Vodacom Group (Pty) Limited

Group Interim Results

For the six months ended September 30, 2004

COMMENTARY

Vodacom Group (Proprietary) Limited, South Africa's largest mobile communications network announces interim results for the six months ended September 30, 2004. Revenue increased by 20.3% to R13,594 million (US$2,102 million), EBITDA increased 13.4% to R4,192 million (US$648 million) and profit before tax increased 18.7% to R2,555 million (US$395 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003.

GROUP INTERIM FINANCIAL HIGHLIGHTS

- Group revenue up 20.3% to R13.6 billion
- Group EBITDA up 13.4% to R4.2 billion
- Group cash flow from operations up 28.7% to R3.8 billion
- Interim dividend of R1.6 billion

OPERATING HIGHLIGHTS

- Group total customers up 40.6% to 13.5 million
- Group capex as a percentage of revenue at 10.4%
- Group customers per employee improved by 28.7% to 2,751
- Acquired Smartcom (Pty) Limited and consolidated for the first time
- Secured access to Vodafone Live! through Vodafone Affiliate Partner agreement
- 3G rollout well under way

SOUTH AFRICA

Customers

The South African customer base increased by 33.1% to 11.3 million (September 30, 2003: 8.5 million) compared to the six months ended September 30, 2003, again reinforcing Vodacom's consistently bullish view of this market. The majority of the growth came from the prepaid market although remarkable growth was also achieved in the contract market. The number of prepaid customers increased by 33.5% to 9.7 million, while the number of contract customers increased by 32.0% to 1.6 million. The substantial increase in gross contract connections of 174.5% was fuelled by the new "Top-Up" product and increased connection incentive levels. These increased incentives and the volume of new gross connections managed to strengthen Vodacom's market position but negatively impacted margins. The strong growth in customers was a direct result of the high number of gross new connections achieved of 2.7 million, coupled with low churn in both the contract base and prepaid base of 8.6% and 21.9% respectively.

ARPU

The developing market as reflected in the prepaid base has been a driving force behind market penetration in South Africa and made up 88.7% (September 30, 2003: 95.0%) of all gross connections. However, a record number of gross contract connections of 302,000 were achieved because of the migration of higher-end prepaid customers to contracts coupled with the new "Top-Up" product and higher incentives. ARPU decreased 7.8% to R165 (September 30, 2003: R179) per month in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 due to the continued dilution of ARPU caused by the higher proportion of new, lower ARPU prepaid connections. Contract customer ARPU has decreased by 3.9% to R637 (September 30, 2003: increased 8.3% to R663) compared to the six months ended September 30, 2003 due to the migration of prepaid customers and the success of the "Top-Up" product at the lower end of the contract market, while prepaid customer ARPU decreased by 9.2% to R79 (September 30, 2003: 1.1% to R87) per customer per month.

Churn

Due to the high cost of acquisition in the highly developed contract market, Vodacom's focus on upgrade and retention policies ensured the further decrease in contract churn to the lowest level in Vodacom's history of 8.6% in the six months ended September 30, 2004 (September 30, 2003: 10.8%). The lower prepaid churn experienced of 21.9% (September 30, 2003: 44.1%) is due mainly to changes to the disconnection policy governing prepaid customers.

Traffic

Total traffic on the network, excluding national and international roaming traffic, has increased 20.4% to 7.0 billion minutes (September 30, 2003: 5.8 billion) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003. This growth was mainly due to the 33.1% growth in the total customer base in the same period to 11.3 million as at September 30, 2004. Also evident was continued fixed for mobile call substitution, with mobile to mobile traffic increasing by 29.9% compared to the six months ended September 30, 2003 while mobile to fixed and fixed to mobile traffic decreased by 0.8% compared to the six months ended September 30, 2003.

Operational

The signing of the Vodafone Affiliate Partner agreement announced on November 3, 2004 promises to provide Vodacom with a distinct competitive advantage in the mobile content arena. In terms of the agreement Vodacom will have access to the full Vodafone Live! offering. Vodacom intends to launch commercial 3G service on December 1, 2004 and rollout of the infrastructure is commencing on schedule.

COMMENTARY (CONTINUED)

Vodacom's mobile content portal, Vodacom4me, has experienced its highest growth ever in August 2004 and the number of registered users now stands at more than 320,000. Several new products and services were introduced during the six months ended September 30, 2004, with the focus being on prepaid product offerings, which included fully itemised billing, prepaid passport, a new 4U Super Six starter pack, enhanced Vodago Super Six starter pack and airtime transfer.

As part of Vodacom's pledge to provide for the unique requirements of its specific needs customers, Vodacom now provides blind and visually impaired customers the ability to interact with Vodacom through a dedicated multi-channel contact centre, and a speaking phone that, for the first time, enables blind and visually impaired customers to use the full set of features and functionality of modern mobile phones. Vodacom aims to be at the forefront of innovation by enabling wireless application service providers to easily develop applications on the Vodacom network, and 125 wireless application service provider agreements have been signed to date.

Regulatory

Vodacom utilises and will continue to utilise 1800 mHz and 3G spectrum in terms of temporary commercial licences granted by ICASA, pending finalisation of the 1800 mHz and 3G spectrum licence obligations.

During September 2004 the Minister of Communications published a number of determinations that provided for far-reaching and broad deregulation of the industry. In terms of these determinations, mobile operators will be allowed to self-provide and / or obtain facilities from any person or organisation. Value-added service providers will be allowed to carry voice traffic using any protocol, obtain facilities from any person as well as sublet, resell and share spare capacity. Fixed-line operators will also be allowed to share and resell spare capacity. Vodacom is assessing the impact of these determinations and is developing strategies to best deal with the changes and to take advantage of any opportunities. However, Vodacom is awaiting further clarification in the form of legislation before acting prematurely.

The 4th draft of the ICT BEE Charter released on August 26, 2004 to the ICT industry called for final comments on the process by September 15, 2004. Vodacom is actively participating and contributing to this important process and has submitted extensive comments as well as engaging directly with Government together with other regulated companies.

Market share

The South African cellular industry has grown by more than 10% in the last six months. Vodacom has retained its leadership in the highly competitive South African market with an estimated 56% market share as at September 30, 2004 despite strong competition. Although Vodacom has been highly successful in defending and extending its market share, the competitiveness in the market and the sheer volume of gross connections have inevitably resulted in margin squeeze.

OTHER AFRICAN OPERATIONS

This was an exciting six months for Vodacom's other African investments. Vodacom Tanzania entrenched its position as market leader by further extending its market share to 58% at September 30, 2004. The Tanzanian market remains highly competitive but with mobile penetration estimated at a mere 4.0% of the population, it still promises significant further potential. Vodacom Tanzania increased its customer base by 76.0% to 952,000 (September 30, 2003: 76.9% to 541,000) as at September 30, 2004 compared to September 30, 2003.

Vodacom Congo has grown its market share to 48% at September 30, 2004. The DRC has the lowest estimated mobile penetration of all Vodacom's operations at 3.3% of the population at September 30, 2004. Vodacom consequently expects substantial further growth from this market. Vodacom Congo increased its customer base by 97.2% to 903,000 (September 30, 2003: 222.5% to 458,000) at September 30, 2004 compared to September 30, 2003.

Vodacom Lesotho has positioned itself well to minimise the impact of competitive activity and has maintained its 80% market share at September 30, 2004. Vodacom Lesotho had 122,000 customers as at September 30, 2004. Mobile penetration in Lesotho is now estimated at 7.2% and is not expected to increase significantly in the near term.

The latest of Vodacom's African investments, Vodacom Mozambique, is slowly making inroads into the market against a strong and established competitor. Vodacom Mozambique had 164,000 customers as at September 30, 2004. Market share is estimated at 24% and mobile penetration at 3.8%. The financial results of Vodacom's operations are analysed in more detail in the segmental commentary of this report.

GROUP FINANCIAL REVIEW

Two significant accounting changes need to be taken into account when analysing Vodacom's results for the six months ended September 30, 2004. Firstly, with effect from April 1, 2004, Vodacom Congo meets the definition of a subsidiary because certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement and is consequently fully consolidated in the Group annual financial statements. Prior to this date, the Group proportionally consolidated 51% of the results of Vodacom Congo. Any comparison of consolidated numbers with prior periods will therefore be distorted since prior periods will reflect only 51% of Vodacom's revenues, expenses and balance sheet, whereas the current period reflects 100%. To facilitate a better comparison of numbers with prior periods, adjusted consolidated revenue, adjusted profit from operations, EBITDA and adjusted capital expenditure figures are presented in the segmented analysis below, which reflect 100% of Vodacom Congo for the prior periods presented.

Secondly, International Accounting Standard 36 – Impairment of Assets ("IAS 36"), has resulted in an impairment charge to the assets of Vodacom Mozambique of R237 million, which has been included as a separate line item in the income statement for the six months ended September 30, 2004. IAS 36 requires Vodacom to recognise an impairment loss to the extent that Vodacom Mozambique's assets' carrying values exceeded their recoverable amounts, which is defined as the higher of the net present value of expected future cash flows and the fair value less cost of disposal. Vodacom Mozambique has consequently impaired the assets to their estimated fair value less cost of disposal, which was R237 million less than the book values at September 30, 2004.

The standard requires expected future pre-tax cash flows to be discounted at a rate commensurate with the riskiness of the assets producing the cash flows. Because of the high perceived risk of assets in Mozambique, this discount rate is relatively high. The high discount rate used and the substantial capital outlay required at the beginning of the project resulted in the calculated net present value of expected future cash flows being lower than the expected fair value less cost of disposal.

The results of the South African operations have been impacted by two main factors, both of which have had a negative impact on margins. Firstly, the continuing trend of fixed-mobile substitution has seen Vodacom's net interconnect revenue decline further because of increased interconnect cost. Interconnect costs increased because the cost of terminating calls on other mobile networks is much higher than the cost of terminating calls on Telkom's fixed-line network. Secondly, the higher levels of incentives paid for the higher volume of gross contract connections has led to higher customer acquisition costs and further margin pressure. Despite these factors, the Vodacom Group achieved strong results in an ever more competitive environment.

REVENUE

In ZAR millions

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
Airtime, connection and access[1]	5,061	5,974	**7,823**	18.0	31.0
Data revenue[2]	n/a	512	**586**	n/a	14.5
Interconnection	2,555	2,814	**2,940**	10.1	4.5
Equipment sales	1,305	1,514	**1,681**	16.0	11.0
International airtime[1]	343	310	**436**	(9.6)	40.6
Other sales and services	177	172	**128**	(2.8)	(25.6)
	9,441	11,296	**13,594**	19.6	20.3

Notes:

1. *An amount of R160 million, previously included under international airtime, has been reallocated to airtime, connection and access in the six months ended 2003. No reallocation has been done for the six months ended September 30, 2002.*
2. *Vodacom changed its classification of revenue to enable separate identification of data during the prior financial period. Data revenue is included in airtime, connection and access in the six months ended September 30, 2002 and has been reallocated in the six months ended September 30, 2003.During the six months ended September 30, 2002 and 2003, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement. Consequently the table above reflects 100% of Vodacom Congo for the six months ended September 30, 2004 and only 51% in the prior periods.*

Airtime, connection and access

Vodacom's airtime, connection and access revenue increased 31.0% to R7,823 million (September 30, 2003: 18.0% to R5,974 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003, primarily due to the increase in the number of Vodacom's customers and because of the consolidation of Vodacom Congo from April 1, 2004. Total customers increased 40.6% (September 30, 2003: 25.1%) due to strong prepaid and contract customer growth in South Africa and significant prepaid customer growth in Vodacom's other African operations.

Data revenue – geographical split

In ZAR millions

	Six months ended September 30,				
	2003 (unaudited)	**2004 (unaudited)**	% of total 2003	% of total 2004	% change 2004/03
South Africa	462	**542**	90.2	92.5	17.3
Tanzania	48	**35**	9.4	6.0	(27.1)
Lesotho	2	**4**	0.4	0.7	100.0
DRC	–	**4**	–	0.7	–
Mozambique	–	**1**	–	0.1	–
	512	**586**	100.0	100.0	14.5

Vodacom's data revenue increased 14.5% to R586 million (September 30, 2003: R512 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 mainly due to SMS traffic growth. Vodacom transmitted 1,123 million SMSs (September 30, 2003: 908 million) over its South African network during the six months ended September 30, 2004, up 23.7% compared to the six months ended September 30, 2003. The number of MMS capable handsets on the network as at September 30, 2004 was materially up at 1,180,238 (September 30, 2003: 236,987) sending on average 621,000 MMS messages per month. Data revenue contributed 4.3% of total revenue for the six months ended September 30, 2004 (September 30, 2003: 4.5%). The decrease in data revenue in Vodacom Tanzania of 27.1% in the six months is due to aggressive pricing by competitors which resulted in lower usage by Vodacom's customers. Vodacom Tanzania has subsequently matched the competitors' lower tariffs, which has stabilised usage, but has had a negative effect on revenue.

Data revenue in Vodacom Congo, Vodacom Lesotho and Vodacom Mozambique is very small but growing.

Interconnection

Vodacom's interconnection revenue increased 4.5% to R2.9 billion (September 30, 2003: 10.1% to R2.8 billion) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 primarily due to an increase in the number of calls terminating on Vodacom's network as a result of the increased number of Vodacom customers and mobile users generally in all operations during the period. However, significantly offsetting this and thereby inhibiting growth in interconnection revenue was a 0.4% decrease in traffic originating from Telkom and terminating on Vodacom's network compared to the six months ended September 30, 2003 caused by the changing call patterns of mobile users in South Africa.

Equipment sales

Vodacom's revenue from equipment sales, which yields low margins, increased by 11.0% to R1.7 billion (September 30, 2003: 16.0% to R1.5 billion) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003. The growth in equipment sales was primarily due to growth of Vodacom's customer base and the continued uptake of new handsets in South Africa fuelled by Vodacom's successful strategic drive to increase access in the South African market. Sales were further fuelled by cheaper Rand prices of handsets coupled with the added functionality of the new phones, such as built-in digital cameras and colour screens.

International airtime

International airtime increased 40.6% to R436 million (September 30, 2003: R310 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003, primarily as a result of a healthy increase in international airtime revenue in Vodacom South Africa and Vodacom Congo. International airtime comprises of international calls by Vodacom customers, roaming revenue from Vodacom's customers making and receiving calls while abroad and revenue from international customers roaming on Vodacom's networks.

Other sales and services

Other sales and services includes revenue from non-core operations such as income from Vodacom's cell captive insurance scheme and decreased by 25.6% (September 30, 2003: decreased by 2.8%) to R128 million primarily because of the reallocation of value-added services revenue, which was previously included under other sales and services to airtime connection and access, offset to some extent by other sales and services revenue received in Smartcom (Pty) Limited.

OPERATING EXPENSES

In ZAR millions

	Six months ended September 30, 2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
Depreciation and amortisation	1,189	1,247	**1,655**	4.9	32.7
Payments to other network operators	983	1,379	**1,804**	40.3	30.8
Other direct network operating costs[1]	4,338	5,013	**6,068**	15.6	21.1
Staff expenses	502	632	**760**	25.9	20.3
Marketing and advertising expenses	365	345	**393**	(5.5)	13.9
General administration expenses	234	300	**409**	28.2	36.3
Other operating income	(8)	(71)	**(33)**	787.5	(53.5)
	7,603	8,845	**11,056**	16.3	25.0

Note:

1. *Direct network operating costs less payments to other operators.*

During the six months ended September 30, 2002 and 2003, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement. Consequently the table above reflects 100% of Vodacom Congo for the six months ended September 30, 2004 and only 51% in the prior periods.

Depreciation and amortisation

Vodacom's depreciation and amortisation increased by 32.7% to R1,655 million (September 30, 2003: R1,247 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003. The biggest contributing factor to the increase in depreciation and amortisation has been the impairment of Vodacom Mozambique's assets amounting to R237 million. The impairment has been included under depreciation and amortisation for purposes of the above analysis but has been shown as a separate line item in the income statement in terms of IAS 36. Excluding this change, the increase in the depreciation and amortisation would have been 13.7% compared to the six months ended September 30, 2003. Although Vodacom's biggest capital investments have already been made in South Africa the more aggressive rollout of infrastructure and the amortisation of intangible assets in Smartcom and Smartphone have caused an increase in South African depreciation and amortisation. The strengthening of the Rand against most other currencies again resulted in depreciation on foreign-denominated capital expenditure in Vodacom's African operations being translated at a lower exchange rate than in the past, which translation saving contributed to only a marginal increase in the depreciation charge in Vodacom's other African operations in the six months ended September 30, 2004.

Payments to other network operators

Vodacom's payments to other network operators increased by 30.8% to R1,804 million (September 30, 2003: R1,379 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 as a result of increased outgoing traffic and the increased amount of outgoing traffic terminating on other mobile networks, rather than on Telkom's fixed-line network. As the cost of terminating calls on other mobile networks is materially higher than calls terminating on Telkom's fixed-line network, and as mobile substitution increases with the increasing number of total mobile users in South Africa, interconnection charges should also continue to increase and continue to put pressure on profit margins.

Other direct network operating expenses

Other direct network expenses increased by 21.1% in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 to R6.1 billion (September 30, 2003: R5.0 billion) in line with the record number of customer connections and the growth in revenues. Other direct network expenses include the cost to connect customers onto the network and are incurred to support growth in revenues and comprise cost of goods sold, commissions, customer retention expenses, regulatory and licence fees, distribution expenses and site and maintenance costs. These costs have increased mainly because of the increase in the volume of gross contract customer connections.

Staff expenses

Staff expenses increased by 20.3% to R760 million (September 30, 2003: R632 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 primarily as a result of an increase in headcount to support the growth in operations of 9.2% compared to the six months ended September 30, 2003 (September 30, 2003: 1.2%), an increase in the provision for Vodacom's deferred bonus incentive scheme as well as an average group-wide salary increase of 8%. Total headcount in Vodacom's South African operations increased by 3.7% compared to the six months ended September 30, 2003 (September 30, 2003: remained constant) primarily because of the acquisition of Smartphone SP (Pty) Limited and Smartcom (Pty) Limited earlier this year. Total headcount in Vodacom's other African operations increased by 41.8% to 915 compared to the six months ended September 30, 2003 (September 30, 2003: increased 62.5% to 645) in order to meet the demands of the rapid expansion of these operations. Employee productivity has shown a marked improvement in all of Vodacom's operations, as measured by customers per employee, increasing on an overall basis by 28.7% to 2,751 customers per employee (September 30, 2003: 2,137).

Marketing and advertising

Marketing and advertising expenses increased by 13.9% to R393 million (September 30, 2003: R345 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003, driven mainly by an intensified marketing drive in South Africa, marginal increases in Rand terms in Vodacom Tanzania, Vodacom Congo (excluding the effect of consolidating the full expense) and Vodacom Lesotho, coupled with the marketing expenses related to establishing Vodacom Mozambique.

General administration expenses

General administration expenses increased by 36.3% to R409 million (September 30, 2003: R300 million) compared to the six months ended September 30, 2003. General administration expenses comprise a number of expenses including accommodation, information technology costs, office administration, consultants' expenses, social economic investment and insurance. The increase is mainly as a result of the continued expansion drive into Africa, particularly in the DRC, which requires expenses relating to assignees on secondments and high overhead costs such as accommodation, insurance and consulting fees.

Other operating income

Other operating income comprises income of a nature that Vodacom does not view as part of Vodacom's core activities, and is therefore shown separately. Other operating income decreased by 53.5% to R33 million (September 30, 2003: R71 million) compared to the six months ended September 30, 2003.

FUNDING

Summary of net debt and maturity profile

In ZAR millions

	September 30, 2004 (unaudited)						
	2005	2006	2007	2008	2009	2010	**Total**
South Africa – Finance leases, ZAR denominated	38	64	95	134	168	376	**875**
Tanzania – outside shareholders, ZAR denominated	–	–	–	–	–	82	**82**
Tanzania – project finance, various denominated	82	96	120	28	–	–	**326**
DRC – medium-term loan, Euro denominated	609	545	–	–	–	–	**1,154**
DRC – preference share liability, US$ denominated	238	–	–	–	–	–	**238**
DRC – other short-term loans, US$ denominated	7	–	–	–	–	–	**7**
Vodacom Lesotho minority shareholders' loan, Maluti denominated	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's consolidated net debt position has decreased considerably to R1,932 million as at September 30, 2004 (September 30, 2003: R2,620 million) despite the full consolidation of Vodacom Congo's debts in the current period compared to only 51% in the six months ended September 30, 2003. The Group's net debt to EBITDA ratio was 23.0% as at September 30, 2004 (September 30, 2003: 35.1%). However, this reflects the Group's net debt position before settlement of the R1.6 billion dividend paid on October 1, 2004. If dividends payable was included in net debt, Vodacom's net debt to EBITDA ratio would increase to 42.1% (September 30, 2003: 35.1%). Vodacom's net debt to equity ratio improved to 26.4% as at September 30, 2004 (September 30, 2003: 34.5%). Inclusive of the R1.6 billion interim dividend payable, Vodacom's net debt to equity ratio as at September 30, 2004 was 48.2% (September 30, 2003: 34.7%).

The improvement in net debt was principally the result of strong cash generation in Vodacom's South African operations. Changes in interest-bearing debt were brought about primarily as a result of further drawdowns of South African guaranteed credit facilities in Vodacom Congo and Vodacom Mozambique as well as the payment of the final 2004 dividend in Vodacom Group.

Vodacom Tanzania is in the process of restructuring current project finance debt and although Vodacom Congo is currently dependent on South African support, management is confident that the more predictable business case and stable shareholder environment will make project financing for the operation possible. Vodacom Mozambique and Vodacom Lesotho are expected to remain dependent on South Africa for the medium term.

The Group had a positive free cash flow before shareholder distributions (before dividends paid and shareholder interest but after external financing costs paid) and financing activities (after financing costs) of R826 million for the six months ended September 30, 2004 (September 30, 2003: R825 million). Free cash flow growth was negatively impacted by an increase in tax paid of 78.9% to R1,408 million (September 30, 2003: R787 million), an increase in cash utilised in investing activities of 30.9% to R1,641 million (September 30, 2003: R1,254 million), offset by an increase in cash generated from operations of 28.7% to R3.8 billion (September 30, 2003: R3.0 billion). The increase in tax paid is due to the significant increase in STC paid in the six months ended September 30, 2004 compared to the six months ended September 30, 2003 because of higher dividend payments as well as higher South African normal tax paid. Management expects strong cash generation for the remainder of the financial year.

REVENUE

Geographical split (adjusted)

In ZAR millions

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
South Africa	8,892	10,605	**12,420**	19.3	17.1
Tanzania	408	431	**472**	5.6	9.5
DRC[1]	186	402	**594**	116.1	47.8
Mozambique	–	–	**43**	–	–
Lesotho	46	55	**65**	19.6	18.2
Adjusted revenue	9,532	11,493	**13,594**	20.6	18.3
Statutory revenue	9,441	11,296	**13,594**	19.6	20.3

Note:

1. *During the six months ended September 30, 2002 and 2003, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement. The figures above have been adjusted to reflect 100% of Vodacom Congo's revenue for the prior periods for comparison purposes. However, the financial statements have not been adjusted since Vodacom Congo did not meet the requirements of a subsidiary in the prior periods.*

Adjusted revenue increased by 18.3% to R13.6 billion (September 30, 2003: 20.6% to R11.5 billion) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003, of which Vodacom's other African operations contributed 8.6% (September 30, 2003: 7.7%). The increase in revenues was primarily driven by strong customer growth in all of Vodacom's operations. However, the contribution of Vodacom's other African operations was negatively impacted by the strong South African Rand.

South Africa

Revenue from Vodacom's South African operations increased by 17.1% to R12.4 billion (September 30, 2003: 19.3% to R10.6 billion) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003. South Africa was again the biggest contributor to the growth in consolidated revenues, contributing R1,815 million, or 86.4% of the R2,101 million growth in adjusted revenue compared to the six months ended September 30, 2003. Revenue growth was fuelled by the rapid growth in customers in South Africa of 33.1% (September 30, 2003: 19.5%) compared to the six months ended September 30, 2003. The number of contract customers increased by 32.0% to 1.7 million and the number of prepaid customers increased by 33.5% to 9.7 million as at September 30, 2004. Revenue growth from contract customers was inhibited by a reduction in the average monthly minutes of use per customer, offset to some extent by standard tariff increases and increased value-added services usage. Revenue growth from prepaid customers was inhibited by reduced average monthly minutes of use per customer brought about by connecting increasingly more marginal customers as the South African market grows. These factors caused the South African ARPU to decrease by 7.8% to R165 per month (September 30, 2003: R179).

Other African countries

Vodacom's adjusted revenue from its other African operations increased 32.2% to R1,174 million (September 30, 2003: 38.8% to R888 million) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003. The increase in revenue was driven by very strong customer growth, and was partially offset by lower Rand-based revenues in Vodacom Congo due to the weakness of the US Dollar against the Rand. The relatively low growth in revenue of 9.5% in Vodacom Tanzania compared to the growth in customers of 76.0% was primarily as a result lower tariffs, which were necessitated by a highly competitive environment and aggressive price cuts by competitors coupled with a stronger South African Rand. This resulted in a decrease in Vodacom Tanzania's ARPU of 33.1% to R91 (September 30, 2003: R136) in the six months ended September 30, 2004 compared to the six months ended September 30, 2003.

GROUP FINANCIAL REVIEW (CONTINUED)

EBITDA

Geographical split (adjusted)

In ZAR millions

	Six months ended September 30, 2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
South Africa	2,949	3,540	**3,943**	20.0	11.4
Tanzania	130	122	**152**	(6.2)	24.6
DRC[1]	(109)	64	**110**	158.7	71.9
Mozambique	–	–	**(69)**	–	–
Lesotho	14	12	**21**	(14.3)	75.0
Holding companies	(10)	(9)	**35**	10.0	–
Adjusted EBITDA	2,974	3,729	**4,192**	25.4	12.4
Statutory EBITDA	3,027	3,698	**4,192**	22.2	13.4
Adjusted EBITDA margin (%)	*31.2*	*32.4*	*30.8*		
EBITDA margin (%)	*32.1*	*32.7*	*30.8*		

Note:

1. *During the six months ended September 30, 2002 and 2003, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement. The figures above have been adjusted to reflect 100% of Vodacom Congo's EBITDA for the prior periods for comparison purposes. However, the financial statements have not been adjusted since Vodacom Congo did not meet the requirements of a subsidiary in the prior periods.*

Group adjusted EBITDA increased by 12.4% to R4,192 million in the six months ended September 30, 2004 (September 30, 2003: R3,729 million) compared to the six months ended September 30, 2003, of which Vodacom's other African operations contributed 5.9% (September 30, 2003: 5.1%). Vodacom's adjusted EBITDA margin decreased to 30.8% in the six months ended September 30, 2004 (September 30, 2003: 32.4%). The lower EBITDA margin achieved was mainly due to the high volume of gross contract connections, fixed-mobile substitution and margin pressure in Tanzania but also due to the start-up losses incurred in Vodacom Mozambique. EBITDA margin decreased to 31.7% in South Africa (September 30, 2003: 33.4%), increased to 32.2% in Vodacom Tanzania (September 30, 2003: 28.3%) and increased to 32.3% in Vodacom Lesotho (September 30, 2003: 21.8%). Vodacom Congo reported EBITDA of R110 million (September 30, 2003: R64 million adjusted EBITDA) and an 18.5% EBITDA margin (September 30, 2003: 15.9%). Excluding the impact of low margin cellular phone and equipment sales and profits thereon, Vodacom Group's EBITDA margin in the six months was 34.4%, down from 36.6% adjusted EBITDA margin in the six months ended September 30, 2003.

PROFIT FROM OPERATIONS

Geographical split (adjusted)

In ZAR millions

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
South Africa	1,965	2,502	**2,758**	27.3	10.2
Tanzania	60	54	**72**	(10.0)	33.3
DRC[1]	(165)	(12)	**7**	92.7	–
Mozambique	–	–	**(341)**	–	–
Lesotho	1	–	**9**	–	–
Holding companies	(104)	(99)	**33**	4.8	–
Adjusted profit from operations	1,757	2,445	**2,538**	39.2	3.8
Statutory profit from operations	1,838	2,451	**2,538**	33.4	3.5
Adjusted operating profit margin (%)	*18.4*	*21.3*	***18.7***		
Operating profit margin (%)	*19.5*	*21.7*	***18.7***		

Vodacom's adjusted profit from operations increased by 3.8% to R2,538 million in the six months ended September 30, 2004 (September 30, 2003: R2,445 million) compared to the six months ended September 30, 2003. Vodacom's operating profit margin decreased to 18.7% in the six months ended September 30, 2004, down from an adjusted 21.3% in the six months ended September 30, 2003. The reduction in operating profit margin is the result of start-up losses in Vodacom Mozambique of R104 million compounded by a R237 million impairment charge to its assets and margin pressure in Vodacom South Africa.

Excluding Vodacom Mozambique's revenues and losses yields an operating profit margin of 21.2%, which is in line with margins of prior periods. Operating expenses in South Africa grew by 19.2% versus revenue growth of 17.1%, thereby diluting South African margins to 22.2% (September 30, 2003: 23.6%) compared to the six months ended September 30, 2003. Operating profit margins in all other operations increased. Vodacom Tanzania's operating profit margin increased to 15.3% in the six months ended September 30, 2004, up from 12.5% in the prior period despite margin pressure resulting from lower tariffs. Both Vodacom Congo and Vodacom Lesotho turned operating profit positive in the six months ended September 30, 2004.

Vodacom's results have historically been seasonal, with the second six months of Vodacom's financial year delivering stronger results and margins primarily because of the higher call activity during the summer months.

CAPITAL EXPENDITURE

Geographical split (adjusted)

In ZAR millions

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
South Africa	1,119	830	**1,109**	(25.8)	33.6
Tanzania	160	145	**83**	(9.4)	(42.8)
DRC[1]	790	286	**187**	(63.8)	(34.6)
Mozambique	–	–	**27**	–	–
Lesotho	35	4	**2**	(88.6)	(50.0)
Holding companies	1	4	**5**	300.0	25.0
Adjusted capex	2,105	1,269	**1,413**	(39.7)	11.3
Statutory capex	1,718	1,129	**1,413**	(34.3)	25.2
Adjusted capex as a percentage of adjusted revenue	*22.1*	*11.0*	*10.4*		
Capex as a percentage of revenue	*18.2*	*10.0*	*10.4*		

Note:

1. *During the six months ended September 30, 2002 and 2003, 51% of Vodacom Congo was proportionally consolidated in the Group financial statements. Effective April 1, 2004 Vodacom Congo is being fully consolidated as a subsidiary after certain clauses granting the outside shareholders participating rights have been removed from the shareholders' agreement. The figures above have been adjusted to reflect 100% of Vodacom Congo's capital expenditure for the prior periods for comparison purposes. However, the financial statements have not been adjusted since Vodacom Congo did not meet the requirements of a subsidiary in the prior periods.*

Vodacom's adjusted capital expenditure increased by 11.3% to R1,413 million in the six months ended September 30, 2004 (September 30, 2003: R1,269 million) compared to the six months ended September 30, 2003. Vodacom's capital expenditure was 10.4% of revenue in the six months ended September 30, 2004, down from an adjusted 11.0% in the prior period. The stronger Rand and weak US Dollar again aided the Group because most capital expenditure is foreign currency denominated. In terms of IAS 39 – Financial Instruments: Recognition and Measurement, all capital expenditure in South Africa is recorded at the exchange rate ruling at the date of acceptance of the equipment. Capital expenditure of Vodacom's other African operations is translated at the average exchange rate of the Rand against the operation's reporting currency for the period, while closing capital expenditure is translated at the closing exchange rate of the Rand against the reporting currency.

EFFECTIVE TAX RATE

Vodacom's effective tax rate increased to 43.4% in the six months ended September 30, 2004 (September 30, 2003: 35.9%) primarily because of significant amounts of Secondary Tax on Companies ("STC") payable on dividends paid to Vodacom's shareholders. STC payable increased Vodacom's effective tax rate by 7.9% (September 30, 2003: 3.6%) relative to the statutory South African tax rate of 30%. Vodacom's higher effective tax rate was further due to the impairment of Vodacom Mozambique's assets, for which no deferred taxation asset was recognised and to a lesser extent due to differences in effective tax rates in Vodacom's other African operations.

SHAREHOLDER DISTRIBUTIONS

Dividends declared in the six months ended September 30, 2004 totalled R1,600 million and was paid to shareholders on October 1, 2004.

OUTLOOK

The Vodacom Group has performed well in a competitive African market. The performance of the South African market continues to be strong and management believes that Vodacom's alliance with Vodafone gives it a competitive advantage. The strong cash generation from Vodacom's South African operations ensured that the consolidated balance sheet remains as strong as ever, even after paying out substantial amounts to its shareholders and funding the investments in Mozambique and the DRC. Vodacom continues to be confident of success in all of their operations despite a challenging environment. In South Africa, Vodacom intends to position itself strategically to minimise any negative impact from the pending deregulation of the South African market and to seize any opportunities that may emerge.

WYN Luhabe
Non-executive Chairman

ADC Knott-Craig
Chief Executive Officer

VODACOM SOUTH AFRICA OPERATIONAL OVERVIEW

Key operational indicators

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
Customers ('000)[1]	7,130	8,522	**11,346**	19.5	33.1
Contract	1,139	1,251	**1,651**	9.8	32.0
Prepaid	5,961	7,242	**9,671**	21.4	33.5
Community services telephones	30	29	**24**	(3.3)	(17.2)
Gross connections ('000)	1,625	2,248	**2,681**	38.3	19.3
Contract	110	110	**302**	–	174.5
Prepaid	1,513	2,135	**2,378**	41.1	11.4
Community services	2	3	**1**	50.0	(66.7)
3-month inactive customers (%)	15.1	15.3	**19.7**	0.2 pts	4.4 pts
Contract (%)	4.9	5.6	**5.8**	0.7 pts	0.2 pts
Prepaid (%)	17.0	17.1	**22.1**	0.1 pts	5.0 pts
Churn (%)	30.7	39.1	**20.0**	8.4 pts	(19.1 pts)
Contract (%)	13.2	10.8	**8.6**	(2.4 pts)	(2.2 pts)
Prepaid (%)	34.3	44.1	**21.9**	9.8 pts	(22.2 pts)
Mobile market share (%)[3]	59	55	**56**	(4.0 pts)	1.0 pts
Mobile market penetration (%) (at period end)	26.6	34.9	**43.1**	8.3 pts	8.2 pts
Total traffic (millions of minutes)	5,007	5,774	**6,954**	15.3	20.4
Outgoing	2,994	3,601	**4,545**	20.3	26.2
Incoming (interconnection)	2,013	2,173	**2,409**	7.9	10.9
ARPU (Rand)[2]	181	179	**165**	(1.1)	(7.8)
Contract	612	663	**637**	8.3	(3.9)
Prepaid	88	87	**79**	(1.1)	(9.2)
Community services	1,766	1,912	**2,381**	8.3	24.5
Average monthly minutes of use (MOU) per customer (outside the bundle)	102	95	**85**	(6.8)	(10.5)
Contract	269	268	**234**	(0.4)	(12.7)
Prepaid	53	54	**51**	1.9	(5.6)
Community services	3,215	2,699	**3,316**	(16.0)	22.9
Cumulative network capital expenditure per customer (Rand, at period end)	1,980	1,876	**1,692**	(5.3)	(9.8)
Number of employees (incl temps and contractors, at period end)	3,845	3,844	**3,988**	–	3.7
Customers per employee	1,854	2,217	**2,845**	19.6	28.3

VODACOM TANZANIA

Key indicators

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
Customers ('000)[1]	306	541	**952**	76.9	76.0
Contract	8	5	**5**	(34.6)	–
Prepaid	298	533	**944**	79.0	77.1
Public phones	0.3	3	**3**	800.6	–
ARPU (Rand)[2]	240	136	**91**	(43.3)	(33.1)
Gross connections ('000)	n/a	172	**326**	n/a	89.5
Churn (%)	n/a	30.9	**26.1**	n/a	(4.8 pts)
Cumulative capex (Rand millions)	1,213	1,078	**1,293**	(11.1)	19.9
Number of employees (incl temps and contractors, at period end)	208	270	**342**	29.8	26.7
Customers per employee	1,471	2,005	**2,785**	36.3	38.9
Mobile market share (%)[3]	60	56	**58**	(4.0 pts)	2.0 pts

VODACOM CONGO

Key indicators (all indicators 100% of Vodacom Congo)

Customers ('000)[1]	142	458	**903**	222.5	97.2
Contract	2	6	**10**	200.0	66.7
Prepaid	138	443	**885**	221.0	99.8
Public phones	3	9	**8**	200.0	(11.1)
ARPU (Rand)[2]	229	182	**111**	(20.5)	(39.0)
Gross connections ('000)	n/a	240	**305**	n/a	27.1
Churn (%)	n/a	18.2	**18.4**	n/a	0.2 pts
Cumulative capex (Rand millions)	960	1,114	**1,644**	16.0	47.6
Number of employees (incl temps and contractors, at period end)	119	305	**426**	156.3	39.7
Customers per employee	1,197	1,500	**2,119**	25.3	41.3
Mobile market share (%)[3]	24	45	**48**	21.0 pts	3.0 pts

Notes:

1. *Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated.*
2. *ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.*
3. *Penetration and market share is calculated based on Vodacom estimates.*

SEGMENT COMMENTARY (CONTINUED)

VODACOM LESOTHO
Key indicators

	Six months ended September 30,				
	2002 (unaudited)	2003 (unaudited)	**2004 (unaudited)**	% change 2003/02	% change 2004/03
Customers ('000)[1]	92	71	**122**	(23.3)	71.8
Contract	6	3	**4**	(46.2)	33.3
Prepaid	86	67	**117**	(22.2)	74.6
Public phones	0.3	0.6	**1**	139.5	66.7
ARPU (Rand)[2]	87	119	**91**	36.8	(23.5)
Gross connections ('000)	n/a	20	**32**	n/a	60.0
Churn (%)	n/a	73.3	**14.0**	n/a	(59.3 pts)
Cumulative capex (Rand millions)	158	198	**203**	25.3	2.5
Number of employees (incl temps and contractors, at period end)	70	70	**62**	–	(11.4)
Customers per employee	1,313	1,007	**1,971**	(23.3)	95.7
Mobile market share (%)[3]	100	78	**80**	(22.0 pts)	2.6 pts

VODACOM MOZAMBIQUE
Key indicators

	Six months ended September 30, 2004 (unaudited)
Customers ('000)[1]	**164**
Contract	**3**
Prepaid	**161**
Public phones	**–**
ARPU (Rand)[2]	**63**
Gross connections ('000)	**108**
Churn (%)	**2.7**
Cumulative capex (Rand millions)	**557**
Number of employees (incl temps and contractors, at period end)	**85**
Customers per employee	**1,934**
Mobile market share (%)[3]	**24**

Notes:

1. *Customer totals are based on the total number of customers registered on Vodacom's network, which have not been disconnected, including inactive customers, as of end of the period indicated.*
2. *ARPU is calculated by dividing the average monthly revenue during the period by the average monthly total reported customer base during the period. ARPU excludes revenue from equipment sales, other sales and services and revenue from national and international users roaming on Vodacom's networks.*
3. *Penetration and market share is calculated based on Vodacom estimates.*

CONDENSED CONSOLIDATED INCOME STATEMENTS

	For the six months ended September 30, 2003 Rm (unaudited)	**2004 Rm (unaudited)**
REVENUE	11,295.6	**13,593.8**
Other operating income	71.1	**33.2**
Direct network operating cost	(6,391.5)	**(7,871.5)**
Depreciation	(1,148.0)	**(1,293.8)**
Staff expenses	(632.5)	**(760.3)**
Marketing and advertising expenses	(344.8)	**(393.1)**
General administration expenses	(300.1)	**(409.8)**
Amortisation of intangible assets	(98.9)	**(124.0)**
Impairment of assets	–	**(236.8)**
PROFIT FROM OPERATIONS	2,450.9	**2,537.7**
Interest, dividends and other financial income	354.5	**291.8**
Finance costs	(652.8)	**(274.7)**
PROFIT BEFORE TAXATION	2,152.6	**2,554,8**
Taxation	(772.1)	**(1,108.5)**
PROFIT AFTER TAXATION	1,380.5	**1,446.3**
Minority interest	(7.0)	**(18.2)**
NET PROFIT	1,373.5	**1,428.1**

CONDENSED CONSOLIDATED BALANCE SHEETS

	As at March 31, 2004 Rm (audited)	**As at September 30, 2004 Rm (unaudited)**
ASSETS		
Non-current assets	14,201.4	**14,979.9**
Property, plant and equipment	10,858.6	**11,569.1**
Investment properties	63.8	**51.8**
Intangible assets	1,034.1	**1,060.3**
Investments	222.4	**130.2**
Deferred taxation	1,262.2	**1,339.2**
Deferred activation cost	760.3	**829.3**
Current assets	6,966.2	**7,402.9**
Inventory	288.5	**371.0**
Accounts receivable	3,989.2	**4,382.0**
Short-term investments	316.5	**82.4**
Foreign currency derivatives	1.9	**0.2**
Bank and cash balances	2,370.1	**2,567.3**
Total assets	21,167.6	**22,382.8**
EQUITY AND LIABILITIES		
Capital and reserves	7,603.1	**7,324.2**
Ordinary share capital	–	**–**
Non-distributable reserves	(299.2)	**(169.7)**
Retained earnings	7,902.3	**7,493.9**
Minority interest	93.0	**126.6**
Non-current liabilities	3,575.7	**4,204.1**
Interest-bearing debt	1,216.6	**1,708.5**
Deferred taxation	1,420.4	**1,539.6**
Deferred activation revenue	760.3	**829.3**
Provisions	178.4	**126.7**
Current liabilities	9,895.8	**10,727.9**
Accounts payable	5,389.0	**5,436.2**
Taxation payable	852.0	**439.4**
Non-interest-bearing debt	4.3	**4.3**
Short-term interest-bearing debt	839.9	**973.9**
Provisions	473.7	**435.6**
Dividends payable	1,500.0	**1,600.0**
Foreign currency derivatives	64.5	**25.7**
Bank overdrafts	772.4	**1,812.8**
Total equity and liabilities	21,167.6	**22,382.8**

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital Rm	Retained earnings Rm	Non-distributable reserves Rm	Total Rm
Balance at March 31, 2003 – audited	–	6,969.7	(132.3)	6,837.4
Net profit for the period	–	1,373.5	–	1,373.5
Dividends declared	–	(600.0)	–	(600.0)
Contingency reserve	–	0.6	(0.6)	–
Net gains and losses not recognised in the income statement				
Foreign currency translation reserve	–	–	(65.3)	(65.3)
Foreign currency translation reserve – deferred taxation	–	–	5.6	5.6
Balance at September 30, 2003 – unaudited	–	7,743.8	(192.6)	7,551.2
Balance at March 31, 2004 – audited	–	7,902.3	(299.2)	7,603.1
Acquired reserves from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	(234.7)	112.9	(121.8)
Net profit for the period	–	1,428.1	–	1,428.1
Dividends declared	–	(1,600.0)	–	(1,600.0)
Contingency reserve	–	(1.8)	1.8	–
Net gains and losses not recognised in the income statement				
Foreign currency translation reserve	–	–	15.6	15.6
Foreign currency translation reserve – deferred taxation	–	–	(0.8)	(0.8)
Balance at September 30, 2004 – unaudited	–	7,493.9	(169.7)	7,324.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	For the six months ended September 30, 2003 Rm (unaudited)	**2004 Rm (unaudited)**
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	10,789.2	**13,398.7**
Cash paid to suppliers and employees	(7,798.2)	**(9,549.3)**
Cash generated from operations	2,991.0	**3,849.4**
Finance costs paid	(353.3)	**(160.6)**
Interest, dividends and other financial income received	181.1	**186.8**
Taxation paid	(787.0)	**(1,408.2)**
Dividends paid – shareholders	(1,200.0)	**(1,500.0)**
Dividends paid – minority shareholders	–	**(1.4)**
Net cash flows from operating activities	831.8	**966.0**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,000.5)	**(1,541.5)**
Proceeds on disposal of property, plant and equipment	0.2	**–**
Acquisition of intangible asset	(114.1)	**–**
Acquisition of subsidiaries	–	**(249.7)**
Acquired cash from the minorities of Vodacom Congo (RDC) s.p.r.l.	–	**12.9**
Short-term investments	(140.0)	**137.0**
Net cash flows utilised in investing activities	(1,254.4)	**(1,641.3)**
CASH FLOW FROM FINANCING ACTIVITIES		
Shareholder loans repaid	(920.0)	**–**
Interest-bearing debt incurred	176.8	**1,164.9**
Interest-bearing debt repaid	(31.0)	**(1,286.6)**
Net cash flows from financing activities	(774.2)	**(121.7)**
Net decrease in cash and cash equivalents	(1,196.8)	**(797.0)**
Cash and cash equivalents at the beginning of the period	647.5	**1,597.7**
Effect of foreign exchange rate changes	(15.7)	**(46.2)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(565.0)	**754.5**