



Vodacom Group (Pty) Limited

Interim results for the six months
ended September 30, 2004

November 15, 2004



Content



Alan Knott-Craig

Chief Executive Officer

Operational highlights



Leon Crouse

Chief Financial Officer

Financial review





Operational highlights

Alan Knott-Craig
Chief Executive Officer



Group highlights



Total customers

13.5 million

40.6%



Revenue

R13.6 billion

20.3%



EBITDA

R4.2 billion

13.4%



Operating cash flow

R3.8 billion

28.7%



Customers per employee

2,751

28.7%



Profit before tax

R2.6 billion

18.7%

- Interim dividend of R1.6 billion declared
- Signed Vodafone affiliate partner agreement
- 3G commercial service by December 2004

Strategy unchanged



Revenue growth

- Contract market leadership
- Better coverage
- The continuous introduction of new high-utility services
- High speed mobile data
- New markets
- Brand and distribution

Margin management

- Leveraging our economies of scale
- Closer to customers
- Optimising efficiencies
- Synergy between operations

Strategy underpinned by:



Market leadership



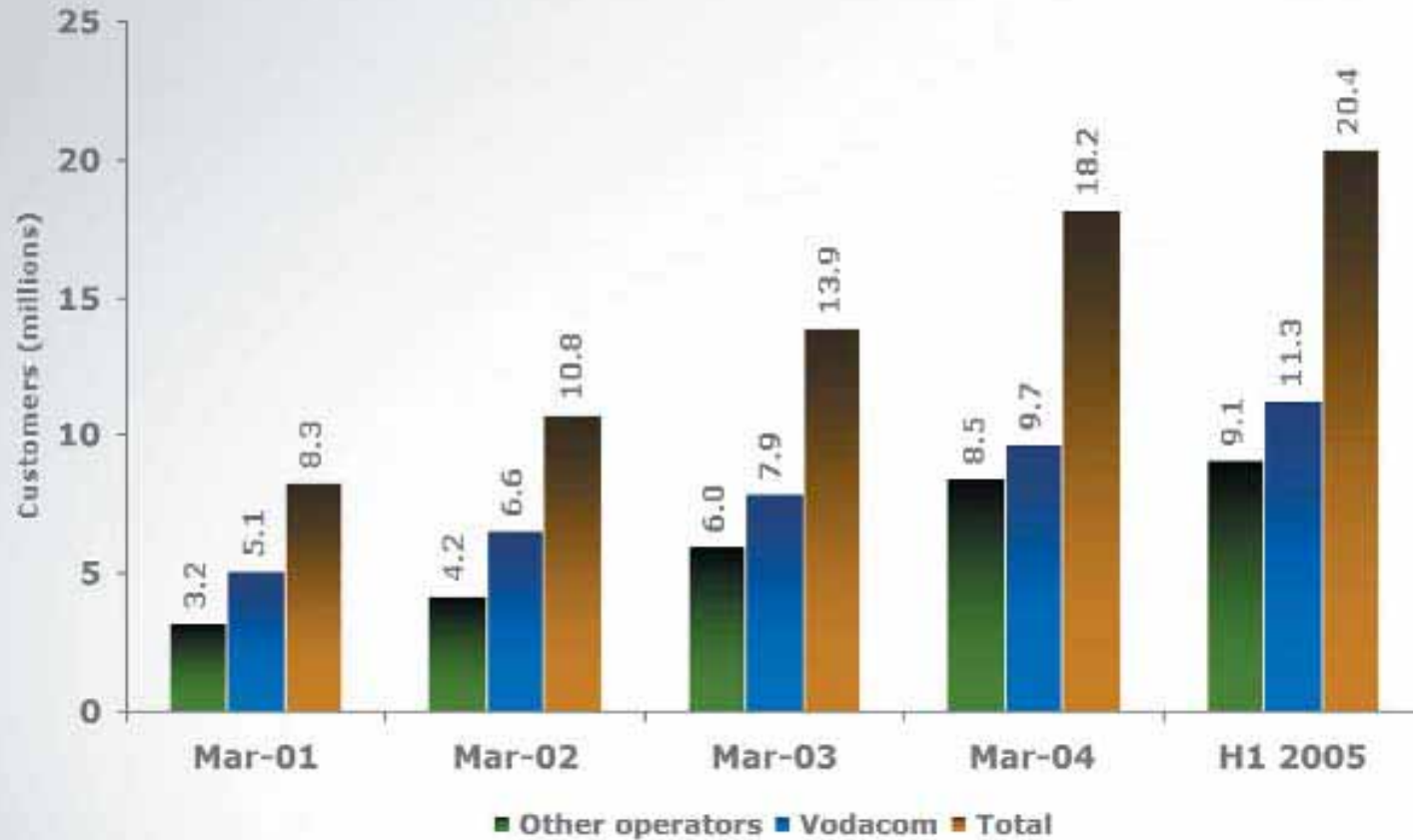
Strong brand



Strong management

- Deregulation and liberalisation
 - Threat and opportunity
- Consolidation of service providers
- ICT BEE Charter
- 3G and data
 - Vodafone affiliate partner program
- African strategy – continue with cautious approach
 - Nigeria still of interest
 - Evaluate other opportunities
 - Mozambique

South Africa – still more market growth



Potential for further growth in South Africa



- Potential for further growth
 - Data focus: Vodafone Live!
 - SA market estimated at 31 million
- Vodacom is strategically placed for continued leadership
 - Extensive distribution
 - Strong recognisable brand
 - Strong, stable management



South Africa – market share 56%

Population 47.4 million, penetration 43.1%



	H1 2003	H1 2004	% change	
• Total customers	8.5 million	11.3 million	33.1%	↑
• Revenue	R10,605 million	R12,420 million	17.1%	↑
• EBITDA	R3,540 million	R3,943 million	11.4%	↑
• ARPU	R179	R165	7.8%	↓
• Customers per employee	2,217	2,845	28.7%	↑
• Capex	R830 million	R1,109 million	33.6%	↑
• Capex as a % of revenue	7.8%	8.9%	1.1 pts	↑

➔ Market highly competitive

SA six-monthly gross connections analysis

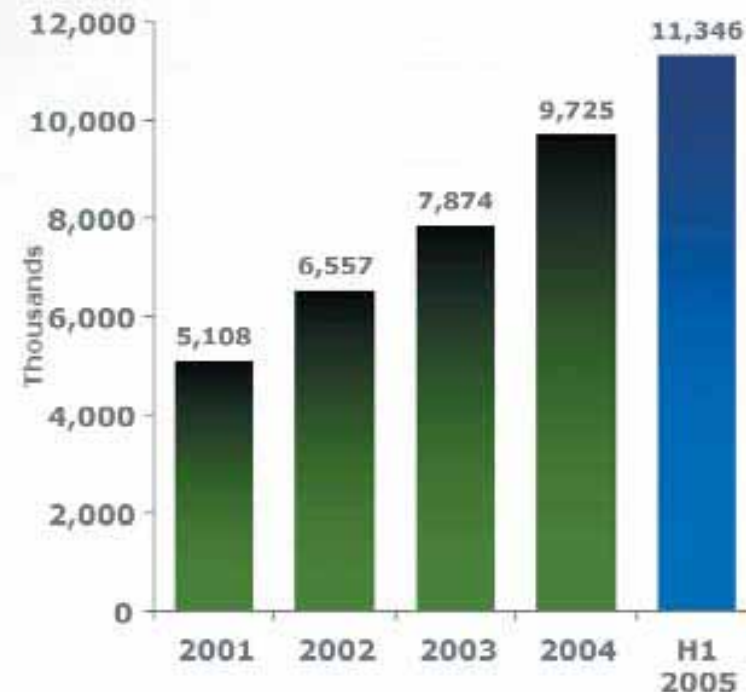


Strong SA operational indicators



- Gross contract connections up 174.5% to a new high
- Customers up 33.1% year on year to 11.3 million
- Total traffic increased by 20.4% year on year to 7.0 billion minutes
- Overall ARPU declined because of higher prepaid mix and lower incoming revenue per customer

Vodacom SA customers

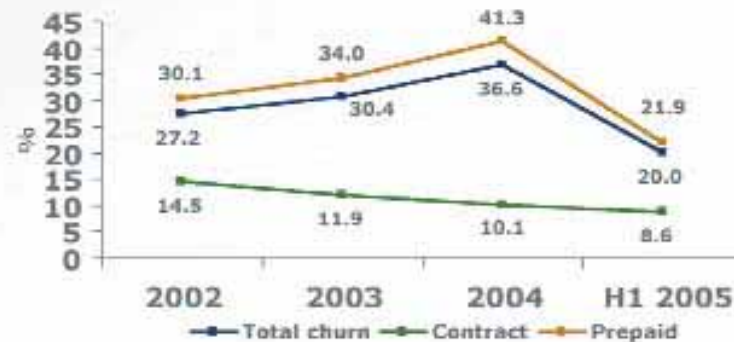


Very low contract churn

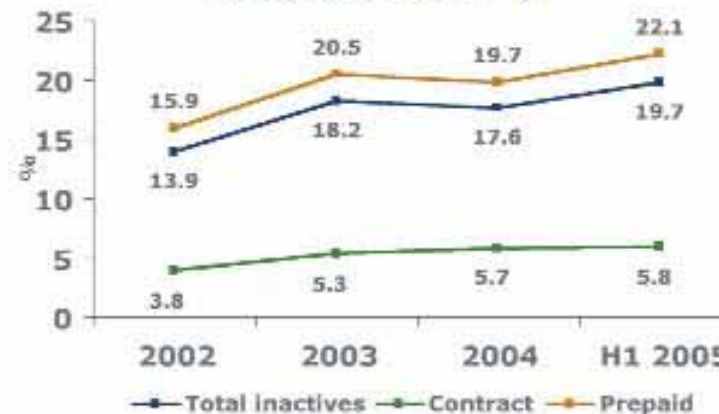


- Contract churn at all-time low of 8.6%
- Prepaid churn decreased to 21.9%
 - Temporary decrease
 - Expected 35%
- Inactives slightly up
- Both due to change in deactivation rule

SA churn history



SA inactive history



Tanzania – market share 58%

Population 36.6 million, penetration 4.0%



	H1 2004	H1 2005	% change	
• Total customers	541,000	952,000	76.0%	↑
• Revenue	R431 million	R472 million	9.5%	↑
• EBITDA	R122 million	R152 million	24.6%	↑
• ARPU	R136	R91	33.1%	↓
• Customers per employee	2,005	2,785	38.9%	↑
• Capital expenditure	R145 million	R83 million	42.8%	↓
• Capex as a % of revenue	33.6%	17.6%	16.0 pts	↓



Market very competitive, regulatory intervention

DRC – market share 48%

Population 58.3 million, penetration 3.3%



(100%)	H1 2004	H1 2005	% change	
• Total customers	458,000	903,000	97.2%	↑
• Revenue	R402 million	R594 million	47.8%	↑
• EBITDA	R64 million	R110 million	71.9%	↑
• ARPU	R182	R111	39.0%	↓
• Customers per employee	1,500	2,119	41.3%	↑
• Capital expenditure	R286 million	R187 million	34.6%	↓
• Capex as a % of revenue	71.1%	31.5%	39.6 pts	↓



Market position entrenched, now a subsidiary

Lesotho – market share 80%

Population 1.9 million, penetration 7.2%



	H1 2004	H1 2005	% change	
• Total customers	71,000	122,000	71.8%	↑
• Revenue	R55 million	R65 million	18.2%	↑
• EBITDA	R12 million	R21 million	75.0%	↑
• ARPU	R119	R91	23.5%	↓
• Customers per employee	1,007	1,971	95.7%	↑
• Capital expenditure	R4 million	R2 million	50.0%	↓
• Capex as a % of revenue	7.3%	3.1%	4.2 pts	↓



Significant turnaround due to operational focus

Mozambique – market share 24%

Population 18.8 million, penetration 3.8%



	H1 2005
• Total customers	164,000
• Revenue	R43 million
• EBITDA	(R69 million)
• ARPU	R63
• Customers per employee	1,934
• Capital expenditure	R27 million

➔ Operation still very young

➔ Entrenched competitor

A photograph of a smiling Black man in a grey suit and patterned tie, talking on a mobile phone. He is in the foreground, with another man in a suit visible in the background. The background is slightly blurred, showing what appears to be an airport or travel setting.

Financial review

Leon Crouse

Chief Financial Officer



Group income statements

extracts for the six months ended September 30,



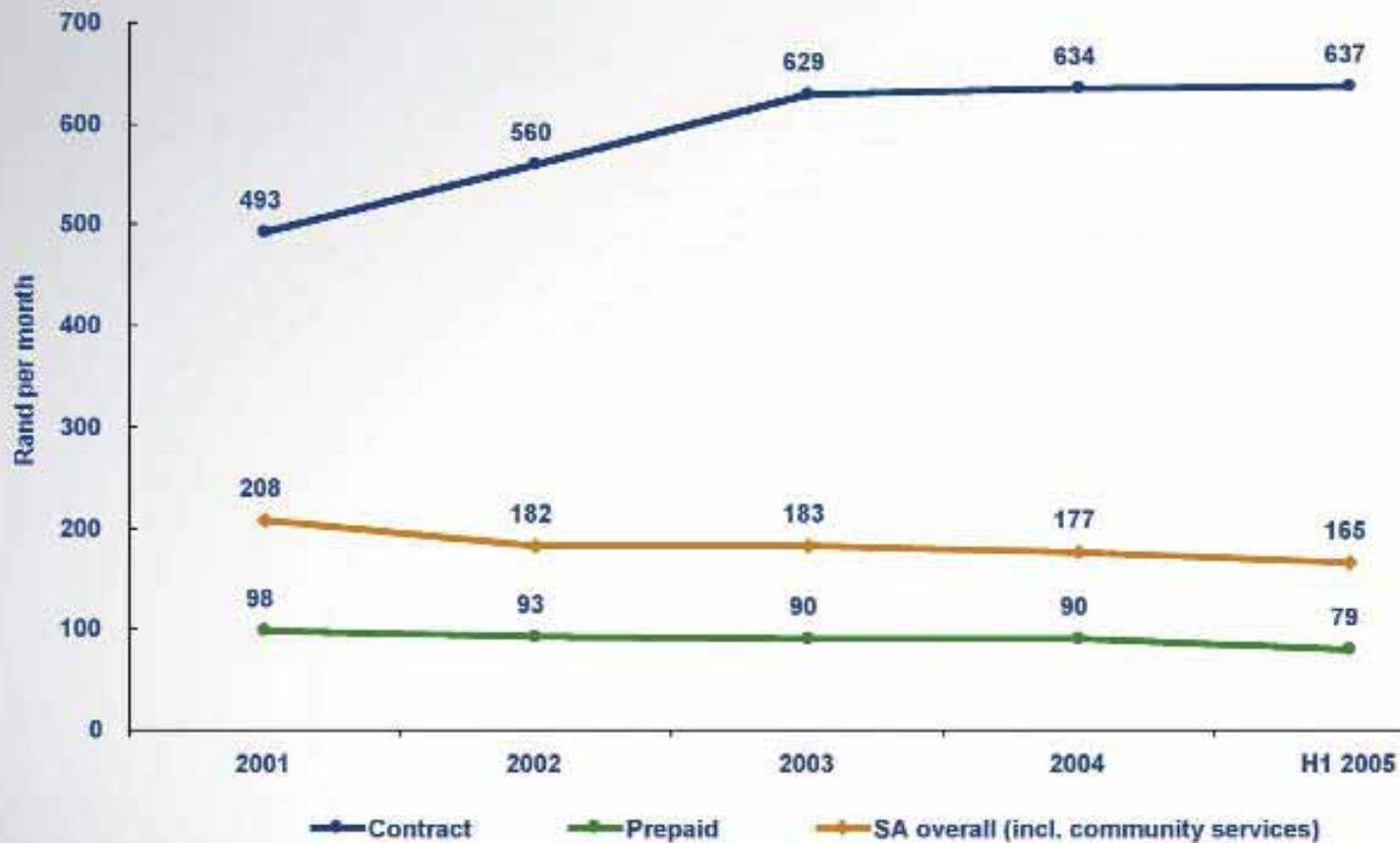
R million	H1 2003	H1 2004	H1 2005	% change 05/04
Revenue	9,441	11,296	13,594	20.3
Operating expenses excluding depreciation and amortisation	(6,414)	(7,598)	(9,402)	23.7
EBITDA	3,027	3,698	4,192	13.3
Depreciation and amortisation	(1,189)	(1,247)	(1,418)	13.7
Profit from operations before impairment	1,838	2,451	2,774	13.2
Mozambique impairment	-	-	(237)	-
Profit from operations	1,838	2,451	2,538	3.5
Net finance (costs) / income	(300)	(298)	17	-
Profit before tax	1,538	2,153	2,555	18.7
Taxation and minorities	(620)	(779)	(1,127)	44.7
Net profit	918	1,374	1,428	3.9

Mozambique impairment



- IAS 36 – “Impairment of Assets”
 - Requires impairment testing for cash-generating units
 - All African operations were tested
 - All intangible assets were also tested
- Impair to the higher of
 - Value in use (NPV of expected future pre-tax cash flows)
 - Fair value less costs to sell (selling price less selling costs)
- Mozambique
 - Business plan requires high initial capital outlays
 - High cost of capital because of perceived African risk
 - Lower than expected initial ARPUs
- Assets were impaired by R237 million
 - Difference between book value and fair value less costs to sell
 - Independent estimate obtained

SA YTD ARPU analysis



Group revenue



Revenue seasonal, impacted by DRC consolidation

Group revenue analysis

By country



R million	H1 2003	H1 2004	H1 2005	% change 05/04
South Africa	8,892	10,605	12,420	17.1
Tanzania	408	431	472	9.5
DRC (100%)	186	402	594	47.8
Mozambique	-	-	43	-
Lesotho	46	55	65	18.2
Vodacom Group (adjusted)	9,532	11,493	13,594	18.3
Vodacom Group (statutory)	9,441	11,296	13,594	20.3



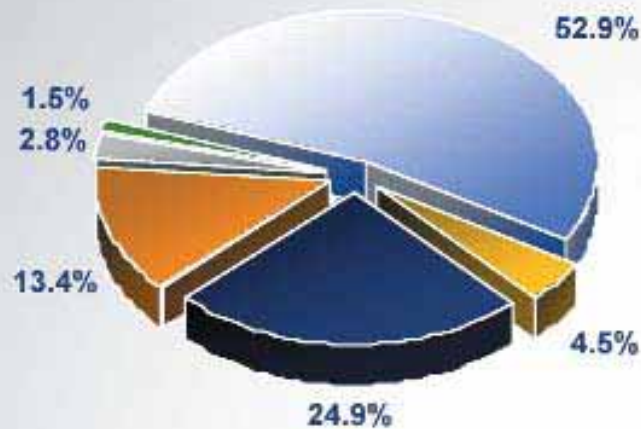
Other African contribution 8.6% (H1 2004: 7.7%)

Group revenue

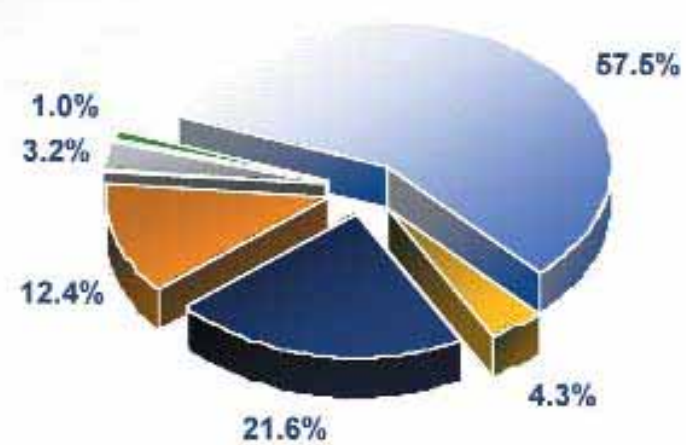
By type



H1 2004



H1 2005



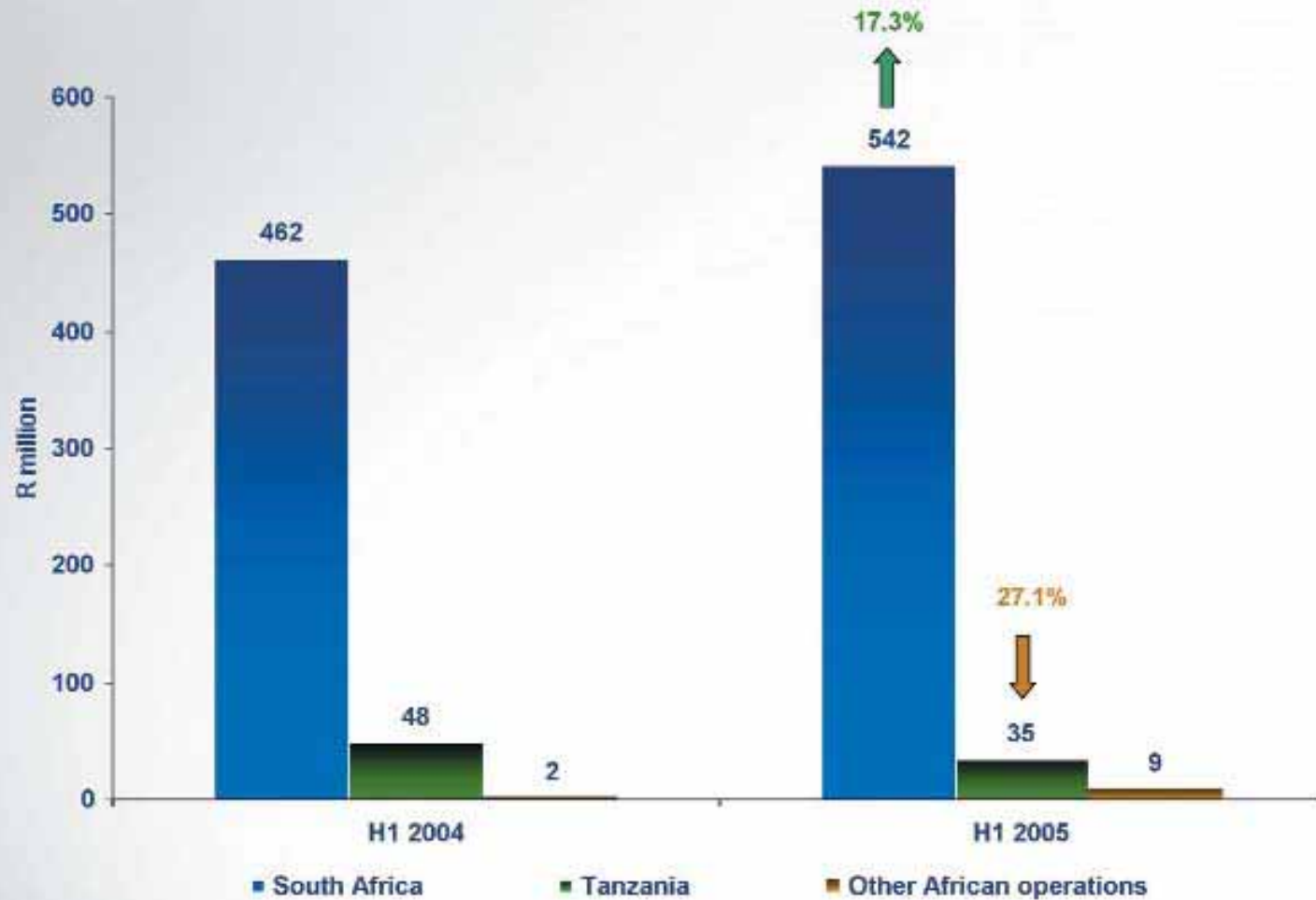
- Airtime and access
- Equipment sales
- Data revenue
- International airtime
- Interconnect revenue
- Other



Interconnect contribution down, airtime up

Data revenue

By country



Increased earnings



- Strong EBITDA performance
 - Increasing by 13.4% year on year
- Excellent profit before tax performance
 - Increasing by 18.7% year on year
- Impacted by very high contract connections
 - Higher incentive costs
 - Mozambique losses
 - Fixed – mobile substitution



Group EBITDA analysis

By country



R million	H1 2003	H1 2004	H1 2005	% change 05/04
South Africa	2,949	3,540	3,943	11.4
Tanzania	130	122	152	24.6
DRC (100%)	(109)	64	110	71.9
Mozambique	-	-	(69)	-
Lesotho	14	12	21	75.0
Holding companies	(10)	(9)	35	-
Vodacom Group (adjusted)	2,974	3,729	4,192	12.4
Vodacom Group (statutory)	3,027	3,698	4,192	13.4
<i>Adjusted EBITDA margin (%)</i>	<i>31.2</i>	<i>32.4</i>	<i>30.8</i>	<i>(1.6) pts</i>

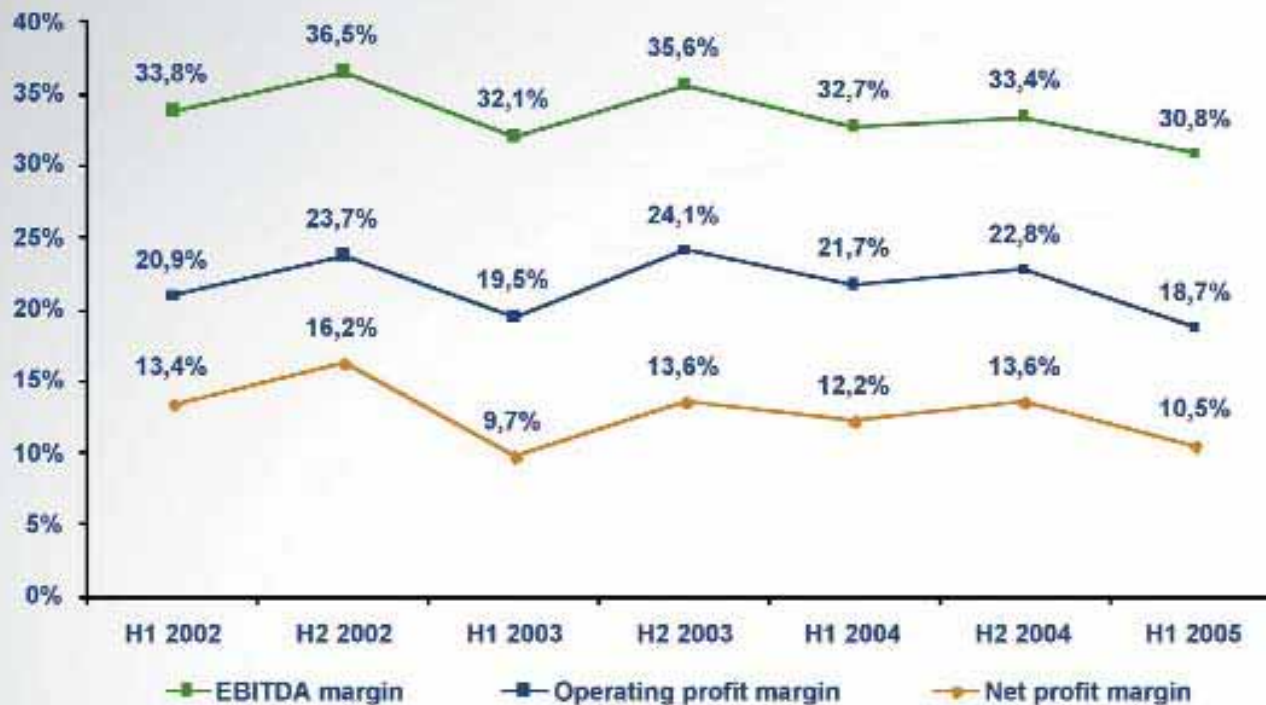
Adjusted EBITDA and margin analysis



Margin analysis



Six-monthly margins (statutory)

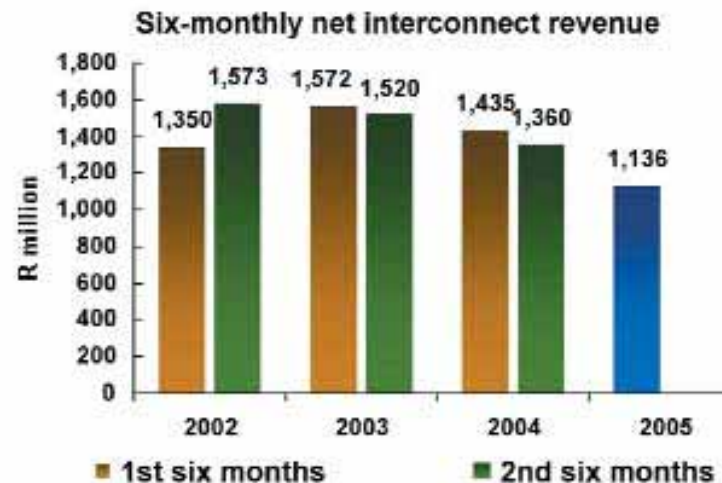
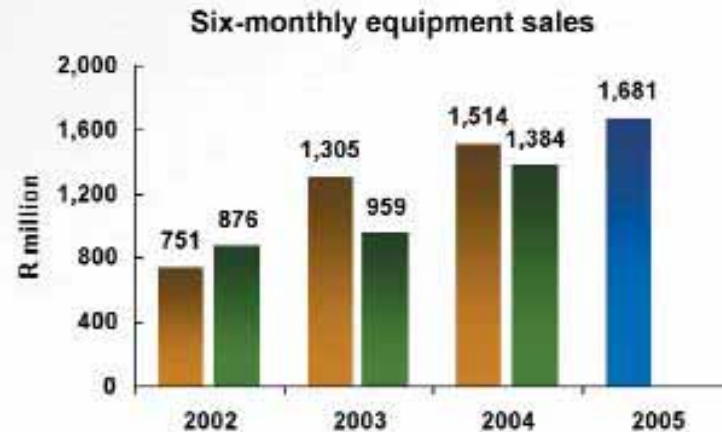


Historically seasonal trend

Factors affecting the trends



- Gross SA contract customer connections of 302,000
- Incentives increased R523 million year on year
- Net interconnect revenue continuing to decline - 20.8% decrease year on year
- Growing low margin equipment sales
- Full consolidation of Vodacom Congo
- Competition in all markets



Note: Interconnect revenue less payments to other operators

Factors affecting the trends



- Change in SA traffic mix continuing
- Total outgoing on-net traffic increased from 52.3% to 55.4% of the total
- Total mobile-mobile traffic increased by 29.9%
- Total mobile-fixed traffic decreased by 0.8%
- Incoming voice traffic from Telkom declined by 0.4% year on year
- Incoming voice traffic from mobile operators increased by 24.6%
- Peak voice traffic increased by 14.4%, off-peak voice traffic increased by 31.3%



Group operating expenses

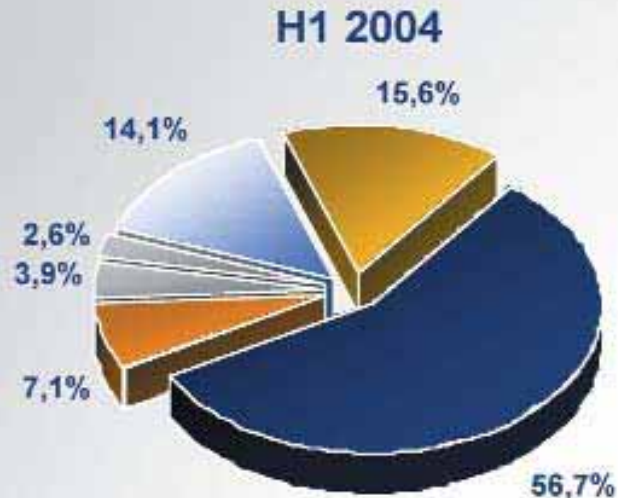


Six-monthly operating expenditure



Mozambique impairment, DRC consolidation, SA contract gross connections, new subsidiaries consolidated

Group operating expenses



- Depreciation and amortisation
- Other direct network operating costs
- Marketing and advertising expenses



- Payments to other network operators
- Staff expenses
- General administrative expenses

Group operating profit analysis

By country



R million	H1 2003	H1 2004	H1 2005	% change 05/04
South Africa	1,965	2,502	2,758	10.2
Tanzania	60	54	72	33.3
DRC (100%)	(165)	(12)	7	-
Lesotho	1	-	9	-
Holding companies	(104)	(99)	33	-
Adjusted operating profit before Mozambique	1,757	2,445	2,879	17.8
Mozambique	-	-	(341)	-
Vodacom Group (adjusted)	1,757	2,445	2,538	3.8
Vodacom Group (statutory)	1,838	2,451	2,538	3.5
<i>Adjusted operating profit margin (%)</i>	<i>18.4</i>	<i>21.3</i>	<i>18.7</i>	<i>(2.6) pts</i>

Strong cash generation



Cash generated from operations



Group cash flow statements

extracts for the six months ended September 30,



R million	H1 2003	H1 2004	H1 2005	% change 05/04
Operating profit	1,838	2,451	2,538	3.5
Bad debts, amortisation and disposals	123	143	127	(11.2)
Depreciation	1,085	1,148	1,294	12.7
Impairment of Mozambique assets	-	-	237	-
Working capital changes	126	(751)	(347)	(53.8)
Cash generated from operations	3,172	2,991	3,849	28.7
Net finance costs (paid) / received	(227)	(173)	25	-
Taxation paid	(708)	(787)	(1,408)	78.9
Dividends paid	(600)	(1,200)	(1,500)	25.0
Net cash flows from operating activities	1,637	831	966	16.2

Group cash flow statements

extracts for the six months ended September 30,



R million	H1 2003	H1 2004	H1 2005	% change 05/04
Additions to property, plant and equipment	(2,081)	(1,001)	(1,542)	54.0
Other investing activities	(334)	(253)	(99)	(60.9)
Net cash flows from investing activities	(2,415)	(1,254)	(1,641)	30.9
Shareholder loans repaid	-	(920)	-	-
Net debt incurred / (repaid)	494	146	(122)	-
Net cash flows from financing activities	494	(774)	(122)	(84.2)
Net decrease in cash and cash equivalents	(284)	(1,197)	(797)	(33.4)

Group balance sheets

extracts as at



R million	H1 2004	March 2004	H1 2005	% change H1 05/04
ASSETS				
Non-current assets	12,030	14,202	14,980	5.5
Current assets	5,083	6,966	7,403	6.3
Total assets	17,113	21,168	22,383	5.7
EQUITY AND LIABILITIES				
Capital and reserves	7,551	7,603	7,324	(3.7)
Minority interest	85	93	127	36.6
Non-current liabilities	2,615	3,576	4,204	17.6
Current liabilities	6,862	9,896	10,728	8.4
Total equity and liabilities	17,113	21,168	22,383	5.7
<i>Net debt : equity ratio (before dividends)</i>	34.7%	6.1%	26.4%	20.3 pts
<i>Net debt : equity ratio (after dividends)</i>	34.7%	25.8%	48.2%	22.4 pts

Net debt maturity profile



Rand million	2005	2006	2007	2008	2009	>2010	Total
SA finance leases	38	64	95	134	168	376	875
Vodacom Tanzania	82	96	120	28	-	82	408
Vodacom Congo (100%)	854	545	-	-	-	-	1,399
Vodacom Lesotho	4	-	-	-	-	-	4
Debt excluding bank overdrafts	978	705	215	162	168	458	2,686
Less: net bank and cash balances							(754)
Net debt							1,932

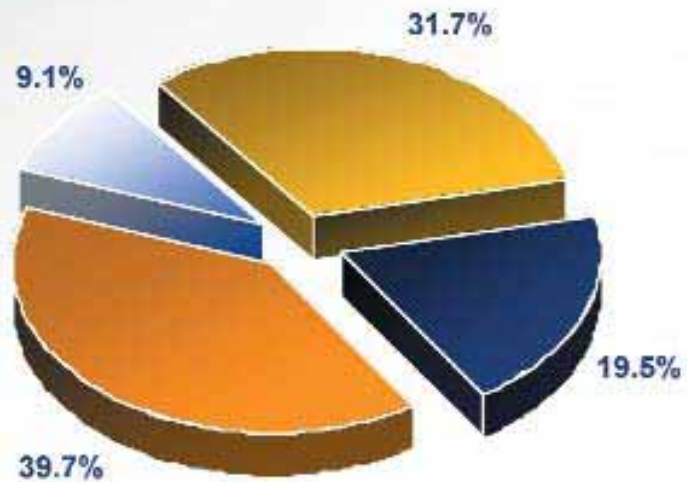


Vodacom Congo debt now on balance sheet

Debt composition



Gross debt including bank overdrafts R4,499 million



- Foreign denominated, ring-fenced
- ZAR denominated, finance leases
- Foreign denominated, not ring-fenced
- ZAR denominated, other



Positive cash balances R2,567 million

Shareholder distributions

Dividends and interest on shareholders' loans

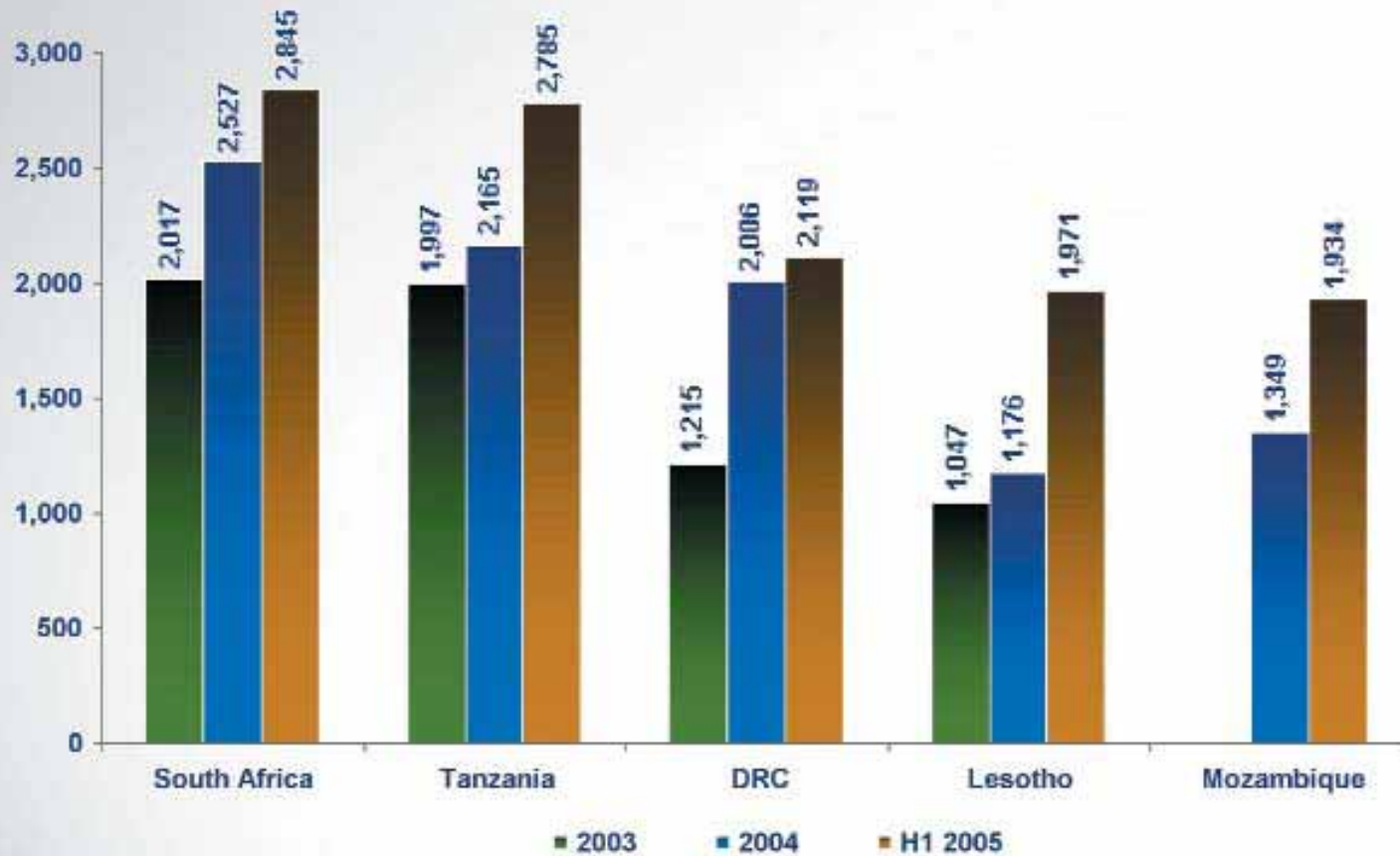


Strong and steady increase in dividends

Improved efficiencies



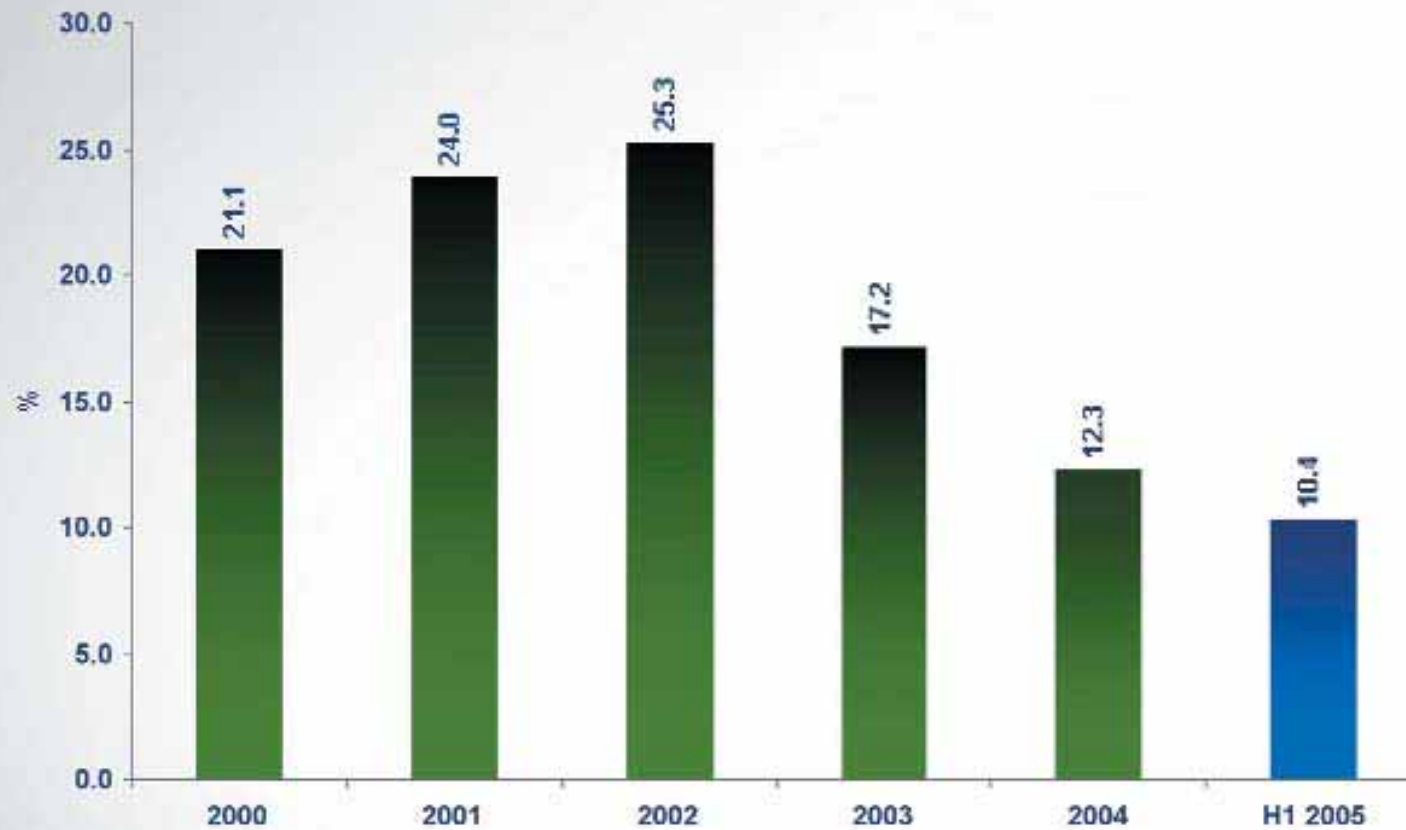
Customers per employee



Improved efficiencies



Capex as % of revenue (statutory)





Questions?



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