

REVIEW OF OPERATIONS



Dietlof Maré
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Overview

Vodacom Congo was established on December 11, 2001 in the Democratic Republic of Congo ("DRC") and the network was officially launched on May 1, 2002. Vodacom International Limited (Mauritius) owns a 51% interest in Vodacom Congo, with the remaining 49% owned by Congolese Wireless Network s.p.r.l.

Vodacom Congo is performing exceptionally well under a highly competitive and demanding environment. Despite aggressive competition for market share, Vodacom has been able to surpass competition and retain dominance in the Congolese cellular market. The main contributing factors in achieving customer and profit growth include coverage roll-out in strategic areas, implementation of an effective and aggressive sales and distribution strategy, and improvement in consumer confidence and spending.

Congo's presidential and parliamentary elections are planned for the coming year after an official postponement was announced in June 2005. The outcome of the elections will determine political stability and economic growth. The current coverage and market share levels put Vodacom Congo in a very favourable position to benefit from such an economic upturn.

VODACOM CONGO



Infrastructure

Vodacom Congo invested more than R273 million or US\$43 million this financial year to maintain and expand its high-quality network throughout the country. Network coverage has been rolled out in all of the nine provinces of the Congo. This includes roll-out in 184 (2005: 130) towns and consists of 373 (2005: 289) base stations and 4 (2005: 4) MSCs.

The company's cumulative capital expenditure to March 31, 2006 was R2.0 billion or US\$323 million (2005: R1.8 billion or US\$281 million).

Products and services

Vodacom Congo offers contract, prepaid and public phone services. The contract product is aimed at the corporate market, with a focus on value-added services and customer service. Service to contract customers was further enhanced this financial year with the possibility to migrate to Top Up options and the introduction of the corporate PABX product. The prepaid and public phone products are aimed at the general Congolese market, with the main competitive advantage being coverage, network quality and distribution.

To further enhance data revenue streams, Vodacom Congo commercially launched GPRS in February 2006. The application was introduced to support data transfer requirements during the electoral process and meet the data demands of local businesses and corporate clients.

In May 2005, the company launched an electronic voucher solution known as Voda-E in order to strengthen its distribution capabilities and enable customers to recharge to the value of R1.92 or US\$0.3 (previous lowest denomination R6.40 or US\$1) and to transfer airtime among users via text messaging with the use of a standard handset. The new airtime distribution platform currently accounts for 30% of all voucher sales on the network.

Customers

Vodacom Congo's customer base increased by 52.2% to 1,571,000 (2005: 1,032,000) customers at the end of the financial year under review. This was the result of 892,000 (2005: 565,000) gross connections and a churn percentage of 28.1% (2005: 23.1%). Vodacom's key success factors in the market remain the ability to source the lowest priced quality handsets; effective distribution channels; access to new areas through a successful coverage roll-out plan and sound network quality supported by the strong Vodacom multi-national brand.

Market share and competition

Vodacom Congo remains the leading telecommunication network in DRC with an estimated market share of 48% (2005: 47%) as at March 31, 2006. Vodacom's main competitor Celtel, controls approximately 44% (2005: 46%) of the market. The remaining balance of the market is shared with SAIT and Congo Chine Telecom accounting for 2% (2005: 4%) and 6% (2005: 3%), respectively.

Employees

Vodacom Congo ended the financial year with 479 (2005: 527) employees, which includes secondees. Management remains committed to the skill transfer process through the evaluation, identification and intensive training of local staff.



*En amont ou en aval,
vous êtes couvert*

Une Nation - Un Réseau



**Upstream or downstream,
you're covered**

One Nation – One Network

Regulatory

The National Regulatory Agency ("NRA") has been active during the year working with international consultants appointed by the World Bank on the reformation of the telecommunication legislative framework and regulations. Key focus areas included:

- Spectrum (national planning, management and fees);
- Interconnection guidelines and principles;
- Cost modelling;
- Numbering (national planning, management and fees); and
- Universal service fund (constitution and funding mechanisms).

Draft guidelines and regulations were submitted to network operators for consultation purposes.

Review of operations – Vodacom Congo continued

The NRA has also been holding public hearings in regards to the introduction of 3G technology. The NRA's findings will soon be submitted to the government.

In addition to its GSM licence rights, Vodacom Congo was granted additional exploitation rights for PABX (including an assigned spectrum for corporate direct connection) and internet/WiMax.

Social responsibility

Vodacom Congo remains committed to the social uplifting and community enhancement of the DRC through the implementation and funding of several social responsibility programmes. Vodacom has invested more than R9.6 million or US\$1.5 million to date in social activities which focuses on a four pillar strategy: health, education, welfare and environment.

Prospects

Vodacom Congo is well placed to take advantage of opportunities in the market as it continues to build on the foundation of providing the highest quality and best value in wireless voice and data telecommunication. The ability to effectively manage costs and margins will ensure continued growth in EBITDA and profit from operations given that the country's economic and political environment remains stable.

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KEY INDICATORS (ALL INDICATORS INCLUDE 100% OF VODACOM CONGO)

	Year ended March 31			% change	
	2004	2005	2006	05/04	06/05
Customers ('000)¹	670	1,032	1,571	54.0	52.2
Contract	8	10	14	25.0	40.0
Prepaid	653	1,010	1,538	54.7	52.3
Community services	9	12	19	33.3	58.3
Gross connections ('000)	513	565	892	10.1	57.9
Churn (%)	20.2	23.1	28.1	2.9	5.0
ARPU (Rand)²	150	98	86	(34.7)	(12.2)
Cumulative capex (Rand millions)	1,432	1,759	2,000	22.8	13.7
Number of employees³	334	527	479	57.8	(9.1)
Customers per employee	2,006	1,958	3,279	(2.4)	67.5
Mobile penetration (%)⁴	2.3	3.5	5.5	1.2	2.0
Mobile market share (%)⁴	47	47	48	-	1.0

Notes

- 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 the end of the period indicated.
- 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.
- Headcount includes secondees.
- Penetration and market share is calculated based on Vodacom estimates.