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**OurVision**

To be Namibia’s most preferred, high-performance information communication technology (ICT) service provider of world-class standards.

**OurMission**

To anticipate, understand and satisfy the telecommunications/information needs and wants of our customers. We will address these demands through the development of solutions, sales and support of quality electronic, voice, data, image and text services at competitive rates.

**BHAG2010**

Telecom Namibia is the trusted, first choice solution for communications customers, and towers head-and-shoulders above the competition.

We will double our \*EVA per employee and generate shareholder value through superior service to our customers at home, and by seizing opportunities in selected African regional economic markets. Furthermore, we are welcomed as a leading corporate citizen in the communities in which we operate because of our commitment to social responsibility. Our fast, simple and leading edge operations will serve as a benchmark for world telecommunications. We are well known for “doing things right the first time.” Therefore, we are an employer of choice, and our employees are recognised for their excellent performance and valuable contributions.

\*EVA - Economic Value Added using 2003 as a baseline.

**OurValues**

- Integrity** described as trustworthy by others and is known for being reliable.
- Care** sensitive to the needs and happiness of others.
- Commitment** a passionate determination for achieving goals.
- Accountability** takes every task assigned to them personally, and ensures its completion.
- Empowerment** proactively provides support and helps employees understand the company’s vision and strategic plan.
- Teamwork** a team player that sacrifices personal needs to help the team as a collective succeed.
- Mutual respect** acknowledges and celebrates the knowledge and achievements of others and is sensitive to other people’s rights, customs and wishes.







**Telecom Namibia Head Office**  
Lüderitz Street, Windhoek.





# General Highlights

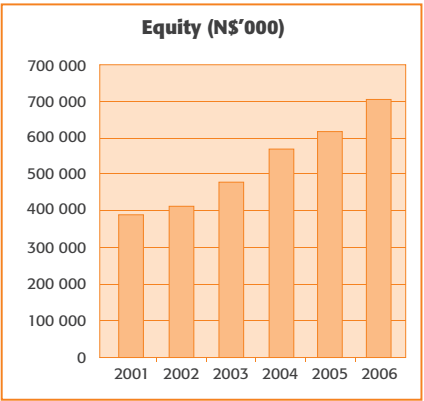
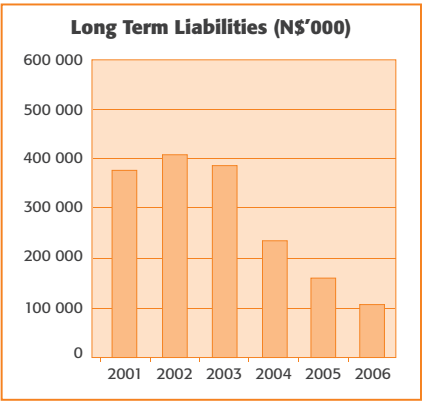
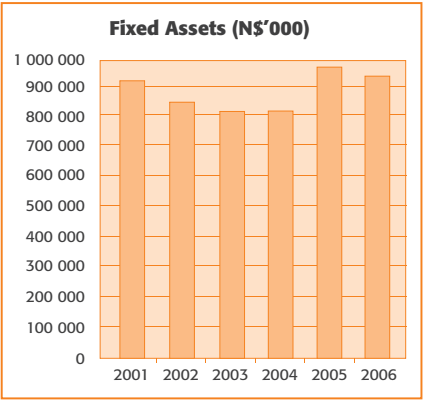
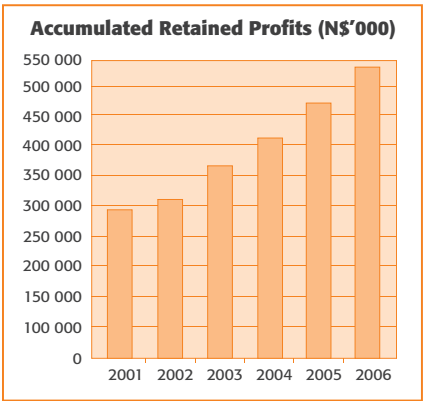
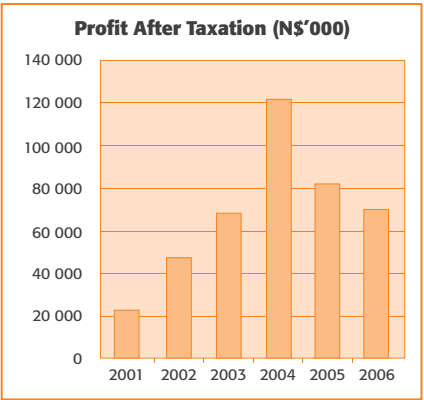
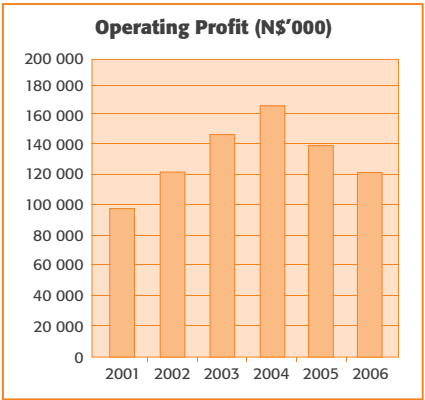
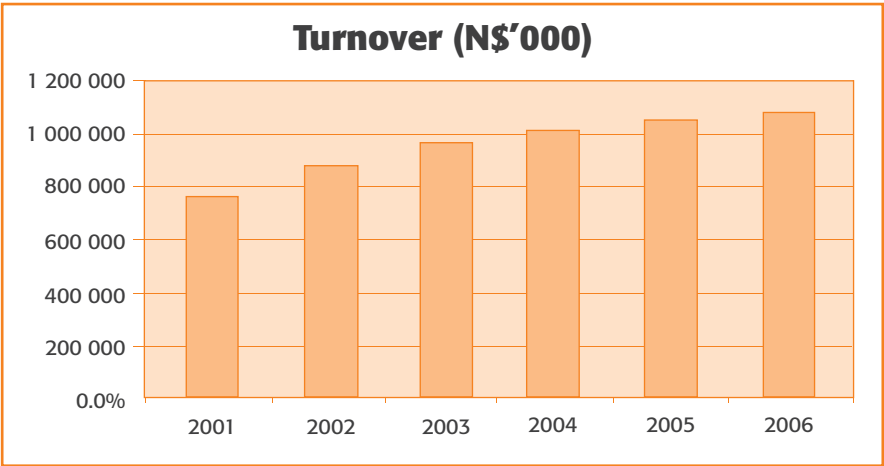
## Financial Highlights

	2001 N\$'000	2002 N\$'000	2003 N\$'000	2004 N\$'000	2005 N\$'000	2006 N\$'000
Turnover	764 220	96 284	981 048	1 020 439	1 055 275	1 057 748
Operating Profit	97 405	125 298	148 654	185 952	132 729	130 786
Profit after Tax	26 608	47 465	69 851	121 011	84 608	84 143
Retained Profits	240 350	264 064	325 915	411 516	471 922	539 123
Nett Fixed Assets	924 738	860 130	828 297	824 427	797 281	792 403
Long term Liabilities	372 900	406 568	382 330	237 692	169 706	119 764
Equity	394 880	418 594	480 445	566 046	626 452	693 653
Capital Projects	202 115	94 804	130 905	132 665	126 244	170 009
Equity to Debt Ratio	1.06	1.03	1.26	2.38	3.70	5.79
Return on Fixed Assets	2.88%	5.52%	8.43%	14.68%	10.61%	10.62%

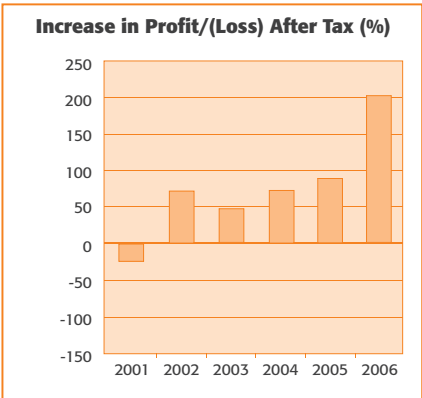
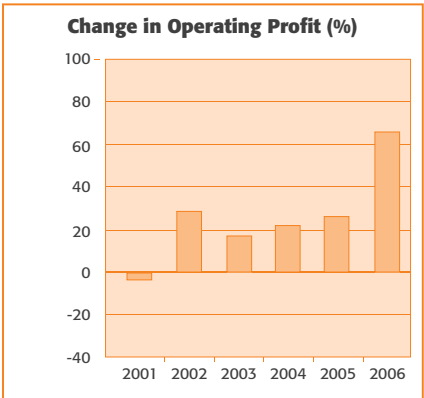
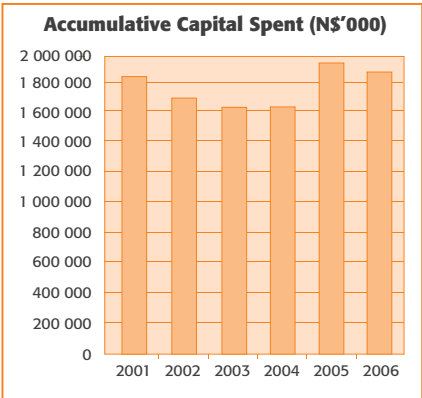
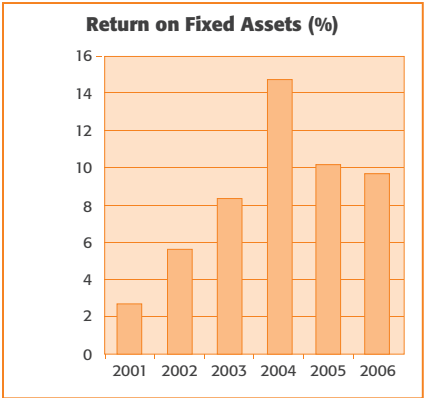
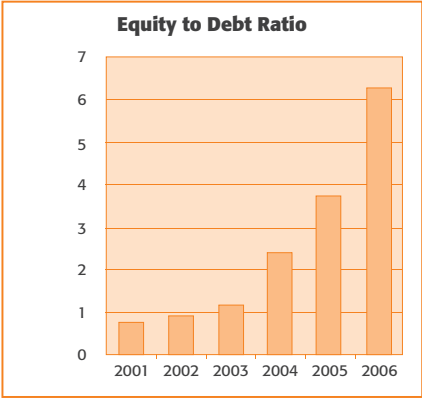
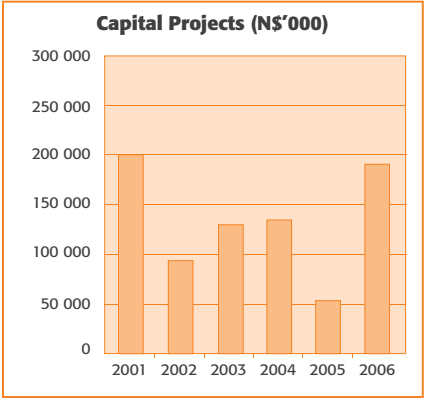
**The Windhoek Satellite Earth Station**  
- Namibia's International Gateway.















# Network Development

Stats2000 - 2006

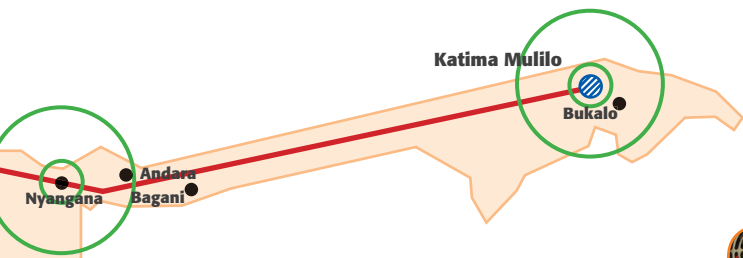
	2000	2001	2002	2003	2004	2005	2006
Port Capacity (Network Switch Capacity)	168 676	173 347	175 016	177 876	185 564	195 023	208 178
Percentage Digital	100%	100%	100%	100%	100%	100%	100%
Direct Exchange Lines (DEL's)							
Analogue, ISDN and DID slots (Inc. public telephones)	109 526	117 059	121 233	127 380	136 197	138 880	136 042
Manual	650	339	180	172	153	117	121
TOTAL (DEL'S)	110 176	117 398	121 413	127 552	136 350	138 997	136 163
Waiting List	2 389	2 873	2 578	3 321	2 571	3 521	3 844
DEL Penetration	6.1%	6.4%	6.5%	6.6%	6.9%	6.9%	6.5%
Population	1 800 184	1 830 330	1 877 919	1 926 744	1 976 840	2 028 238	2 080 972
# of Public Phones	4 585	5 160	6 211	5 603	4 905	4 930	6 086
Public phones per 1 000	2.5	2.8	3.3	2.9	2.5	2.4	2.9
Number of Households (Projected)	336 900	346 455	355 463	364 705	374 187	383 916	393 898
Penetration per Households	32.7%	33.9%	34.2%	35.0%	36.4%	36.2%	34.6%

**Sharing your world**  
Telecom Namibia's stand at the Windhoek Show.

















Telecom staff working hard to ensure the network is covering Namibia.



-  VSAT - 208 Terminals
-  Ultrapasonic Coverage - 230km<sup>2</sup>
-  Primary/International Exchange
-  Remote Line Units
-  Small Digital Exchanges
-  Rurtel
-  Theoretical Exchange
-  Allways on IP - Internet coverage

227 Digital Destinations in  
339 Points of Presence  
6 023 km of Fiber routes





## A case for change

### Towards 2010

The telecommunications environment in Namibia is changing at a fast pace and Telecom Namibia, as the largest player in the market, is taking a leadership role. The company is being transformed into a sustainable entity that is capable of delivering value to all the Telecom Namibia stakeholders including the shareholders, employees, customers and the public of Namibia.

Five years ago, Telecom Namibia embarked on a major process of change and transformation in order to align the company's operations and culture to become a more cost-effective and customer-focused business organisation.

In September 2005, Telecom Namibia launched its new customer-centric corporate identity. The launch signalled the first major overhaul in the company's 14-year history, and the new corporate identity is destined to strengthen our commitment towards achieving new levels of excellence in services offered to our valued customers and the public at large. In short, ours was not just a change of logo, but a significant shift at the core of the organisation and a new direction for Telecom Namibia as a whole.

In 2005, Telecom Namibia commenced with the restructuring and reorganisation of the company to suit its new business model. This realignment is to be achieved by leveraging our existing staff complement and building technical and commercial skills especially in IT and IP to meet the realities brought about by changing market requirements and industry forces such as Voice over Internet Protocol (VoIP) and convergence of technologies.

### Strategy 2010

On 20 September 2006 Telecom Namibia unveiled its new strategic plan aimed at repositioning the company for 2010. This plan, also known as Telecom Namibia's Strategic Blueprint, or Strategy 2010, is a new game-plan to support the company's evolution towards providing integrated communication services and deliver the benefits of IP-enabled applications to our customers. Our new focus will be on new generation products and services that will enhance our growth profile and deliver value for all our stakeholders. The intention is for Telecom Namibia "to be Namibia's most preferred high-performance ICT service provider of world-class standards."

A rapid convergence of voice and data, as well as fixed and wireless networks, is prompting communications operators around the world to rethink their business models. Convergence of once discreet applications and technologies is accelerating as manufacturers cram increasingly more technologies and functions into handsets, and as operators introduce new services such as triple and quad play.

Convergence is taking place within the international telecommunications industry at several levels:

- The blending of voice, video and data on enterprise and operator networks;
- Fixed-mobile convergence;
- The emergence of a range of applications and services from mobile devices such as cell phones and personal digital assistants (PDAs); and
- Overlap of the broadcasting and telecommunications industry in the form of triple play services.

The benefits of convergence are that customers can benefit from consolidating their information technology and communications needs from one common platform. This results in:

- Cost reduction and resource efficiencies;
- Flexibility that allows voice and data to be sent on one network;
- Mobility;
- Improved speed of data transfer;
- Increased collaboration; and
- Access to new converged products and services.

Telecom Namibia has taken cognisance of the need to reposition its business and adopt a new business model if it is to remain competitive. In particular, Telecom Namibia needs to expand its products and services, reduce cost, and deploy a new IP based network to address the changing needs of its customers in a new competitive landscape.

Telecom Namibia will deploy access technologies like CDMA, ADSL and WiMax for broadband access. This will be transported over an IP/MPLS backbone network, controlled by various soft switches, including SIP, IMS and various media gateways, in order for us to enhance the experience of our customers in the corporate, SME and residential segments of the market. These deployments will result in a state-of-the-art network catering for fixed and mobile high speed data, voice and data, world-class value added services, content provisioning, web services, managed services and new generation communication devices ranging from PCs to portable devices.

This repositioning requires a change from a traditional voice/fixed line/circuit switched environment to a data/IP/packet switched environment in which Telecom Namibia is to be a low cost producer, whilst servicing the full spectrum of customer needs. In other words, the grand strategy for Telecom Namibia is to become a state-of-the-art ICT service provider.

If circuit-switched networks ruled the first 50 years of the Information Age, the next generation will belong to intelligent IP networks and high-value applications.

That is why Telecom Namibia has embraced the case for change as a strategic imperative to move beyond being a telecommunications company on the road to becoming a communications integration company - a partner that brings together all the different communications services that customers want. Simpler for the customer to buy, manage and update as the technologies continue to evolve.

That is why we have committed ourselves to an IP based packet switching backbone network. All of our core traffic will be carried on a pervasive, IP-based national network backbone by the end of 2010. Over the same period, we plan to extend a full suite of IP-based products to the majority of our customer base. We estimate that the introduction of such new IT and IP based revenue streams will ultimately contribute about 45 per cent of turnover by 2010.

This is an aggressive timetable. But that is exactly what we need when the opportunity for our customers and us is so great, and when we are determined to become a state-of-the-art ICT service provider by 2010.

The successful achievement of this Strategy will require a major internal transformation in the organisation. Significant investments will be required in technical training, the acquisition of external skills, rightsizing, the phasing out of legacy technologies and the improvement of business processes and internal efficiencies. The establishment of new partnerships is also critical to the future success of Telecom Namibia.

About N\$1 billion will be required in capital expenditure to migrate to a next generation network. This is in line with the company's current capital expenditure programme, but requires an accelerated investment schedule in the next two financial years.

Several price adjustments (read reductions) are planned towards 2010, not to optimise profits but to deliver affordable products and services in order to reduce the dependency on voice revenue and secure a sustainable competitive advantage.

Overall, Strategy 2010 is a noble intention on the part of Telecom Namibia. It is a great future for Telecom Namibia, but particularly for our customers, who will begin to discover a new IP world, driven by openness and simplicity. The Strategic Blueprint embodies our strategic intent and strategic game plan to move towards greater convergence and give our customers the opportunity to enhance and simplify their daily lives, both at home and at work.





# Macro economic overview\*

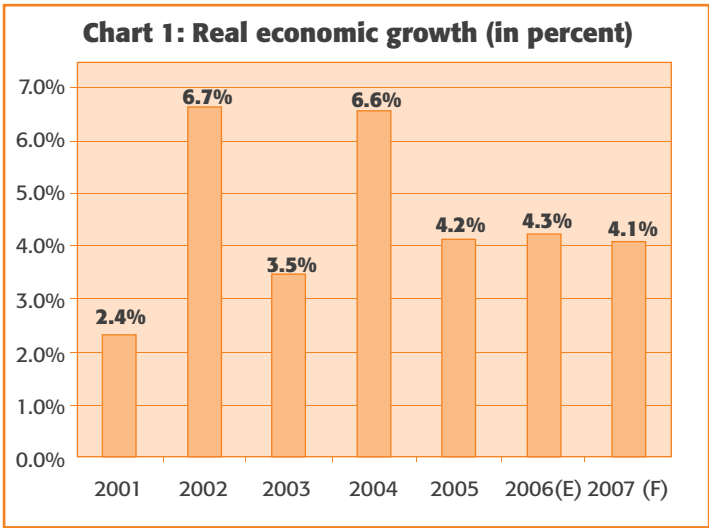
## Economic Structure and Performance

Namibia is blessed with rich natural resources, a well-developed physical infrastructure and political stability. The country enjoys a relatively high GDP per capita of US\$1 810 (1998), four times as high as the average for sub-Saharan Africa, which classifies Namibia as a middle-income country.

The Namibian economy relies heavily on the primary and the tertiary sectors. Agriculture, especially large-scale commercial livestock farming, fishing and mining are the backbone of the economy, while services account for a major share of GDP. The manufacturing sector is steadily growing and is mainly based on fish, food and meat processing activities.

Economic performance in Namibia is dictated largely by external factors like the weather, oceanic conditions and international commodity prices. In particular, world market prices for diamonds and uranium, of which Namibia is the fifth and sixth largest global producer by value, respectively, have a determining impact on the whole economy.

Average real economic growth amounted to 4.7 per cent over the last five years. The economy grew by 4.2 per cent in 2005 compared to 6.6 per cent in 2004 (see Chart 1). The deceleration in real GDP in 2005 was mainly caused by the decrease in diamond production of about 4.1 per cent in 2005 compared to an increase of about 39.0 per cent in 2004.



Source: Central Bureau of statistics, Bank of Namibia

The 2005 growth rate is expected to be sustained in the medium term. The economy is projected to grow by 4.3 per cent and 4.1 per cent in 2006 and 2007, respectively. This sustained growth would be on the back of an increase in diamond production, improvement in fishing sector output, and increase in uranium production (2007).

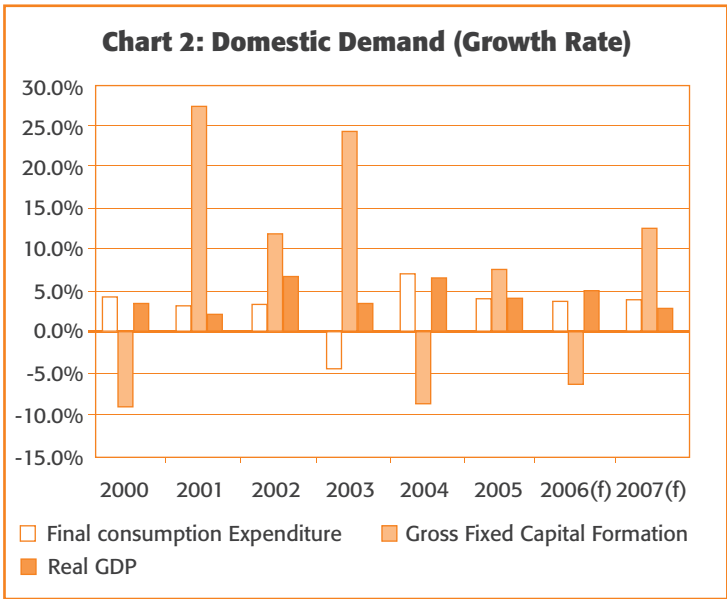
The current prevailing high prices of other mining products, such as uranium and zinc, could contribute positively to the economic growth in the short to medium term.

## Consumption and Investment

Real final consumption expenditure grew by 7.0 per cent and 2.3 per cent in 2004 and 2005, respectively. Real final consumption expenditure is however expected to grow by 3.8 per cent and 3.9 per cent in 2006 and 2007, respectively. This real growth would be mainly due to increased private consumption expenditure as a result of salary increases which are assumed to grow with inflation.

The other subcomponent of final consumption expenditure, general government consumption, is also forecast to grow in real terms by 3.0 per cent on average over the next two years and this is assumed to follow the growth of producer of government services (growth in labour force and inflation, etc).

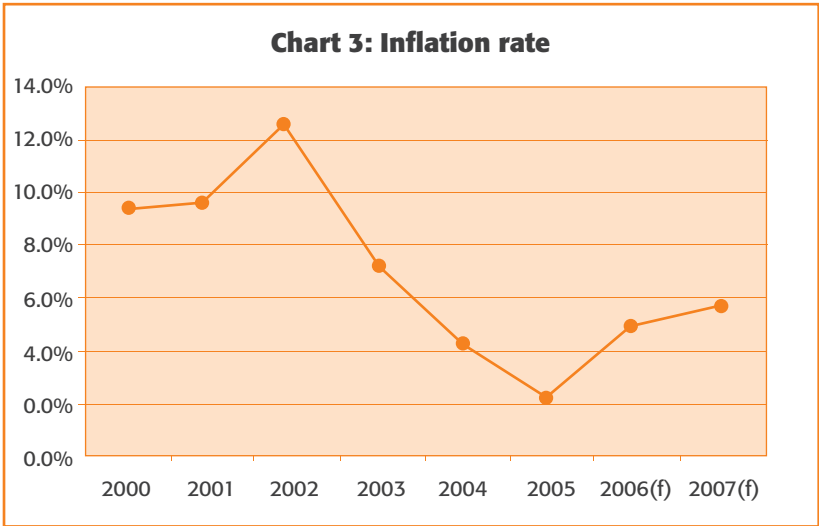
Real investment grew by 7.6 per cent in 2005 compared with the 8.6 per cent contraction in 2004. For 2006 and 2007, growth rates of -6.3 per cent and 12.5 per cent are projected. This growth in real investment reflects the historical cyclical pattern as evident in Chart 2.



Source: Central Bureau of statistics, Bank of Namibia

**Inflation**

The annual inflation rate is now based on the Namibian consumer price index (NCPI) which covers the whole of Namibia. NCPI replaced the Interim Consumer Price Index (ICPI) which used to cover only Windhoek. The average inflation rate, year-on-year, was 2.2 per cent in 2005, compared to 4.2 per cent in 2004 (see Chart 3).



Source: Central Bureau of statistics, Bank of Namibia