

VODACOM GROUP (PROPRIETARY) LIMITED

INTERIM RESULTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007

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*The World... Connected*





## **Operational highlights**

Alan Knott-Craig

Chief Executive Officer



## Group highlights

For the six months ended September 30, 2007 vs. prior year

<b>Total customers</b>	<b>Revenue</b>	<b>Profit from operations</b>
31.6 million	R22.8 billion	R5.7 billion
22.6%	17.2%	15.1%
<b>EBITDA</b>	<b>Net profit after tax</b>	<b>Interim dividend (declared October 2007)</b>
R7.6 billion	R3.7 billion	R2.75 billion
15.5%	17.5%	10.0%



**High gross connections: increase of 19.4% year on year to 8.7 million**

## Inactive customers – South Africa

- **Current rule**

- Call forwarding to voicemail is classified as a revenue generating activity
- Disconnect inactive prepaid SIM cards after (6 + 1) months with no revenue generating activity on the network

- **Supplementary rule**

- Disconnect inactive prepaid SIM cards after (12 + 1) months if only call forwarding to voicemail and no other activity

- **Impact of supplementary rule**

- Disconnection of 2.9 million prepaid SIM cards in September 2007
- Prepaid churn is expected to increase

# South Africa

For the six months ended September 30, 2007 vs. prior year

		H1 2008
• Total customers	↑ 15.3%	23.3 million
• Gross connections	↑ 10.1%	5.8 million
• Churn %	↑ 2.9 pts	45.9%
• Mobile penetration %	↑ 14.6 pts	86.8%
• Profit from operations	↑ 13.6%	R5.4 billion



# Tanzania

For the six months ended September 30, 2007 vs. prior year

		H1 2008
• Total customers	↑ 41.8%	3.7 million
• Gross connections	↑ 36.6%	1.2 million
• Churn %	↑ 11.6 pts	46.8%
• Mobile penetration %	↑ 4.7 pts	17.3%
• Profit from operations	↑ 34.3%	R180 million



3G has been launched in Dar es Salaam on March 1, 2007 (6,500 customers)

# Democratic Republic of Congo (DRC)

For the six months ended September 30, 2007 vs. prior year

		H1 2008
• Total customers	↑ 56.8%	3.2 million
• Gross connections	↑ 63.3%	1.2 million
• Churn %	↑ 13.3 pts	43.3%
• Mobile penetration %	↑ 4.4 pts	11.0%
• Profit from operations	↑ 29.3%	R172 million



# Lesotho

For the six months ended September 30, 2007 vs. prior year

		H1 2008
• Total customers	↑ 39.5%	332 thousand
• Gross connections	↑ 45.5%	80 thousand
• Churn %	↓ 2.6 pts	17.9%
• Mobile penetration %	↑ 7.4 pts	22.1%
• Profit from operations	↑ 64.7%	R56 million





# Mozambique

For the six months ended September 30, 2007 vs. prior year

		H1 2008
• Total customers	↑ 55.5%	1.1 million
• Gross connections	↑ 19.6%	391 thousand
• Churn %	↓ 15.5 pts	57.3%
• Mobile penetration %	↑ 3.0 pts	13.7%
• Loss from operations	↓ 59.4%	R56 million
• Loss from operations (excluding impairment)	↓ 25.0%	R75 million



## Innovative non-voice products in South-Africa

### Vodafone live! / 3G / HSDPA

- Over 1.2 million Vodafone live! users
- Over 265 thousand data card and USB modem users

### New products and services

- Changing media landscape: mobile advertising and marketing
- Mobile advertising launched on June 1, 2007

Retail SMS 51.8% and bulk SMS 5.1% of data revenue

### Mobile TV / DVB-H

- More than 35 thousand unique Mobile TV users
- 26 TV channels
- More than 4 thousand DSTV pay TV customers

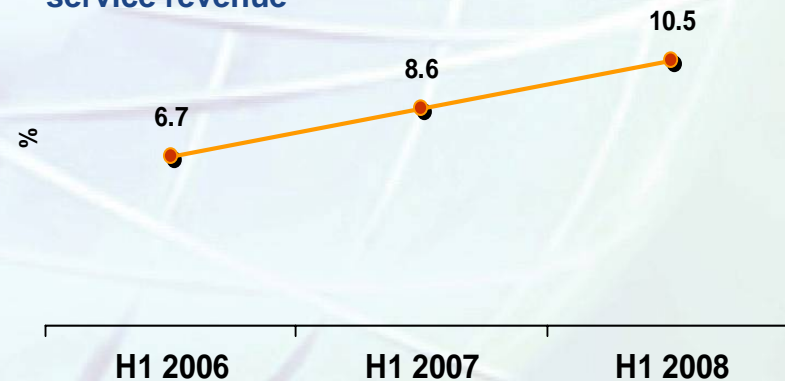
### Brand and marketing

- Voted no 1 brand in telecommunication
- Voted no 3 brand overall
- Voted no 1 advertising company

Group data revenue



Group data revenue as a % of service revenue



## Acquisitions of subsidiaries

- On August 31, 2007 the Group increased its interest in the equity of Smartphone SP (Proprietary) Limited from 70% to 100%
- On September 1, 2007 the Group increased its interest in the equity of Smartcom (Proprietary) Limited from 88% to 100%

## Vodacom BEE equity transaction

- Our envisaged BEE transaction has been impacted by pending shareholder activity for the past four months
- We are now pleased to announce that the Vodacom Group Board has given the go ahead to proceed with the envisaged BEE equity transaction of R7.5 billion

## Regulatory

- Regulatory environment affecting the future potential earnings of the company:
  - Convergence Bill
  - Interconnect and wholesale rate regulations / mobile termination rates
  - Customer registrations (RICA)
- EASSY cable delayed due to uncertainty as to landing rights

## Current affairs

- Vodacom Converged Solutions in place
  - Converged network services; managed hosting services; mobile and application services
  - Integrated into Vodacom South Africa
- WiMax launch due early next year
- Self provisioning of fiber rings underway. As at end October 2007, 15 km completed and as at November 15, 2007, 23 km completed
- Yebo radio launched on November 3, 2007. Destined for distribution channel, staff and streaming to handsets
- Earth station for international traffic completed in Midrand
- Acquisitions for latest expansions underway

## Financial review

Leon Crouse

Chief Financial Officer



## Group income statement

For the six months ended September 30

R million	H1 2006	H1 2007	H1 2008	% change
<b>Revenue</b>	<b>16,175</b>	<b>19,466</b>	<b>22,815</b>	<b>17.2%</b>
Operating expenses excluding depreciation, amortisation and impairment	(10,612)	(12,888)	(15,215)	(18.1%)
<b>EBITDA</b>	<b>5,563</b>	<b>6,578</b>	<b>7,600</b>	<b>15.5%</b>
Depreciation and amortisation	(1,406)	(1,575)	(1,904)	(20.9%)
Impairment	68	(38)	18	n/a
<b>Profit from operations</b>	<b>4,225</b>	<b>4,965</b>	<b>5,714</b>	<b>15.1%</b>
Net finance (costs) / income	(383)	4	(445)	n/a
<b>Profit before tax</b>	<b>3,842</b>	<b>4,969</b>	<b>5,269</b>	<b>6.0%</b>
Taxation	(1,455)	(1,855)	(1,611)	13.2%
<b>Net profit</b>	<b>2,387</b>	<b>3,114</b>	<b>3,658</b>	<b>17.5%</b>




Effective tax rate 30.6% vs. 37.3% prior year, due to interim dividend declared in October 2007



## Group revenue

By country

R million	H1 2006	H1 2007	H1 2008	% change
South Africa, including holding companies	14,764	17,580	<b>20,299</b>	15.5%
Tanzania	611	775	<b>1,086</b>	40.1%
DRC	649	898	<b>1,108</b>	23.4%
Lesotho	77	105	<b>139</b>	32.4%
Mozambique	74	108	<b>183</b>	69.4%
	<b>16,175</b>	<b>19,466</b>	<b>22,815</b>	<b>17.2%</b>

 Revenue driven by strong customer growth

 Non-South African operations contributing 11.0% (H1 2007: 9.7%)

## Group revenue

### Composition

R million	H1 2006	H1 2007	H1 2008	% change
Airtime, connection & access	9,581	11,313	<b>12,947</b>	14.4%
Data	893	1,443	<b>2,096</b>	45.3%
Interconnection	3,186	3,723	<b>4,304</b>	15.6%
Equipment sales	1,910	2,312	<b>2,393</b>	3.5%
International airtime	485	555	<b>952</b>	71.5%
Other sales and services	120	120	<b>123</b>	2.5%
	<b>16,175</b>	<b>19,466</b>	<b>22,815</b>	<b>17.2%</b>

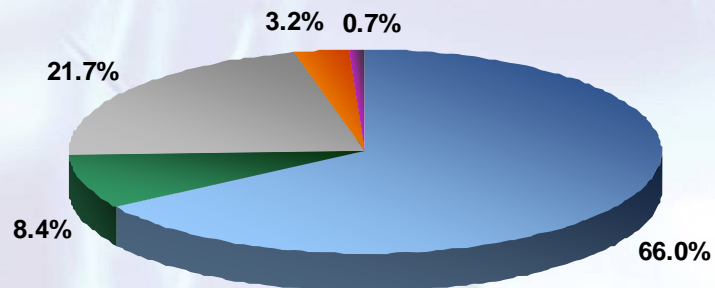


Revenue growth, excluding equipment sales was 19.1% (H1 2007: 20.3%)

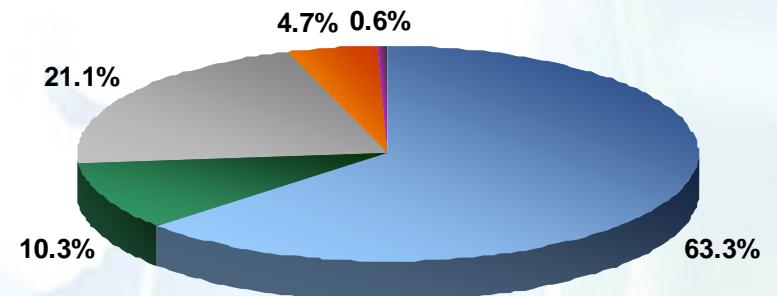
# Group revenue (excluding equipment sales)

By revenue type

Revenue analysis – H1 2007  
R17,154 million (excluding equipment sales)



Revenue analysis – H1 2008  
R20,422 million (excluding equipment sales)



- Airtime, connection and access
- Interconnection
- Other sales and services
- Data
- International airtime

 Airtime contribution down 2.7% points to 63.3%

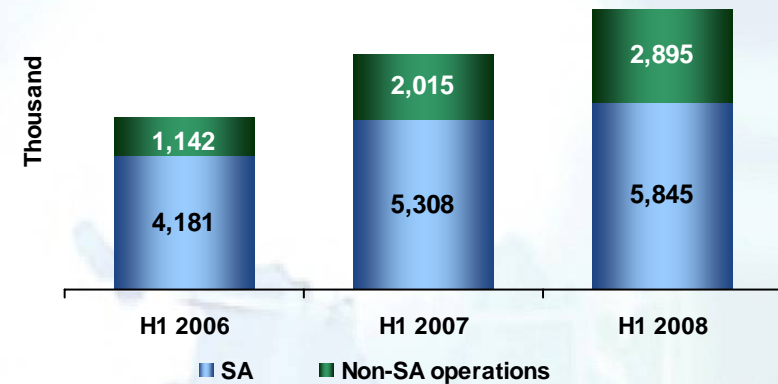
 Interconnect contribution down 0.6% points to 21.1%

 Data contribution up 1.9% points to 10.3%

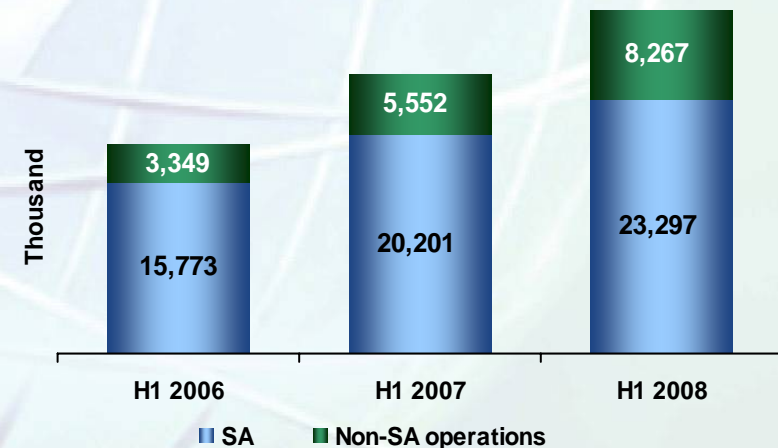
## Group operational indicators

- Gross connections up 19.4% year on year to a high of 8.7 million
- Customers up 22.6% year on year to 31.6 million
- Total traffic in South Africa increased by 14.0% year on year to 11.0 billion minutes vs. customer growth of 15.3%

Gross connections



Closing customers

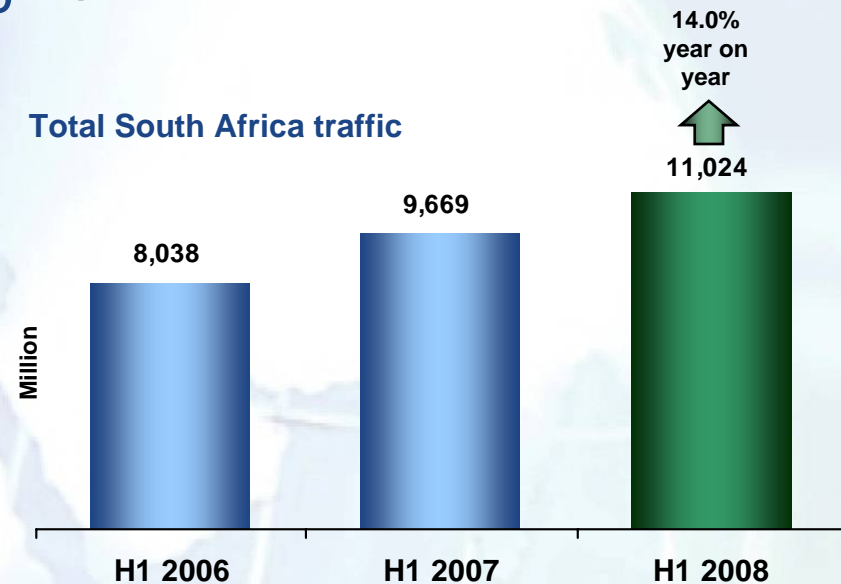


## Factors affecting trends and margins

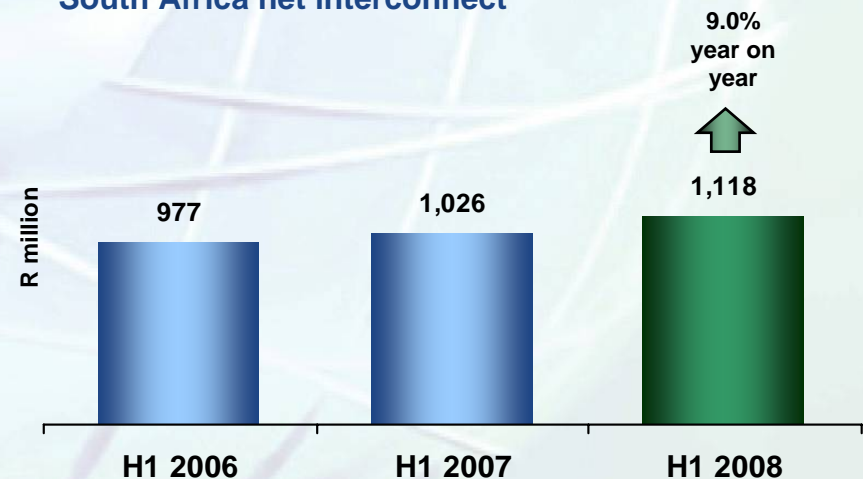
- South Africa traffic mix

- Outgoing traffic increased 14.2% year on year to 7.4 billion minutes:
  - Outgoing fixed increased by 3.8% to 624 million
  - Outgoing mobile increased by 15.3% to 6.8 billion
- Incoming traffic increased 13.6% year on year to 3.6 billion minutes:
  - Incoming fixed increased by 4.0% to 1.3 billion
  - Incoming mobile increased by 19.5% to 2.4 billion
- Mobile to mobile traffic increased by 16.4% to 9.1 billion minutes
- Mobile/fixed traffic increased by 3.9% to 1.9 billion minutes

Total South Africa traffic

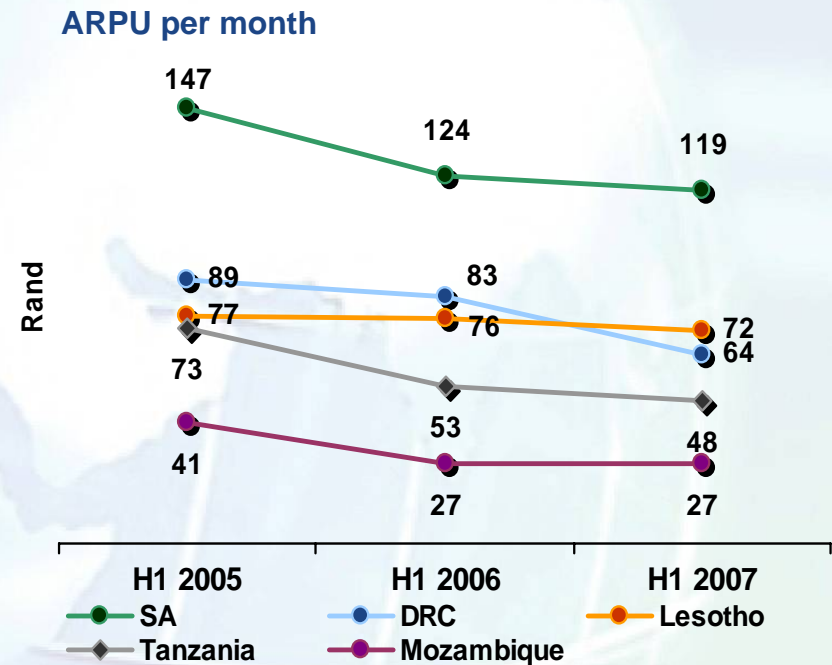


South Africa net interconnect



## ARPU by country

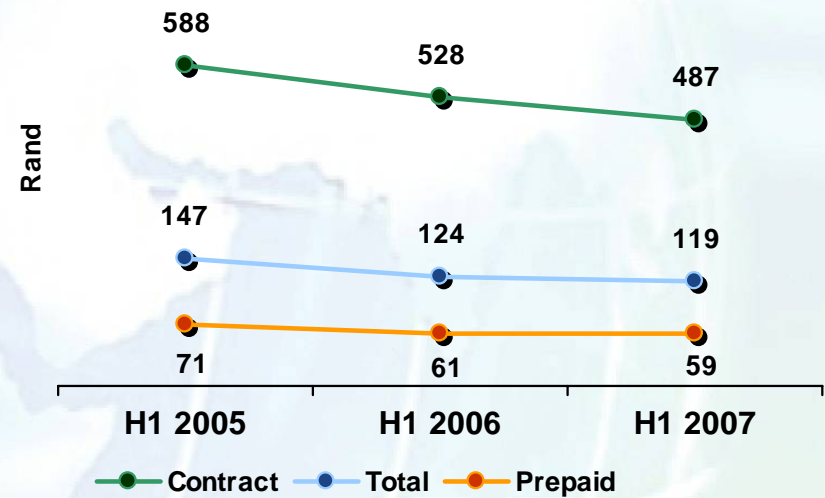
- Declining ARPUs
- SA decreased 4.0% to R119
- DRC decreased 22.9% to R64
- Lesotho decreased 5.3% to R72
- Tanzania decreased 5.3% to R72
- Mozambique stable at R27
- Vodacom Group consolidated ARPU decreased 7.2% year on year from R111 to R103



## South Africa ARPU

- Contract ARPU decreased 7.8% year on year to R487
- Prepaid ARPU decreased 3.3% year on year to R59
- Total ARPU decreased 4.0% year on year to R119

South Africa ARPU per month



## EBITDA and margin analysis

- **EBITDA performance**

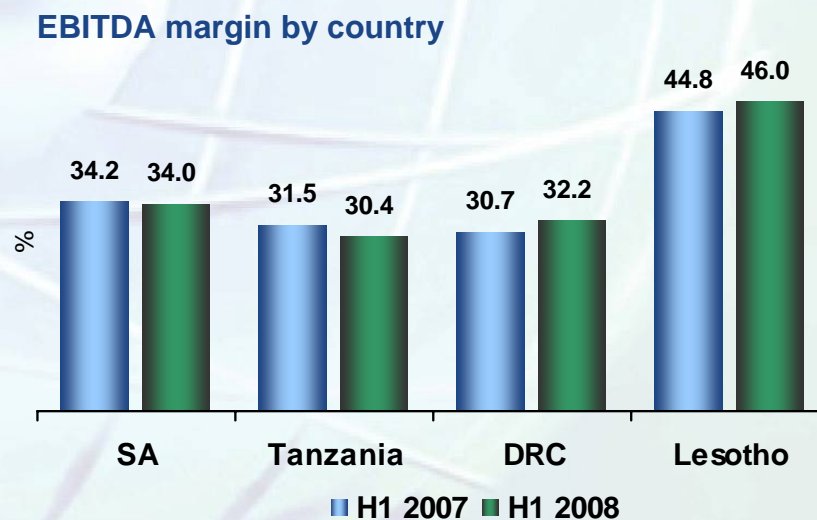
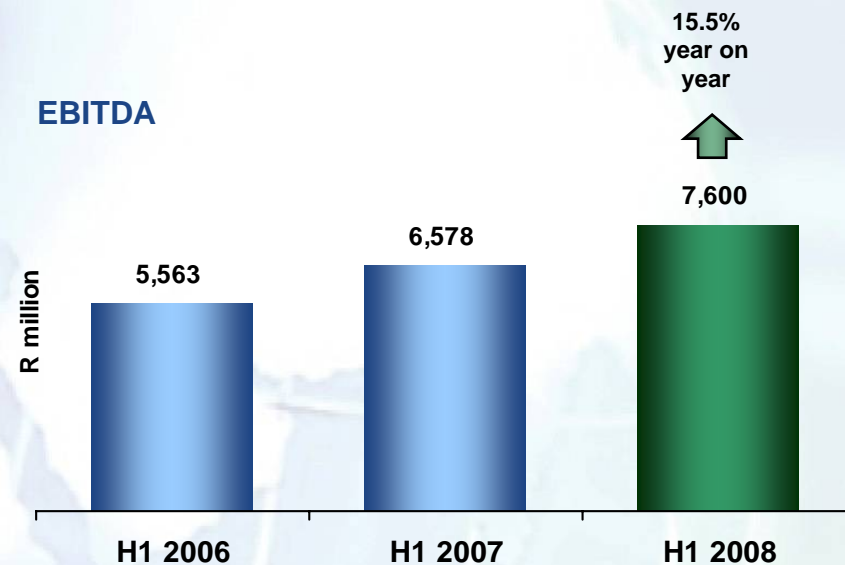
- Increased 15.5% year on year to R7.6 billion
- EBITDA margin decreased 0.5% points year on year to 33.3%
- EBITDA margin 38.3%, when excluding cellular phone and equipment sales

- **South Africa EBITDA**

- Increased 14.9% year on year to R6.9 billion
- EBITDA margin decreased 0.2% points year on year to 34.0%

- **EBITDA for non-South African operations**

- Increased 40.7% year on year to R719 million
- Non-South African operations contributed 9.5% of total vs. 7.8% for the same period in the previous financial year
- Tanzania EBITDA margin decreased: increase in excise duty on airtime; inflated fuel prices; competition





## Group profit from operations

By country

R million	H1 2006	H1 2007	H1 2008	% change
South Africa	4,060	4,745	<b>5,389</b>	13.6%
Tanzania	115	134	<b>180</b>	34.3%
DRC	47	133	<b>172</b>	29.3%
Lesotho	26	34	<b>56</b>	64.7%
Mozambique	(25)	(138)	<b>(56)</b>	59.4%
Holding companies	2	57	<b>(27)</b>	(147.4%)
	<b>4,225</b>	<b>4,965</b>	<b>5,714</b>	<b>15.1%</b>
Profit from operations margin (%)	26.1%	25.5%	<b>25.0%</b>	<b>(0.5% pts)</b>

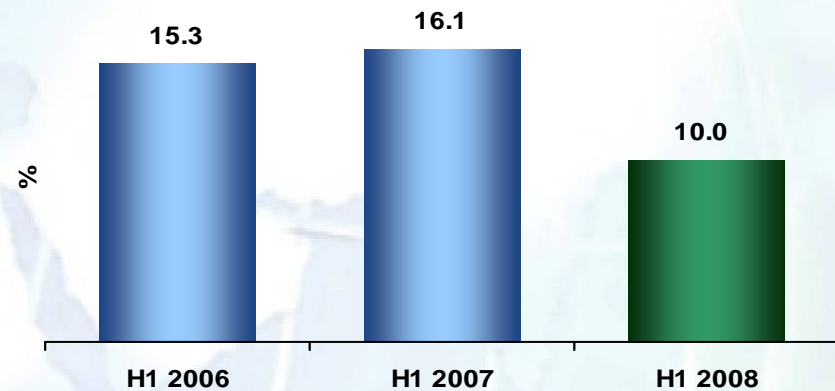
 Customer growth of 22.6% to 31.6 million

 Revenue growth of 17.2%; operating expenses growth of 18.1%; depreciation, amortisation and impairment growth of 16.9%

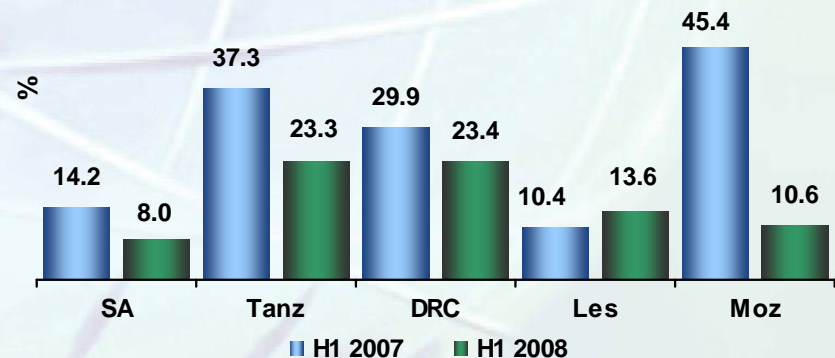
## Productivity measures

- Consolidated customers per employee  
 Increased 8.0% year on year to 5,058 based on 6,240 employees
- Consolidated gross capex additions as a % of revenue decreased to 10.0% from 16.1% for the same period in the previous financial year
- Gross capex additions at R2.3 billion vs. R3.1 billion for the same period in the previous financial year

Gross capex additions as a % of revenue



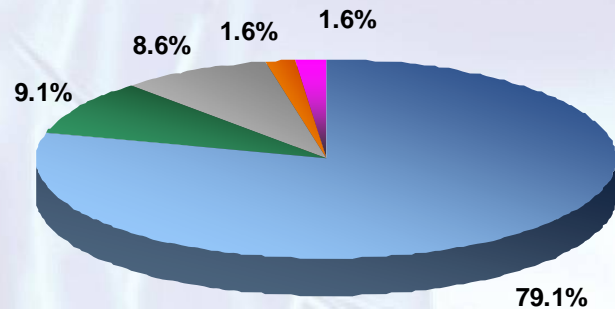
Gross capex additions as a % of revenue



# Capex additions and composition

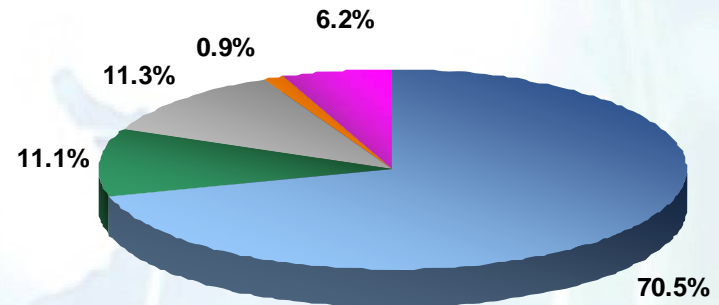
Including software

Capex gross additions – H1 2007  
R3,142 million



■ South Africa  
■ DRC  
■ Lesotho and holding companies

Capex gross additions – H1 2008  
R2,289 million



■ Tanzania  
■ Mozambique

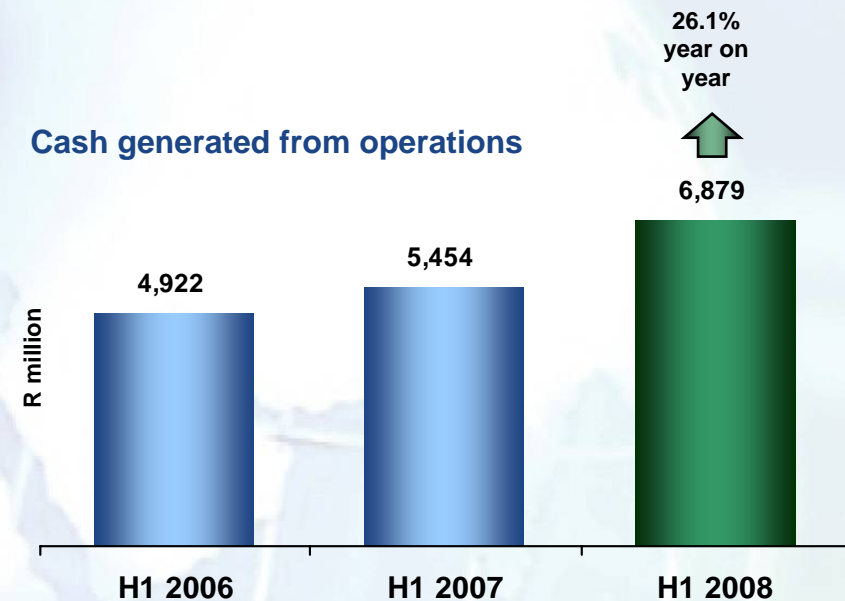
 South Africa capex gross additions decreased by 35.1% to R1.6 billion

 Non-South African capex additions decreased by 10.7% to R551 million

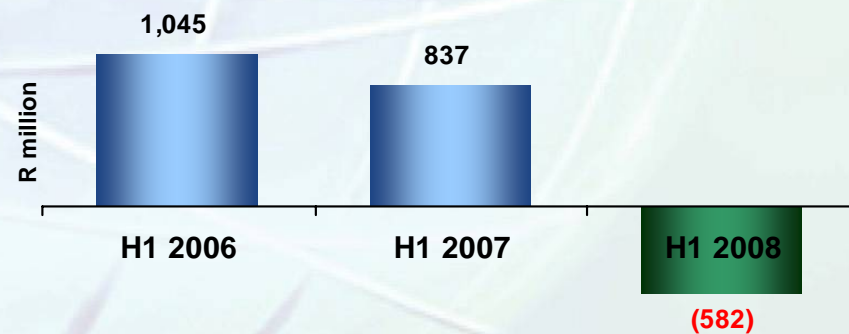
## Cash generation

- EBITDA increased by R1.0 billion
- Cash generated from operations increased by 26.1% to R6.9 billion
- Free cash flow decreased from R837 million to negative R582 million
  - Net investments increased by R948 million
  - Capex payments increased by R1.0 billion or 39.9%

Cash generated from operations

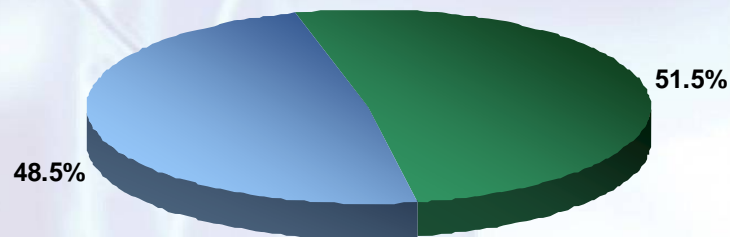


Free cash flow

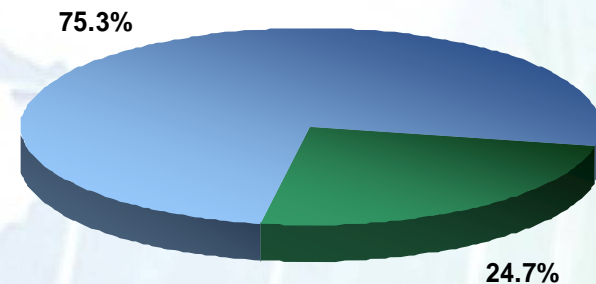


## Debt composition

Gross debt composition  
including bank overdrafts – H1 2007  
R3,873 million



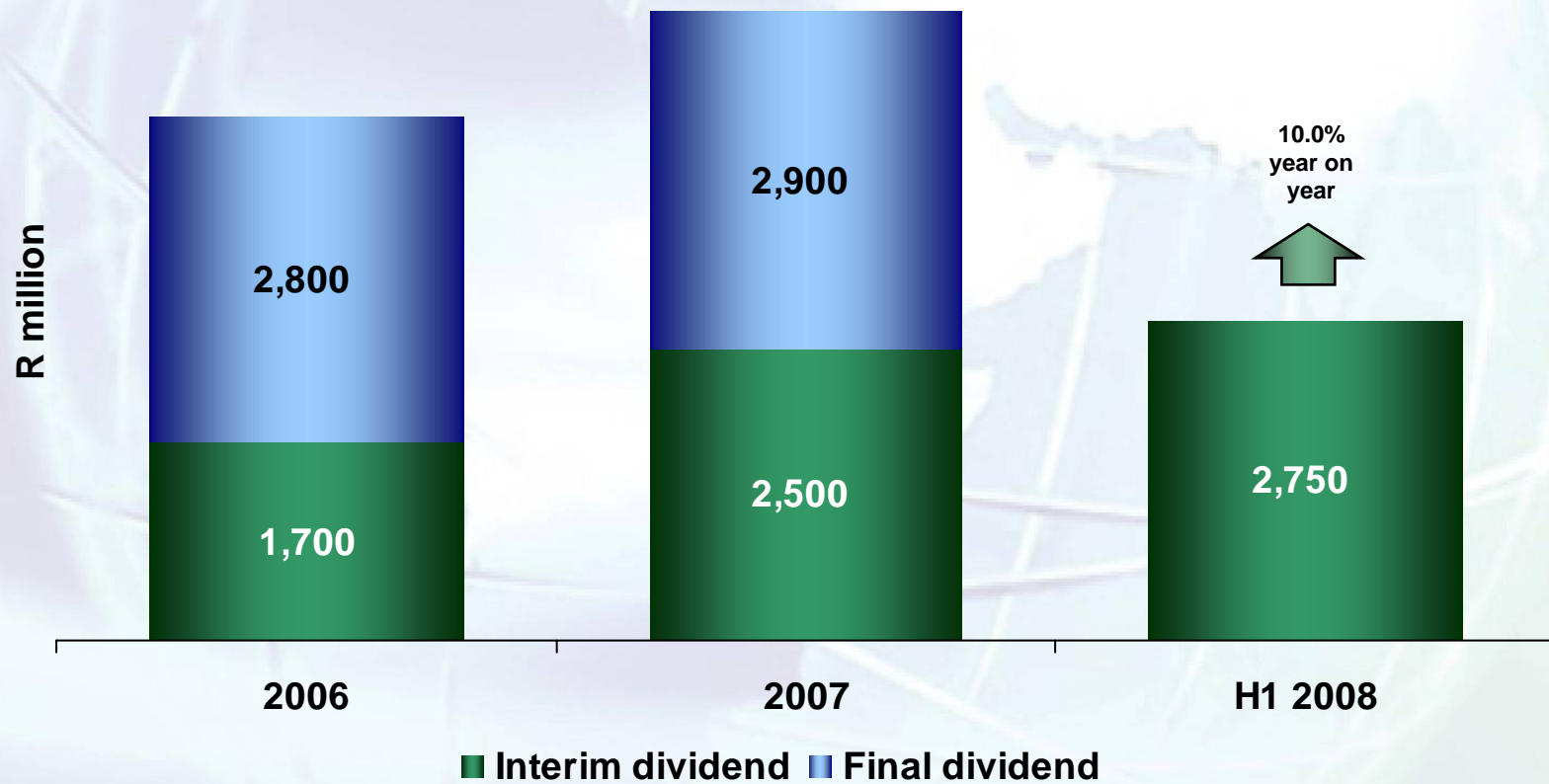
Gross debt composition  
including bank overdrafts – H1 2008  
R6,949 million



■ ZAR denominated ■ Foreign denominated

- Net debt: R6,150 million (H1 2007: R3,006 million)
- Net debt to adjusted equity ratio of 56.6% (H1 2007: 37.5%); 118.4% when including the dividend declared in October (H1 2007: 72.6%)
- Net debt to EBITDA ratio of 40.5% (H1 2007: 45.7%)

## Group shareholder distributions



Interim dividend declared in October 2007

Questions?



## Group balance sheet

Extracts as at

R million	H1 2007	March 2007	H1 2008	% change
<b>ASSETS</b>				
Non-current assets	18,524	20,844	21,859	4.9%
Current assets	8,062	7,626	9,125	19.7%
<b>Total assets</b>	<b>26,586</b>	<b>28,470</b>	<b>30,984</b>	<b>8.8%</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	9,368	9,647	13,222	37.1%
Non-current liabilities	3,705	3,812	3,607	(5.4%)
Current liabilities	13,513	15,011	14,155	(5.7%)
<b>Total equity and liabilities</b>	<b>26,586</b>	<b>28,470</b>	<b>30,984</b>	<b>8.8%</b>



## Group cash flow statement

Extracts for the six months ended

R million	H1 2006	H1 2007	H1 2008	% change
Cash generated from operations	4,922	5,454	6,879	26.1%
<b>Net cash flows from operating activities</b>	<b>1,477</b>	<b>647</b>	<b>1,069</b>	<b>65.2%</b>
<b>Net cash flows utilised in investing activities</b>	<b>(2,231)</b>	<b>(2,646)</b>	<b>(4,641)</b>	<b>(75.4%)</b>
<b>Net cash flows utilised in financing activities</b>	<b>(35)</b>	<b>(112)</b>	<b>4,458</b>	<b>n/a</b>
<b>Net increase in cash and cash equivalents</b>	<b>(789)</b>	<b>(2,111)</b>	<b>886</b>	<b>142.0%</b>
Cash and cash equivalents at the beginning of the period	2,173	1,760	(108)	(106.1%)
Effect of foreign exchange rate changes	(12)	90	(15)	(116.7%)
<b>Cash and cash equivalents at the end of the year</b>	<b>1,372</b>	<b>(261)</b>	<b>763</b>	<b>n/a</b>

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