

*The Group is now managed in
three distinct regions,
to promote resource
sharing and realisation
of synergies*

Sifiso Dabengwa

**Group Chief
Operating
Officer's
report**



Group Chief Operating Officer's report

Overview

Given the enlarged size and geographic spread of the MTN Group, we have changed the reporting format so that it more appropriately and meaningfully reflects the Group's key drivers and performance. The new format is based on the regional operational structure implemented early in the year, before the acquisition of Investcom LLC, and which was amended, effective 1 April 2007, to the current three regions namely South and East Africa (SEA), West and Central Africa (WECA), and Middle East and North Africa (MENA). Within each region, we have identified and elaborated on major operations being South Africa, Nigeria, Ghana, Sudan and Iran.

Integration

Following the completion of the Investcom acquisition in July 2006, focus was put into integrating these operations. This involved intense activity by a focused steering committee, external facilitators and senior Investcom teams. Various forums were held with marketing, finance, human resources, network and procurement functions to integrate Investcom operations with MTN business

processes. The integration project was formally closed on 31 October 2006 and most major objectives of the process had been achieved by December 2006, and completed during the first quarter of 2007. The harmonisation of human resources policies and reporting aligned to group standards remain key focus areas.

The integration objectives included standardised procurement practices and processes, identifying key products for implementation and a rebranding timeline which will run through 2007. Group-wide procurement benchmarks have been developed and opportunities identified for reducing cost in both network capital expenditure as well as operating expenses. These are expected to yield significant savings over the next two years.

Following a comprehensive review of the most popular products in the enlarged group, a common product strategy has been developed for each region. Implementation of product extensions or enhancements will be determined by identified market needs in each territory.

Group Chief Operating Officer's report continued

Subscriber growth per region

Total subscribers			
	December 2006 000	December 2005 000	% change
South and East Africa	15 517	12 281	26
South Africa	12 483	10 235	22
Postpaid	2 132	1 654	29
Prepaid	10 351	8 581	21
Other	3 034	2 046	48
West and Central Africa	19 622	10 908	80
Nigeria	12 281	8 370	47
Ghana	2 585	—	—
Other	4 756	2 538	87
Middle East and North Africa	4 912	—	—
Sudan	1 066	—	—
Iran	154	—	—
Other	3 692	—	—
Total	40 051	23 189	73
Original MTN operations	28 794	21 323	35
2005 acquisitions	2 846	1 866	53
Investcom operations	8 411	—	—
Total	40 051	23 189	73
Excluding Investcom	31 640	23 189	36

Subscribers

MTN Group subscriber numbers increased by a healthy 73% on the back of both organic and acquisitive growth, bringing the total number of subscribers at 31 December 2006 to 40 million. Subscribers in SEA increased by 26% to 16 million, the WECA region

by 80% to 20 million and MENA recorded five million. Excluding the impact of Investcom's 8,4 million subscribers, year-on-year growth was 35% with Nigeria and South Africa accounting for 17% and 10% respectively. Investcom subscribers increased 38% in the six months since July 2006 reflecting the lower base and

greater growth opportunities in these relatively unpenetrated markets and accounted for 21% of the MTN Group subscriber base at 31 December 2006.

Although the MENA region is currently the smallest contributor to the Group's performance, potentially high-growth operations such as Iran and Sudan are expected to have a significant impact on Group performance in future. Operations acquired in 2005 (Côte d'Ivoire, Zambia, Congo-Brazzaville and Botswana) recorded 53% subscriber growth from December 2005 and currently account for 7% of the Group's total subscribers.

A full schedule per country of market information and operational data including subscribers, ARPU and market share appears on pages 78 and 79.

Operations

Network roll out is still a key challenge in our markets due to the high levels of growth in subscribers. As competition increases across the operations, customer retention remains a priority and is being addressed through product and service innovation. Products are also being expanded based on opportunities in new market segments due to more converged operating environments such as data services.

Distribution networks (including owned and contracted outlets) were strengthened as an essential aspect of competition in most territories. In line with the strategic change to a more regional structure, the Group has also made good progress in implementing a hub and cluster approach in each of the regions. There were several firsts at operating level during the year including the launch of MTN Irancell and MTN Afghanistan, the launch of MTN Nigeria's fibre optic network and a biodiesel-powered base station. Sudan reached the one-million subscriber mark and MTN South Africa pioneered mobile number portability and mobile television on the African continent. The Group also became the first mobile sponsor of the 2010 FIFA World Cup in Africa.

Regulatory environment

Regulatory changes continue to shape the markets in different regions. Technological convergence, which is driving regulatory convergence, and regulatory intervention on interconnect are the key themes.

During the year, some of the operations' exclusivity periods expired and in certain smaller operations it is not yet clear how effectively the regulator will provide guidance and implement these changes in future.