Conference Call Transcript

18 May 2015

ANNUAL RESULTS

Operator

Good day ladies and gentlemen and welcome to the Vodacom Group annual results conference call for the period ended 31st March 2015. Vodacom Group CEO, Shameel Joosub, will host the conference call. I will read the forward-looking disclaimer before handing over to Shameel Joosub.

This announcement which sets out the annual results for Vodacom Group Ltd for the year ended 31st March 2015 contains forward-looking statements which have not been reported on by the group's auditors with respect to the group's financial position, 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 positions, dividend policy and future prospects, business and management strategies relating to the expansion and growth of the group, the effects of regulation on the group's businesses by governments in the countries in which it operates, the group's expectations as to the launch and rollout dates of products, services and technologies, expectations regarding the operating environment and market conditions, growth in customers and usage and the rate of dividend growth by the group.

If you do not have a copy of the results announcement and presentation it is available on the investor relations website www.vodacom.com. There will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to hand the conference over to Shameel Joosub. Please go ahead, sir.

Shameel Joosub

Thank you. Good afternoon and good morning to those in the US. Thank you for joining us to discuss our annual results. Our CFO, Ivan Dittrich, and our South African Finance Director, Till Streichert, are here with me as well as our new group Executive of Investor Relations, Monique Nienaber who joins us on this call for the first time. Richard Boorman from Media Relations is also here with me.

Firstly, I am pleased with our relative performance in the year. We achieved solid underlying growth in very difficult operative and economic conditions. In South Africa the 50% cut in mobile termination rates significantly affected us with the weak economic environment and aggressive competition adding to the impact. In Tanzania and the DRC severe pricing pressures dampened our performance. Cost pressures from high inflation, rising fuel and electricity prices, interest rate hikes together with currency volatility negatively impacted our expenses.

Having highlighted these challenges I'm pleased to say that by the time we hit the fourth quarter there was solid evidence of forward momentum. We have made substantial progress with our strategy. Just to give you a couple of highlights, we invested R13.3 billion in capital expenditure, representing 17.2% of our revenue as part of our accelerated capex programme, focussed mainly on widening our coverage, network quality and capacity.

We attracted 4.2 million new customers in the year across our operations to increase our group active customers by 7.2%, which is 61.6 million customers. Our number of group data customers grew 15.8% to 26.5 million and our machine to machine customers grew 18.5% to 1.8 million, which represents 46% of our active customer base.

In South Africa contract price transformation is nearing completion. We migrated 77.9% of our contract customers to our integrated bundles and 69.3% of our contract revenue is now in bundle. Our international operations delivered solid underlying performance. They now contribute 24.6% t our group service revenue from 22.4% a year ago. We have maintained our number one market share position in all our markets based on customers and revenue.

If we now take a look at our financial performance we achieved positive underlying growth in the year. However, our reported numbers were impacted by the 50% cut in mobile termination rates in South Africa. Our group revenue increased 2.1% to R77.3 billion and service revenue grew 0.2% to R62.2 billion. Excluding the impact of mobile termination rate cuts in South Africa in constant currency group revenue increased by 3.7% and service revenue by 2.2% respectively.

We again achieved strong growth in group data revenue of 25% to R16.6 billion. This was driven by 84% growth in data traffic. Data now represents 26.7% of group service revenue. Our group EBITDA declined by 1.5% to R26.9 billion with an EBITDA margin of 34.8%. To highlight the impact of the lower mobile termination rates for the year, group EBITDA increased 3% if we exclude the impact of the mobile termination rate cut. Our group free cash flow was impacted by higher capex and depreciation as the result of our accelerated capex programme and higher interest payments.

Our headline earnings per share reduced 4% from 896 cents to 860 cents. The decline in HEPS stems largely from mobile termination rate cuts in South Africa which impacted our headline earnings per share after tax and took just over R2 billion off the revenue line. Excluding the impact of mobile termination rates headline earnings would have been up 2.7%. Increased depreciation and finance charges as a result of the accelerated capital expenditure funded largely by debt also negatively impacted HEPS. However this was offset by a lower tax charge and a lower minority interest.

Lastly, the board has approved a final dividend of 400 cents in line with our dividend policy of paying at least 90% of HEPS, taking the total dividend for the year to 775 cents.

Let’s unpack our two reporting segments in more detail. I will first start with South Africa. Our strategy in South Africa has not changed and we are constantly delivering on it. To reiterate, our strategy is to increase investment by adding capacity for voice and data, but also to create clear network differentiation and to invest in new areas of growth. Secondly, it is to bring down prices by creating products that give you near one to one elasticity and to offset the inevitable price decline in voice with a massive increase in data.

Please note South Africa’s service revenue benefited from a once-off positive adjustment of R325 million relating to revenue recognition of unrecharged vouchers which we disclosed in the first half and R164 million due to the consolidation of XLink in the second half. XLink is a trusted technology leader in machine to machine point of sale communication in 12 countries in Africa.

Service revenue declined 2.7% to R47 billion. Excluding the impact of mobile termination rates which had a negative impact of 4.1%, service revenue grew 1.5% with service revenue returning to growth of 2% in Q4 compared to the same period last year. This was supported by our growth pillars, data and enterprise, as well as revenue from our new services, financial services and machine to machine offsetting the declines from voice.

Customer service revenue was flat at R41.3 billion despite a 17.7% reduction in the blended average effective price per minute as a result of our price transformation programme. This was offset by growth in our outgoing traffic of 12.5% and growth in data traffic of 63.1%. Our price transformation aimed at offering best value to customers was executed through targeting a clear segmented approach, offering bundles at affordable and comparative prices, together with delivering worry-free integrated plans to customers.

We have seen the benefit from our contract price transformation which is nearing completion in the form of reducing contract churn by 2.6% to 9.2% and stabilising our average revenue per user at R380. 54.8% of our top-up customers have switched to our new packaged which give customers access to integrated plans with an option to access prepaid promotions on an ad hoc basis. Overall active contract customers grew 2.5% to 4.9 million supported by higher gross connections, reduced churn and our proactive retention campaign.

Our prepaid price transformation has made us more competitive with 6.3 million customers now engaged in bundles in Q4. We sold 53 million voice bundles a month. Our customer value management system which helps us understand customer needs was used effectively to target customers with tailor-made offers below the line. We moved customers from legacy plans to new prepaid price plans to use cross-sell opportunities and to engage customers before they became inactive. Our prepaid customers increased 1.8% to 27.2 million customers.

Demand for data remains strong. It now constitutes 28.8% of service revenue in South Africa from 21.5% a year ago. Data revenue grew 23.4% or 22% if we exclude XLink, to R13.5 billion supported by more affordable devices, increased bundles sold and data coverage. This is despite data prices reducing by 24%, flat on a quarterly basis.

Executing on our bundling strategy to drive data adoption we launched affordable daily and hourly bite-sized data bundles, for example R3 for 50 MB and R10 for 100 MB, which led to an increase in prepaid customers engaging in bundle usage with prepaid bundle sales up 139%. More than 90% of all our data traffic is now in bundle. Our data customers increased 9.4% to 16.6 million. 52% of our customers now use data services in South Africa. Our machine to machine customers grew 15.9% to 1.7 million customers.

The number of active smart devices on the network increased 29.7% to 11.6 million fuelled by more affordable devices. Of that 9.3 million are smartphones, 1.1 million are tablets and 1.2 million are modems. More than 3 million low-cost devices were sold including Vodacom-branded Smart Kicka and Smart Tab which sold over one million since the launch in Q3. The average amount of data used per month increased by 37.9% to 342 MB on smart phones and 12.3% to 829 MB on tablets.

The key highlight of our data story is the data monetisation and efficiency improved in Q4 with data revenue growth of 31%. If we exclude the impact of XLink it was 25.4% and data traffic growth of 47.5% compared to the same quarter last year. We have made a substantial capital investment as part of our accelerated capex programme and maintained our number one net promoters score position. We invested R8.6 billion in our network in South Africa to increase 3G coverage to 96% of the population and to double the number of LTE sites to 2,600 sites, covering 35% of the population.

I think it is important to note that this has given us a substantial lead over our competitors with our next-nearest competitor in 4G being half the size of us. We continue to invest in transmission. 81%

of our sites are now connected through our own high-speed transmission. We completed our six year Rand [?] renewal programme making the entire network 4G ready. So clearly we could switch on 4G country-wide once we have the spectrum. Fibre to the business and fibre to the home services were soft-launched during the year.

Our EBITDA in South Africa was impacted by the lower mobile termination rates partially offset by tight cost control. Reported EBITDA declined 1.1% to R22.8 billion with a slight contraction in EBITDA margin of 0.6% to 36.8%. Excluding the impact of mobile termination rates which had a 5.3% drag, EBITDA in South Africa would have grown 4.2%, which is a much better result if we compare that to our results which we achieved last year. There was further operational execution in the second half of the year with a second half EBTIDA growth of 2.8% with a margin of 37.6%.

We achieved savings through a deliberate cost saving programme which was offset by network operating expenses as a result of our accelerated capex programme and trading foreign exchange losses of R114 million. Overall our opex as a percentage of revenue excluding the impact of lower mobile termination rates and the trading forex losses was flat at 22.7%.

If we now move on to our international operations, we delivered service revenue growth in our international operations of 10%, or 4.5% in constant currency. Despite the challenges which we encountered in Tanzania and the DRC which I mentioned earlier on we executed well on our commercial strategy. Our active customers grew 13.7% to 29.5 million as we continue to invest substantially in our networks to increase our network differentiation.

To our bundle strategy we reduced the effective price per minute in each market, stimulating a 42.7% rise in outgoing traffic for the international portfolio. Our mobile data revenue increased 33% due to data traffic more than doubling from a year ago, supported by strong investment in our network. Active data customers grew by 28.7% to 9.9 million customers, representing 33.4% of our active customers.

Demand for our mobile financial services remains strong in all our international markets. Active M-Pesa customers increased by 34.2% to 8 million across all our international markets, and we added 2 million new customers mainly coming from Tanzania where more than 60% of our customers are now using M-Pesa. In Tanzania following the launch of M-Powa which has the ability to do savings and loans on a mobile platform in partnership with the Commercial Bank of Africa in September we attracted 1.8 million M-Powa customers. We also launched international money transfer services in the fourth quarter. To put into perspective, we now move $1.5 billion or R18 billion per month through M-Pesa in Tanzania.

The international operations' EBITDA was negatively impacted by a once-off adjustment in the DRC. EBITDA declined 3.6% to R4.1 billion with EBITDA margin contracting 3.5% to 26.1%. Excluding the impact of the R405 million relating to the write-down of current assets in the DRC EBIRTDA grew 5.9% at an EBITDA margin of 28.6%. The international operations contributed 15.3% to group EBITDA.

We maintained a consistently high level of investment in the network. The total international capex intensity in the year was 29.6% of service revenue. Capex investment grew 18.8% to R4.7 billion in our international operations as we continued to invest significantly in all our markets to differentiate our offering in terms of network coverage and performance.

To support wider voice coverage and significant data growth 2G and 3G sites were increased by 29.4% and 50.5% respectively. Vodacom was the first operator to launch LTE services in Lesotho.

During the year the group acquired an additional stake in Tanzania for R2.6 billion which was funded through debt.

This concludes the review of our performance for the year. I will now update you on Neotel and take you through our new targets over the medium term. It has been a year since we signed the deal with Data. The transaction has been with the authorities for approval for almost a year now. The delay in receiving regulatory approvals on the acquisition of Neotel is disappointing. We now expect the Competition Commission to make its recommendation to the tribunal by the end of May and therefore the tribunal could still take a couple of months. We are expecting an answer from ICASA also by month end.

If we now turn to the outlook over the medium term, in the year ahead our focus will be on continuing to deliver on our strategy. We have set clear three-year goals in each of strategic priorities in respect of customer growth, operations, people and reputation. Achieving these goals would support our commitment to create long-term shareholder value.

The contribution of data is targeted to be 40% and enterprise revenue to be 30% of group service revenue. Growth in our international businesses and new services is targeted to deliver 30% and 5% of group service revenue respectively. We will continue to tightly manage costs together with implementing multi-year, sustainable cost-saving programmes.

Our accelerated capex investment programme will continue to support our growth areas through enhancing the reach and quality of our data and voice networks across the group. With these factors in mind we maintain our medium three-year guidance of low single-digit service revenue growth, mid-single-digit EBITDA growth and capital expenditure between 14% and 17% of group revenue. This guidance excludes the impact of acquisitions.

The board maintains its dividend policy to pay at least 90% of headline earnings per share. Thanks. That concludes my comments and we are now ready to take questions.

Operator
Thank you very much, sir. Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. Our first question comes from Cesar Tiron of Merrill Lynch. Please go ahead.

Cesar Tiron
Hi everyone. Two questions please from my side. The first question would be on your opex optimisation plan and whether you can give a little bit more detail, and also explain whether this guidance of mid-single-digit growth in EBITDA is really achievable starting with 2016 or if it is more of a mid-term guidance. My second question would be on international operations where I was hoping to get a little bit more detail on competition and why you think one of your competitors is growing at 20% plus in the DRC and double digits in Tanzania, so basically taking market share from you. Why do you think that is happening? Thank you so much.

Ivan Dittrich
Cesar, I will take the question on the cost-saving programmes and the sustainability thereof, and also your question on guidance, and then Shameel can talk about the competitive dynamics in the international markets. From a cost programme perspective particularly in our South African market we've already been on the cost agenda pretty much for the last four years. And we've been able to keep our costs over a four-year period pretty much flat to slightly reducing, which in a 6% plus inflationary environment we think is quite a credible performance. Obviously your operating

expenses this year were impacted by a few anomalies. There was additional network operating expenses as a result of the Project Spring investment. And then in the South African business in particular the opex base is also to a large extent impacted by foreign exchange variances. In this year we had a recognised forex loss of R114 million compared to a forex profit last year of R170 million or so. So in terms of forex that gives you a R280 million movement.

In terms of sustainability of cost savings going forward we will continue to benefit from a reduction in our leased line expense as we continue to build more of our own transmission. We are rationalising property. We continue to benchmark ourselves both internally and externally against other Vodafone OpCos and also international best practise to make sure that we're as lean as possible on the various cost lines. And we also continue to procure more and more through the global Vodafone procurement arrangement. We get the benefits of scale, of global scale and purchasing power coming through. So in terms of going forward we expect that our cost growth will be slower than our revenue growth, and therefore you would still expect some operating leverage to come through. And that would be true for all of our operations, both South Africa and international.

Then in terms of our guidance you will recall that a year ago we set a three-year medium-term guidance on the back of Project Spring. And we've indicated that our medium-term EBITDA growth guidance is mid-single-digit EBITDA growth. Clearly this year formed year one of that three-year guidance and EBITDA growth was negative 1.5%. But over the three-year period we still expect to reach the mid-single-digit EBITDA growth rate average.

Shameel Joosub
Then maybe just to comment on the performance in Tanzania and the DRC, we have not lost market share in either of the markets. There has been some movement between Airtel and Tigo with Tigo probably being the gainer in terms of market share. So there has been some movement there. And our big issue in the DRC as an example is coming from the once-off write-down of the assets.

Cesar Tiron
Thank you so much.

Operator
Our next question comes from David Lerche of Avior Research. Please go ahead.

David Lerche
Good day gentlemen. Just a couple of simple ones if I may please. Firstly, could you give some guidance on the depreciation that we can expect for the year? And then secondly on the minorities line that has obviously moved from a profit to a loss and the movement is significantly greater than the pain that you felt in the DRC. So can you just give some colour on that? And then maybe a third question if I may. Can you just talk us through what you believe your network advantage is in your international markets? How far ahead of the likes of Airtel and Tigo do you think you are? Thank you.

Ivan Dittrich
Okay, David. I will take the first two. In terms of minorities it went from an expense last year to income this year. It is due to three reasons essentially. Firstly we increased our stake in our Tanzania business by 17.2% at the start of the financial year, thereby reducing the minorities' interest. The net profits in Tanzania were lower than last year which also reduced the minority figure. And then thirdly the impact of the one-off write-downs in the DRC resulted in net losses in the DRC on an after-tax basis. And the minority stake in the DRC business is 49%, so a meaningful minority there.

In terms of the depreciation charge in terms of modelling it for the coming year the depreciation charge this year was about R7.6 billion of which about R4 billion was incurred in the second half. Obviously this year was year one of the Spring investment and the investment incurred over the duration of the year. So in terms of modelling your depreciation charge for next year you should in the first instance use your second half charge as a base, and then you need to make an assumption on the level of capex that has been incurred during the second half for which you haven't had the depreciation impact necessarily for this financial year yet. So I hope that answers your question.

David Lerche
Thank you.

Ivan Dittrich
And then the network advantage Shameel will chat about in international.

Shameel Joosub
The network advantage basically differs from country to country. In Lesotho it is substantial over the comparatives; I would say probably 30% to 40%. In Mozambique I would say more parity with Viettel or getting close to parity with Viettel in terms of actual number of sites and so on, but a more robust rollout because we put up higher sites and that type of thing, so almost matching the same coverage footprint. In Tanzania I would say probably a 15% to 20% lead over Airtel and a much bigger lead over Tigo specifically because Tigo doesn't have as dominant coverage in the rural areas. In the DRC probably also a 15% to 20% lead over Airtel with Tigo again being more concentrated in the big cities.

David Lerche
Great. Thank you.

Operator
Our next question comes from Ziyad Joosub of JP Morgan. Please go ahead.

Ziyad Joosub
Hi everyone. Thanks for taking my question. The first question is I would just like to get management's, specifically Shameel's, view on Cell C's data monetisation. Recently the company disclosed that they were growing data revenue 59% in quarter one this year. And their traffic growth on their network was only 44%. What are your thoughts on this?

Shameel Joosub
Ziyad, you must realise that Cell C has basically pushed up all its prices. The theory is that Cell C is cheaper than everybody else. The reality is it's not. They have pushed up all their prices, contract, data and so on, and they also changed their monetisation of data. So they are monetising data in bigger increments than we are. We don't think that we need to take any short-term decision when it comes to data. Our data growth I would say is coming more from a sustained growth in terms of migrations to bundles. 90% of our revenues are now in-bundle, which I think is quite impressive. And also we are seeing a 63% uplift in traffic and overall 23.4% growth in revenues with 31% growth in the last quarter. For me a 31% growth is really exceptional if you look at the base that we're growing from. R13.5 billion is now coming from data and 29% of our revenues in South Africa are now from data. So the short answer is I think they've benefitted from a lot of once-offs.

Operator
Our next question comes from Mike Gresty of Deutsche Bank. Please go ahead.

Mike Gresty

Good afternoon guys. Firstly I would like to get a sense from you as to how much you think the relatively strong performance in SA in the last quarter was as a consequence of the problems MTN was experiencing, particularly the strong equipment revenue. Secondly, Shameel, perhaps one more for you. Could you chat through the logic of the price increase for in-contract subscribers as opposed to doing it for new business and people who are out of contract? There has certainly been a fair amount of negative publicity around that which I guess you probably saw coming. Can you explain why you felt it necessary to push in-contract pricing?

Shameel Joosub

Firstly let me comment on MTN. I think everybody has been under pressure for various different reasons this past year. I think Cell C for the reason of trying to maintain profitability their price increases especially on data were probably done to ensure better results. I think us and MTN are in a different space in terms of MTN really starting their price transformation this last year. So I think the issue for both of us is an issue of the base re-pricing. MTN would obviously be feeling it because they are about 18 months behind us in the pricing journey. They would be feeling the pressure a lot this year. I think we have always been very emphatic that besides what competition is doing and besides the fact that we have to remain competitive we have to be implementing our own strategy.

For me the success that we are seeing in Q4 which we think will carry through to the new year is essentially the big capital investment we've put in starting to bear dividends and bear fruit. I think that for us is the really compelling story. If you look at the uplift that we are seeing from 2G to 3G and from 3G to 4G I think that is where a lot of our benefit is coming from. You are looking at between an 11% and 13% increase from 2G to 3G and 3G to 4G. That has really been part of the success. MTN hasn't invested. As an example we've put in 1,684 4G sites a year. MTN put in 29. So it is not by accident that we are seeing the growth. It is by executing extremely well on our strategy. So in South Africa we have a 32% lead on 2G coverage in terms of the number of sites that we have, 27% more in 3G and 136% more in 4G. That is why you've seen the big announcement of a R10 billion investment.

Coming to the question of in-contract increases versus outside of contract increases, I think the reality is this. Essentially we had to price up to ensure the results. Remember we have been busy with four pricing transformations plus the mobile termination rate cut plus all the other macro factors that I mentioned earlier. Essentially we needed to price up to price down. What that means is we've had to put through a price increase. Just to put it into perspective, a 2.6% increase across the board on contracts. And essentially what we are doing with this increase is we are using it to continue with our transformation. As we are penetrating the lower ends of the contract base and nearing completion there is some dilution coming through. And that is why I say you have to price up to price down and finish the transformation. And I think that is how we will ensure the results.

Yes, of course we looked at should we do it in contract versus out of contract. We have not put up prices for ten years. I think people have forgotten that we can put up prices in contract, which we always did ten years before. It was a last resort. It is not something that we would do every year. And essentially if we didn't do it for everybody the increase to the out of contract customers would have been a lot more dramatic. And our contract does give us the opportunity to do that. In the same way we are also bringing prices down for customers in contract. It is not just increasing prices in contract. We are also decreasing prices in contract.

Mike Gresty

Right. Thank you very much.

Operator
Our next question comes from Craig Hackney of NOAH Capital Markets. Please go ahead.

Craig Hackney
Thanks very much. Speaking of Mozambique, both subscribers and ARPU came back in the last quarter. If you could just speak a little bit about what is happening in that market. And secondly in net interconnect is it possible to give us those figures for South Africa and international?

Shameel Joosub
Let me just do Mozambique, just commenting on the number of customers in Mozambique. Yes, the customers have come back a bit, but effectively here has been a lot of churn in the market and a bit of arbitrage that has been going on because of the way starter packs were sold. That has impacted the number of customers. The ARPU basically in the last quarter has come back, but that has also come back from the fact that we're now penetrating and essentially… You are seeing a slight ARPU decline coming through because of pricing pressures in Mozambique. But at the same time you're also delivering a 15% growth in revenue. And there has also been a mobile termination rate impact that has come through in the DRC which is the reason between 111 and 89.

Ivan Dittrich
And in terms of the net interconnect figures, for the full year FY15 the net interconnect figure was about R270 million. And international about R600 million.

Craig Hackney
R217 million or R270 million?

Operator
R270 million.

Craig Hackney
R270 million positive. And international was R600 million?

Operator
It about R630 million.

Craig Hackney
R630 million positive. Okay. Thanks very much.

Operator
Ladies and gentlemen, a reminder that should you wish to ask a question please press star and then one now. We will pause a moment to see if we have any further questions. We have a follow-up from Craig Hackney of NOAH Capital Markets. Please go ahead.

Craig Hackney
Thanks. Just maybe a bit of a broader question. You might have seen this week reports of some of the European Telco's threatening to put ad blocking software targeting mobile apps. They were posturing in terms of trying to muscle in on more of the Google and the likes' revenue. How do you see that playing out from a Vodacom point of view as mobile data becomes more and more important as time goes forward? Do you think that is the way forward trying to muscle in on those revenue streams, or do you think you need to capture that by a more intelligent vanilla pricing of the data? Thanks.

Shameel Joosub
Look, I think my view is that the regulators will have to regulate the over the top play, because it is the equivalent of an MVNO if you like. One would have to start to regulate that, especially if you want to keep the tax base within your sovereign boundaries if you like. If that is not going to happen then essentially you will have these over the top players being there. If over the top players want to continue to provide their services on top of networks you will have to make sure that those networks are getting an adequate return, which will mean that you either have to price data differently to be able to compensate for it, or essentially that you start to charge… And this is what the regulators will have to look at, which is to say voice is for voice irrespective of the bearers. That discussion still needs to happen and I think there is going to have to be some movement worldwide in terms of how these issues are looked at, especially if you want to sustain the level of investment into networks.

Craig Hackney
Okay, Shameel. Thanks very much.

Shameel Joosub
Currently voice and internet calling accounts for less than 2% of our traffic.

Craig Hackney
Sure.

Operator
Our next question comes from Mike Gresty of Deutsche Bank. Please go ahead.

Mike Gresty
Hi there guys. Just one last quick one from me. We saw from Barclays some comments about the regulator in Tanzania circulating new regulations to encourage or force – I'm not sure what the right word is – you to list there. Do you guys have any thoughts on that and particularly timelines when we might be some formality on that, if you've got any idea?

Shameel Joosub
Essentially they came out with a draft piece of legislation basically pushing for listing. There was a lot of engagement between us, the rest of the industry together with the regulator, with the minister and so on. I think what we've landed up with is a better result. It is still in draft, but the previous version was also just a draft. What the new draft says is it encourages listing, but it also gives you an option that if you don't want to list effectively you pay 1% of your revenues, what we call a universal service obligation to broaden the ICT sector and skills development, which to be honest is okay.

Mike Gresty
Great. Thanks very much.

Operator
Our next question comes from Madhvendra Singh of Morgan Stanley. Please go ahead.

Madhvendra Singh
Hi. Thanks. A very quick one. Can you please give me the interconnect EBITDA for the first half and second half FY15? Thank you. For South Africa.

Ivan Dittrich
You're looking for net interconnect. H1 was R110 million and H2 was R160 million. It gives you R270 million for the full year.

Madhvendra Singh
Okay. Thank you.

Operator
Ladies and gentlemen, a final reminder that should you wish to ask a question please press star and then one now. Our next question comes from Richard Barker of Credit Suisse. Please go ahead.

Richard Barker
Thank you very much. A very quick one. I just wondered if you could let us know when it was you started to consolidate XLink from. And just to double check on the EBITDA contribution from XLink. I think I worked it out. It's about R60 million odd. Is that the right number? Thanks.

Ivan Dittrich
We started consolidating XLink from Q4. So you wouldn't have seen that in the Q3 numbers. The revenue impact was R164 million and the EBITDA impact was between R40 million and R50 million. Say R45 million.

Richard Barker
Thanks. For four quarters of XLink.

Ivan Dittrich
What we did was we consolidated the full-year impact of XLink in Q4. In terms of our accounting policy if a subsidiary falls below a certain minimum revenue level we don't consolidate that. XLink has now breached that level, and hence the full-year impact of XLink was consolidated in Q4. If you spread that over four quarters the impact is less meaningful per quarter.

Richard Barker
That's helpful. Thank you very much, Ivan.

Operator
Mr Joosub, we have no further questions. Do you have any closing comments?

Shameel Joosub
Thank you for joining us.

Operator
Thank you, sir. On behalf of the Vodacom Group Ltd that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT