representing 29.3% of the prepaid customer base. Market share was maintained at 53%.

Targeted loyalty programmes were effective in reducing overall churn by 2.4 percentage points to 34.1% at 30 June 2009 and prepaid churn to 38.4% from 40.9% reported for the quarter to 31 March 2009. The 11.4% growth in mobile traffic in the quarter to 6.9 billion minutes from 6.2 billion minutes in the previous quarter indicated the success of focused promotional offers.

Blended ARPU declined 4.7% from the previous quarter as a result of higher penetration in lower income market segments, lower revenue in April 2009 and weaker economic conditions. Prepaid ARPUs remained relatively stable at R64 per month compared to R65 per month in the quarter to 31 March 2009. Contract customer ARPU was 3.5% lower than in the previous quarter to 31 March 2009, as customers limited spending outside their bundles.

International

Revenue in the international mobile operations declined 8.1% compared to the same quarter last year. Revenue in Tanzania and the Democratic Republic of Congo ("DRC") continued to be affected by weak economic conditions, strong competition and higher excise duties. Excluding the excise duties, revenue from the international operations was down 4.2%. We have taken action to reduce expenditure in Tanzania and the DRC to offset lower than expected revenues.

Mozambique and Lesotho delivered strong revenue growth in the quarter. The international operations recorded strong customer growth, up 30.0% to 12.6 million on the same quarter last year and up 4.9% from 12.0 million at 31 March 2009.

Churn increased in the Tanzanian and DRC operations due to low tariff offers from competitors. Vodacom Mozambique continued to gain market share and churn reduced by 10.8 percentage points from the previous quarter. Churn is expected to increase in Mozambique in the next quarter following the seasonally higher connections in December 2008.

In Tanzania, ARPU was 3.8% lower in Tanzanian shillings compared to the previous quarter. ARPU in the DRC was 11.5% lower in US dollars for the quarter due to shrinking disposable income, a reduction in tariffs and lower interconnection revenue. During the quarter the rand appreciated 3.8% and 10.1% against the US dollar and Tanzanian shilling respectively, resulting in lower reported ARPU in rand.

Pieter Uys, CEO of Vodacom Group, commented:

"We delivered on our strategy to offer greater value to customers, drive the penetration of mobile broadband and compete successfully in the enterprise market.

"We continued to grow our customer base in our South African and international operations, by 15.4% and 30.0% respectively compared to the same quarter last year. Consumer spending remained under pressure, which we countered with focused promotions in all our markets to offer more value to Vodacom customers.

"In South Africa, we added 98 000 mobile broadband customers and a further 18000 telemetry broadband packages in the quarter, growing our total data connectivity customers from 892 000 to just over a million. Vodacom Business continued to gain traction, signing contracts with a number of corporate customers to supply connectivity, hosting and related services.

"We expect customer growth to slow in the remaining quarters as customer registration is now required in our three largest markets. We remain focused on maintaining our market share, stimulating usage and containing our costs."

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

Trading Statement

Key performance indicators for the quarter ending

South Africa

	30 June 2009	31 March 2009	30 June 2008
Customers (thousands) ¹	28 735	27 625	24 891
Prepaid	24 578	23 561	21 138
Contract	4 039	3 946	3 643
Community services	118	118	110
Churn (%) ²	34.1	36.5	40.6
Prepaid	38.4	40.9	46.0
Contract	9.2	10.5	9.6
Traffic (million of minutes) ³	6 896	6 189	5 796
Outgoing	4 966	4 225	3 908
Incoming	1 930	1 964	1 888
ARPU (Rand per month) ⁴	123	129	130
Prepaid	64	65	64

Contract	444	460	481
Community services	427	471	597

	Quarterly % change	Year on year % change	
Customers (thousands)1	4.0	15.4	
Prepaid	4.3	16.3	
Contract	2.4	10.9	
Community services	-	7.3	
Churn (%) 2	2.4 pts	6.5 pts	
Prepaid	2.5 pts	7.6 pts	
Contract	1.3 pts	0.4 pts	
Traffic (million of minutes) 3	11.4	19.0	
Outgoing	17.5	27.1	
Incoming	(1.7)	2.2	
ARPU (Rand per month) 4	(4.7)	(5.4)	
Prepaid	(1.5)	-	
Contract	(3.5)	(7.7)	
Community services	(9.3)	(28.5)	

International

	30 June 2009	31 March 2009	30 June 2008
Customers (thousands)5	12 571	11 989	9 672
Tanzania	5 917	5 667	4 495
DRC	4 182	4 170	3 454
Mozambique	1 925	1 634	1 302
Lesotho	547	518	421
Churn (%) 2			
Tanzania	47.9	43.3	45.0
DRC	59.8	48.8	55.8
Mozambique	48.3	59.1	64.1
Lesotho	20.0	18.2	18.5
ARPU (Rand per month) 4			
Tanzania 6	35	43	48
DRC	39	53	64
Mozambique	36	44	36
Lesotho	65	67	68
ARPU (local currency per month) 4			
Tanzania (Tanzanian shilling) 6	5 511	5 729	7 432
DRC (US dollars)	4.6	5.2	8.2
Mozambique (metical)	114	117	112

	Quarterly % change	Year on year % change	
Customers (thousands)5	4.9	30.0	
Tanzania	4.4	31.6	

DRC	0.3	21.1
Mozambique	17.8	47.8
Lesotho	5.6	29.9
Churn (%) 2		
Tanzania	(4.6 pts)	(2.9 pts)
DRC	(11.0 pts)	(4.0 pts)
Mozambique	10.8 pts	15.8 pts
Lesotho	(1.8 pts)	(1.5 pts)
ARPU (Rand per month) 4		
Tanzania 6	(18.6)	(27.1)
DRC	(26.4)	(39.1)
Mozambique	(18.2)	-
Lesotho	(3.0)	(4.4)
ARPU (local currency per month) 4		
Tanzania (Tanzanian shilling) 6	(3.8)	(25.8)
DRC (US dollars)	(11.5)	(43.9)
Mozambique (metical)	(2.6)	1.8

Notes:

1. South African customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, at the end of the period indicated. Three-month inactive customers were 8.9% (March 2009: 8.9%, June 2008: 11.0%) of total customers, 9.8% (March 2009: 9.9%, June 2008: 12.3%) of prepaid customers and 3.7% (March 2009: 3.4%, June 2008: 3.7%) of contract customers at 30 June 2009.

2. Churn is calculated by dividing the annualised number of disconnections during the period by the average monthly total reported customer base during the period.

3. Traffic comprises total traffic registered on the Vodacom SA network, including bundled minutes, outgoing international roaming calls and calls to free services but excluding national roaming and incoming international roaming.

4. ARPU is calculated by dividing the average monthly revenue (recurring mobile) by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales and other sales and services.

5. International customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as at the end of the period indicated. Three-month inactive customers were 18.4% (March 2009: 20.3%, June 2008: 19.0%) for Tanzania, 33.6% (March 2009: 33.1%, June 2008: 22.7%) for the DRC, and 31.0% (March 2009: 28.5%, June 2008: 38.0%) for Mozambique and 15.9% (March 2009: 13.4%, June 2008: 13.5%) for Lesotho as at 30 June 2009.

6. ARPU has been re-stated for the June 2008 quarter. Excise duty is now netted off against revenue in line with group accounting policies (previously disclosed R50 (TZS 7 829)).

Exchange rates

	30 June 2009	30 June 2008	Year on year % change
Closing			
USD/ZAR	7.82	7.88	0.8
ZAR/Mtn	3.45	3.03	13.9
ZAR/TZS	168.07	150.37	11.8
EUR/ZAR	11.04	12.45	11.3

Quarter average

USD/ZAR	8.50	7.78	(9.3)
ZAR/Mtn	3.20	3.11	3.1
ZAR/TZS	157.06	155.55	1.0
EUR/ZAR	11.57	12.15	4.8

Forward looking statement disclaimer

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