



Driving the future of communication

Vodacom Group (Proprietary) Limited

For the year ended March 31, 2005
June 6, 2005





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

15.5 million

38.0%



Revenue

R27.3 billion

19.5%



EBITDA

R9.6 billion

23.6%



EBITDA margin

35.1%

1.1%pts



Net profit

R3.9 billion

27.2%






Dividends

R3.4 billion

61.9%



-  **Launch of South Africa's first 3G network**
-  **Signing of Vodafone strategic alliance**
-  **Launch of BlackBerry®**

Vodacom South Africa tariffs



Vodago prepaid on-net

R2.55/min

10.5%



Vodago off-peak

R1.40/min

10.0%



4U on-net

R3.25/min

9.7%



Data

R0.60/MB

94.0%



SMS

Effective R0.33/sms

58.8%



Average outgoing prepaid tariff

R2.09/min

9.5%



Consistent delivery on strategy

Revenue growth

- Market penetration and leadership
- Vodafone strategic alliance
- The continuous introduction of new high-utility services
3G
Vodafone live!
- High speed mobile data
- New markets
- Brand and distribution

Margin management

- Leveraging economies of scale
- Integration of service provider channel enhances control of customer base
- Optimising efficiencies
- Synergy between operations
- Productivity up 22.7% to 2,987 customers per employee

Strategy underpinned by:



Market leadership



Strong brand



Strong distribution

Strategic matters








- Deregulation and liberalisation
- Continued consolidation of service providers in South Africa
 - Control 78.3% of contract customers
 - Control 98.4% of prepaid customers
- Restructuring of Vodacom South Africa
- ICT BEE Charter
- 3G and data
 - Vodafone strategic alliance
 - Launch of South Africa's first 3G network
 - Vodafone live!
- African expansion

BEE – an economic imperative in South Africa

- **Employment equity**
67.0% of workforce in Vodacom South Africa from designated groups, excluding white women
- **Procurement**
75.3% of total commercial spend with BEE companies
- **Enterprise development**
25,224 community services phones, in excess of the 22,000 requirement
- **Skills development**
SETA involvement
Yebo bursary scheme
Advanced executive development programme
- **Vodacom Foundation**
- **ICT Charter engagement**

South Africa – market share 56%

Population 47.4 million, penetration 48.5%

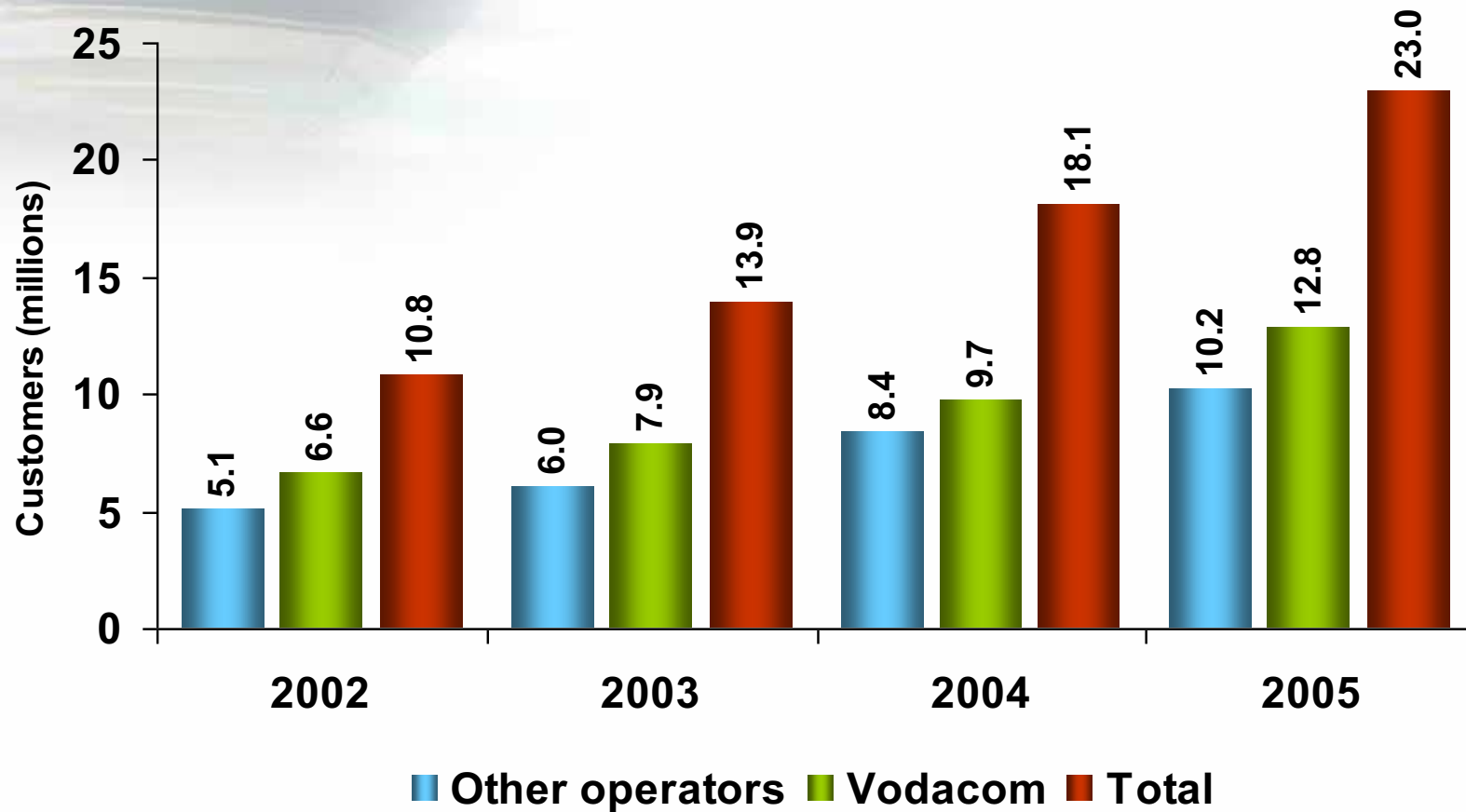
	2004	2005	% change	
• Total customers	9.7 million	12.8 million	32.0%	
• Revenue	R21,350 million	R25,041 million	17.3%	
• EBITDA	R7,536 million	R9,002 million	19.5%	
• ARPU	R177	R163	7.9%	
• Customers per employee	2,527	3,097	22.5%	
• Capex additions	R1,654 million	R2,777 million	67.9%	
• Capex as a % of revenue	7.7%	11.1%	3.4%pts	

 **Record 5.6 million prepaid and 610,000 contract gross connections**

 **Increase of 2%pts in market share**

Note: Vodacom South Africa's revenue and operating costs in 2004 have been restated by R623 million to eliminate revenue on handset sales to Vodacom's distribution. There is no impact on profits or EBITDA; margins have accordingly been restated.

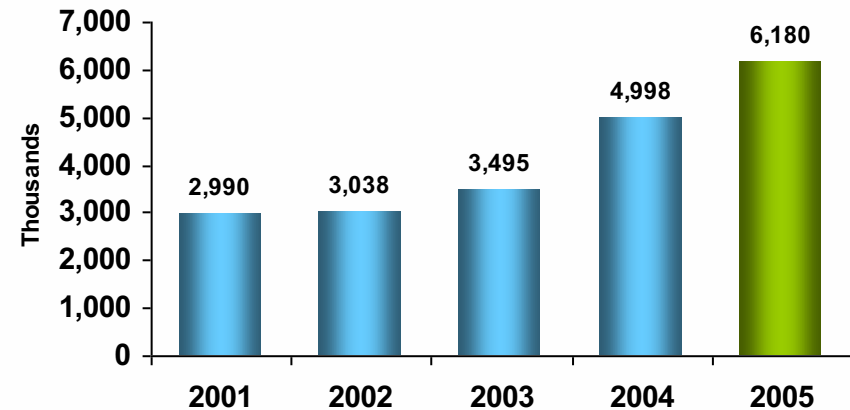
South Africa – impressive market growth



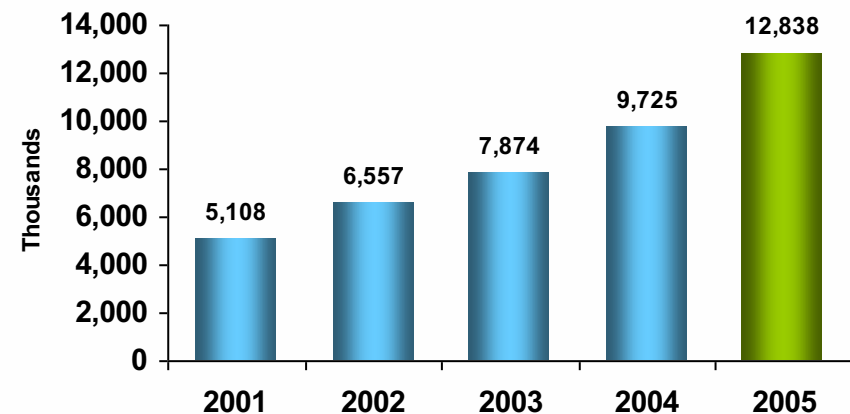
Strong Vodacom South Africa operational indicators

- Gross connections up 23.6% to a new high of 6.2 million
- Customers up 32.0% to 12.8 million
- Total traffic increased by 22.1% to 15.0 billion minutes
- Number of SMSs up 25.2% to 2.4 billion

Vodacom South Africa gross connections



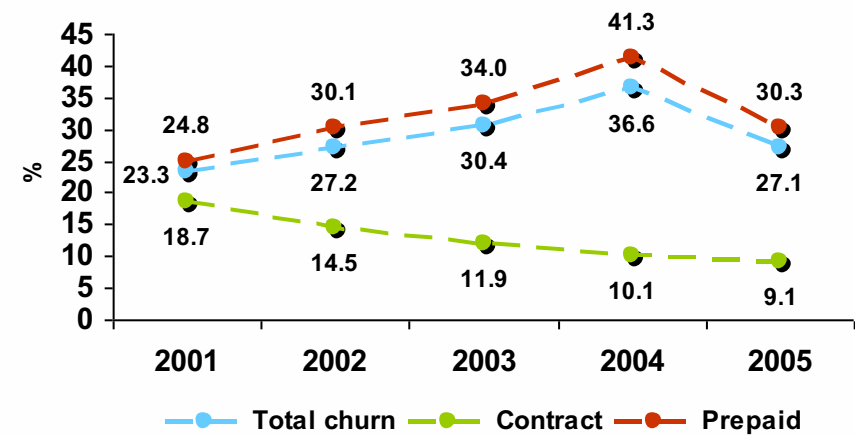
Vodacom South Africa customers



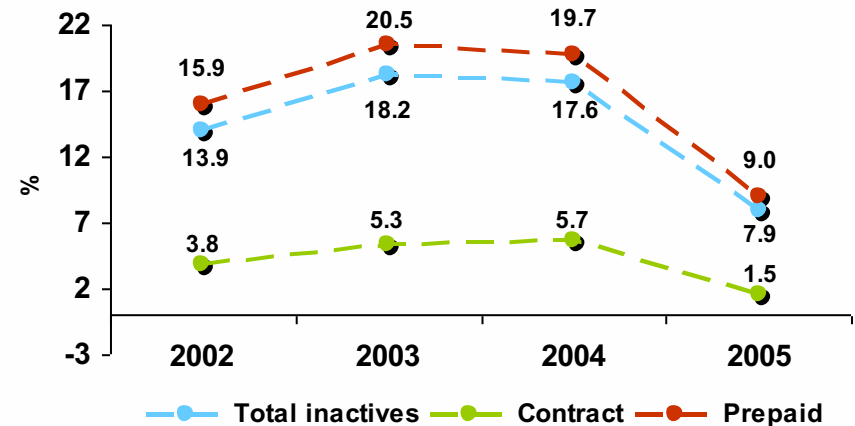
Improved South Africa churn and inactive customers

- Contract churn at all-time low of 9.1%
- Prepaid churn decreased to 30.3%
- Contract inactive customers at 1.5%
- Prepaid inactive customers at 9.0%

Vodacom South Africa churn history



Vodacom South Africa inactive history



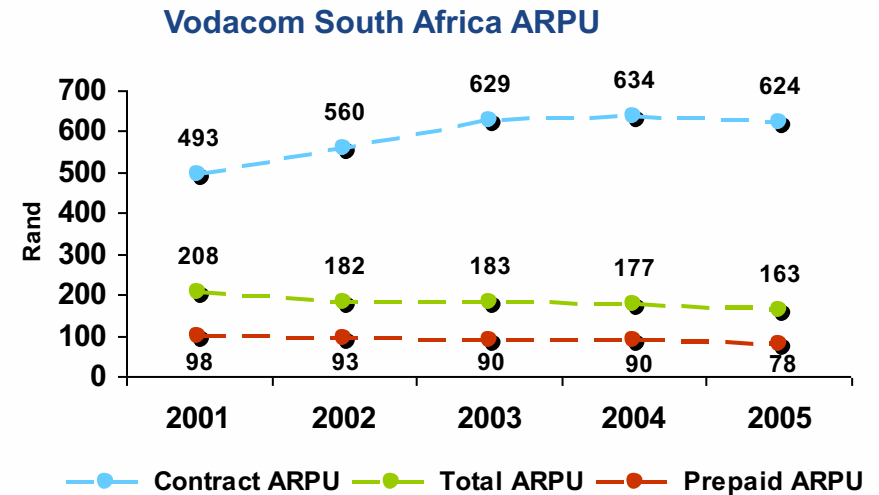
Lower South Africa prepaid ARPU and stable contract ARPU

- Prepaid ARPU decreased 13.3% to R78
- Contract ARPU decreased 1.6% to R624
- Blended ARPU decreased 7.9% to R163

Higher prepaid mix

Lower incoming revenue per customer

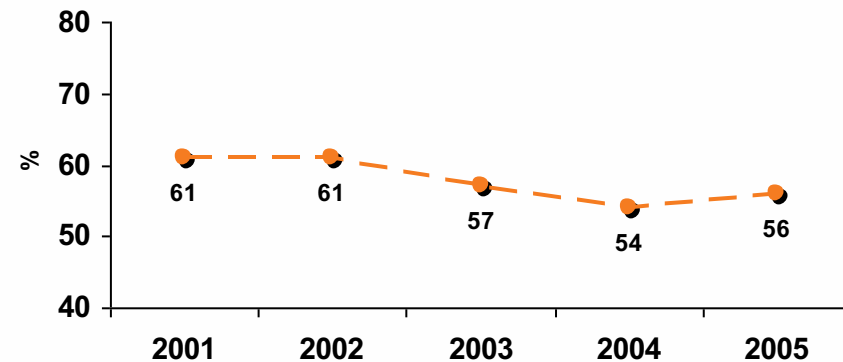
Lower average usage



Potential for further growth in South Africa








- **Potential for further growth**
Continued data focus with Vodafone strategic alliance, 3G and Vodafone Live!
South Africa market estimated at 31 million customers
- **Vodacom is strategically placed for continued market leadership**
Lowest-cost operator
Extensive distribution
Market share defence
Key market and focus
Strong recognised brand
Strong and stable management
- **Other indicators supporting our market share**
Revenue share
Traffic share

Vodacom South Africa market share



Tanzania – market share 59%

Population 35.9 million, penetration 5.1%

	2004	2005	% change	
• Total customers	684,000	1,201,000	75.6%	
• Revenue	R897 million	R959 million	6.9%	
• EBITDA	R278 million	R345 million	24.1%	
• ARPU	R128	R81	36.7%	
• Customers per employee	2,165	3,532	63.2%	
• Capex additions	R351 million	R234 million	33.3%	
• Capex as a % of revenue	39.1%	24.4%	14.7%pts	



Competitive market



Challenging regulatory and fiscal environment

Democratic Republic of Congo (DRC) – market share 47%

Population 58.3 million, penetration 3.5%

	2004	2005	% change	
• Total customers	670,000	1,032,000	54.0%	↑
• Revenue	R933 million	R1,075 million	15.2%	↑
• EBITDA	R190 million	R252 million	32.6%	↑
• ARPU	R150	R98	34.7%	↓
• Customers per employee	2,006	1,958	2.4%	↓
• Capex additions	R775 million	R335 million	56.8%	↓
• Capex as a % of revenue	83.1%	31.2%	51.9%pts	↓








➔ Substantial growth in customers and EBITDA

➔ Entrenched market position in a competitive market

➔ Amended shareholder agreement eliminated some minority protection rights. EBITDA positively affected

Lesotho – market share 80%

Population 1.8 million, penetration 7.4%

	2004	2005	% change	
• Total customers	80,000	147,000	83.8%	
• Revenue	R119 million	R137 million	15.1%	
• EBITDA	R27 million	R48 million	77.8%	
• ARPU	R125	R92	26.4%	
• Customers per employee	1,176	2,333	98.3%	
• Capex additions	R7 million	R10 million	42.9%	
• Capex as a % of revenue	5.9%	7.3%	1.4%pts	

 Performance substantially improved

 Competitive environment

Mozambique – market share 33%

Population 17.5 million, penetration 4.2%

	2004	2005	% change	
• Total customers	58,000	265,000	356.9%	↑
• Revenue	R13 million	R103 million	692.3%	↑
• EBITDA	(R71 million)	(R111 million)	56.3%	↓
• ARPU	R110	R52	52.7%	↓
• Customers per employee	1,349	2,431	80.2%	↑
• Capex additions	R478 million	R115 million	75.9%	↓

➡ Competitive network coverage and quality

➡ R268 million impairment of assets

➡ Lower than expected ARPUs

Note: Vodacom Mozambique operating for its first full year. Only four months of operations in 2004.



Financial review

Leon Crouse
Chief Financial Officer



Group results

R million	2003	2004	2005	% change
Revenue	19,410	22,855	27,315	19.5
Operating expenses excluding depreciation, amortisation and impairment	(12,707)	(15,088)	(17,718)	17.4
EBITDA	6,703	7,767	9,597	23.6
Depreciation, amortisation and impairment	(2,376)	(2,532)	(3,112)	22.9
Profit from operations	4,327	5,235	6,485	23.9
Net finance costs	(896)	(451)	21	n/m
Profit before tax	3,431	4,784	6,506	36.0
Taxation	(1,171)	(1,725)	(2,614)	51.5
Net profit	2,260	3,059	3,892	27.2
<i>IAS 39 adjustment</i>	(486)	(277)	134	n/m

Note: Vodacom South Africa's revenue and operating costs in 2004 and 2003 have been restated as previously noted.

Group revenue analysis

By country

R million	2003	2004	2005	% change
South Africa	18,175	21,350	25,041	17.3
Tanzania	880	897	959	6.9
DRC	259	476	1,075	—
Mozambique	—	13	103	—
Lesotho	96	119	137	15.1
	19,410	22,855	27,315	19.5

➔ Revenue driven by strong customer growth

➔ Other African operations' contribution 8.3%
(2004: 6.5%)

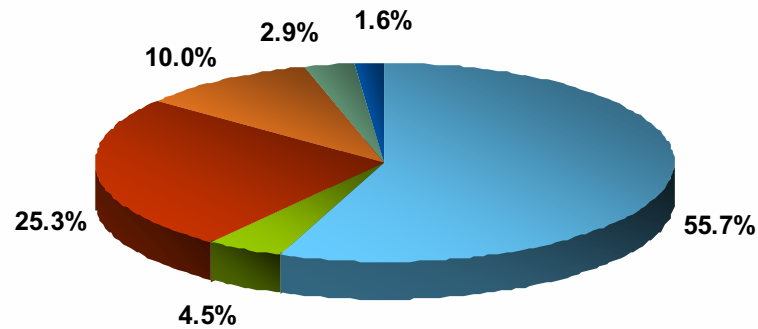
➔ Assuming 2004 average exchange rates remained constant, revenue would have been higher by R220 million

Note: Vodacom South Africa's revenue in 2004 and 2003 has been restated as previously noted. Revenue in 2004 reallocated to more accurately represent the geographical split. DRC previously 51% proportionately consolidated. Now 100% consolidated.

Group revenue analysis

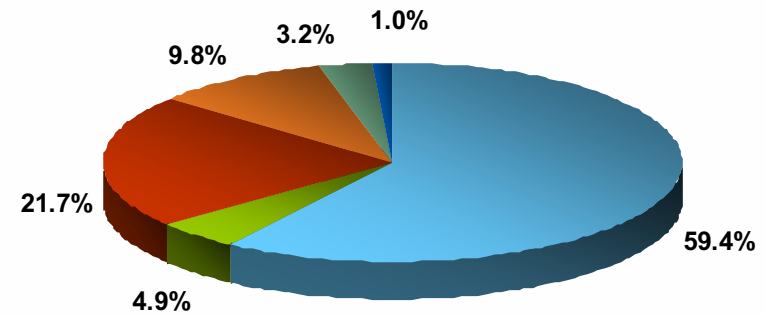
By revenue type

Revenue analysis – 2004
R22,855 million



- Airtime
- Interconnection
- International airtime
- Data revenue
- Equipment sales
- Other sales and services

Revenue analysis – 2005
R27,315 million

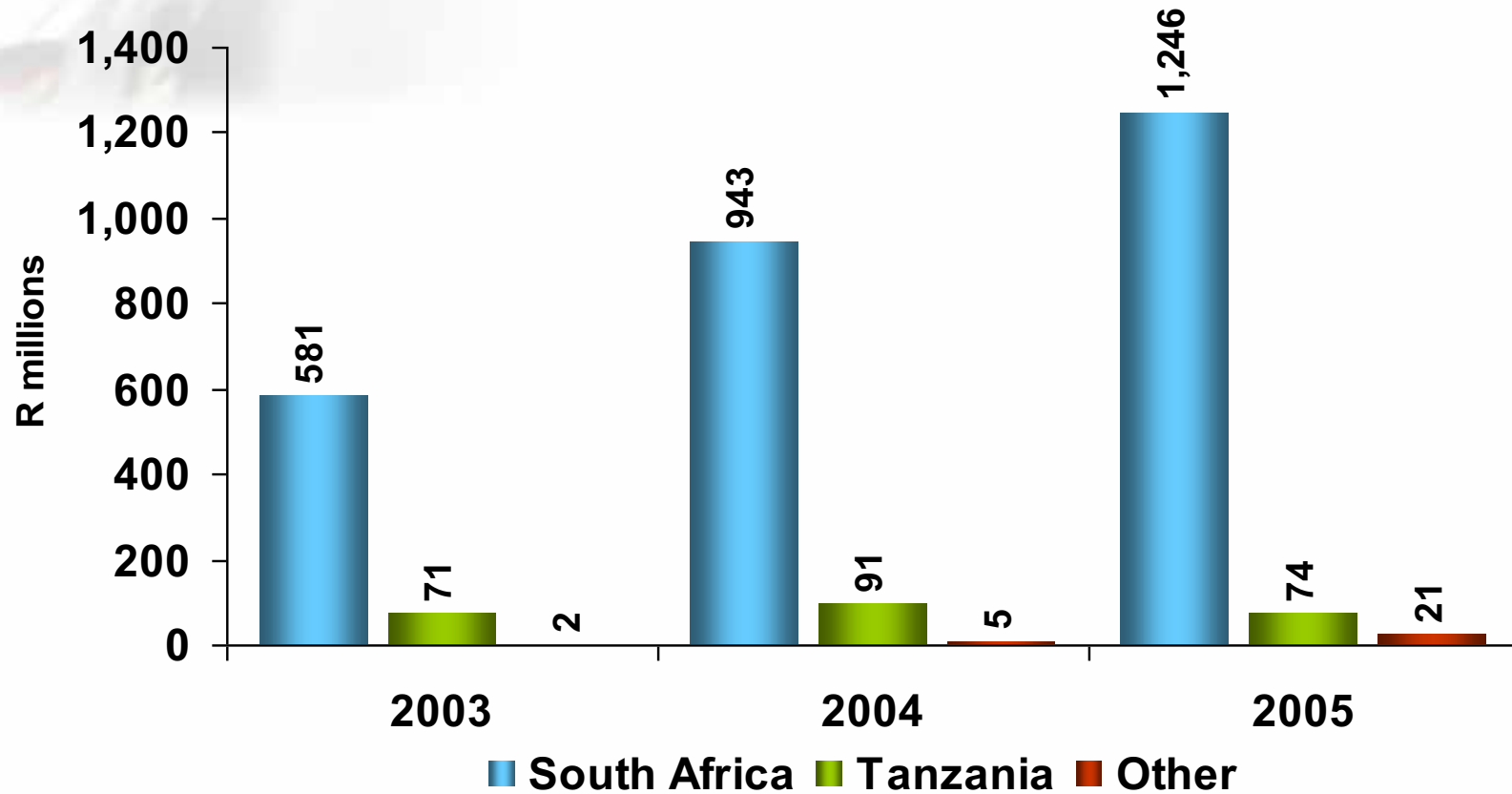


- Airtime
- Interconnection
- International airtime
- Data revenue
- Equipment sales
- Other sales and services

- ➔ Airtime contribution up 3.7%; revenue up 27.1% to R16.2 billion
- ➔ Interconnect contribution down 3.6%; revenue up 2.4% to R5.9 billion
- ➔ Data contribution up 0.4%; revenue up 29.0% to R1.3 billion

Data revenue growth

By country



➔ South Africa data revenue up 32.1%

➔ Tanzania data revenue down 18.7% due to tariff reductions

Group EBITDA analysis

By country

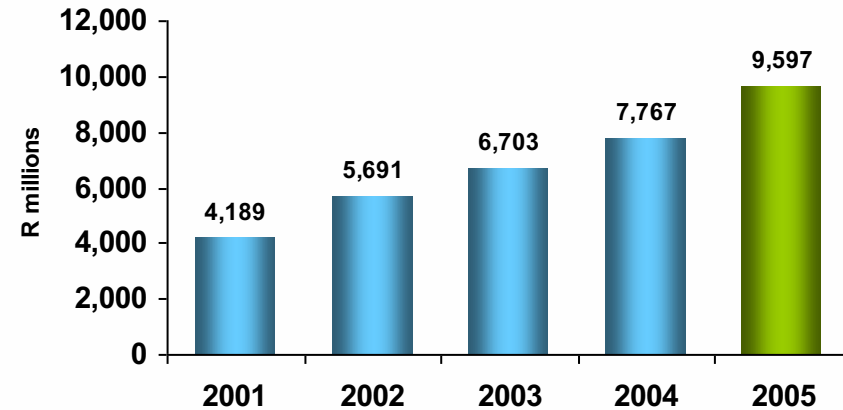
R million	2003	2004	2005	% change
South Africa	6,423	7,536	9,002	19.5
Tanzania	333	278	345	24.1
DRC	(49)	97	252	–
Mozambique	–	(71)	(111)	–
Lesotho	26	27	48	77.8
Holding companies	(30)	(100)	61	–
Vodacom Group	6,703	7,767	9,597	23.6
EBITDA margin (%)	34.5	34.0	35.1	1.1

- ➔ Assuming 2004 average exchange rates remained constant, EBITDA would have been higher by R75 million
- ➔ Holding companies have positive EBITDA due to amended financial arrangements with DRC's outside shareholders, and non-recurring costs and revenue relating to Nigeria transaction

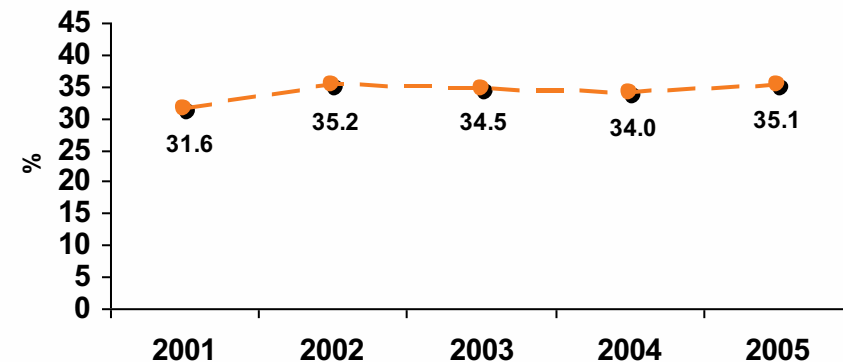
EBITDA growth and margin analysis

- Strong EBITDA performance**
 Increased 23.6% to R9.6 billion
 EBITDA margin increased 1.1%pts to 35.1%
- South Africa EBITDA**
 Increased 19.5% to R9.0 billion
 EBITDA margin increased 0.6%pts to 35.9%
- Improved EBITDA from other African operations**
 Contributed 5.6% (2004: 4.3%) at R534 million
 Excluding Mozambique, EBITDA increased 60.4% to R645 million

EBITDA



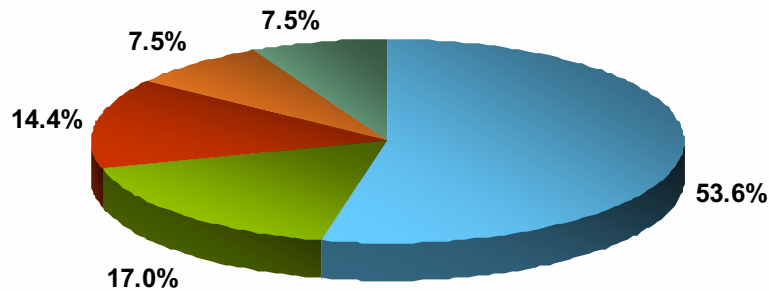
EBITDA margin



Group operating expenses

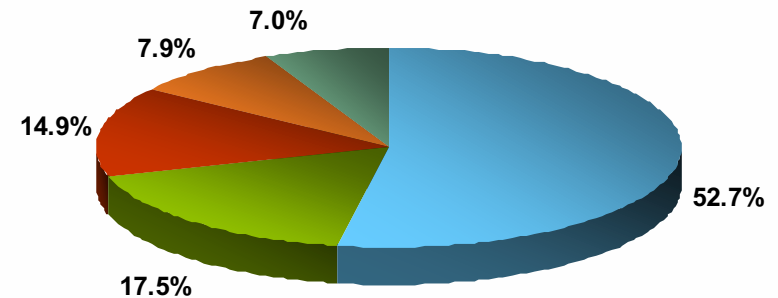
By expense type

Operating expense analysis 2004
R17,620 million



- Other direct network operating costs
- Payments to other operators
- Depreciation and amortisation
- Staff expenses
- Other

Operating expense analysis 2005
R20,830 million



- Other direct network operating costs
- Payments to other operators
- Depreciation, amortisation and impairment
- Staff expenses
- Other

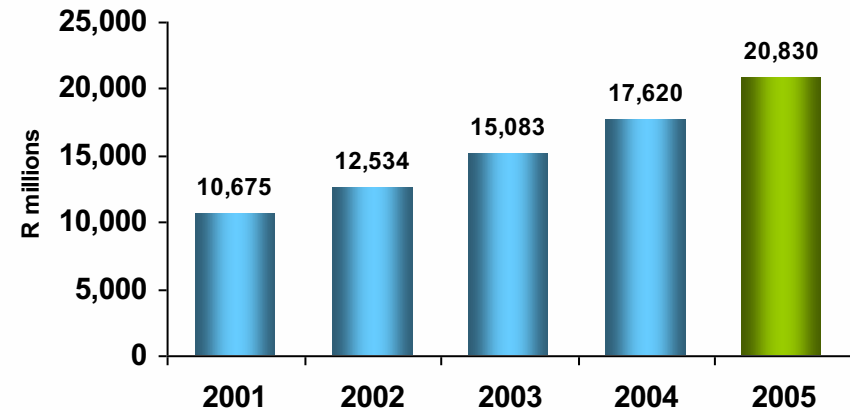
- ➔ Other direct network operating cost contribution down 0.9%; costs up 16.1% to R11.0 billion
- ➔ Payment to other operators' contribution up 0.5%; costs up 22.1% to R3.7 billion
- ➔ Depreciation, amortisation and impairment contribution up 0.5%; costs up 22.9% to R3.1 billion

Operating expenses and operating expenses as a % of revenue

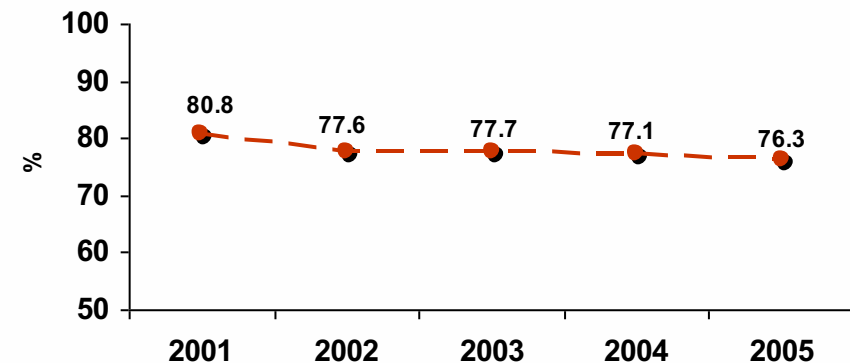
- **Acceptable growth in other direct network costs, despite**
High levels of connections
First time full consolidation of DRC, Mozambique and Smart companies
- **Growth in payments to other networks**
- **Depreciation, amortisation and impairment**
R268 million impairment in Mozambique
Excluding the impairment, the depreciation and amortisation increased 12.3%
- **Staff expenses**
Increased 24.1% to R1.7 billion
Group headcount increased 8.3%
Increased incentive payments

Note: Vodacom South Africa's operating expenses in 2004 and 2003 have been restated as previously noted. Margins have been restated accordingly

Operating expenses



Operating expenses to revenue %



Mozambique impairment

- **IAS 36 – impairment of assets**
Requires impairment testing for cash-generating units
All African operations were 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 higher initial capital outlays
High cost of capital because of perceived African risk
Lower than expected initial ARPUs
- **Assets were impaired by R268 million**
Difference between book value and fair value less costs to sell
Independent valuation obtained

Group profit from operations analysis

R million	2003	2004	2005	% change
South Africa	4,295	5,282	6,625	25.4
Tanzania	178	135	183	35.6
DRC	(117)	10	50	—
Mozambique	—	(88)	(454)	—
Lesotho	4	1	25	—
Holding companies	(33)	(105)	56	—
Vodacom Group	4,327	5,235	6,485	23.9
Profit from operations margin (%)	22.3	22.9	23.7	0.8

➔ Profit growth excluding Mozambique's results was 30.4%

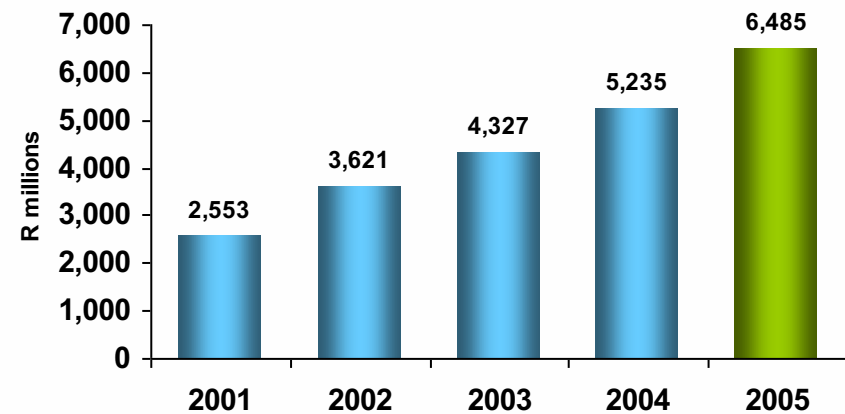
➔ Assuming 2004 average exchange rates remained constant, profit would have been higher by R62 million

Note: DRC previously 51% proportionately consolidated. Now 100% consolidated. Amortisation on goodwill, trademarks and customer bases in 2003 and 2004 that was previously included in Holding companies has been reallocated to South Africa and Tanzania.

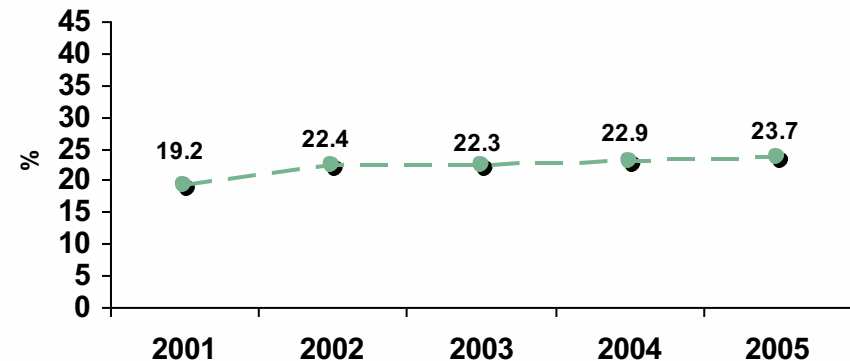
Profit from operations growth and margin analysis

- Profit growth of 23.9% to R6.5 billion
- South Africa
 - Exceptional growth of 32.0% in customers
 - Reduced interconnect margin
- Tanzania
 - 75.6% growth in customers
 - Pressures from tariff reductions
 - Sound cost management
- DRC
 - Increased revenue driven by 54.0% growth in customers
 - Focus on margins
- Mozambique
 - Lower than expected ARPUs
 - R268 impairment of assets

Profit from operations



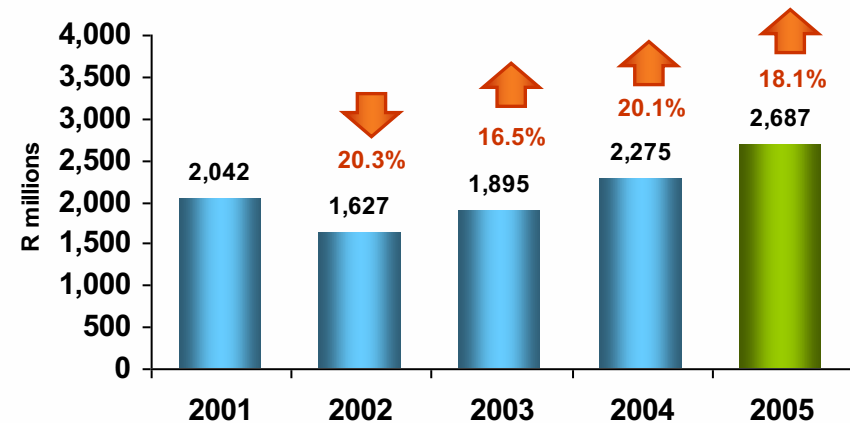
Profit from operations margin



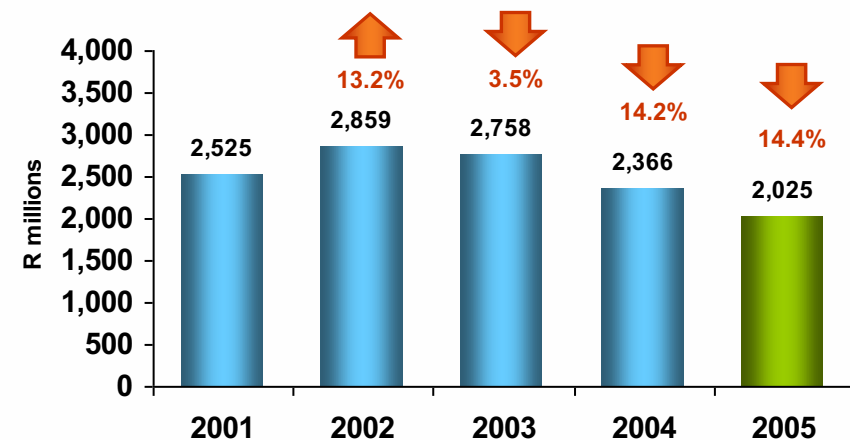
Factors affecting trends and margins

- **Gross South Africa customer connections of 6.2 million**
Prepaid customer connections of 5.6 million, an increase of 20.6%
Contract customer connections of 0.6 million, an increase of 61.8%
- **Gross other African customer connections of 1.6 million, an increase of 56.6%**
- **Low margin equipment sales**
- **Net South Africa interconnect revenue decreased 14.4% to R2.0 billion**
- **Lower average customer acquisition costs**
- **First time consolidation of**
100% of DRC
Full year of Mozambique
Smart companies

Equipment sales



South Africa net interconnect revenue



Factors affecting trends and margins (continued)

- **Change in South Africa traffic mix**

Outgoing traffic increased 29.0% to 10.0 billion minutes

Incoming traffic increased 10.2% to 5.0 billion minutes

Mobile to mobile traffic increased 31.6% to 11.5 billion minutes

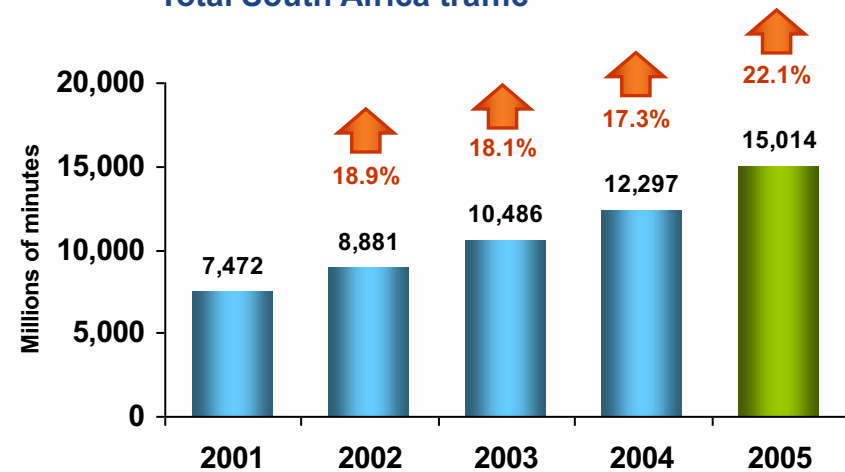
Mobile / fixed traffic decreased 1.0% to 3.5 billion minutes

On-net traffic increased by 40.5%

- **Highly competitive markets**

- **Strengthening of average Rand by 13% to the US Dollar**

Total South Africa traffic



Rand/US Dollar	2003	2004	2005
Closing rate	7.97	6.32	6.27
Average rate	9.81	7.17	6.24

Improved efficiencies

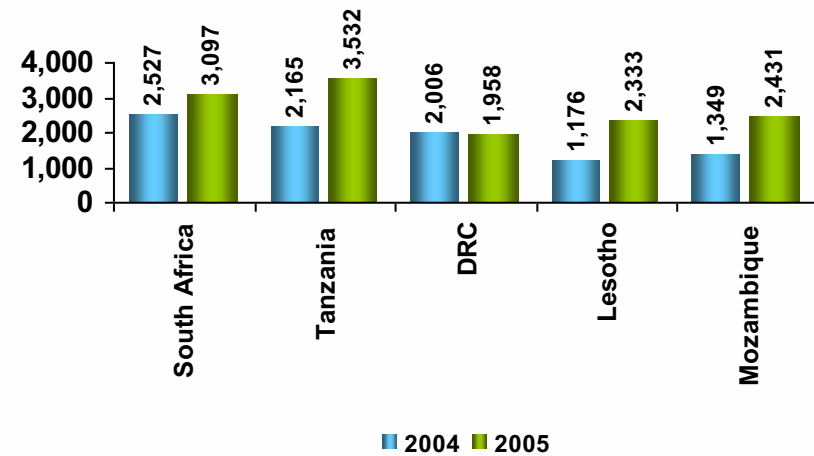
- Consolidated customers per employee

Increased 27.4% to 3,101 based on 4,993 Group employees

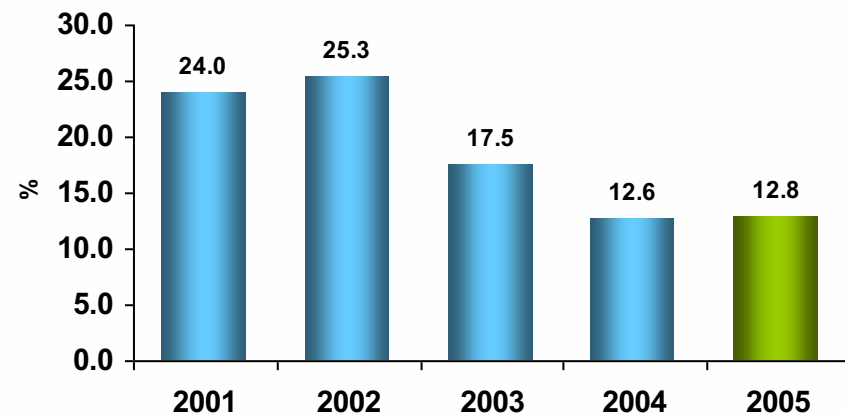
Increased 22.7% to 2,986 (including 191 outsourced customer care employees)

- Consolidated gross capex as a % of revenue increased to 12.8%

Customers per employee

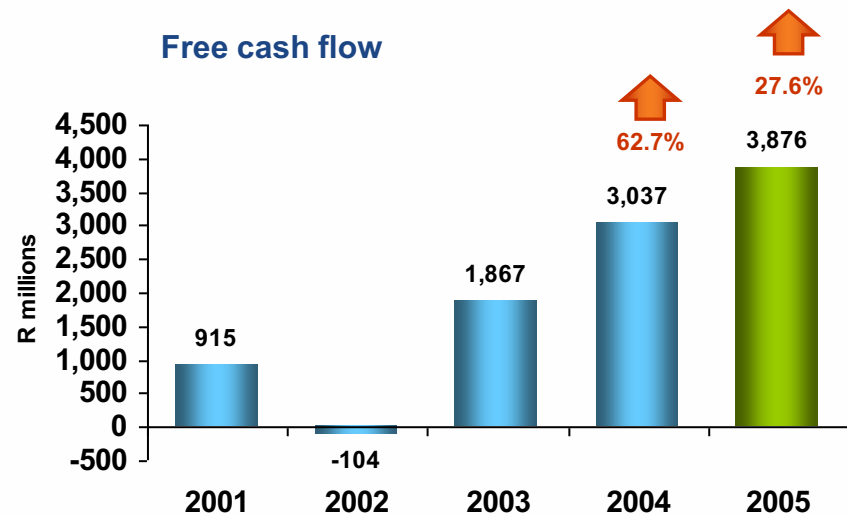
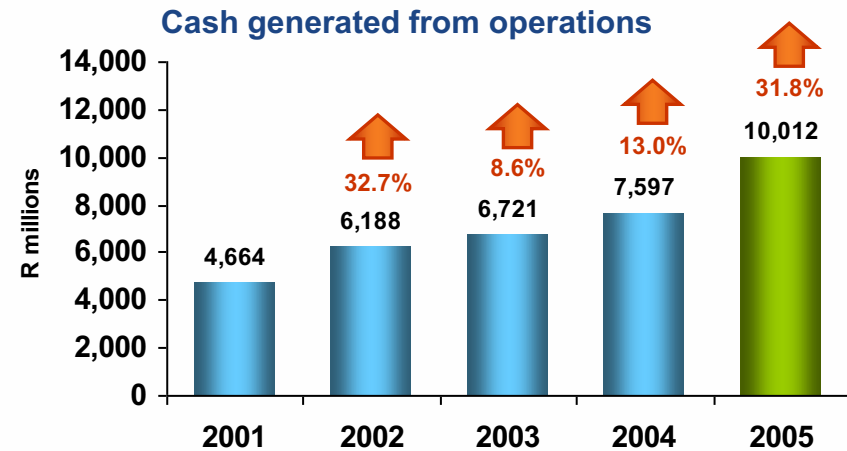


Gross capex as a % of revenue



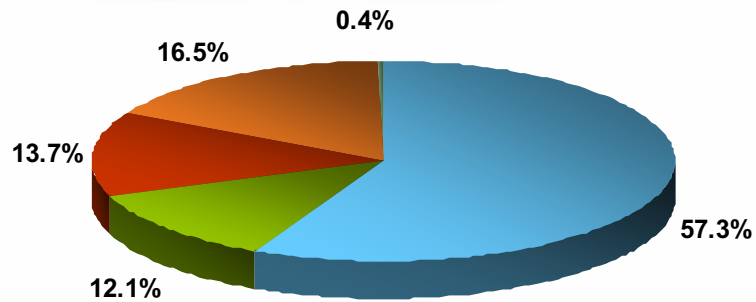
Strong cash generation

- Cash generated from operations increased 31.8% to R10.0 billion
- Taxation paid increased 87.5% to R2.7 billion
 - Increased profits
 - Phasing of provisional payments
 - STC on increased dividends
- Cash utilised in investing activities increased 12.5% to R3.4 billion
 - Capex investment of R3.3 billion
 - Investments in Smart companies and Tiscali of R290 million
- Free cash flow increased 27.6% to R3.9 billion



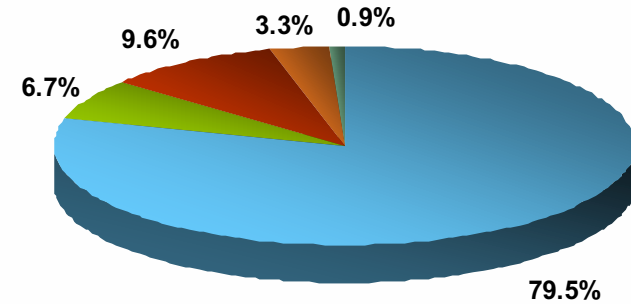
Capex additions and capex composition

Capex additions R2,891 million – 2004



- South Africa
- Tanzania
- DRC (51%)
- Mozambique
- Lesotho and holding companies

Capex additions R3,494 million – 2005



- South Africa
- Tanzania
- DRC (100%)
- Mozambique
- Lesotho and holding companies



South Africa capex additions increased 67.9% to R2.8 billion



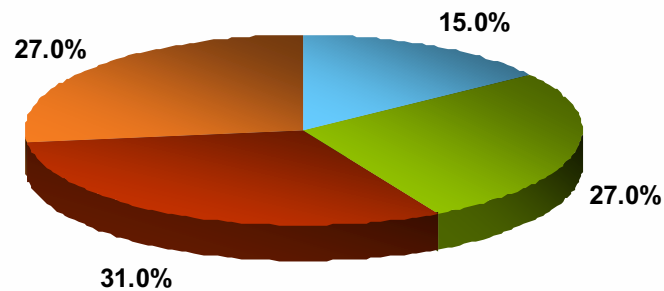
Other African capex additions decreased 56.9% to R694 million

Net debt maturity profile

R million	2006	2007	2008	2009	2010	>2011	Total 2005	2004
South Africa finance leases	51	79	114	194	98	322	858	886
Tanzania	92	104	89	–	84	–	369	426
DRC	238	1,129	–	–	–	–	1,367	745
Lesotho	4	–	–	–	–	–	4	4
Other	1	–	–	–	–	–	1	–
Debt excluding bank overdrafts	386	1,312	203	194	182	322	2,599	2,061
Bank overdrafts							1,817	772
Gross debt							4,416	2,833
<i>Less: Bank and cash balances</i>							(3,990)	(2,370)
Net debt							426	463

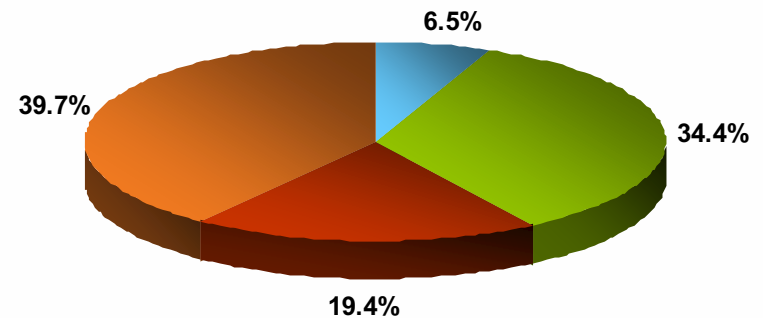
Debt composition

**Gross debt composition
including bank overdrafts – 2004
R2,833 million**



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

**Gross debt composition
including bank overdrafts – 2005
R4,416 million**



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



Positive cash balances R3,990 million (2004: R2,370 million)



Net debt to equity ratio 5.4% (2004: 6.1%)

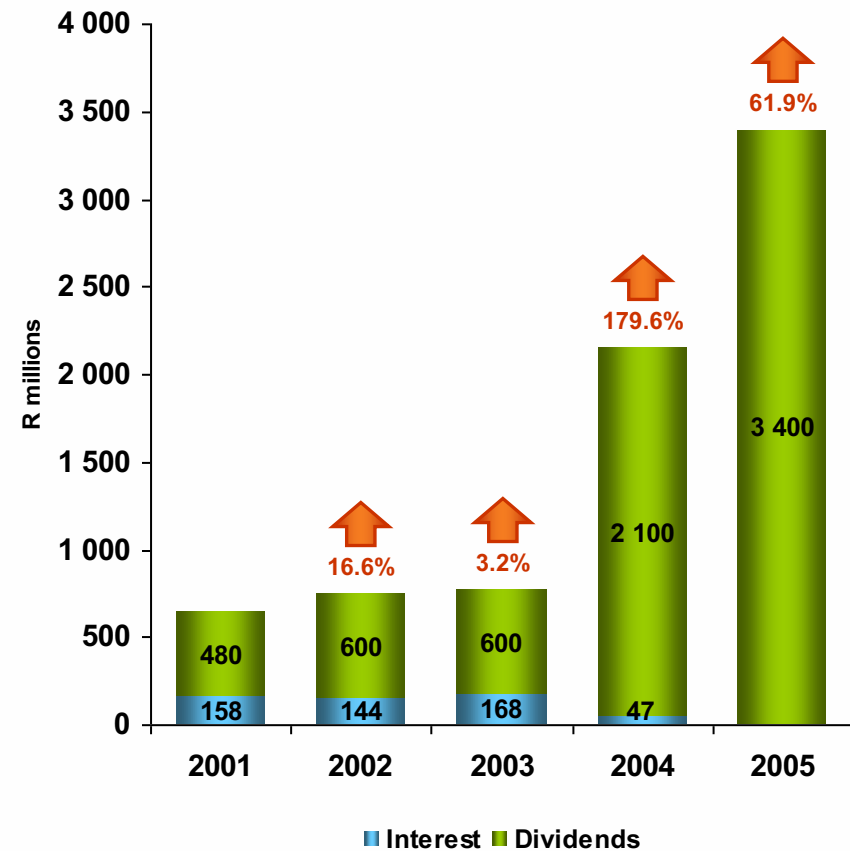


Adjusting for dividends payable and intangibles yields net debt to equity ratio of 31.7% (2004: 29.5%)

Shareholder distributions

- Dividends of R3.4 billion, one of the largest dividends in South African history
 - Interim dividend paid of R1.6 billion
 - Final dividend declared of R1.8 billion
- Shareholder loans repaid in 2004

Dividends and interest on shareholder loans





Questions?



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Group income statements

Extracts for the years ended March 31

R million	2003	2004	2005	% change
Revenue	19,410	22,855	27,315	19.5
Operating expenses excluding depreciation, amortisation and impairment	(12,707)	(15,088)	(17,718)	17.4
EBITDA	6,703	7,767	9,597	23.6
Depreciation, amortisation and impairment	(2,376)	(2,532)	(3,112)	22.9
Profit from operations	4,327	5,235	6,485	23.9
Net finance costs	(896)	(451)	21	n/m
Profit before tax	3,431	4,784	6,506	36.0
Taxation	(1,171)	(1,725)	(2,614)	51.5
Net profit	2,260	3,059	3,892	27.2

Group balance sheets

Extracts as at March 31

R million	2003	2004	2005	% change
ASSETS				
Non-current assets	12,024	12,865	13,904	8.1
Current assets	4,972	7,287	8,662	18.9
Total assets	16,996	20,152	22,566	12.0
EQUITY AND LIABILITIES				
Capital and reserves	6,910	7,665	7,954	3.8
Non-current liabilities	2,618	2,235	3,138	40.4
Current liabilities	7,468	10,252	11,474	11.9
Total equity and liabilities	16,996	20,152	22,566	12.0

Group cash flow statements

Extracts for the years ended March 31

R million	2003	2004	2005	% change
Cash generated from operations	6,721	7,597	10,012	31.8
Net cash flows from operating activities	4,342	4,790	4,150	(13.4)
Net cash flows utilised in investing activities	(3,243)	(3,000)	(3,374)	12.5
Net cash flows from / (utilised in) financing activities	517	(798)	(195)	75.6
Net increase in cash and cash equivalents	1,616	992	581	(41.4)
Cash and cash equivalents at the beginning of the year	(858)	647	1,598	146.7
Effect of foreign exchange rate changes	(111)	(41)	(6)	85.4
Cash and cash equivalents at the end of the year	647	1,598	2,173	36.0