*A CULTURE OF MOBILITY*

# Vodacom Group (Proprietary) Limited

for the year ended March 31, 2006
June 5, 2006

# 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

## For the year ended March 31, 2006 vs. prior year

**Total customers**

23.5 million

51.9%

**Revenue**

R34.0 billion

24.6%

**Profit from operations**

R8.9 billion

36.9%

**Profit from operations margin**

26.0%

2.3% pts

**Net profit after tax**

R5.1 billion

32.0%

**Dividends**

R4.5 billion

32.4%

- **High gross connections: increase of 50.9% year on year to 11.8 million**
- **Low churn: decrease of 7.2% points year on year to 19.6%**

# Vodacom South Africa tariff reductions

## Contract packages: Happy hours (Monday to Friday: 5pm – 8pm)

| | |
|---|---|
| Business | 13.4% - 21.6% |
| Talk packages | 16.8% - 29.1% |
| Weekender & Family | 17.2% - 35.2% |

# Vodacom South Africa tariff reductions (continued)

## Prepaid packages

| | | |
|---|---|---|
| Vodago & Smartstep | Happy hours | 41.6% - 51.3% |
| 4U Prepaid | Peak On-net | 8.0% |
| | Peak Off-net | 16.9% |
| | Happy hours | 54.2% |

## Data packages

- From 03/04 to 04/05 up to ±90% reduction in data tariffs
- Currently in-bundle data ranging from R0.47 to R1.75 per MB
- This will decrease to range from R0.39 to R1.40 from June 1, 2006

# Consistent delivery on strategy

**Revenue growth**

- Market penetration
- Market share
- The continuous introduction of new high-utility services
- High speed mobile data - HSDPA
- Brand and distribution
- Continued search for new opportunities in Africa

**Margin management**

- Leveraging economies of scale
- Optimising efficiencies
- Productivity up 38.9% to 4,308 customers per employee

**Strategy underpinned by:**

**Market leadership**

**Strong brand**

**Strong distribution**

# Vodacom South Africa customer registration

- Proposed requirement

  Obligation to register new and historic customers will become effective on June 30, 2006 in terms of the Regulation of Interception of Communications and Provision of Communication-related Information Act (“RICA”)

- Proposed RICA requirements

  Prohibit use of handsets and SIM cards on network if not registered

  Following information to be captured in respect of SIM cards and / or handsets:

  - Full names and surname
  - ID number
  - Residential address and business and postal address

  Face to face verification of details

  Registration period of 12 months starting June 30, 2006 for total historical customer base vodacom

# Mobile TV

- Convergence of broadcasting and telecoms
- Access to content very important
- Mobile TV technologies

  3G (± 13,000 customers watched Zuma verdict on their Vodacom cellphones)

  MBMS

  DVB-H
- Launched 3G Mobile TV in December 2005
- Trial DVB-H, together with Multichoice

# South Africa – market share 58%

Population 46.9 million, penetration 70.6%

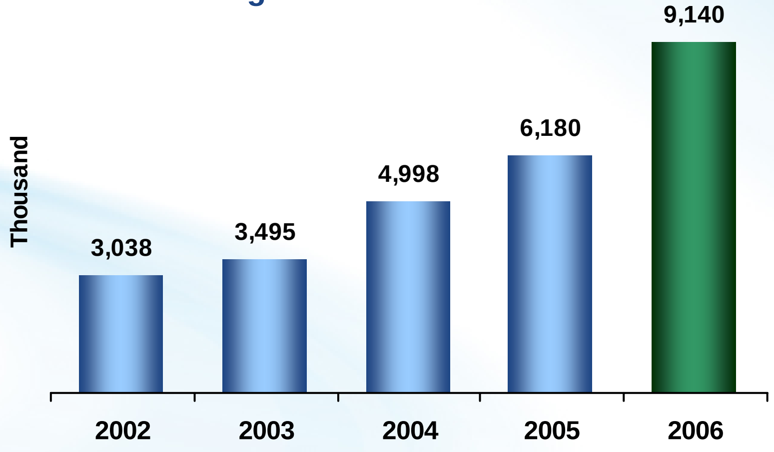
| | 2005 | 2006 | % change | |
|---|---|---|---|---|
| • Total customers | 12.8 million | 19.2 million | 49.3% | ↑ |
| • Revenue | R25,041 million | R31,069 million | 24.1% | ↑ |
| • Profit from operations | R6,618 million | R8,602 million | 30.0% | ↑ |
| • ARPU | R163 | R139 | 14.7% | ↓ |
| • Customers per employee | 3,247 | 4,619 | 42.3% | ↑ |
| • Capex per customer | R1,515 | R1,257 | 17.0% | ↓ |
| • Capex as a % of revenue | 11.1% | 14.1% | 3.0% pts | ↑ |

- **Gross connections: 8.4 million prepaid and 702 thousand contract customers**
- **Increase of 2% points in market share to 58%**

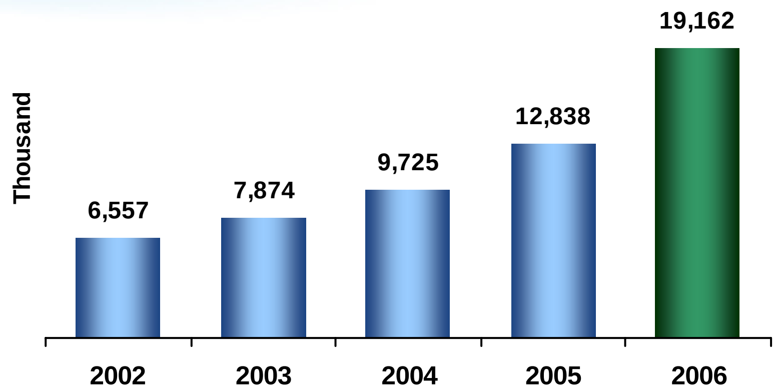
# Strong South Africa operational indicators

- Gross connections up 47.9% year on year to a record high of 9.1 million
- Customers up 49.3% year on year to 19.2 million
- Total traffic increased by 20.0% year on year to 17.1 billion minutes

**South Africa gross connections**



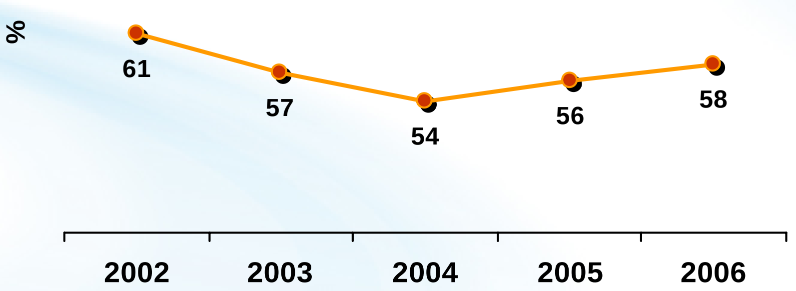

**South Africa customers**



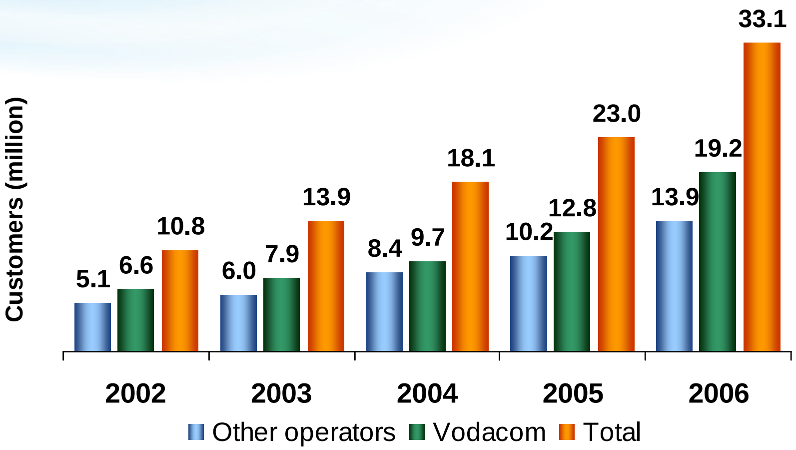
# South Africa market estimated at 43 million by 2011

- Vodacom strategically placed for continued market leadership
  - Lowest cost operator
  - Extensive distribution
  - Market share defence
  - Key market and focus
  - Strong recognised brand
  - Established management team
- Potential for further growth
  - Continued growth in voice revenues
  - Continued data and associated technologies focus: 3G, HSDPA, BlackBerry®, Mobile TV and Vodafone live!, etc

South Africa market share

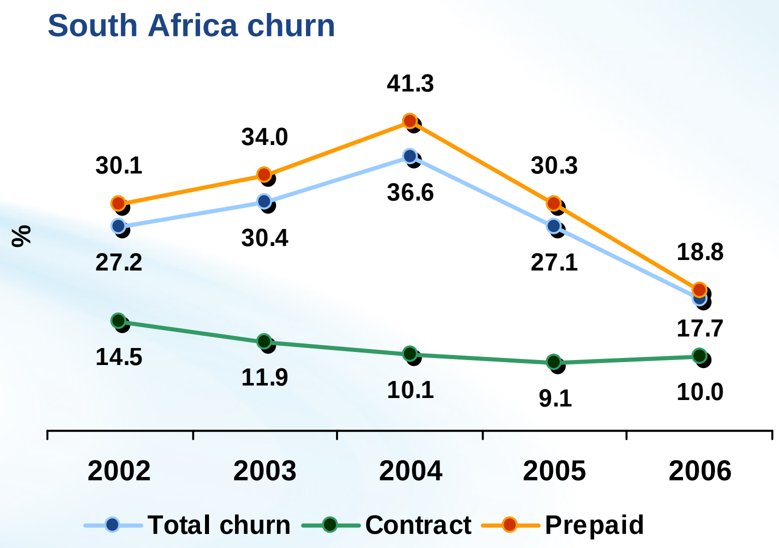



Impressive mobile market growth



# Improved South Africa churn

- Contract churn slightly higher at 10.0%
- Prepaid churn decreased to 18.8%
- Contract inactive customers increased from 1.5% in March 2005 to 2.4%
- Prepaid inactive customers increased from 9.0% in March 2005 to 9.6% in March 2006



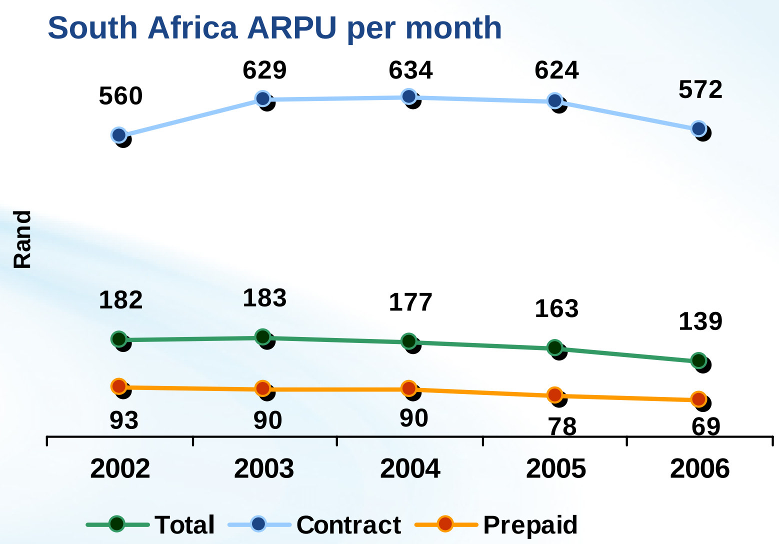
# Lower South Africa ARPU

- Prepaid ARPU decreased 11.5% year on year to R69
- Contract ARPU decreased 8.3% year on year to R572
- Total ARPU decreased 14.7% year on year to R139

  Lower incoming revenue per customer

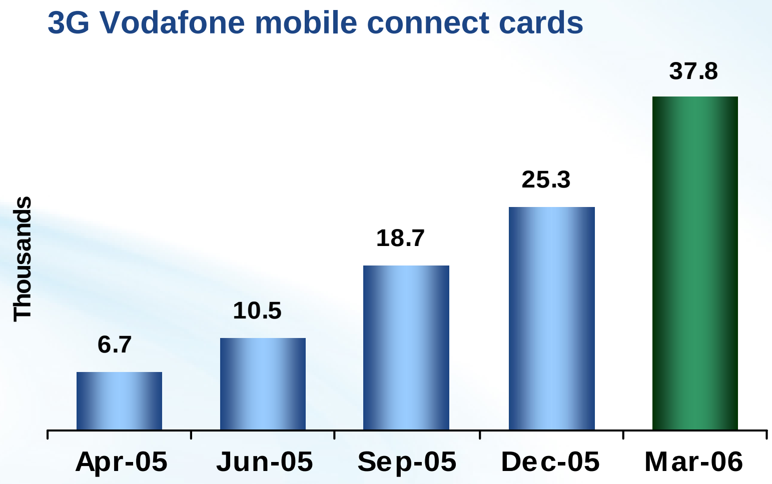
  Lower average usage

  Customer mix

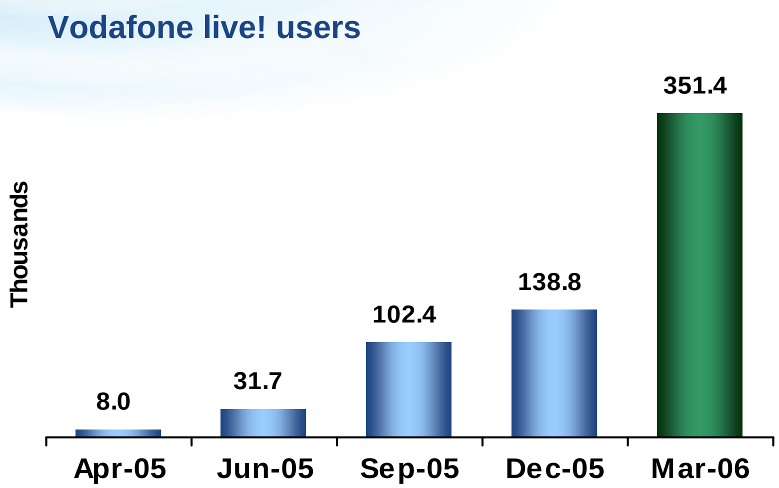


# 3G and Vodafone live!

- Over 32 thousand increase in 3G Vodafone mobile connect cards from March 2005 to 38 thousand
- Over 179 thousand 3G active handsets




- Over 351 thousand Vodafone live! users
- Over 12 thousand Mobile TV users



# Tanzania – market share 58%

Population 39.2 million, penetration 9.2%

| | 2005 | 2006 | % change | |
|---|---|---|---|---|
| • Total customers | 1,201,000 | 2,091,000 | 74.1% | ↑ |
| • Revenue | R959 million | R1,312 million | 36.8% | ↑ |
| • Profit from operations | R183 million | R263 million | 43.7% | ↑ |
| • ARPU | R81 | R67 | 17.3% | ↓ |
| • Customers per employee | 3,532 | 4,774 | 35.2% | ↑ |
| • Capex per customer | R1,131 | R719 | 36.4% | ↓ |
| • Capex as a % of revenue | 24.4% | 24.3% | 0.1% pts | ↓ |

- **Substantial growth in customers and profitability**
- **Competitive market**
- **Regulatory and fiscal environment stabilised**

# Democratic Republic of Congo (DRC) – market share 48%

Population 59.5 million, penetration 5.5%

| | 2005 | 2006 | % change | |
|---|---|---|---|---|
| • Total customers | 1,032,000 | 1,571,000 | 52.2% | ↑ |
| • Revenue | R1,075 million | R1,334 million | 24.1% | ↑ |
| • Profit from operations | R50 million | R117 million | 134.0% | ↑ |
| • ARPU | R98 | R86 | 12.2% | ↓ |
| • Customers per employee | 1,958 | 3,279 | 67.5% | ↑ |
| • Capex per customer | R1,705 | R1,273 | 25.3% | ↓ |
| • Capex as a % of revenue | 31.2% | 20.5% | 10.7% pts | ↓ |

- **Entrenched market position in a competitive market**
- **Upcoming elections**
- **Challenging political and fiscal environment**

# Lesotho – market share 80%

Population 2.0 million, penetration 12.9%

| | 2005 | 2006 | % change | |
|---|---|---|---|---|
| • Total customers | 147,000 | 206,000 | 40.1% | |
| • Revenue | R137 million | R170 million | 24.1% | |
| • Profit from operations | R25 million | R51 million | 104.0% | |
| • ARPU | R92 | R78 | 15.2% | |
| • Customers per employee | 2,333 | 3,071 | 31.6% | |
| • Capex per customer | R1,434 | R1,092 | 23.8% | |
| • Capex as a % of revenue | 7.3% | 15.2% | 7.9% pts | |

- **Performance improved substantially**
- **Significant growth in customers**
- **Paid dividend of R7.5 million**

# Mozambique – market share 30%

Population 19.4 million, penetration 8.4%

| | 2005 | 2006 | % change |
|---|---|---|---|
| • Total customers | 265,000 | 490,000 | 84.9% |
| • Revenue | R103 million | R 158 million | 53.4% |
| • Loss from operations | (R454 million) | (R144 million) | 68.3% |
| • ARPU | R52 | R36 | 30.8% |
| • Customers per employee | 2,431 | 2,885 | 18.7% |
| • Capex per customer | R2,625 | R1,235 | 53.0% |
| • Capex as a % of revenue | 109.7% | 76.8% | 32.9% pts |

- **Competitive network coverage and quality**
- **Significant growth in customers**
- **Rebuilding distribution channel**

## Financial review

Leon Crouse

Chief Financial Officer

# Accounting changes

For the year ended March 31, 2006

| R million | Balance sheet | Profit from operations |
|---|---|---|
| **Prior year adjustments (before taxation):** | | |
| IAS 17: Leases (retained earnings) | **93.5** | |
| IAS 38: Intangible assets: cost (at March 31,2005) | **2,123.3** | |
| : accumulated depreciation | **(1,419.8)** | |
| **Current year adjustments:** | | (26.1) |
| IAS 16: Property, plant and equipment | | (163.4) |
| IAS 19: Long-term incentives | | 139.0 |
| IAS 17: Leases | | (1.7) |

**Combined effect of IFRS changes had a positive impact of R26.1 million on current year profit from operations**

*Note: Prior years restated according to latest IFRS requirements. Impact on profit from operations immaterial*

# Group income statements

Extracts for the years ended March 31,

| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| **Revenue** | 22,855 | 27,315 | **34,043** | 24.6% |
| Operating expenses excluding depreciation, amortisation and impairment | (15,098) | (17,725) | **(22,234)** | (25.4%) |
| **EBITDA** | 7,757 | 9,590 | **11,809** | 23.1% |
| Depreciation and amortisation | (2,532) | (2,844) | **(2,996)** | (5.3%) |
| Impairment | – | (268) | **53** | 119.8% |
| **Profit from operations** | 5,225 | 6,478 | **8,866** | 36.9% |
| Net finance (costs) / income | (451) | 21 | **(659)** | n/a |
| **Profit before tax** | 4,774 | 6,499 | **8,207** | 26.3% |
| Taxation | (1,722) | (2,613) | **(3,078)** | (17.8%) |
| **Net profit** | **3,052** | **3,886** | **5,129** | **32.0%** |

- **Depreciation and amortisation excluding IAS 16 adjustment: R3.2 million; an increase of 11.1%**
- **Effective tax rate 37.5% vs. 40.2% prior year**

# Group revenue

## By country

| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| South Africa | 21,350 | 25,041 | **31,069** | 24.1% |
| Tanzania | 897 | 959 | **1,312** | 36.8% |
| DRC | 476 | 1,075 | **1,334** | 24.1% |
| Lesotho | 119 | 137 | **170** | 24.1% |
| Mozambique | 13 | 103 | **158** | 53.4% |
| | **22,855** | **27,315** | **34,043** | **24.6%** |

- **Revenue driven by strong customer growth**
- **Other African operations contributed 8.7% (2005: 8.3%)**

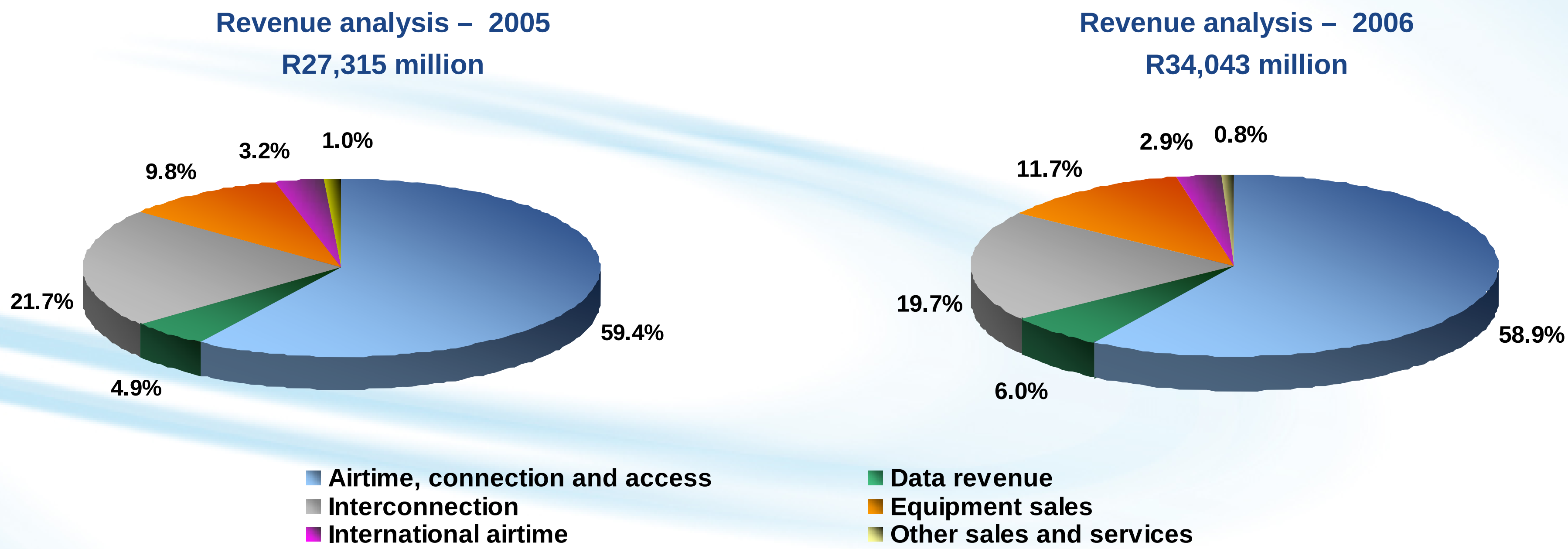
# Group revenue

## Revenue composition

| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| Airtime, connection & access | 12,738 | 16,191 | **20,085** | 24.1% |
| Data revenue | 1,039 | 1,340 | **2,038** | 52.1% |
| Interconnection | 5,785 | 5,924 | **6,697** | 13.0% |
| Equipment sales | 2,275 | 2,687 | **3,986** | 48.3% |
| International airtime | 659 | 887 | **971** | 9.5% |
| Other sales & services | 359 | 286 | **266** | (7.0%) |
| | **22,855** | **27,315** | **34,043** | **24.6%** |

# Group revenue

## By revenue type



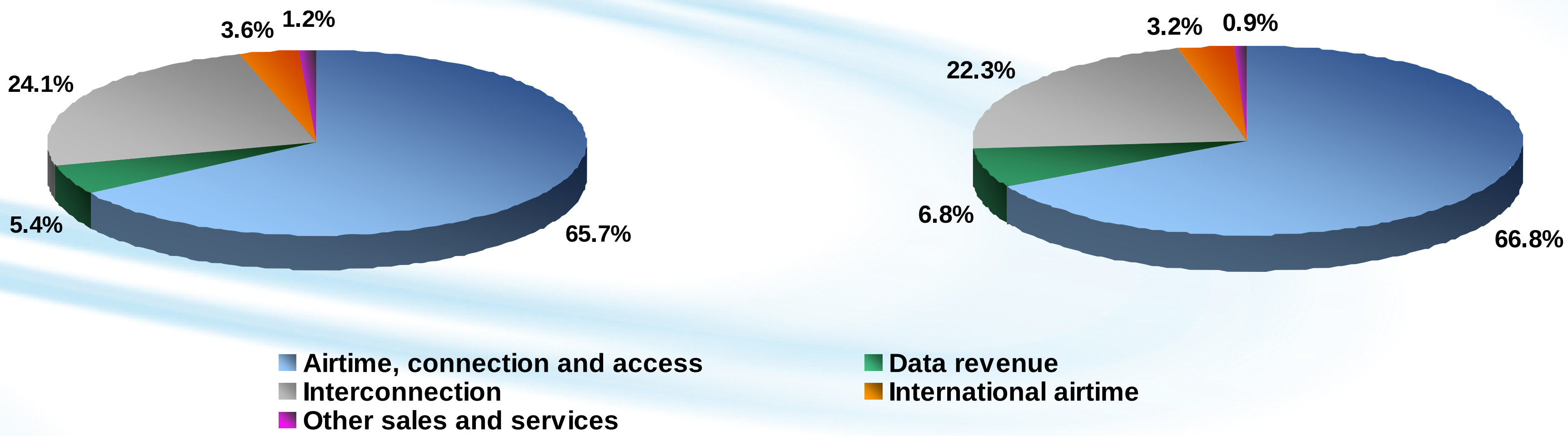

- **Airtime contribution down 0.5% points; revenue up 24.1% to R20.1 billion**
- **Interconnect contribution down 2.0% points; revenue up 13.0% to R6.7 billion**
- **Data contribution up 1.1% points; revenue up 52.1% to R2.0 billion**

# Group revenue (excluding equipment sales)

## By revenue type

**Revenue analysis – 2005**
**R24,628 million (excluding equipment sales)**

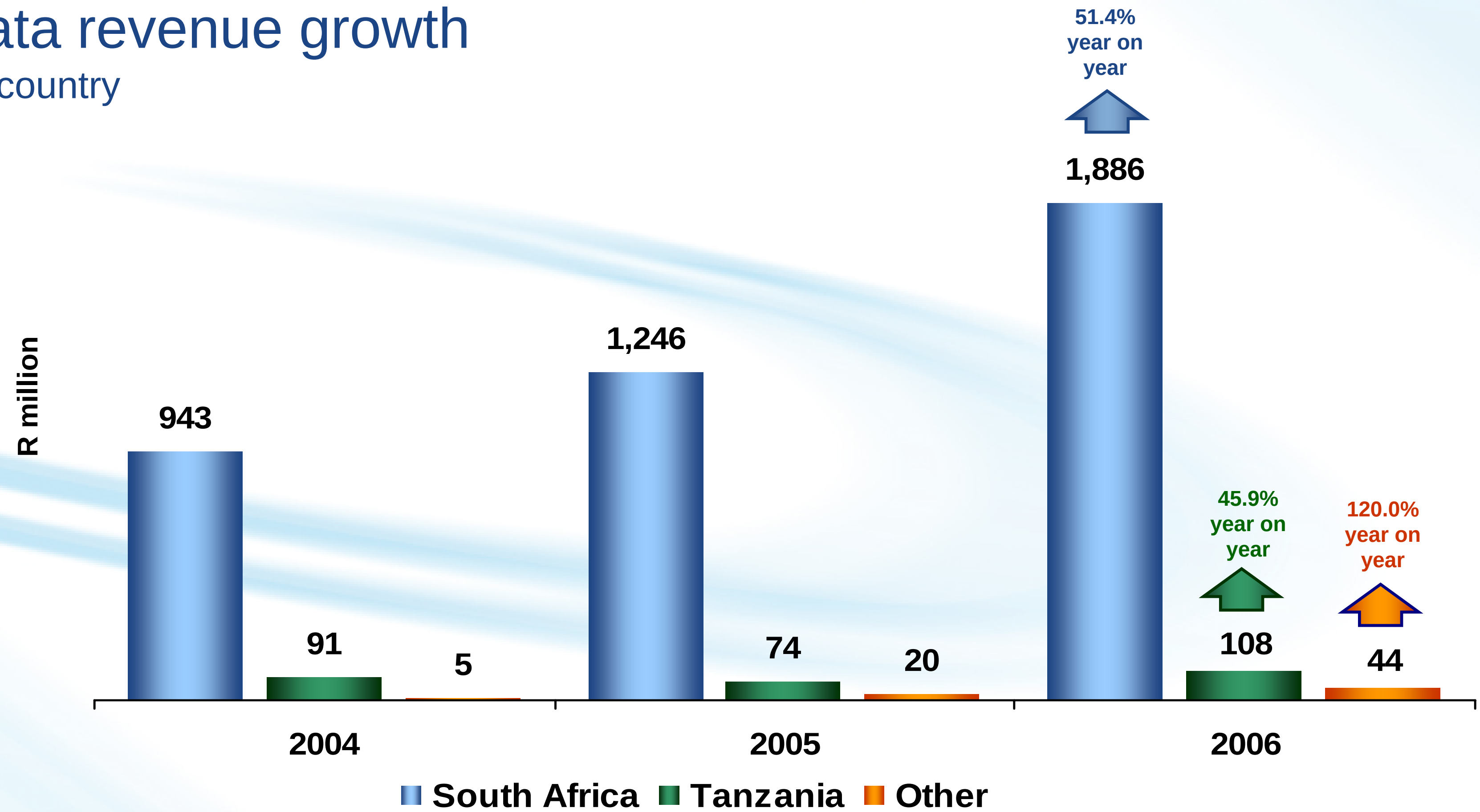
**Revenue analysis – 2006**
**R30,057 million (excluding equipment sales)**




- **Airtime contribution up 1.1% points; revenue up 24.1% to R20.1 billion**
- **Interconnect contribution down 1.8% points; revenue up 13.0% to R6.7 billion**
- **Data contribution up 1.4% points; revenue up 52.1% to R2.0 billion**

# Data revenue growth

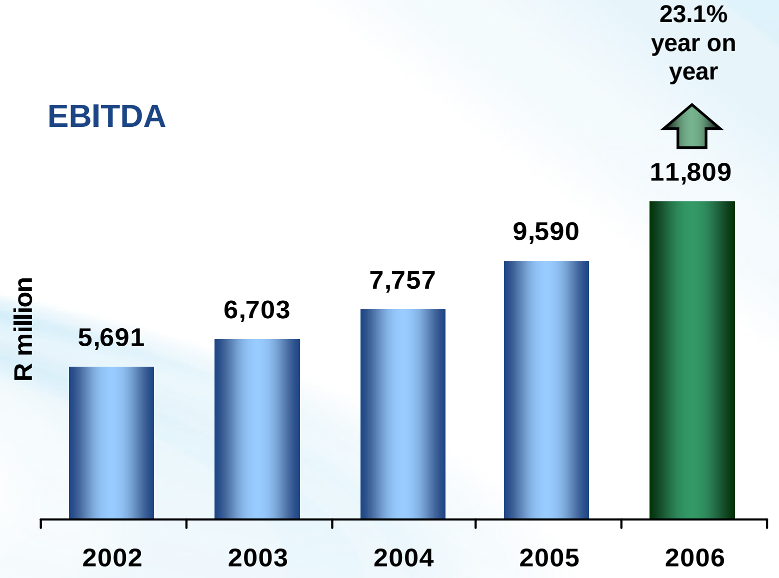
## By country

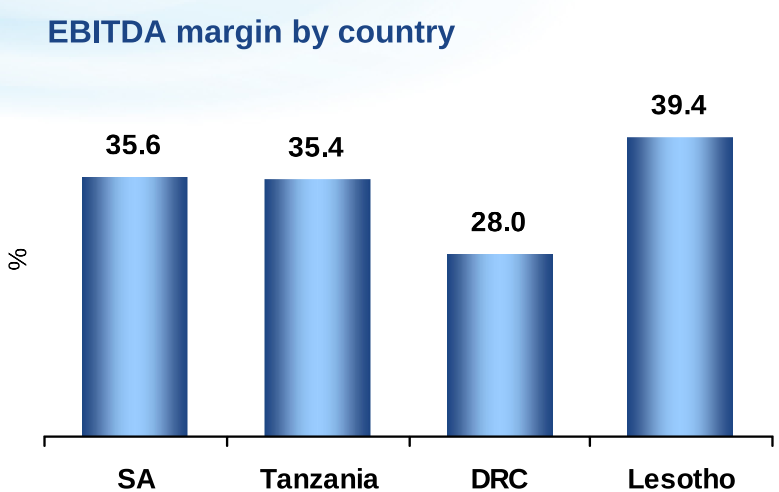



- **South Africa data revenue up 51.4%, due to customer growth and new technologies (3G, HSDPA, Vodafone live!, BlackBerry®, Mobile TV)**
- **Tanzania data revenue up 45.9% due to customer growth and increased data spend by customers**

# EBITDA growth and margin analysis

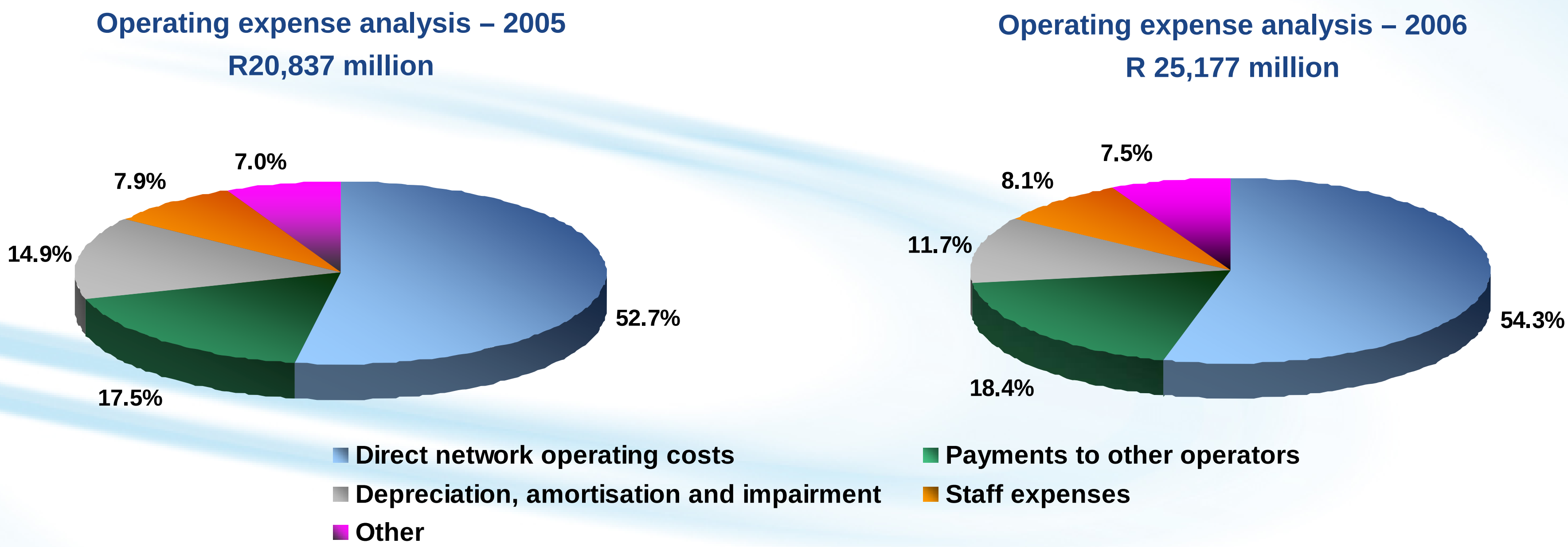
- Strong EBITDA performance
  Increased 23.1% year on year to R11.8 billion
  EBITDA margin decreased 0.4% points year on year to 34.7%
  EBITDA margin 39.9%, when excluding cellular phone and equipment sales
- South Africa EBITDA
  Increased 22.9% year on year to R11.1 billion
  EBITDA margin decreased 0.3% points year on year to 35.6%
- Improved EBITDA for other African operations
  Increased 45.3% year on year to R0.8 billion
  Contributed 6.6% of total vs. 5.6% for the same period in the previous financial year
  Mozambique EBITDA is negative R129 million



# Group operating expenses

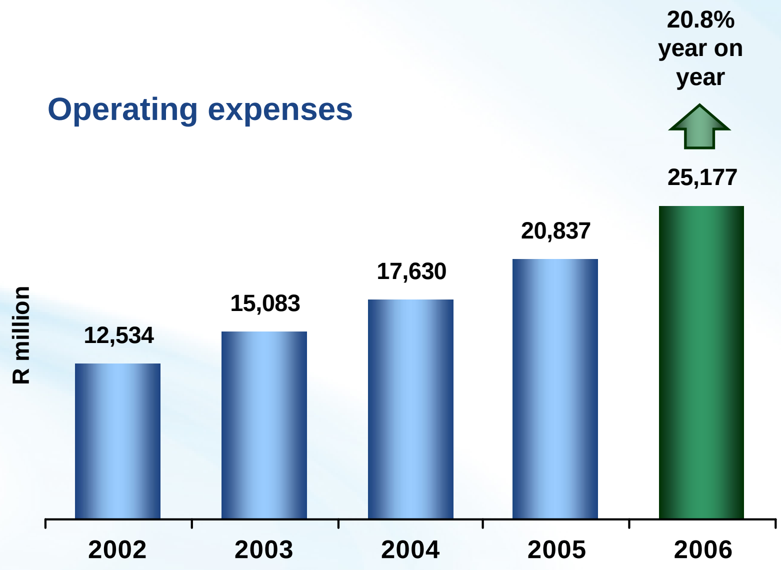
## By expense type

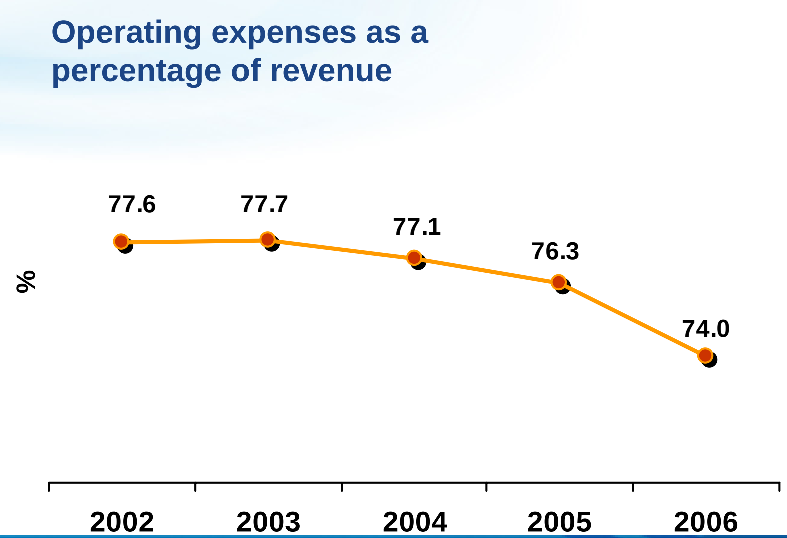



- **Direct network operating cost contribution up by 1.6% points; costs up 24.6% to R13.7 billion**
- **Payments to other operators contribution up 0.9% points; costs up 26.9% to R4.6 billion**
- **Depreciation, amortisation and impairment contribution down 3.2.% points; costs down 5.4% to R2.9 billion. Impairment R268 million vs. R53 million net reversal**

# Group operating expenses

- Depreciation, amortisation and impairment
  Decreased with 5.4% year on year to R2.9 billion
- Staff expenses
  Increased 23.5% to R2.0 billion
  Total headcount increased by 9.3% to 5,459
- Cost of connection and retention up 25%
- Expenses, excluding depreciation, amortisation and impairment up 25.4%
- Cost associated with new technologies such as transmission and Vodafone partnership costs – full year effect



# Group profit from operations

By country

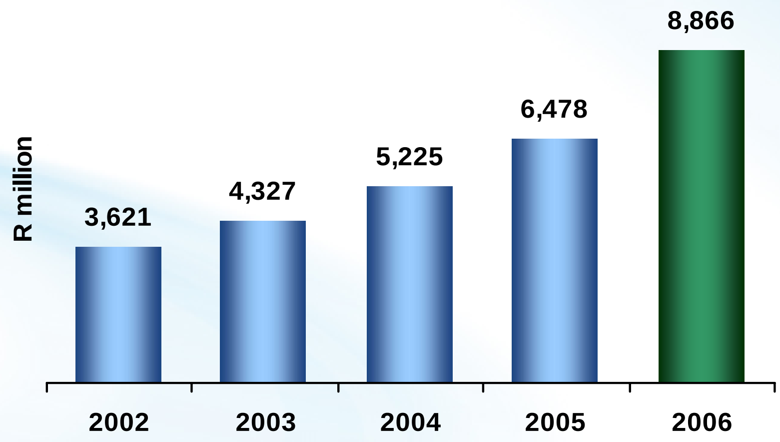
| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| South Africa | 5,272 | 6,618 | **8,602** | 30.0% |
| Tanzania | 135 | 183 | **263** | 43.7% |
| DRC | 10 | 50 | **117** | 134.0% |
| Lesotho | 1 | 25 | **51** | 104.0% |
| Mozambique | (88) | (454) | **(144)** | 68.3% |
| Holding companies | (105) | 56 | **(23)** | n/a |
| | **5,225** | **6,478** | **8,866** | **36.9%** |
| Profit from operations margin (%) | 22.9% | 23.7% | **26.0%** | 2.3% pts |

- **Customer growth of 51.9% to 23.5 million**
- **Revenue growth of 24.6% vs. operating expenses growth of 20.8%**

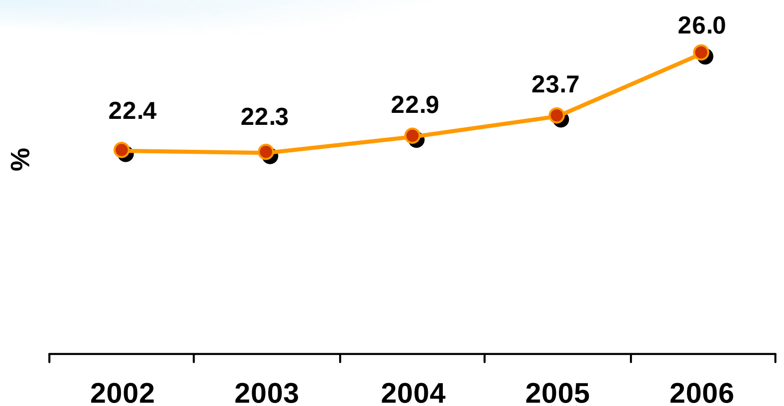
# Profit from operations and margin

- Profit growth of 36.9% year on year to R8.9 billion
- South Africa (30.0% year on year growth to R8.6 billion)
  Exceptional customer growth of 49.3%
  Operating expenses increased 22.7% vs. revenue growth of 24.1%
- Tanzania (43.7% year on year growth)
  74.1% growth in customers
  Profit margin increased to 20.0% (2005: 19.1%)
- DRC (134.0% year on year growth)
  52.2% growth in customers
  Profit margin increased to 8.8% (2005: 4.7%)
- Lesotho (104.0% year on year growth)
  40.1% growth in customers
  Profit margin increased to 30%
- Mozambique (68.3% year on year smaller loss)
  84.9% increase in customers
  Net impairment reversal of R53 million

Profit from operations




Profit from operations margin



# Factors affecting trends and margins

- Low margin equipment sales

  58.3% year on year increase in equipment sale volumes to 3.8 million units
- South Africa net interconnect revenue decreased 4.8% year on year to R1.9 million

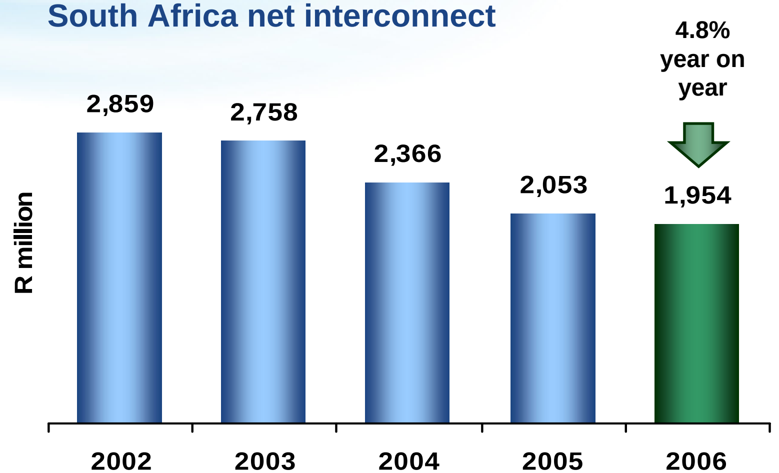
  Margin dropped by 6.6% pts to 33.7%
- Gross South Africa customer connections of 9.1 million

  Prepaid customer connections of 8.4 million; an increase of 51.3%

  Contract customer connections of 0.7 million; an increase of 15.1%
- Gross other African customer connections of 2.7 million, an increase of 67.1% year on year

**Equipment sales revenue**


**South Africa net interconnect**



# Factors affecting trends and margins (continued)

- South Africa traffic mix

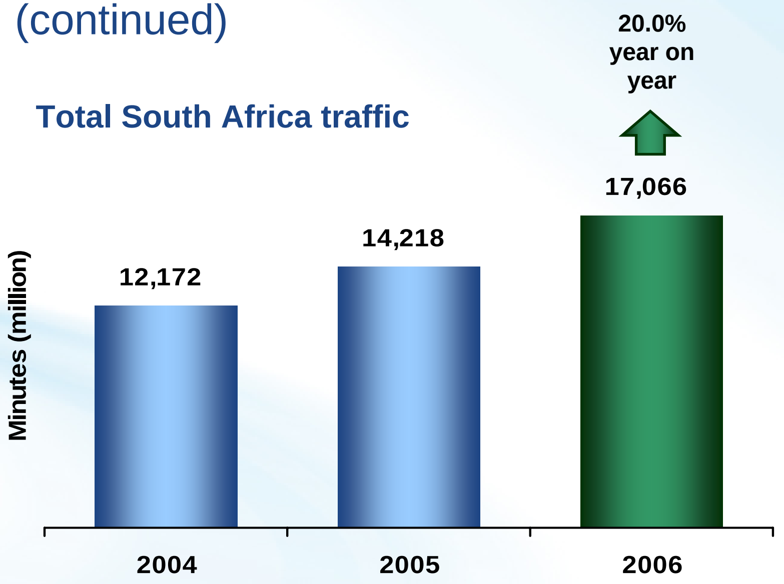
  Outgoing traffic increased 23.0% year on year to 11.4 billion minutes

  Incoming traffic increased 14.5% year on year to 5.7 billion minutes

  Mobile to mobile traffic increased 26.1% to 13.5 billion minutes

  Mobile / fixed traffic increased 1.7% to 3.6 billion minutes

  On-net traffic increased by 30.7% to 6.5 billion minutes
- Highly competitive markets



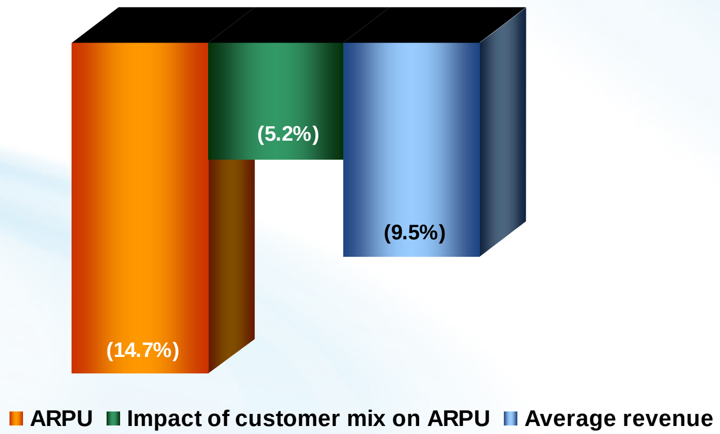
# South Africa ARPU per month

## Customer mix impact on total and contract ARPU

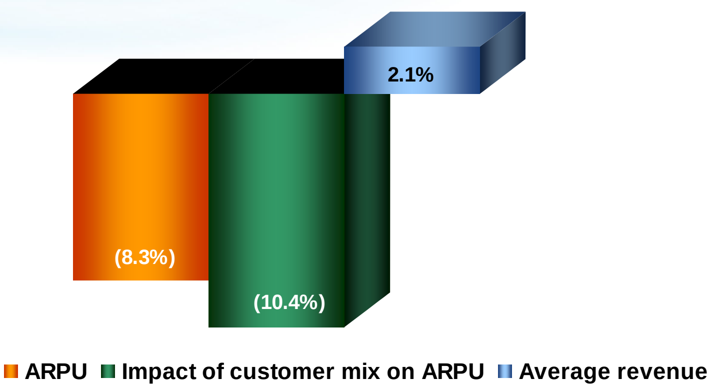
- Total ARPU decreased by 14.7% from R163 to R139 per month year on year

- Contract ARPU decreased by 8.3% from R624 to R572 per month year on year

### South Africa total ARPU per month




### South Africa contract ARPU per month



# Productivity measures

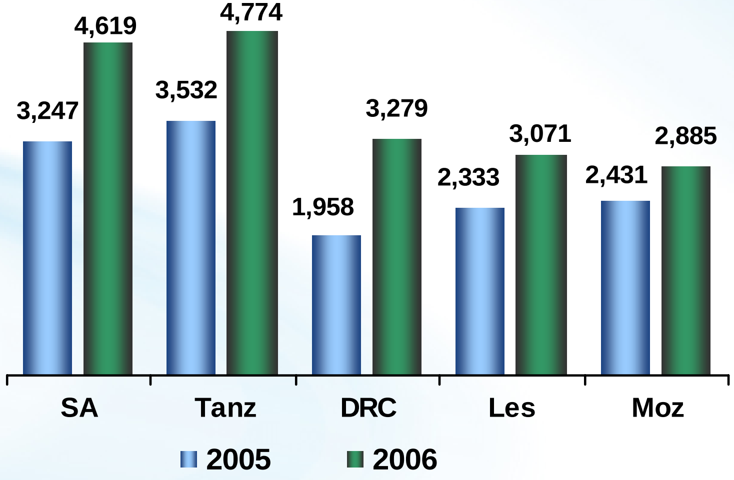
- Consolidated customers per employee

  Increased 38.9% year on year to 4,308 based on 5,459 employees
- Consolidated gross capex as a % of revenue increased to 15.1% from 12.8% for the same period in the previous financial year

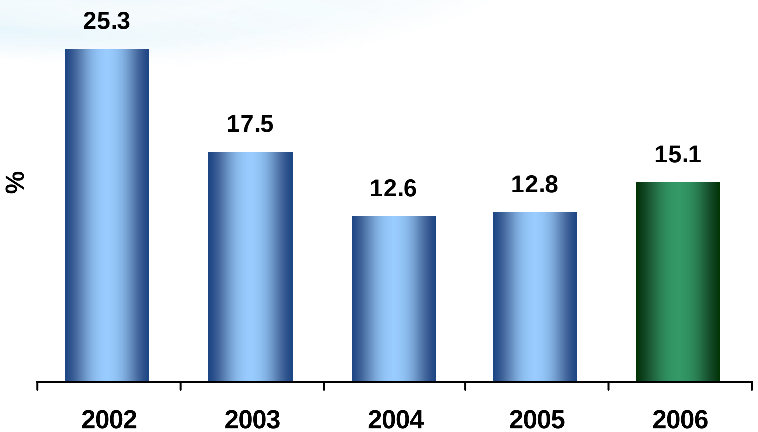
  Investment in new technologies

  Increased capacity

**Customers per employee**

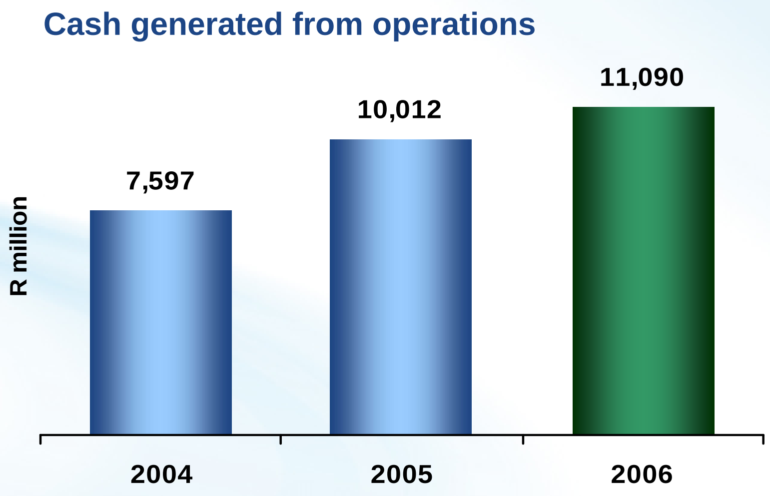


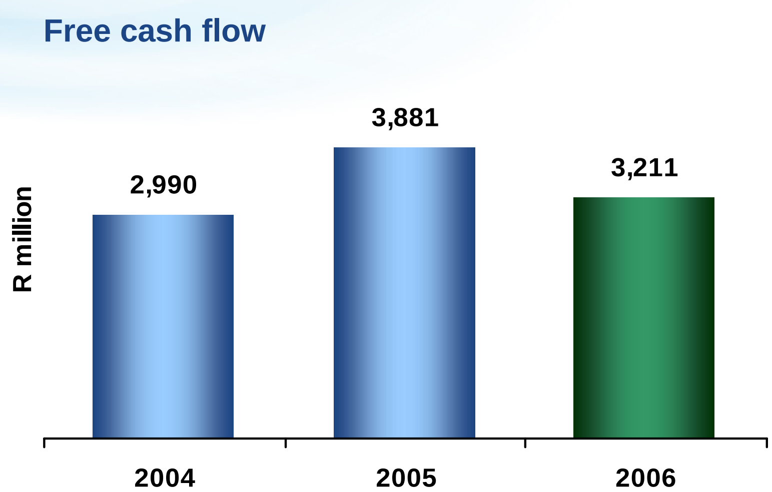

**Gross capex additions as a % of revenue**



# Strong cash generation

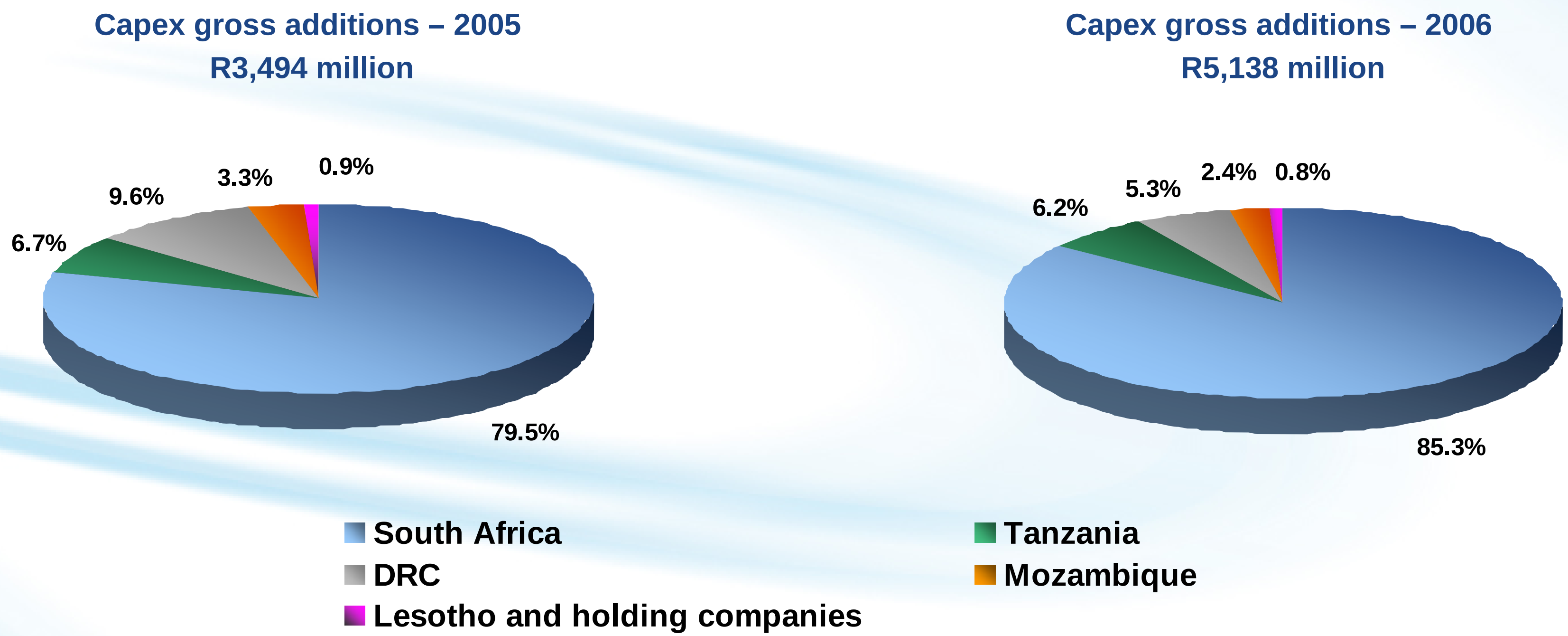
- EBITDA increase of R2.2 billion
- Cash generated from operations increased 10.8% to R11.1 billion
- Increase in capex spend of R1.5 billion to R4.8 billion
- Phasing of working capital
- Free cash flow decreased 17.3% to R3.2 billion



# Capex additions and composition

## Including software




- Capex as a % of revenue at 15.1% vs. prior year of 12.8%
- South Africa capex gross additions increased 57.9% to R4.4 billion
- Other African capex additions increased 6.3% to R0.7 billion
- 3G / HSDPA spend of R903 million vs. prior year of R272 million

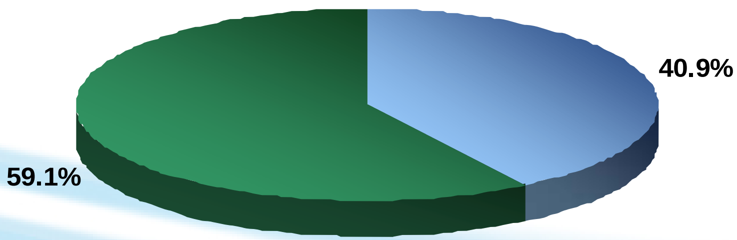
# Net debt maturity profile

| March 31, R million | 2007 | 2008 | 2009 | 2010 | 2011 | >2012 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| South Africa – finance leases | 79 | 114 | 192 | 99 | 162 | 162 | **808** | 858 |
| Tanzania | 184 | - | - | - | - | 91 | **275** | 369 |
| DRC | 1,343 | - | - | - | - | - | **1,343** | 1,361 |
| Lesotho | 4 | - | - | - | - | - | **4** | 4 |
| Other | 39 | - | - | - | - | - | **39** | 7 |
| **Debt excluding bank overdrafts** | **1,649** | **114** | **192** | **99** | **162** | **253** | **2,469** | **2,599** |
| Bank overdrafts | | | | | | | **1,386** | 1,817 |
| **Gross debt** | | | | | | | **3,855** | **4,416** |
| Bank and cash balances | | | | | | | **(3,146)** | (3,990) |
| **Net debt** | | | | | | | **709** | **426** |

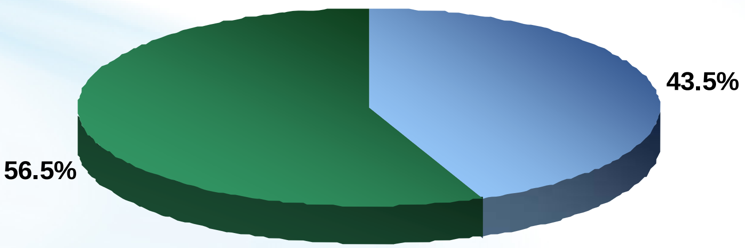
**Final dividend of R2.8 billion paid on April 5, 2006**

# Debt composition

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




**Gross debt composition including bank overdrafts – 2006 R3,855 million**

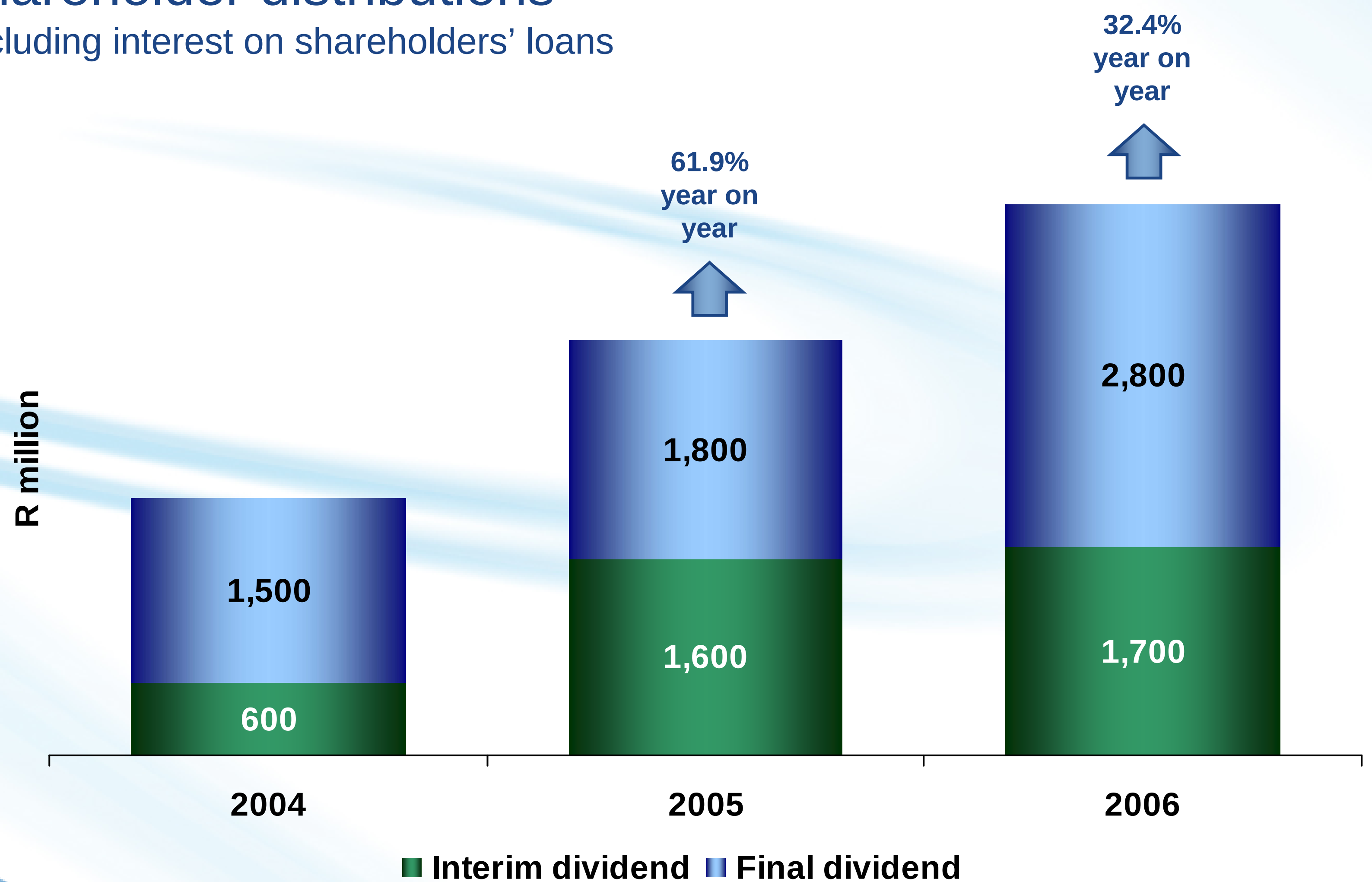



Foreign denominated ZAR denominated

- Net debt to equity ratio 8.2% (2005: 5.4%)
- Foreign denominated ring-fenced of R184 million and foreign denominated, not ring-fenced R1,492 million
- Adjusting for dividends and STC on dividends payable: net debt to equity ratio of 45.9% (2005: 32.0%)

# Shareholder distributions

Excluding interest on shareholders' loans




**The level of future dividend payments is dependent on the extent of investment activities**

Questions?

# Group balance sheets

Extracts at March 31,

| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Non-current assets | 12,851 | 13,889 | **16,079** | 15.8% |
| Current assets | 7,323 | 8,706 | **8,689** | (0.2%) |
| **Total assets** | **20,174** | **22,595** | **24,768** | **9.6%** |
| | | | | |
| **EQUITY AND LIABILITIES** | | | | |
| Capital and reserves | 7,604 | 7,888 | **8,672** | 9.9% |
| Non-current liabilities | 2,318 | 3,233 | **2,236** | (30.8%) |
| Current liabilities | 10,252 | 11,474 | **13,860** | 20.8% |
| **Total equity and liabilities** | **20,174** | **22,595** | **24,768** | **9.6%** |

# Group cash flow statements

Extracts for the years ended March 31,

| R million | 2004 | 2005 | 2006 | % change |
|---|---|---|---|---|
| Cash generated from operations | 7,597 | 10,012 | **11,090** | 10.8% |
| **Net cash flows from operating activities** | **4,790** | **4,150** | **4,501** | **8.5%** |
| **Net cash flows utilised in investing activities** | (3,000) | (3,374) | **(4,791)** | (42.0%) |
| **Net cash flows utilised in financing activities** | (798) | (195) | **(107)** | 45.1% |
| **Net increase in cash and cash equivalents** | **992** | **581** | **(397)** | **(168.3%)** |
| Cash and cash equivalents at the beginning of the year | 648 | 1,598 | **2,173** | 36.0% |
| Effect of foreign exchange rate changes | (42) | (6) | **(16)** | (166.7%) |
| **Cash and cash equivalents at the end of the year** | **1,598** | **2,173** | **1,760** | **(19.0%)** |

# Disclaimer

- This presentation has been prepared and published by Vodacom Group (Proprietary) Limited.
- Vodacom Group (Proprietary) Limited is a private company and as such is not required by the Companies Act 61 of 1973, as amended, to publish its results.
- Vodacom Group (Proprietary) Limited makes no guarantee, assurance, representation and/or warranty as to the accuracy of the information contained in this presentation and will not be held liable for any reliance placed on the information contained in this presentation.
- The information contained in this presentation is subject to change without notice and may be incomplete or condensed. In addition, this presentation may not contain all material information pertaining to Vodacom Group (Proprietary) Limited and its subsidiaries.
- Without in any way derogating from the generality of the foregoing, it should be noted that:
  - Many of the statements included in this presentation are forward-looking statements that involve risks and / or uncertainties and caution must be exercised in placing any reliance on these statements. Moreover, Vodacom Group (Proprietary) Limited will not necessarily update any of these statements after the date of this presentation either to conform them to actual results or to changes in its expectations.
  - Insofar as the shareholders of Vodacom Group (Proprietary) Limited are listed and offer their shares publicly for sale on recognised stock exchanges locally and/or internationally, potential investors in the shares of Vodacom Group (Proprietary) Limited's shareholders are cautioned not to place undue reliance on this presentation.