

CHIEF OPERATIONS OFFICER'S REVIEW



Pieter Uys
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Year Under Review

The past financial year has proven to be very successful for Vodacom. Our customer base has shown growth of 38.0% to 15.5 million (2004: 11.2 million), of which 17.1% or 2.6 million (2004: 13.3% or 1.5 million) is in our other African operations, a 77.3% improvement on 2004.

These results have been achieved in challenging competitive, regulatory and fiscal environments.

South Africa

Vodacom's South African customer base growth exceeded expectations, increasing by 32.0% to 12.8 million customers (2004: 9.7 million). The growth in customers was fuelled by a record number of gross connections in a robust economy, coupled with lower churn. Vodacom South Africa improved its market share to 56% (2004: 54%).

Vodacom South Africa's ARPU during the year decreased 7.9% to R163 per month (2004: R177) due to the continued penetration into the lower revenue yielding prepaid market and the diluting effect this has on ARPU.

The signing of an alliance with Vodacom's 35% shareholder Vodafone during the year was of strategic importance, as well as the associated launch of third generation (3G), or UMTS, cellular services, and the launch of Vodafone live!.



The Vodacom/Vodafone alliance is of strategic importance

Vodacom's alliance with the world's largest cellular operator will give Vodacom access to Vodafone's global research and development, buying power, products, services and content, and benchmarking under a co-branding arrangement.

Vodacom obtained a 3G licence during the year and launched the first commercial 3G network in South Africa in December 2004. This is an important step in the technical evolution of our business and the greater telecommunications market. Vodacom is excited and proud of its first mover commitment to 3G and expects, given the competitive pricing, low entry costs and excellent timing, that 3G will create a competitive advantage in the new liberalised sector. R400 million has been spent in rolling out the initial 487 3G sites in the major metropolitan areas. In the forthcoming year, there are plans to spend an additional R835 million on 3G capital expenditure, which is planned to include the roll-out of a further 1,000 3G sites.

Vodacom South Africa remains the cornerstone of Vodacom's success and is well positioned to take advantage of the further growth opportunities expected in this market.

CHIEF OPERATIONS OFFICER'S REVIEW continued

Other African Operations

Vodacom managed to improve its market position in all its other African operations during the year under review. All these operations, with the exception of Mozambique, were profitable at the operating profit level for the year.

Tanzania

Vodacom Tanzania has overcome the challenges it faced and continues to contribute to Vodacom's growth and profitability. Under the leadership of Managing Director, José Dos Santos, Vodacom Tanzania has improved its performance in respect of profit from operations and EBITDA, through redesigning aspects of its distribution channel, complimented by sound cost management.

Vodacom Tanzania achieved a substantial 75.6% increase in customers to 1.2 million (2004: 0.7 million), primarily through increases in the prepaid customer base, offset slightly by higher churn. Per-second billing continues to prove highly successful.

Despite increased competition from all market participants, Vodacom Tanzania has achieved exceptional growth and has increased its estimated market share to 59% (2004: 57%).

ARPU levels have decreased by 36.7% to R81 (2004: R128) as a result of both increased penetration and two tariff reductions during the period. Vodacom anticipates that continued tariff pressure is possible in the future.

The Democratic Republic of the Congo (DRC)

Vodacom Congo has performed above expectation over the past year, with solid growth in customers, profit from operations and EBITDA under the leadership of Managing Director, Dietlof Maré. Vodacom Congo's focus on being competitive in coverage and quality has been successful to date. Notwithstanding the uncertainties surrounding the elections, planned for later this year, management is optimistic of the future success of the operations.

Vodacom Congo achieved a 54.0% increase in customers to 1.0 million customers (2004: 670,000) as a result of substantial gross connections and lower churn rate.

Vodacom Congo continues to be the market leader with an estimated market share of 47% at March 31, 2005 (2004: 47%). A key success factor in achieving the market share is Vodacom Congo's effective distribution channels.

There has been increased pressure on ARPU, with a decline of 34.7% to R98, as lower spending prepaid customers are connected coupled with the devaluation of the local currency against the US Dollar. As tariffs are denominated in US Dollars, the devaluation has impacted spending patterns, as it has resulted in lower disposable incomes in US Dollar terms for current and new customers.

Lesotho

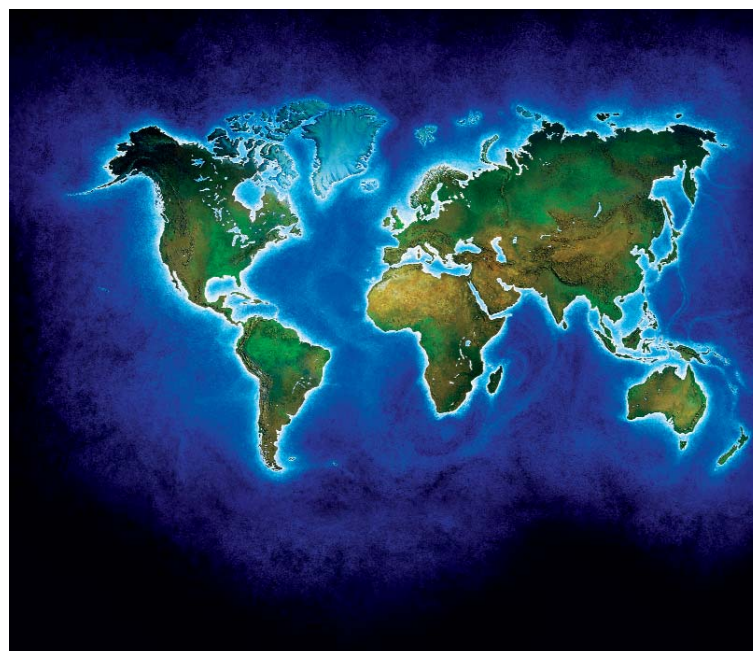
Although Vodacom Lesotho is expected to remain a small operation, under its Managing Director, Mervyn Visagie, it has improved significantly on the previous year's performance in respect of revenues, profit from operations and EBITDA. The collection of interconnection revenue from the government-owned LTC continues to be a challenge.

Vodacom Lesotho increased its customer base by 83.8% to 147,000 customers (2004: 80,000) as at March 31, 2005, constituted mainly of prepaid customers, resulting from substantial gross connections, coupled with a much improved churn rate.

Vodacom Lesotho has retained its estimated 80% share of the market by continually providing excellent coverage, brand and distribution and introducing new products and services.

ARPU decreased by 26.4% to R92 (2004: R125) and is an area of focus for improvement through the introduction of new products and services.

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Worldwide footprint through the Vodafone alliance

Mozambique

Vodacom Mozambique remains in its infancy, having just experienced its first full year of commercial operations. Performance has been disappointing due to extremely low ARPUs. ARPU decreased 52.7% to R52 (2004: R110), below what was envisaged for the operations. On the positive side, Vodacom Mozambique has rolled out a competitive network from a coverage and quality point of view.

Vodacom Mozambique increased its customer base substantially by 356.9%, albeit off a low base, to 265,000 customers (2004: 58,000) as at March 31, 2005 and increased its estimated market share to 33% (2004: 11%). Vodacom Mozambique intends to revisit its approach to the market in the year ahead.

Vodacom Mozambique’s challenge is to raise usage on its network in order to improve ARPU. Following his success in Tanzania, José Dos Santos has been identified as the new

Managing Director to lead Vodacom Mozambique in the next financial year.

Conclusion

The new financial year will see new challenges in all these markets as the pace of regulatory change on the continent is increasing, together with the competitiveness of other operators. We expect that with Africa being more globally recognised as one of the last growth opportunities, these pressures will increase, but we are confident that Vodacom is well placed to meet them.

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