

CHAIRMAN'S REVIEW

"Vodacom continues to play an important role in democratising telephony on the African continent."



Adv Oyama Mabandla
Chairman
Vodacom Group (Proprietary) Limited

Introduction

It is my privilege and honour, as the newly appointed Chairman of the Vodacom Board, to present Vodacom's Annual Report for the financial year ended March 31, 2006. In a very competitive mobile arena and a rapidly changing regulatory environment, Vodacom, once again, excelled with operating and financial results, reaffirming its status as the irrefutable leader within the South African cellular industry.

Shareholder changes

During the year, shareholding changed, due to a strategic and historic change-of-ownership transaction whereby Vodafone increased its effective shareholding in Vodacom from 35% to 50%. This was achieved by acquiring a 100% shareholding in VenFin Limited, who owns 15% in Vodacom Group (Proprietary) Limited. The transaction, first announced on November 3, 2005 and approved by the competition tribunal in January 2006, highlighted Vodafone's major commitment to Vodacom and the African continent.

Industry developments

The current year was once again filled with several pronouncements by the Ministry of Communications. Two colloquiums on telecommunication prices were held, one in July 2005 and another in October 2005. Although a workgroup was established, no concrete actions were implemented at the time and various regulatory processes in which Vodacom participates still continue.

The introduction of mobile number portability ("MNP") as mandated by the Independent Communications Authority of South Africa ("ICASA"), is set to be implemented in the industry in September 2006. Vodacom will participate in the formation of a special purpose vehicle with MTN and Cell C which will host the central reference database necessary to render the required services.

Both the ICASA Amendment Bill and the Electronic Communication Bill ("ECB") (previously known as the Convergence Bill) were passed in December 2005. The President has sent the ICASA Bill back to Parliament for review and has signed the Electronic Communication Bill.

Chairman's review continued

Vodacom concluded national roaming agreements with six under-serviced area licence ("USAL") holders. USALs will now be able to move their customers off the Vodacom network and provide services when their own infrastructure is in place. This will enable them to focus on building their own customer base and brand within the shortest possible timeframe, targeting the creation of positive cash flows, which can then fund the infrastructure roll-out as stipulated by their licences.

Vodacom understands that the key to customer satisfaction is to provide voice and data services according to consumer needs and it is in a good position to continue taking advantage of the convergence of voice and data services, despite the regulatory challenges facing the industry.

Opportunities for growth

Although Vodacom realises that investment in Africa is the best vehicle to supplement growth, the South African market is far from maturity, with business confidence in the South African economy reaching all time highs. Given the 44% customer growth in the cellular industry for the 12 months since March 2005, Vodacom will continue to seek new viable commercial opportunities to expand its market share in South Africa.

Vodacom continues to play an important role in democratising telephony on the African continent. We continue to focus on expansion in Africa and are actively evaluating new investment opportunities. On February 14, 2006 Vodacom announced a substantial increase in infrastructure investment in Tanzania with the introduction of a third generation ("3G") high speed downlink packet access ("HSDPA") network, providing its fast growing customer base with high speed wireless data and video telephony, making it the third African country (South Africa and Mauritius being the other two) with a state of the art 3G network.

Governance

Following the appointment of a Chief Governance Officer during the previous financial year, Vodacom expanded its focus on corporate governance within the Group. Due to the paramount importance of practising and maintaining good corporate

governance, Vodacom will continue to follow the recommendations of the King Committee Report on Corporate Governance and best practice as it develops worldwide.

Charter developments

The fifth draft of the Information and Communication Technology ("ICT") Charter was released for a last round of industry comments and Vodacom has made meaningful contributions to this release.

The Department of Trade and Industry ("DTI") released the second phase of the draft Codes of Good Practice on December 20, 2005 for public comment, which were due by March 30, 2006. The DTI requested comments at the same date on the treatment of indirect ownership in the measurement of BEE. The DTI Codes are anticipated to be completed by December 2006, after which the ICT Charter will be aligned with the Codes and published for public comment during 2007, in accordance with the relevant cabinet process. In the interim, the DTI Codes will be applicable. Vodacom is well positioned to comply with the DTI Codes and the ICT Charter requirements.

Black economic empowerment

Vodacom has not deviated from its commitment to black economic empowerment and continues to drive participation vigorously in order to leverage economic opportunities and potential within the South African business arena.

In addition to its drive to remain a leader within the mobile communications arena, Vodacom also strives to be an employer of choice. Succession planning programmes and the retention of employees within strategic positions remain a top priority.

Currently, 80% (2005: 80%) of the employees from Vodacom Group and Vodacom's wholly owned subsidiaries in South Africa are from historically disadvantaged groups. Vodacom continues to support empowerment within its procurement process by maintaining the preferential procurement programme which incorporates suppliers from designated historically disadvantaged individuals ("HDIs"). Procurement from HDI suppliers reached R3.3 billion (2005: R2.4 billion), representing 66.2% of commercial spend in 2006.

Corporate social responsibility

The Vodacom Way emphasises Vodacom's high regard for corporate social responsibility ("CSR") and recognises the responsibility placed on those privileged enough to be involved in the upliftment and reconstruction of our society. Vodacom is therefore proud to have been recognised in the 2005 Corporate Social Investment Handbook as the best company in the information technology sector due to its valuable contribution towards social development.

Vodacom actively supports the fight against the exploitation of children and child pornography in South Africa and understands the implications of the use of mobile phones in the unlawful distribution of such material. The Films and Publications Board ("FPB") has established a child pornography hotline and Vodacom has agreed to sponsor the FPB officers with 3G Vodafone Mobile Connect Cards and 3G SIM cards, enabling the hotline to perform at optimal speed and efficiency. Vodacom has implemented policies to regulate and limit access to pornographic content.

In respect of corporate social investment, R39.6 million (2005: R34.8 million) was invested by the Vodacom Foundation to support the communities in which Vodacom operates. Programmes covering education, health and welfare, as well as safety and security, were the main focus.

In addition, Vodacom is also involved in various medical and educational initiatives such as constructing a school in Rustenburg and providing library furniture and equipment to the Jabavu Library in Soweto. Vodacom also donated funds, via the South African government, to the Tanzanian Relief Fund to provide food to starving Tanzanians as a result of the current devastating droughts. Vodacom funded heart surgeries for infants via the Walter Sisulu Paediatric Clinic; two mobile clinics in the Eastern Cape; a care centre for abused children; cleft lip and palate operations for children; cataract operations to assist community members to regain most of their eye sight, to name but a few community and social upliftment projects.

With its involvement in these and various other projects, Vodacom reaffirms its commitment to playing a central role in community and social upliftment across the continent.

Board of Directors

My appreciation is extended to Wendy Luhabe whose six year term as Chairman came to an end. During her term, Vodacom expanded its African operations to Tanzania, the Democratic Republic of Congo and Mozambique. Under her Chairmanship, Vodacom's total African customer base grew from 3.1 million in 2000 to over 23.5 million by the end of March 2006. For everyone at Vodacom it has been both a privilege and honour to work with Wendy Luhabe.

I would also like to express my appreciation to Sizwe Nxasana, Tshepo Mahloele and Joshua Malherbe, who resigned from the Board during the year, for their valuable contribution to Vodacom.

It gives me great pleasure to welcome Papi Moletsane, Reuben September and André Sokol to the Board. All appointees bring a wealth of experience and we look forward to their contribution.

Conclusion

Vodacom acknowledges the timeless principle that people play a significant role in business success and I therefore wish to thank all Vodacom's employees for their significant contribution to our success. I also extend my appreciation to our customers and business partners who continue to inspire us to turn big ideas into bold realities.

Affordability is the key to market penetration in all markets and Vodacom will continue to re-evaluate its tariffs and introduce innovative products to stimulate demand. In an ever-changing economic and regulatory environment, Vodacom is well positioned to maintain and even improve its current market leadership.

Adv Oyama Mabandla

(Appointed January 1, 2006)

Chairman

Vodacom Group (Proprietary) Limited