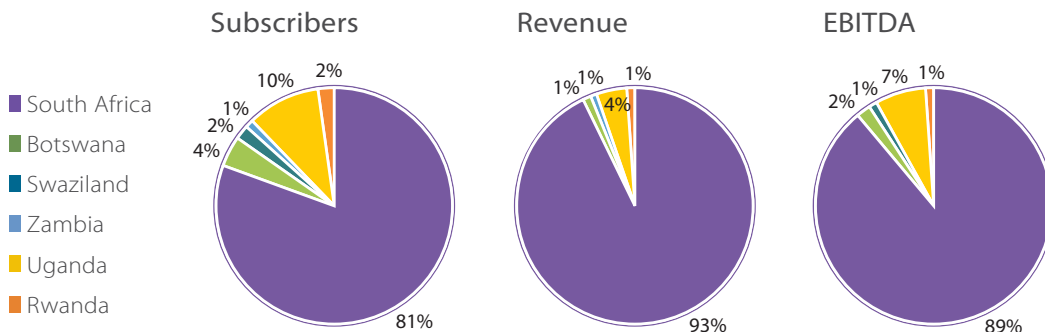


## South and East Africa region

### South and East Africa regional contribution to Group total

Population (million) and % of Group total	Subscribers (000) and % of Group total	Revenue (Rm) and % of Group total	EBITDA (Rm) and % of Group total	PAT (Rm) and % of Group total	Capex (Rm) and % of Group total
98,9 20%	15 517 39%	26 586 52%	9 346 42%	5 119 42%	3 120 32%

### Country contributions to SEA region total



### Regional summary

The SEA region includes South Africa, Swaziland, Zambia, Botswana, Uganda and Rwanda. This region has traditionally been the core of MTN's operations, dominated by South Africa. Following various acquisitions since 2005, notably Investcom LLC, the revenue and earnings bases of the Group are less dependent on South Africa. None of the previous Investcom LLC assets fall into the SEA region.

### Performance

#### Subscriber and ARPU

Subscriber numbers for the region grew by 26% from last year to 15,5 million, driven principally by South African pre-paid net additions. Individual operations' growth rates range from 22% to 93%. In all countries in the region, other than South Africa, pre-paid continues to dominate, being more than 99% of total subscribers in each operation. Due to the relative size of South Africa, the split

between pre-paid and postpaid for the region remains fairly stable at 83:17.

### **Operational**

The region has been without a vice president for the period and I have fulfilled this role.

In South Africa, the focus remained on developing the optimal operating model to meet the needs of a converging market, regulatory developments and increased competition. The other operations in the region are generally still focused on increasing their product offering and extending network coverage.

Zambia continued to focus on an aggressive network roll out plan in a bid to improve market share. The number of BTS sites increased by 134% from December 2005.

MTN does not manage the operations of Mascom (Botswana) within the region. This continues to be the responsibility of the previous shareholder, Portugal Telecom.

MTN Uganda continues to be a significant market leader, extending its market share to close with 1,6 million subscribers.

### **Outlook**

#### **Competition**

Fierce competition continues in the region with the entry of new players. South Africa is dealt with in more detail on page 60.



Two new licences are being issued in Uganda in 2007 and the second operator began operations in Rwanda during the year.

Competitors in the region have in certain instances continued to use prohibitive off-net call tariffs to protect their subscriber base.

### **Strategy**

The SEA region will continue to leverage its ability to benefit from synergies around common products, services and infrastructure to stay ahead of competition in a changing regulatory environment. Improved customer care levels and retention schemes will also play a great role in this regard.

The appointment of a vice president for the region should enhance capacity.

## South and East Africa region *continued*

### MTN South Africa

#### South Africa market information and results

	2006	2005*
Population (million)	47,4	47,2
Mobile penetration (%)	74	62
Market share (%)	36	35
Pre-paid/postpaid mix (%)	83/17	84/16
Revenue (Rm)	24 578	20 101
EBITDA (Rm)	8 340	6 895
Capex (Rm)	2 391	2 585
ARPU – postpaid (R)	487	541
ARPU – pre-paid (R)	94	93
Subscribers (000)	12 483	10 235
Data % of revenue	8	8

\* Unaudited 12 months

#### Overview

Launched in 1994, wholly owned MTN South Africa is the second-largest of three mobile operators in the country, with a reputation for product innovation and network excellence. MTN South Africa is licensed to operate GSM 900/1800 and 3G networks.

The operating model is significantly impacted by the licensed service provider retail relationship although MTN organised itself into consumer, corporate and reseller markets in late 2005 to better tackle these distribution channels.

Underscoring its achievements in that country, MTN South Africa ranked

second in the annual Financial Mail Top Companies survey and is the only company to appear in this publication's top 20 listing in four successive years since the inception of the survey. Companies listed in the survey are ranked on their consistent performance for a five-year period and assessed on historical financial performance as well as prospects for the years ahead.

#### South Africa summary

The South African economy remains a positive model for the continent, characterised by steady growth and fiscal discipline. Economic growth in 2006 was 4,9% against inflation of 4,6%. The rand weakened against the US dollar, averaging 7,04 for the year compared to 6,36 in 2005 and closing at 7,05 at year-end, 12% down from the opening rate. Following a deteriorating inflation outlook in the second half of the year, the South African Reserve Bank increased its repurchase rate to 9% resulting in an increase in the prime overdraft rate to 12,5% towards year-end. Although the SA national treasury reduced its GDP growth forecast to 4,4% for the year from 4,9%, it expected the medium-term outlook for the South African economy to remain strong. Socio-economically, the consumer market in South Africa is broadening and deepening as disposable income levels increase and a new middle class becomes entrenched.

**Performance**

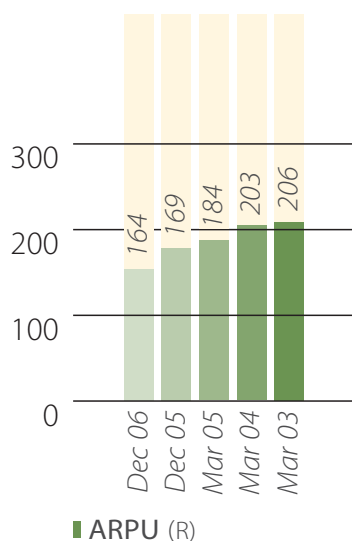
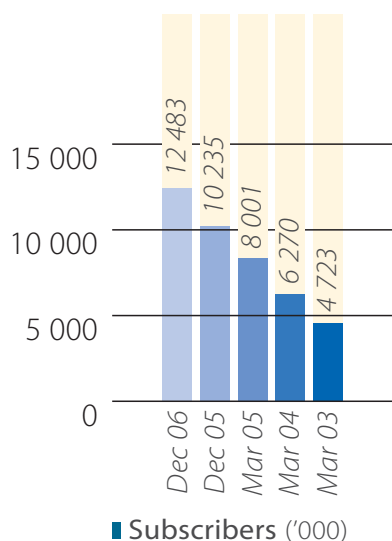
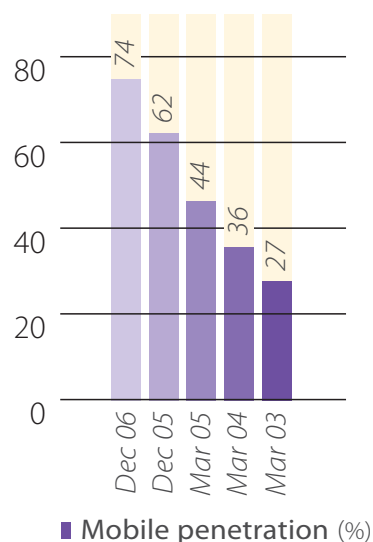
**Subscriber and ARPU**

MTN South Africa recorded a healthy 22% growth in subscriber numbers from 10,2 million to 12,5 million due to favourable economic conditions and strong consumer spending. A range of initiatives to counter increased competition and a more discerning consumer maintained market share at 36%. The growth was driven by pre-paid net acquisitions resulting in a year-end pre-paid/postpaid mix percentage of 83/17 compared to 84/16 last year. The increase in postpaid subscribers was fuelled by migrations of pre-paid subscribers following promotions by the distribution channel.

A very positive sign is that pre-paid ARPU increased by 1% from the prior period to R94, due to the launch of attractive packages and competitive tariffs. Postpaid ARPU continued to trend lower and ended the year at R487, 10% lower than the prior period's R541 due to the increased number of lower-end packages such as MyChoice TopUp, which increased by 107% to close with 582 000 subscribers.

**Operational**

The MTN South Africa board was reconstituted during the year to increase the number of independent directors. Following the resignation of the



## South and East Africa region *continued*

managing director in November 2006, an acting managing director was appointed. Resolving this issue is a key focus area.

Building on the consumer, corporate and reseller business unit structure established in 2005, a major component of 2006 was establishing customer-centric processes and a clear value proposition for each market. Internal campaigns to improve customer service across all levels of interaction are showing promising results, reflected in MTN South Africa securing a number of sizeable tenders in the corporate market. Innovative approaches are also being considered such as outsourcing the Durban call centre.

### **Operating environment**

#### **Competition**

Competition increased during the year with the launch of a mobile virtual network operator (MVNO) operating effectively as a branded service provider off the smallest of the three existing mobile operators and the long-awaited licensing of a second fixed-line operator, which has yet to introduce consumer services.

MTN South Africa maintained its market share for the year at 36% based on active subscribers.

#### **Products**

The most simple but strategically important introduction was that of

pricing segmentation. In line with this was the introduction of lower pre-paid denominations which have been very popular in this market, increasing sales and encouraging dormant customers back into active airtime use.

Major innovations during the year included the launch of a pre-paid value wallet, MTN@Access, an entertainment portal focused on music, games and World Cup soccer and a dynamic tariff pilot.

Spearheading the launch of advanced technology to drive new mobile content applications and media convergence, MTN South Africa was the 11th global operator (first in Africa) to launch HSDPA, a major achievement given the level of global interest in the technology and business model. Its launch of a commercial DVB-H handset was another African first, and second in the world.

#### **Infrastructure**

Infrastructural enhancement continued during the year, with 263 new base transceiver stations (total 4 932) integrated into the network, managing significantly higher SMS traffic and increasing GPRS/data volumes. In a pilot project, the call centre in Durban was outsourced to further improve customer service levels and operational efficiencies. Initial results show an improvement in quality levels.

### ***Distribution***

In response to increasing competition and in line with its objective of dramatically increasing its distribution footprint, MTN South Africa now has 133 distributors versus the original 17 wholesalers (including leading groups such as Pick 'n Pay, Score and Dis-Chem).

### ***Regulatory environment***

There have been a number of regulatory changes in South Africa, notably the finalisation of the Electronic Communications Act (ECA) in June and the introduction of mobile number portability (MNP) in November 2006, resulting in a more competitive and converged environment.

The impact of increasingly onerous regulatory changes in the region are a challenge to margin expansion and maintained profitability and require continued innovation and focus on customer service. Despite the effect of regulatory licensing delays, the rapid onset of convergence in South Africa reinforces the need for differentiation in a maturing market.

The free-market approach taken to date by all South African regulatory bodies to interconnect has resulted in impressive market growth and penetration in the

country with several important industry benchmarks set. MTN South Africa has complied with all aspects of new legislation and looks forward to closer working and professional relationships with all regulatory stakeholders to achieve industry-wide levels of efficiency.

Mobile number portability has had a limited impact on the market to date. The new Act provides for a new licence to be issued on no worse terms, although the conversion process is still pending and the new terms are not clearly defined.

### ***Outlook***

MTN South Africa is well positioned to compete in a maturing market characterised by increasing levels of regulation, competition and convergence. In addition, the rising disposable income of a new consumer base is expected to offset slowing growth from existing customers.