

# Vodacom Group (Pty) Limited

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Group interim results presentation for the six months ended September 30, 2003



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# Content

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- **Alan Knott-Craig, Group CEO**

- Operational highlights



- **Leon Crouse, Group Finance Director**

- Financial review



- **Questions**

# Operational highlights

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**Alan Knott-Craig**  
**Group CEO**



# Strategy

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**“Sustained profit growth through customer growth and improved margins, while continuing to pay dividends to our shareholders”**



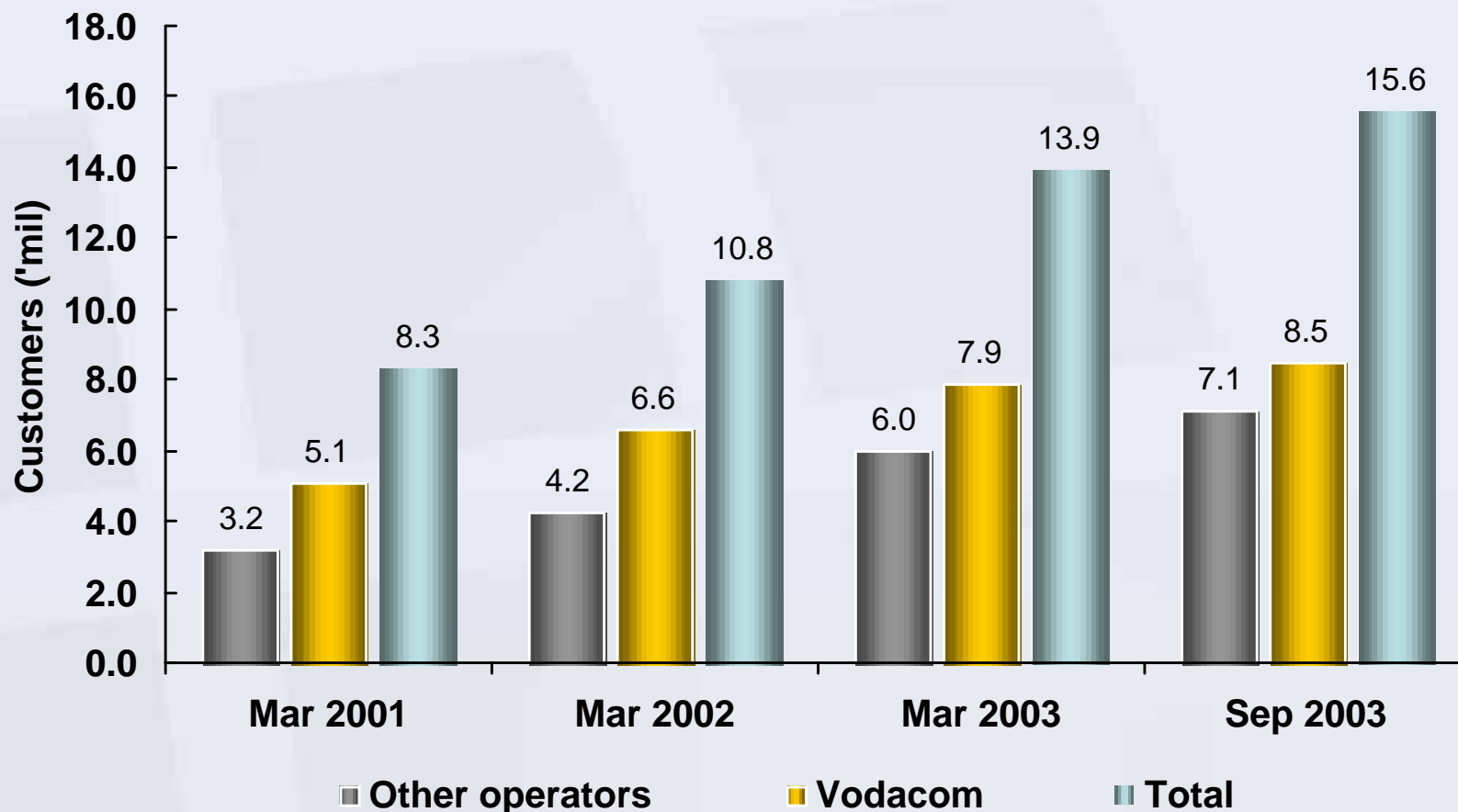
# Highlights

- Total customers 9.6 m ↑ 25.1%
- Revenue growth ↑ 19.6%
- EBITDA growth ↑ 22.2%
- Customers per employee 2,137 ↑ 18.2%
- Net profit R1,374 million ↑ 49.7%
- Capital expenditure R1,129 ↓ 34.3%
- Capex as % of revenue 10.0% ↓ 8.2%pts



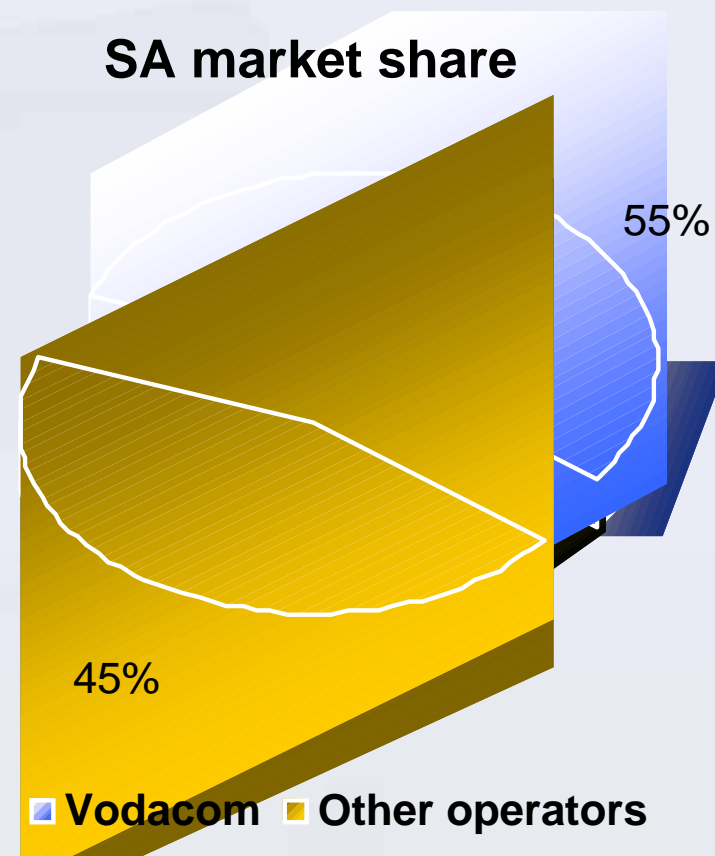
- Office Anywhere
- Vodacom Mozambique

# South African market growth






# South Africa – Market overview

- Estimated penetration 34.9%
- Strong competition
- Continued growth
- Rand strength, spot increasing 32.7% in last year to \$=R7.09
- Fixed-mobile substitution
- 1800 MHz priced and issued
- 3G price fixed

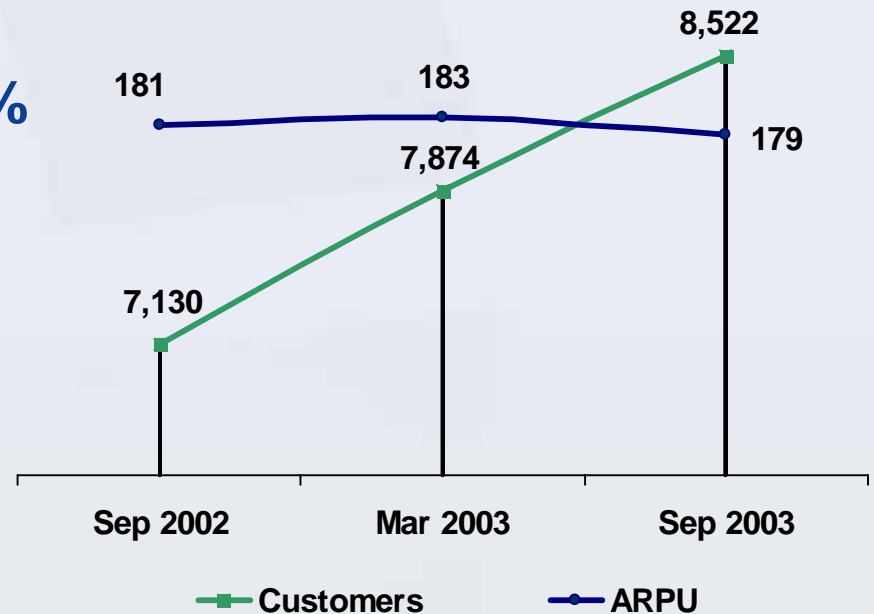




# Vodacom South Africa

- Customers of 8.5 million  19.5%
- Gross connections  38.3%  
2.2 million
- ARPU R179 per month  1.1%
- Contract churn at 10.8%
- Data revenue increasing
  - Active GPRS users 35,642
  - Active MMS users 19,592
  - Launch of Office Anywhere
  - 4.5% of revenue

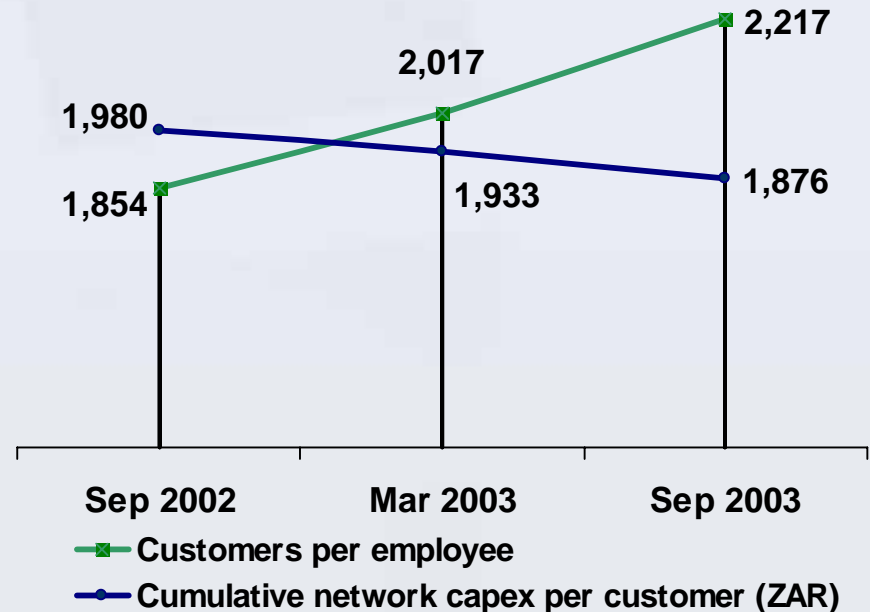
Customers ('000) and ARPU (ZAR)



# Vodacom South Africa

- Profitability higher
- Increasing productivity
- Significant cash generation
- Margin improvement through reduction in distribution costs
- Capital expenditure slowing

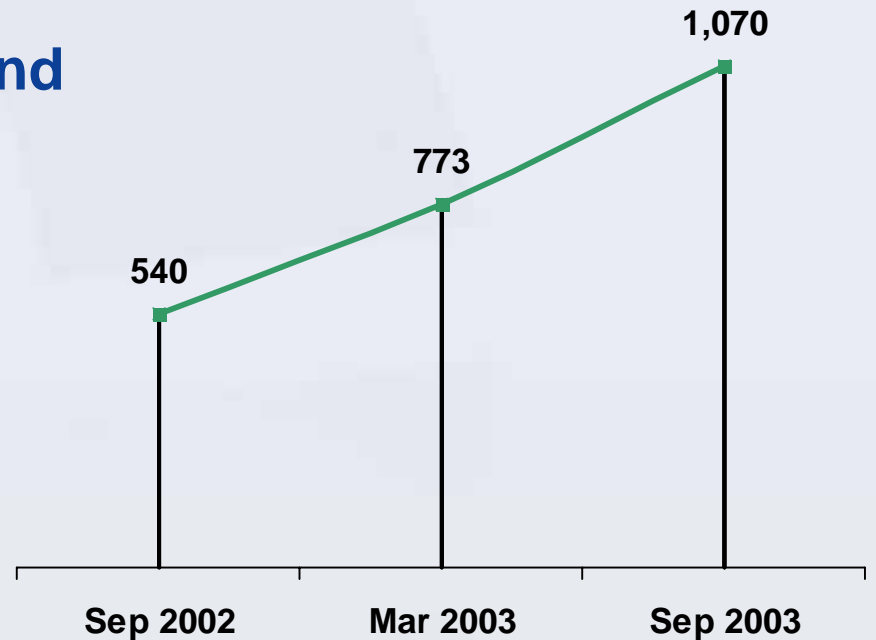
Productivity measures





# Other African operations

- Strong customer growth ↑ 98.1%
- Steady ARPU's
- Strong Rand reduces profits and debt
- Increasing competition
- Significant opportunities
  - Mozambique
  - Nigeria

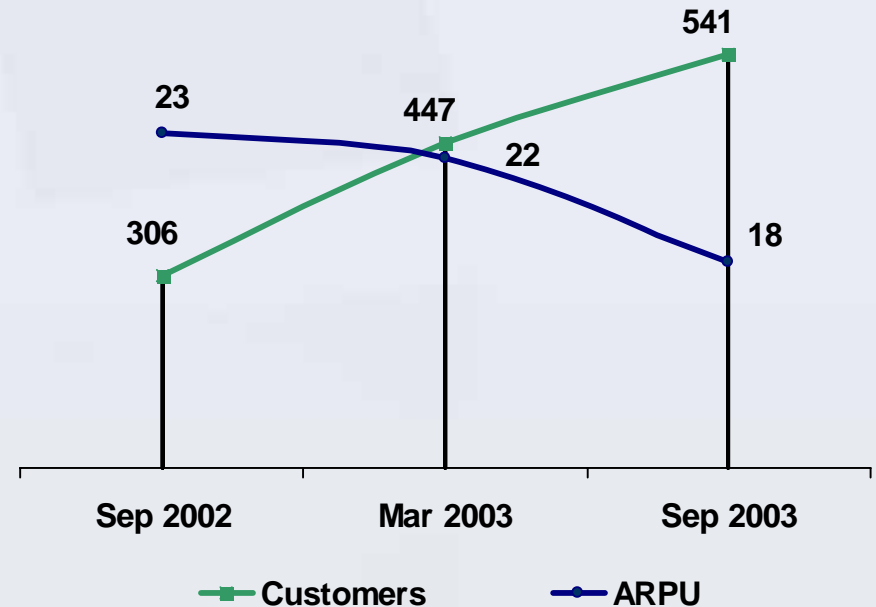
Other African customers ('000)



# Vodacom Tanzania

- Estimated mobile penetration 2.7%
- Estimated market share 56%
- Customers of 541,285  76.9%
- ARPU of \$18 per month  21.7%
- Cumulative capex \$152 million

Customers ('000) and ARPU (USD)



# Vodacom Congo

- Estimated mobile penetration 1.8%

- Estimated market share 45%

- Customers of 457,707  221.2%

- ARPU of \$24 per month  9.1%

- Cumulative capex \$157 million

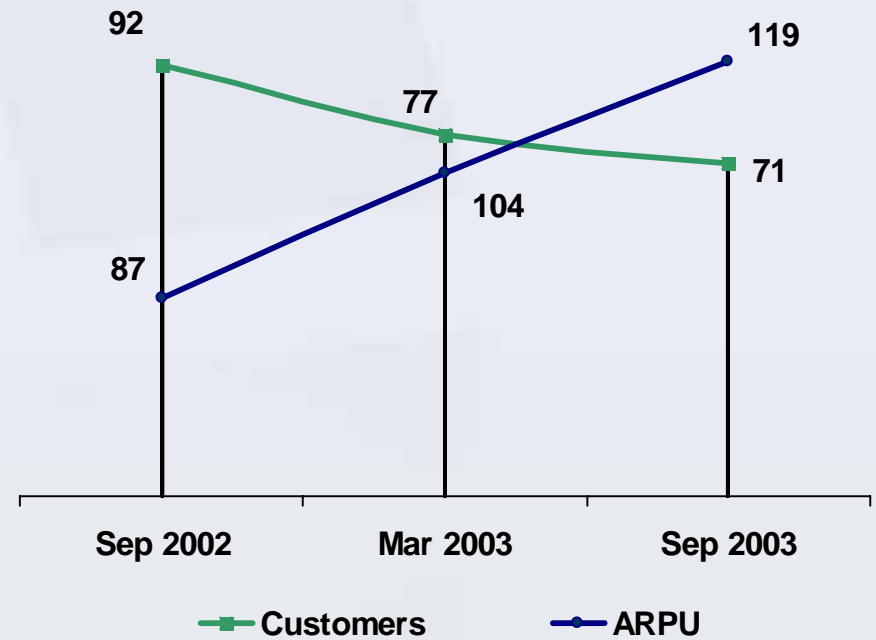
Customers ('000) and ARPU (USD)



# Vodacom Lesotho

- Estimated mobile penetration 4.9%
- Estimated market share 78%
- Customers of 70,524  23.3%
- ARPU of R119 per month  36.8%
- Cumulative capex R198 million
- Cleaning up of inactive customer base

Customers ('000) and ARPU (ZAR)



# Vodacom Mozambique

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- **Obstacles overcome**

- Interconnect agreements
- Legal separation of fixed incumbent and mobile subsidiary

- **15-Year licence, commenced August 23, 2003**

- License fee of \$15 million paid in August 2003

- **Aiming to launch commercial operations December 2003**

- **Promising market**

- Estimated mobile penetration of 1.4%
- GDP of \$3.6 billion
- Population of 17.5 million



# Financial review

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**Leon Crouse**  
**Group Finance Director**





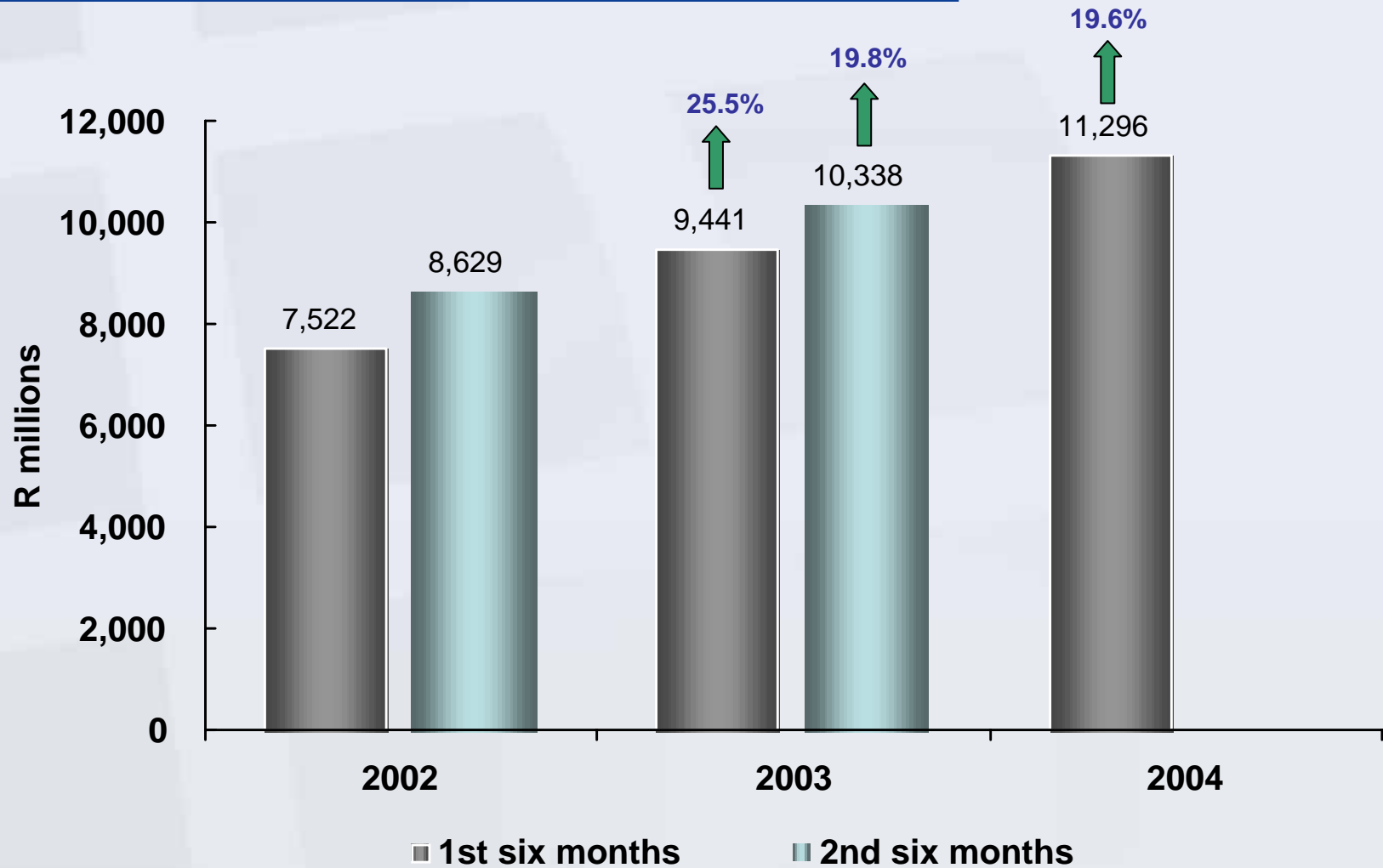
# Financial highlights

<i>R million</i>	Sep 2002	Sep 2003
Revenue growth	25.5%	19.6%
EBITDA margin	32.1%	32.7%
Profit from operations margin	19.5%	21.7%
Net debt to equity	66.8%	34.7%
Capital expenditure as a % of revenue	18.2%	10.0%

- Interim dividend of R600 million

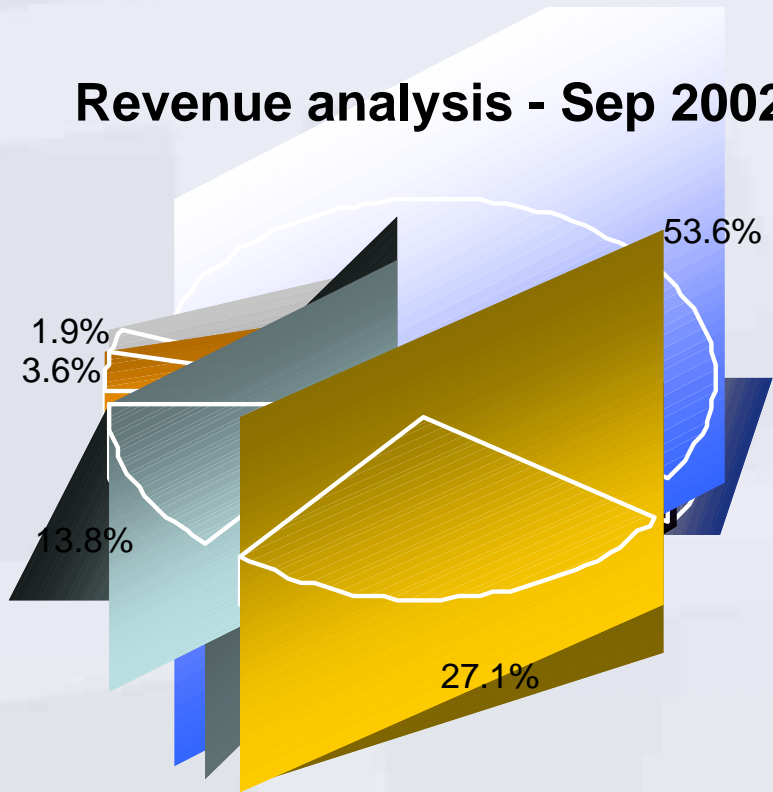


# Group revenue

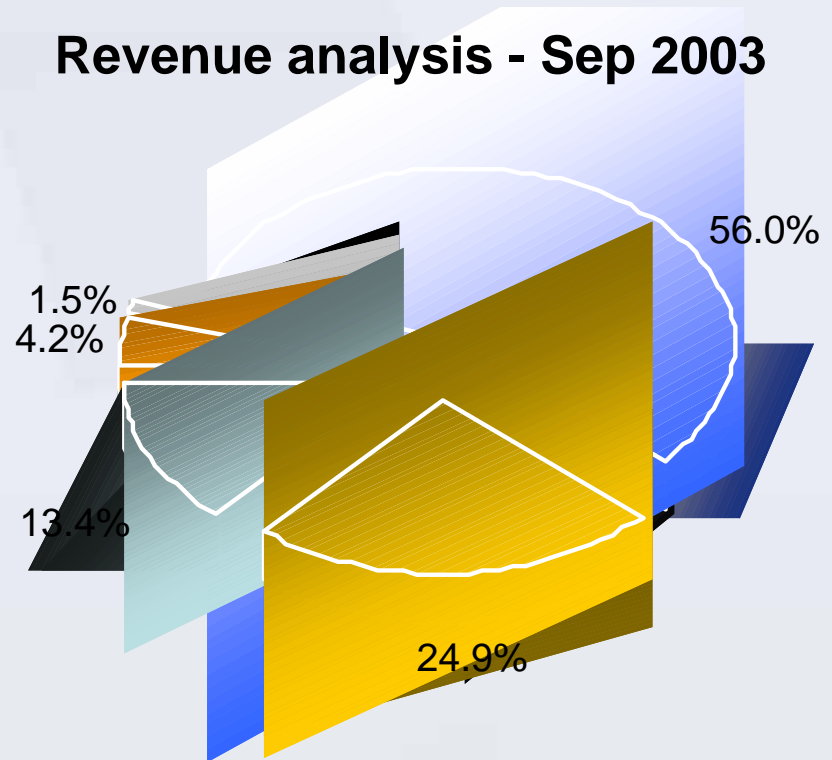


# Group revenue

## Revenue analysis - Sep 2002



## Revenue analysis - Sep 2003



■ Airtime and access    
 ■ Interconnect revenue    
 ■ Equipment sales    
 ■ International airtime    
 ■ Other



## Marginal change in mix



# Group revenue analysis

<i>R million</i>	Sep 2002	Sep 2003	% change
South Africa	8,892	<b>10,605</b>	19.3
Tanzania	408	<b>431</b>	5.6
Congo	95	<b>205</b>	115.8
Lesotho	46	<b>55</b>	19.6
Vodacom Group	9,441	<b>11,296</b>	19.6

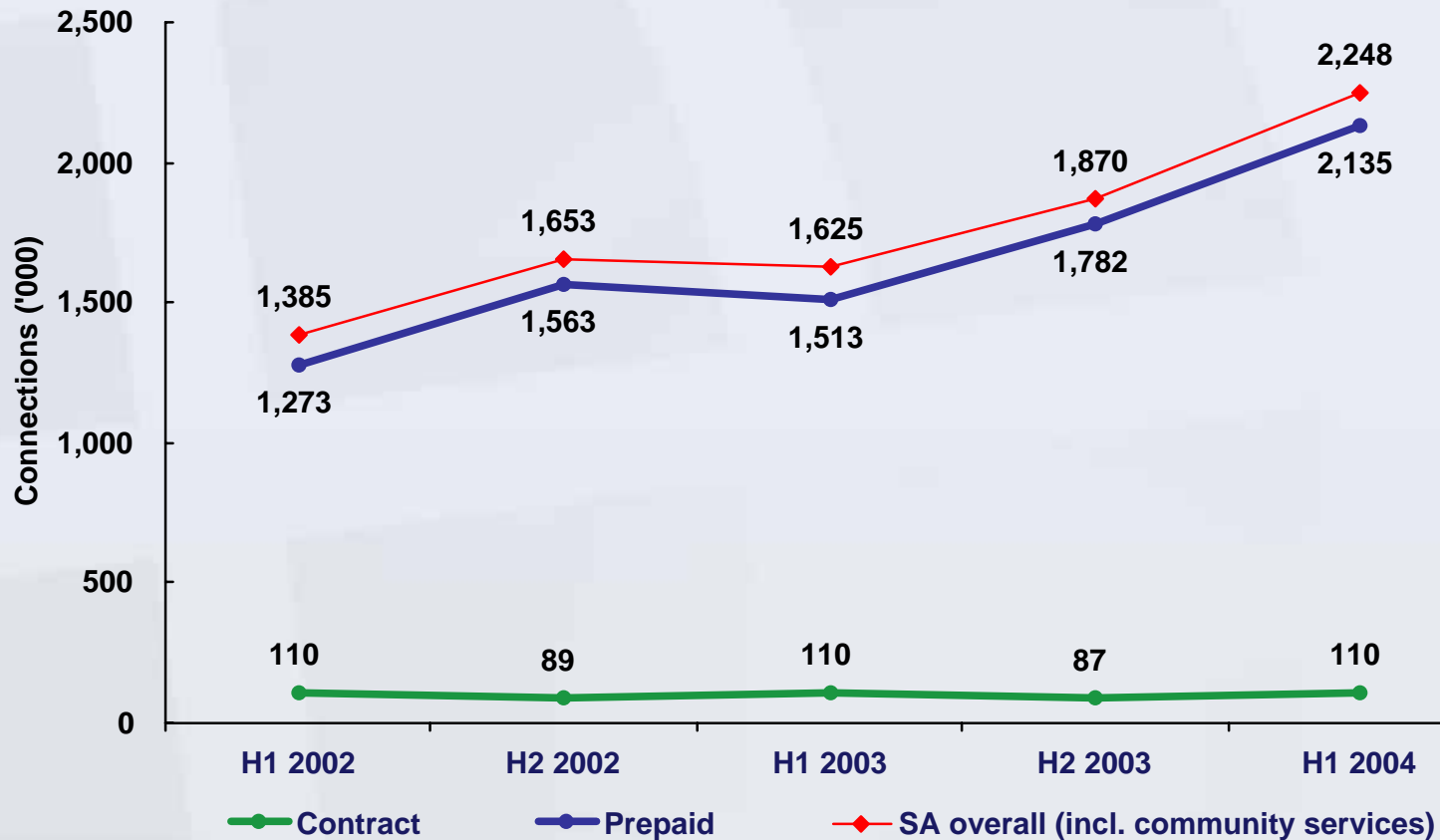


**Other African operations contribution: 6.1%**



# SA gross connections analysis

## Six-monthly gross connections

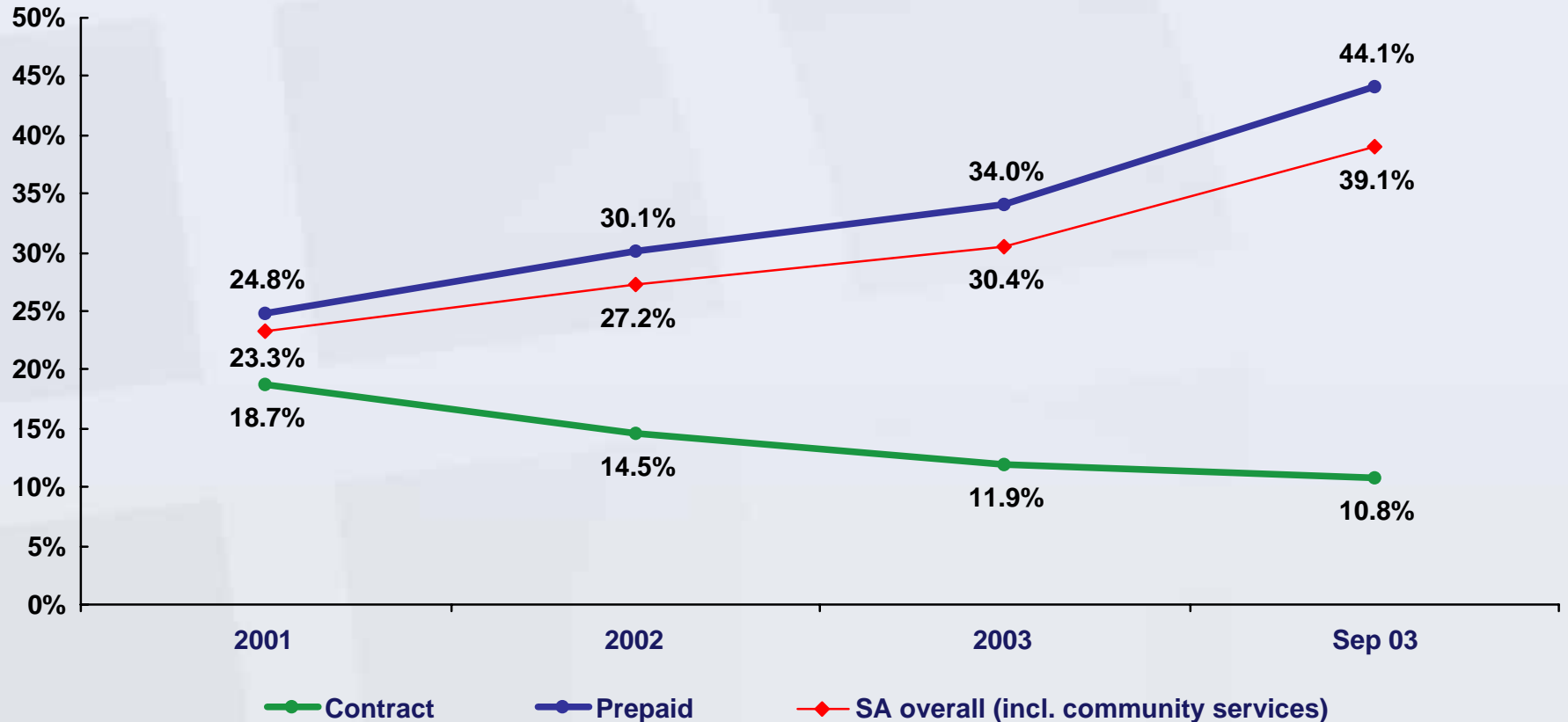


Exceptional gross connections



# SA churn analysis

## YTD churn trends

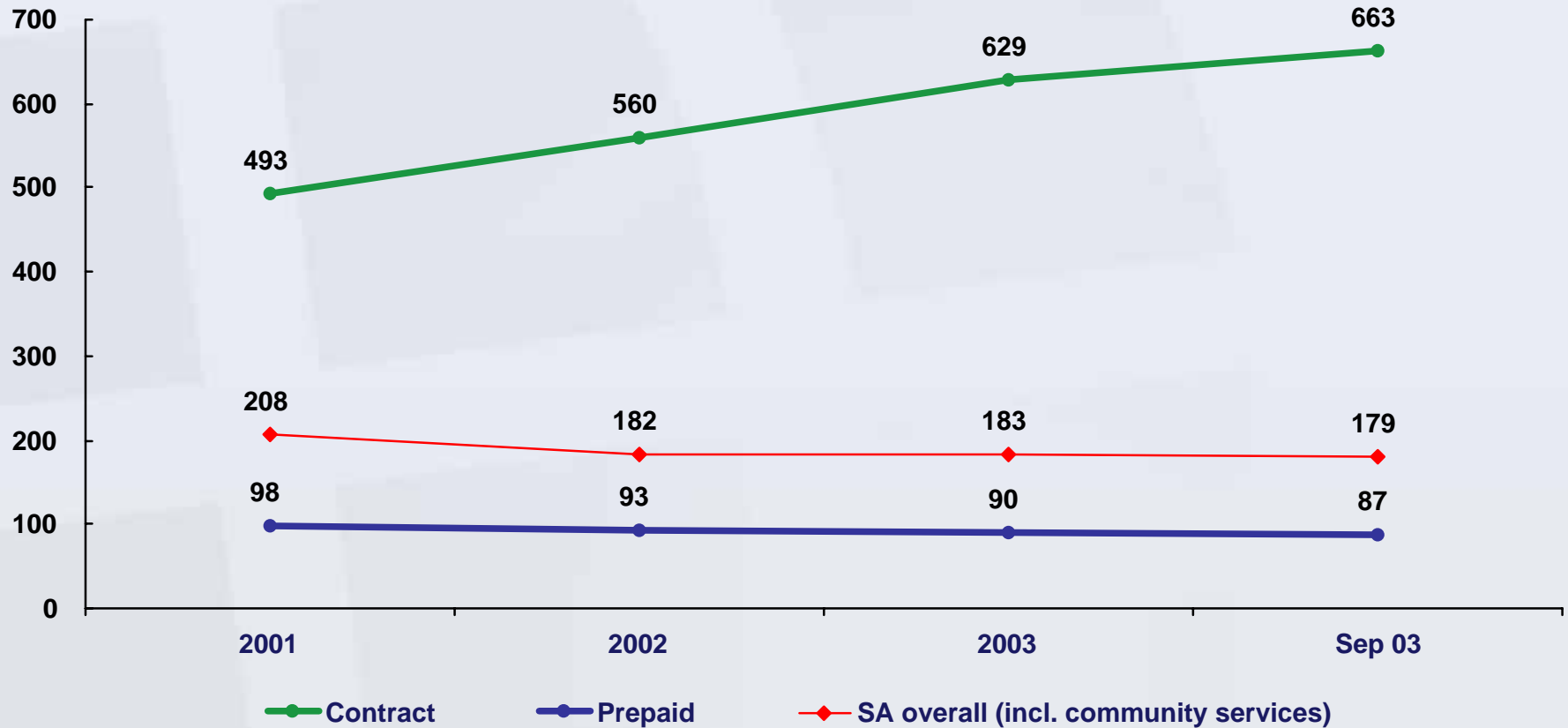


Contained contract churn



# SA ARPU analysis

## YTD ARPU trends



Increased contract ARPU



# Increasing profits

- **Strong EBITDA performance**

- Increasing by 22.2% from the prior year

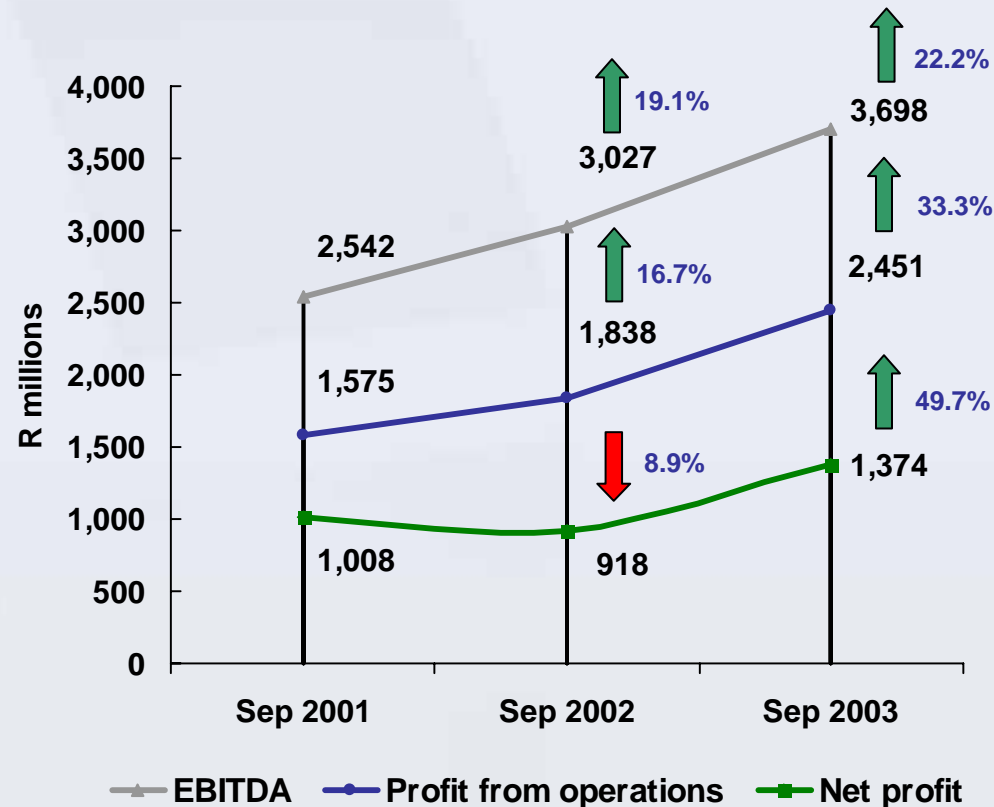
- **Very good operating profit performance**

- Increasing by 33.3% from the prior year

- **Excellent net profit performance**

- Increasing by 49.6% from the prior year

Six-monthly profitability



Profits driven by SA operational success





# Profit from operations analysis

<i>R million</i>	Sep 2002	Sep 2003	% change
South Africa	1,965	<b>2,502</b>	27.3
Tanzania	60	<b>54</b>	(10.0)
Congo	(84)	<b>(6)</b>	92.9
Lesotho	1	-	-
Holding Companies	(104)	<b>(99)</b>	4.8
Vodacom Group	1,838	<b>2,451</b>	33.4
<i>Profit from operations margin</i>	19.5%	<b>21.7%</b>	



**Other African operations contribution: nil**



# EBITDA analysis

<i>R million</i>	Sep 2002	Sep 2003	% change
South Africa	2,949	<b>3,540</b>	20.0
Tanzania	130	<b>122</b>	(6.2)
Congo	(56)	<b>33</b>	158.9
Lesotho	14	<b>12</b>	(14.3)
Holding Companies	(10)	<b>(9)</b>	10.0
Vodacom Group	3,027	<b>3,698</b>	22.2
<i>EBITDA margin</i>	32.1%	<b>32.7%</b>	



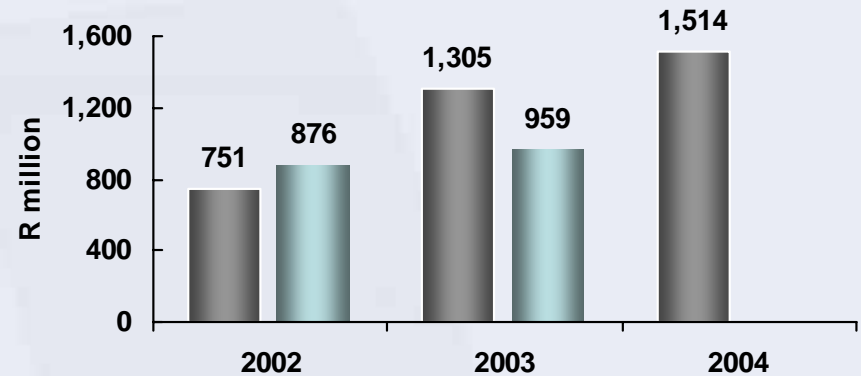
**Other African operations contribution: 4.3%**



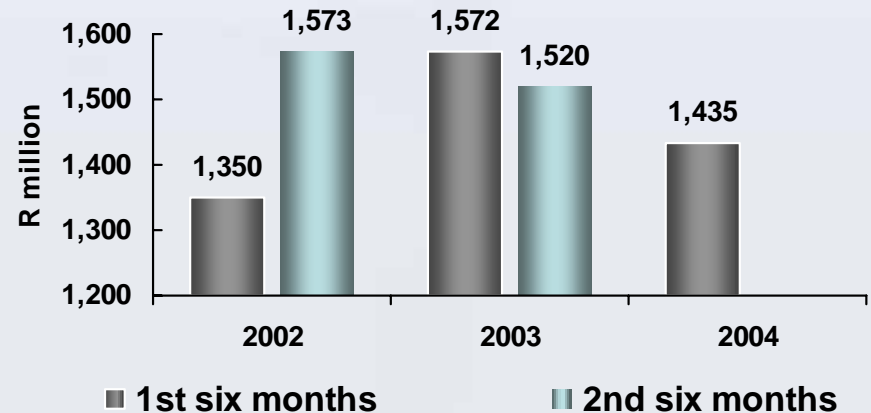
# Factors affecting the trends

- Fluctuating low margin equipment sales
- Change in traffic mix continuing
- Net interconnect revenue continuing to decline
- Competition in all markets

Six-monthly equipment sales

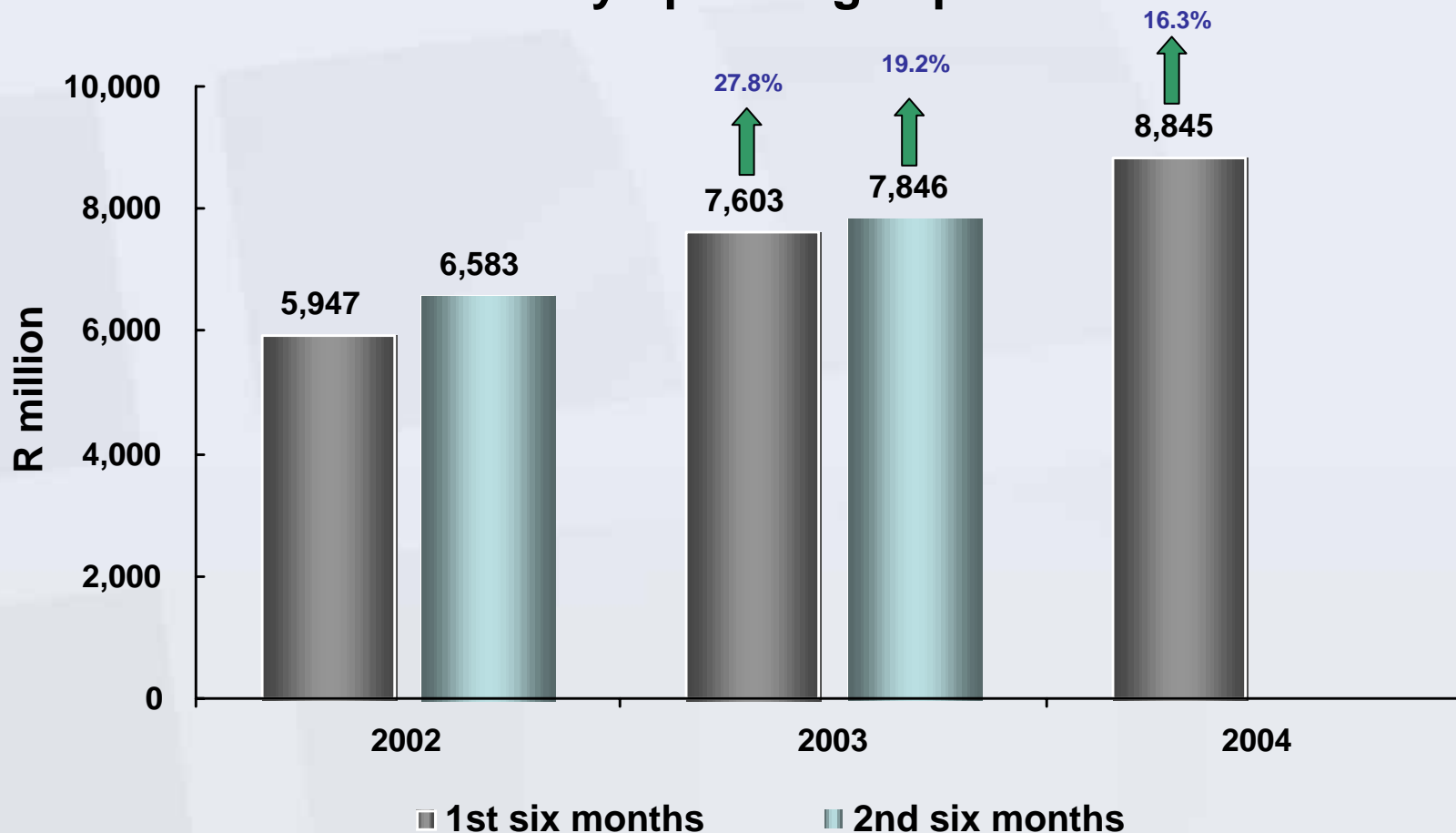


Six-monthly net interconnect revenue



# Group operating expenses

## Six-monthly operating expenditure

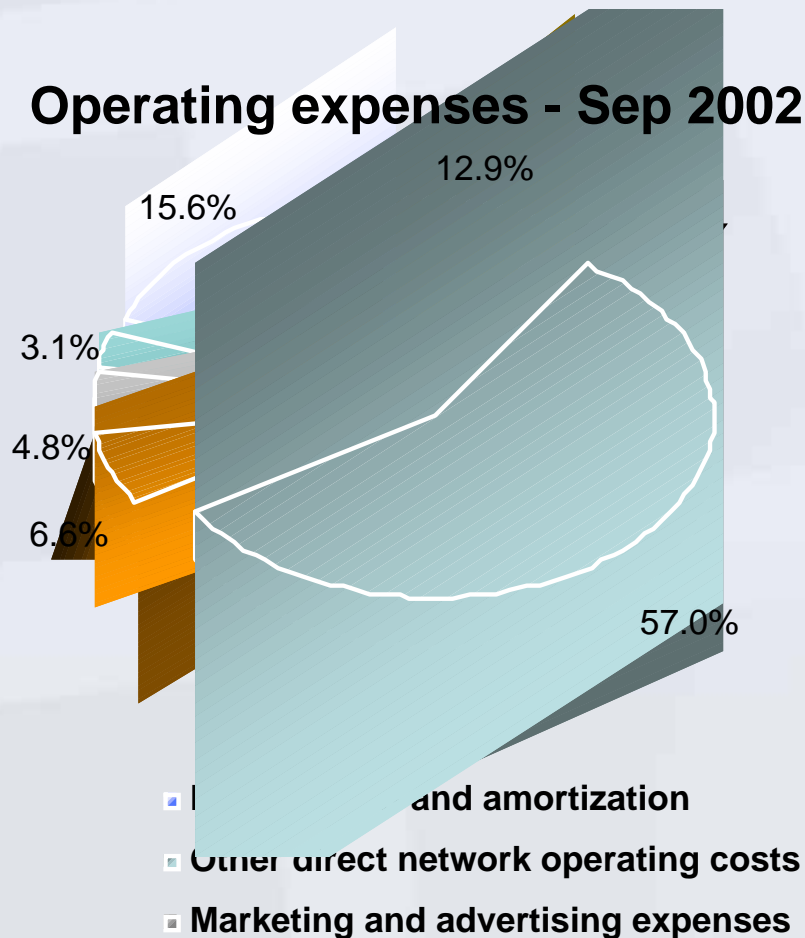


Seasonal cycle less pronounced

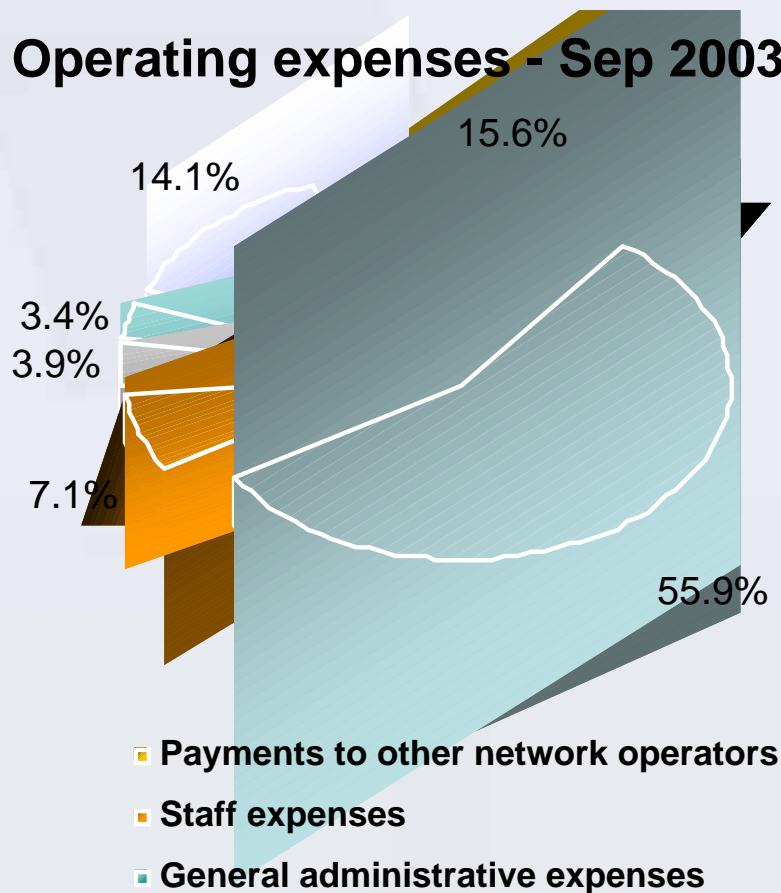


# Group operating expenses

## Operating expenses - Sep 2002

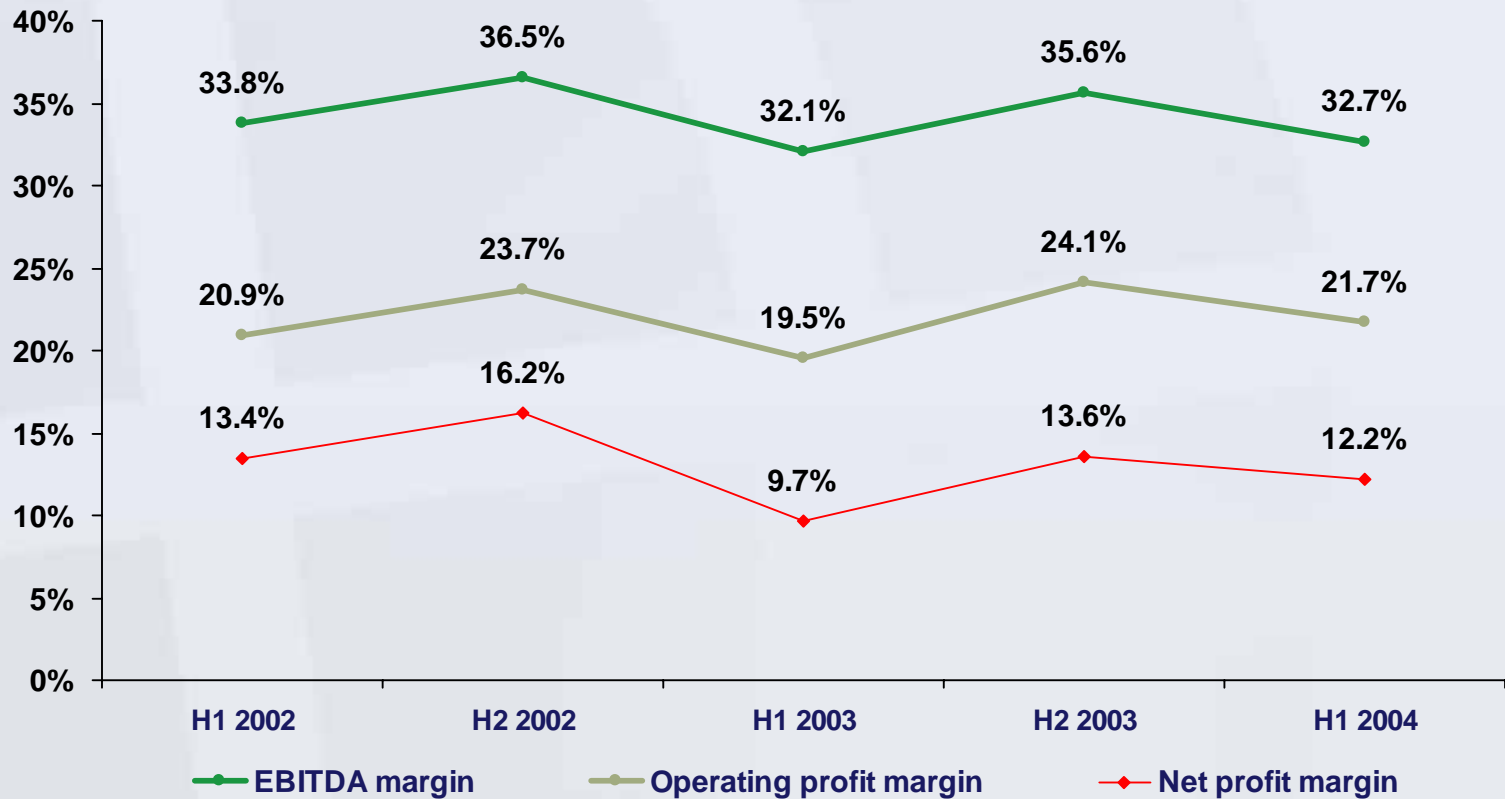


## Operating expenses - Sep 2003



# Margin analysis

## Six-monthly margins



# Impact of Rand strength

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- **Capex purchases**

- Slowing and benefiting from Rand strength

- **FEC book**

- Reduced to R801 million from R2.0 billion at September 2002

- **IAS 39 effect smaller due to smaller FEC book and slowing capex**

- **Tanzania**

- Revenue up 45.2% in USD but only up 5.6% in Rand
- Profit from operations up 22.4% in USD, but down 10.0% in Rand

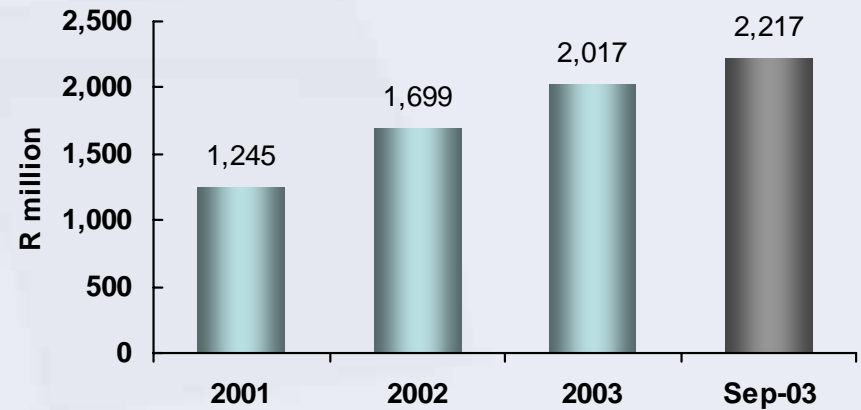
- **Congo**

- Revenue up 198.4% in USD and up 115.8% in Rand
- Profit from operations up 92.9% in USD, and up 91.6% in Rand
- Impact positive because of losses from operations, however losses greatly reduced

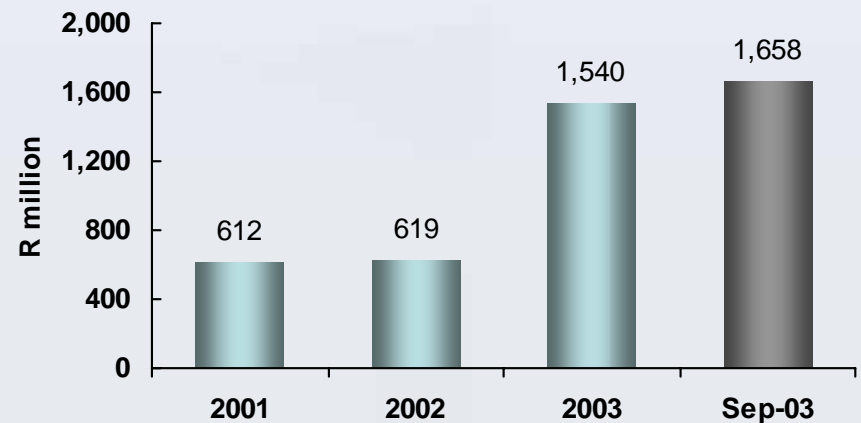
# Improving efficiencies

- Again improved SA customers per employee
- Other African operations making good progress
- SA cumulative network capex per customer down 5.3% to R1,876

SA Customers per employee



Other African customers per employee





# Net debt composition and maturity

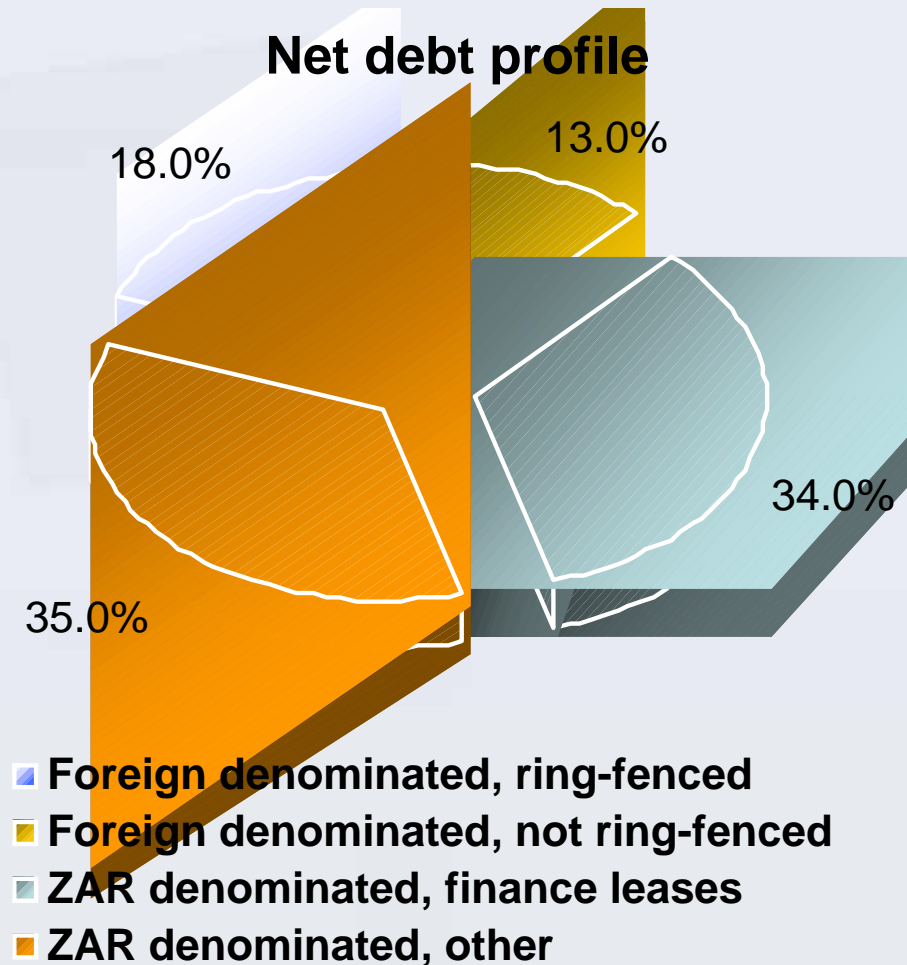
<i>R million</i>	2004	2005	2006	2007	2008	>2009	Total
South African finance leases	20.2	37.1	62.3	93.4	129.0	550.2	<b>892.2</b>
Vodacom Tanzania	66.8	88.8	113.3	104.9	48.4	83.3	<b>505.5</b>
Vodacom Congo	580.7	72.0	-	-	-	-	<b>652.7</b>
Net bank and cash	569.3						<b>569.3</b>
<b>Net debt</b>	<b>1237.0</b>	<b>197.9</b>	<b>175.6</b>	<b>198.3</b>	<b>177.4</b>	<b>633.5</b>	<b>2,619.7</b>

Note: Net bank and cash include balances from all of Vodacom's operations as well as non interest-bearing debt



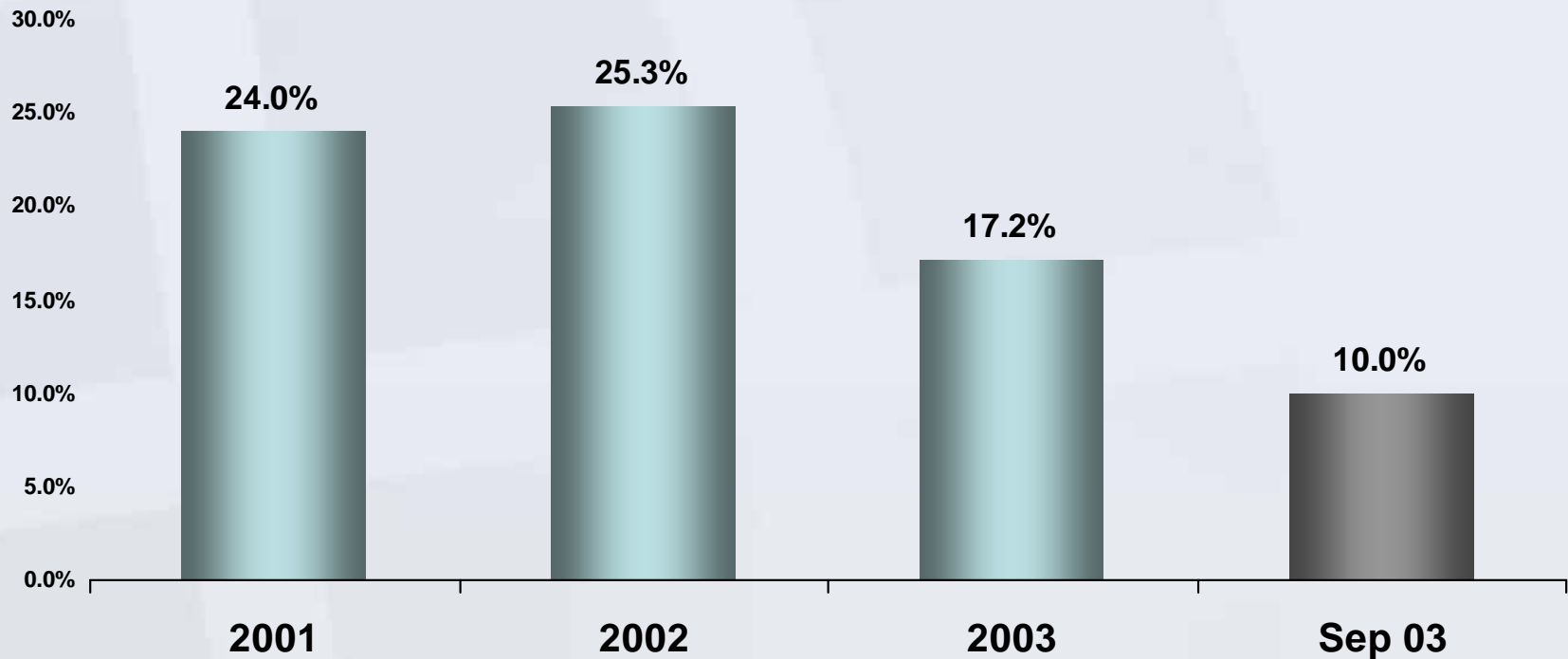
# Net debt profile

- In the process of procuring non-recourse project finance for Vodacom Mozambique and Vodacom Congo
- All shareholder loans repaid
- 49% of Vodacom Congo debt is off balance sheet



# Slowing capital expenditure

Capital expenditure (excl. intangibles) as a % of revenue

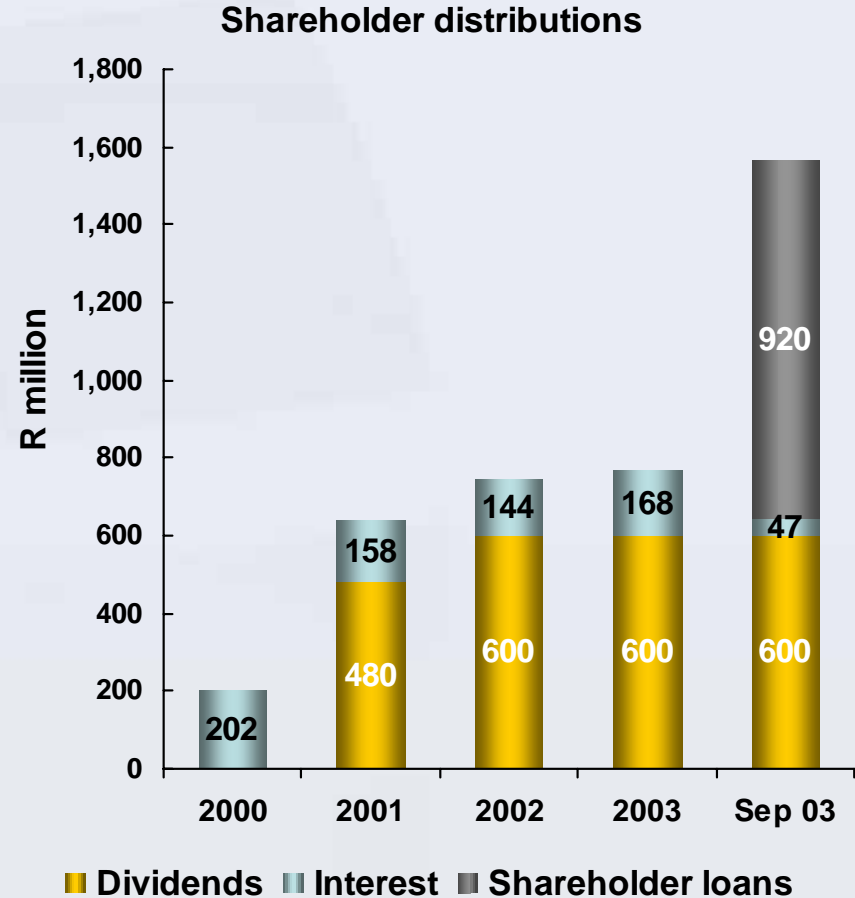


Strong cash generation

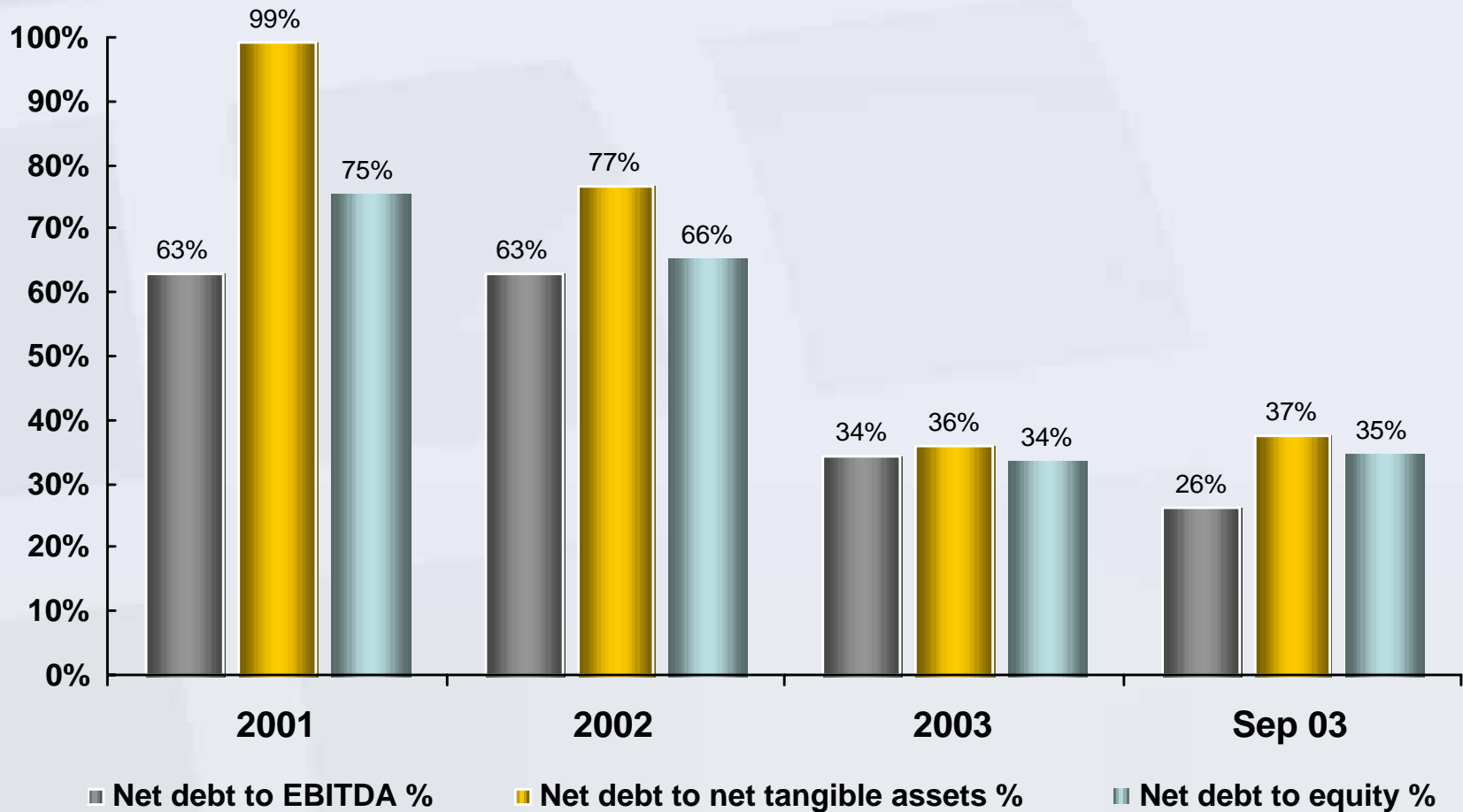


# Shareholder distributions

- Paid out R600 million 2003 final dividend June 30, 2003
- Repaid R920 million shareholders loan June 30, 2003
- Paid out R600 million 2004 interim dividend September 30, 2003
- Expect to continue paying dividends



# Strong balance sheet



37 **Position after payments made to shareholders of R2.2 billion in last six months**



# Questions?

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