

CHAIRMAN'S OVERVIEW

Overview

In the previous Annual Report, we reported good operating results. We also spoke of the changes in and challenging times experienced by telecommunication companies, and our strategic intentions of generating meaningful financial returns and better shareholder value. Against this background, I am pleased that Telecom Namibia once again recorded positive performance levels in the telecommunications sector. Some bold steps were also taken towards fulfilling our strategic intentions.

SADC Expansion Strategy

As stated in the past, Telecom Namibia is committed to its long-term vision of exploiting business opportunities in the SADC market. It is expected that competition will make inroads into our already limited and shrinking telecommunications market. Against this backdrop, we continued with our concerted efforts to enter the South African and the Angolan telecom sectors and, at the end of the financial year, the prospects seemed very positive.

Black Economic Empowerment

The role of Telecom Namibia, in the broader economic development of the country, also received increased priority. Our efforts to promote Black Economic Empowerment (BEE) are still in its infancy, but we are encouraged by the results achieved so far. Total spending on BEE amounted to N\$7,3 million or 18% of the Company's expenditure, by September 2003. It is our objective to increase spending on BEE initiatives by a further 15% during the next financial year.

Draft Communication Bill

Although the Draft Communication Bill had not been finalised by the end of the year under review, we continued with the transformation and streamlining of our internal operations, to remain competitive once the market is open to full competition. The LunduRura business transformation project continued to spearhead innovative and significant changes within the Company, resulting in the delivery of tangible financial rewards and a significant ascent of the staff towards the desired business attitudinal changes. The main objective of this project is to enhance the Company's readiness for competition, and to better serve our customers by improving all our services. Therefore, the Company is applying healthy management and financial discipline in all its operations, so that the benefits gained from the transformation project are fully utilised by the time that a wholly competitive market becomes a reality.



CHAIRMAN'S REVIEW (CONTINUED)

Corporate Governance

Telecom Namibia remains committed to the principles of best practice in corporate governance. The external financial reporting by the appointed auditors has always been viewed as highly reliable and credible. Furthermore, the Board has implemented additional sound corporate governance measures in the hope that Telecom Namibia's business philosophies and reputation of being a corporation setting a leading example in this field, will be truly enhanced.

Telecom Namibia's policy objectives include the implementation of best practices for business integrity standards in all our activities. We are, therefore, committed to the highest standards of corporate governance as advocated by the King II Report on corporate governance. This commitment is also taken a step further and is now forming an integral part of the standing Business Performance Agreement, signed between Telecom Namibia and the Shareholder's Ministerial representative, the Ministry of Works, Transport and Communication. A more substantive Corporate Governance Statement, containing key issues and additional aspects, is presented elsewhere in the Financial Statements' section of this Annual Report.

Shareholder Value

A critical component of the Board's strategic commitments is to ensure meaningful returns of dividends for our Shareholder. Although telecommunications remains a difficult sector for investors worldwide, we decided to continue paying healthy dividends to our Holding Company, Namibia Post & Telecom Holdings Limited (NPTH). This became possible only through the management of an effective, profitable and sustainable operation, which is sufficiently capable of generating healthy returns on investments, and year-by-year delivering increased shareholder value.

Acknowledgments

I would like to thank my fellow Board members for their support, guidance and invaluable input towards the realisation of the strategic objectives of the Company. We have every reason to be pleased that we had adopted the right strategies, where results reflect a strong overall operating performance. The Board is grateful for the contributions and loyal support of its Shareholder, customers and employees. Together we can move forward in transforming Telecom Namibia into a business entity that constantly delivers on the needs and wishes of our customers. As a team, we should always be striving towards fulfilling our vision of adding real value, and contributing to the economic growth of our country, through the delivery of excellent communication services.

In conclusion, I respectfully submit to our Shareholder, the 11th audited Telecom Namibia Annual Report for the financial year 1 October 2002 to 30 September 2003.



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Titus Tulipohamba Haimbili
Chairman

BOARD OF DIRECTORS - 2002/2003



T Haimbili
Chairman



FJP Ndoroma
Managing Director



R Nakale



S Black



J Iita



H Pupkewitz



L van Wyk
Legal Services &
Company Secretary

TOP MANAGEMENT STRUCTURE

BUSINESS UNITS:



FJP Ndoroma
Managing Director



J Camm
General Manager;
Telecom Consumer Services



W van der Vyver
General Manager;
Telecom International



T Klein
General Manager;
Telecom Multimedia



S Nghikembua
General Manager;
Telecom Payphones

CORPORATE SUPPORT UNITS:



R Offner
General Manager;
Finance & Administration



A Timotheus
General Manager;
Corporate Marketing & Business Development

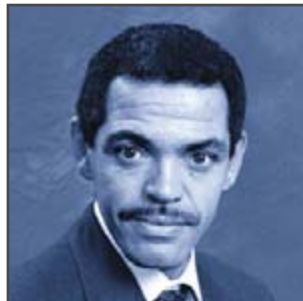


B Mukuahima
General Manager;
Human Resources & Strategic Training



HP Bader
General Manager;
Technology & Business Systems

CORPORATE STAFF DEPARTMENTS



F Tjombe
Head: Corporate Communications
& Public Relations



L van Wyk
Head:
Legal Services & Company Secretary

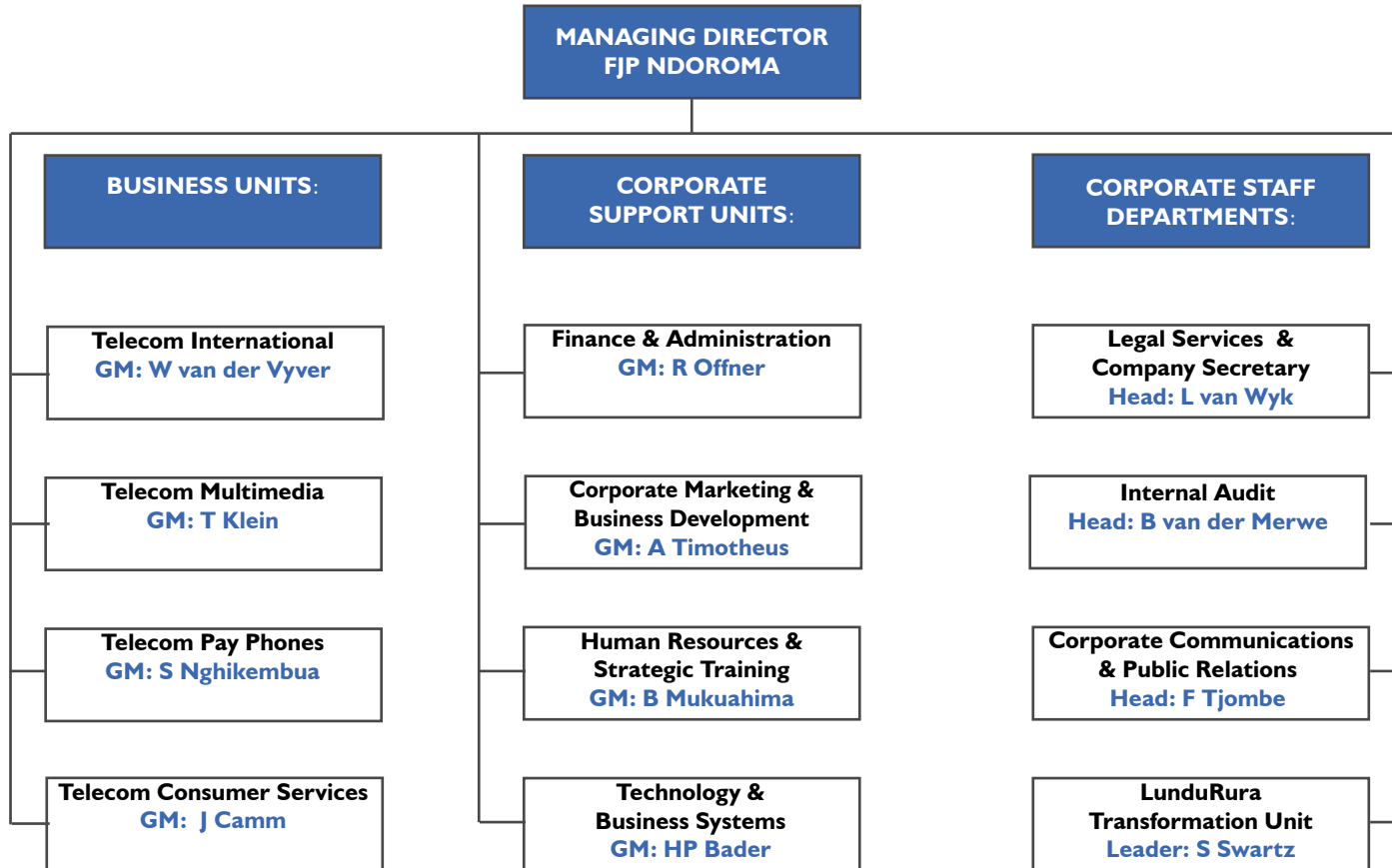


Dr B van der Merwe
Head:
Internal Audit



S Swartz
Leader:
LunduRura Transformation Unit

TOP MANAGEMENT ORGANOGRAM



MANAGING DIRECTOR'S REVIEW

Overview



Vision, Mission, BHAG 2010 & Values

The information on page 2 of this Annual Report reflects our new and recently approved Vision, Mission, BHAG and Value statements. These statements summarise what our company is and what we are striving to accomplish. They are all linked to our core business, and should provide the focus for every decision the Company – or any sub-unit within it – makes and every action it takes.

The new mission statements did not spring forth from the head of a single staff member or the deliberations of a strategic planning team. Rather, the statements evolved from all levels, right to the top. These staff-defined statements and values are now the Company's Credo, endorsed by Senior Management and the Board.

Having new vision and mission statements, however, would be insignificant if its implementation is not linked to the needs and interests of our customers and our core business. To that end, we have pledged to use these instruments as our common set of values, to govern our actions and to attain behavioural change. In addition, they provide us with an effective means of sharing our cause with the public.

Summary of Operations

The performance of the Business Units and Support Divisions are summarised, individually, elsewhere in this Annual Report. Excellent progress has been made by the Company in terms of meeting its performance targets. We continued to improve operational efficiency, and reduced our cost of offering products and services.

Customer Service

Customer service levels, at all Business Units dealing directly with customers, have improved significantly. The response time to complaints, the repair of faults, installation of new telephones and other aspects of service-delivery are all recorded and monitored against specific targets for improvement.

The availability and uptime of systems have also maintained exceptional records, although some fixed-wireless systems in rural areas, notably the SOR 18 and UltraPhone systems, did not perform to customer expectations for a number of reasons, viz. SOR 18 has become obsolete as a rural technology, and the UltraPhone systems are inadequate in terms of customer requirements.

Rural Technology Solutions

Much hard work went into a worldwide search for appropriate and affordable rural technologies to replace the antiquated SOR 18 farm systems and the UltraPhone fixed-wireless systems, which are fast becoming obsolete. By the end of the reporting year, we had reason for optimism. Through prudent investments and sound technological choices, we could move closer to meeting the demand for reliable and affordable rural solutions.

FarAway VSAT

The Faraway VSAT system has been in operation since 2000, and serves remote rural areas and businesses such as tourism centres and lodges. Six additional sites were installed, bringing the total to 64 sites countrywide.

DialAw@y IP VSAT

The DialAw@y IP VSAT hub was installed and commissioned in August 2003, and is now ready for customer connections. This system is technically suitable for many of Namibia's farming communities. During the year much of the debate evolved around the cost-based pricing structure of this system, and farmers complaints that the initial prices were too inhibitive. Telecom Namibia undertook to restructure the pricing packages, and to accommodate the customers' concerns.

Broadband Wireless System and Wireless LAN

During the year, a Broadband Wireless System and Wireless LAN were installed at four new base stations in Windhoek. The commissioning is scheduled for early 2004. Broadband will enable customers to obtain wireless transmission links at a bandwidth of up to 2Mb/s.

Other Technology Projects

Two new towns - Oshikunde and Onyulaye - were connected to the re-engineered Rurtel system, in February 2003. Aussenkehr received improved telecommunication services, while wireless access network systems were also upgraded and/or expanded in Katima Mulilo, Onesi and Outapi. More technology projects are discussed elsewhere in this Annual Report.

MANAGING DIRECTOR'S REVIEW (CONTINUED)

Business Strategy

We continued to review the Company's Business Strategy at our annual Top Management retreat, in collaboration with the Board. The strategy ensures that we strike a balance between the business community needs in terms of innovative, fast and competitive infrastructure, and to connect the have-nots in the rural areas, on the other hand.

Financial Performance

Despite Namibia's limited GDP growth economic performance of 3.1%, Telecom Namibia managed to achieve a 9% growth in revenue of N\$981 million. This growth was mainly as a result of revenue increases in prepaid and data services.

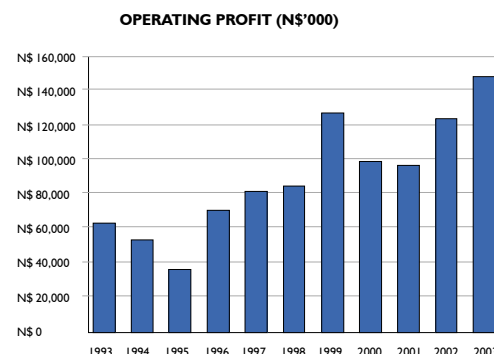
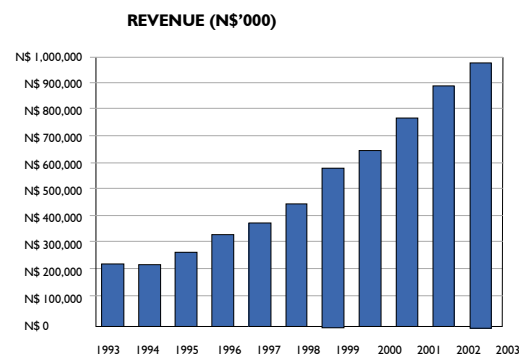
Operating Profit rose by 19% to a record of N\$149 million mainly as a result of the stronger NAD, which resulted in actual savings on our Cost of Goods for resale.

The actual Cash Collections surpassed the Namibian Dollar billion mark and stood at a record of N\$1.063 billion. At the same time tight cost control measures were enforced and we refocused sharply on untapped revenue streams. This enabled us to close with solid and healthy balance sheet positions and pleasing results of an equity to debt ratio of 1.26 (2002: 1.03), liquidity ratio of 1.53 (2002: 1.12).

Teledensity of 6.6% achieved

Growth in teledensity increased from 121,413 to 127,552 lines and hovered at 6.6 telephone lines per hundred persons despite the annual average population growth rate of 2.6% and the permanent disconnection of a huge proportion of telephone accounts for the past few years due to bad debt.

It is remarkable that teledensity is not adversely affected but has in real terms increased from 6.2 telephone lines per 100 persons in 1999 to 6.6% in 2003 taking into account that a significant number of telephone accounts were permanently taken out of service over the past three years. This phenomena needs closer analysis to determine to what extent the advent of mobile cellular telephony had a role to play or what portion of the same disconnections re-applied in one or another form for fixed line services.



Human Resources

Telecom retained its strong position in the job market as an attractive employer. This is largely due to the Company's positive image as a professional employer with a conducive work climate, effective organisation of work, career possibilities and work challenges. The Company continues to be swamped by new applications for vacancies and for bursaries, which serve as an indication of its general popularity. For example, when the Company recently advertised six bursaries to study for degree and diploma courses at local institutions of higher learning, a total number of 524 applications was received. The continuous development of skills through targeted training courses will continue to receive focused attention.

Affirmative Action Progress

The Company is keeping pace with specified Affirmative Action targets. Of importance, too, is that the Employment and Equity Commission approved our progress reports for 2001, 2002 and 2003, and presented Telecom Namibia with Affirmative Action Compliance Certificates. The overall representation of the Affirmative Action designated groups now stands at 88% of the total workforce.

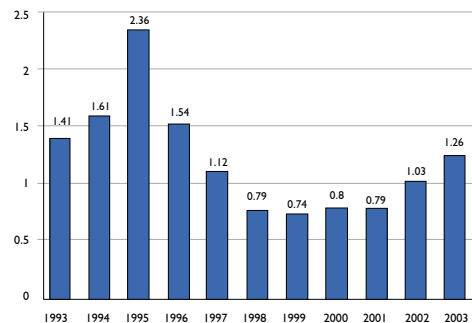
Risk Management

Telecom Namibia's Board and Management are committed to and accountable for effective risk-management in ensuring that business objectives are met, and that continued, sustained growth and profitability are achieved. To this end, the Board adopted a Risk-Management Policy and Strategy, in terms of which a risk-management framework should be established at appropriate levels of the organisation.

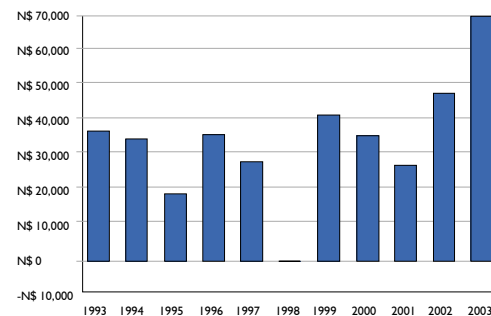
The aim is to establish within the Company a culture of disclosure of risk as well as ownership of risk-management, in order to mitigate risk in Telecom Namibia.

This policy entails identifying, managing and disclosing both internally and externally our risk-management process, to ensure that our stakeholders view us as a transparent organisation. In addition, this would be done to create awareness and understanding of Telecom Namibia's risk-management framework at appropriate levels of the organisation. The Board holds Management accountable for the effective management of risk.

EQUITY TO DEBT RATIO



PROFIT AFTER TAXATION (N\$'000)



MANAGING DIRECTOR'S REVIEW (CONTINUED)

Corporate Social Investment

We have decided to take a more serious look at our Corporate Social Investment (CSI) philosophy and approach. In order to achieve a higher standard of corporate citizenship, and to have a positive net impact on society, we have reviewed our range of practices, and are adopting a new value system of good corporate citizenship comprising "best practice" principles.

During the year we spent time on policy development, the selection of key focus areas, and a review of how our CSI programme compares with its peers and "best practices" in the world.

A CSI definition was adopted that reads:

"Corporate Social Investment is the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families, as well as of the local community and society at large."

In terms of our value system, CSI needs to be re-positioned within the Company, as well as the strategic role it plays in portraying Telecom Namibia as a good corporate citizen. To this end, it is imperative that our CSI programme is aligned to our Vision and Mission, that it advocates a balanced "win-win" approach of corporate giving, and that community involvement is treated as a professional management function like any other management activity. It is our strategic intention to demonstrate firm commitment to CSI, and to do more planning in developing goals and CSI strategies as we do for other areas of importance in our business.

Acknowledgement

I am deeply indebted to the staff of Telecom Namibia. As a team, we have no greater asset. Without their depth and breadth of technological and management expertise, it would not have been possible to attain such solid performance and high customer satisfaction levels.

My gratitude also goes to my fellow Board members for their support, guidance and encouragement during the day-to-day management of our Company.

Our thanks are also extended to our Shareholder, customers, partners and suppliers, for the confidence they place in us. This has once again been rewarded with strong performance and we will continue to give our best to warrant your trust.

We look forward to meeting new challenges in the future, and to capitalise on the wealth of opportunities available to us.



Frans J.P. Ndoroma
Managing Director

