

Sustainability report continued

Economic performance indicators

Economic performance

Economic investment

Our detailed financial performance is set out in the annual financial statements in this integrated annual report.

The value-added statement on page 49 summarises returns to stakeholders group-wide.

As the value to stakeholders exceeds pure financial gains, it is sometimes difficult to measure MTN's indirect economic impact on stakeholders. Highlights of MTN's sustainability performance include:

- The total subscriber base increased from 23 million at the end of December 2005 to 40 million in December 2006¹. This growth in our customer base has contributed to an increase in revenue from R27,2 billion in December 2005 to R51,6 billion in December 2006². The country operations included in this sustainability review contributed 40 million subscribers to the Group total (73% up from December 2005). In revenue terms, at December 2006, these nine operations³ contributed R45,2 billion in revenue, compared to R27,2 billion in December 2005.

- The increased subscriber numbers testify to the suitability of mobile telecommunication solutions in emerging markets and an increase in the general use of mobile phones by consumers in various aspects of daily life.
- MTN has made significant capital investments in various operations to improve infrastructure and expand regional networks. Investment initiatives will continue in the coming year. In the Congo alone, MTN plans to invest 10 billion FCFA in the development of infrastructure – including a core network between Brazzaville and Pointe Noire – as well as the installation of more than 60 base stations.
- Total payments to various governments include taxes and licence fees and have increased by R6,2 billion. Governments, in turn, use this income to improve public services for their constituents.
- By enabling employees to travel regularly between regional operations, the Group has benefited from employees' institutional knowledge, experience and enhanced organisational ability to attract competent and energetic staff.

1 Includes 8,4 million subscribers from former Investcom operations.

2 Includes R6 billion contribution from former Investcom operations.

3 South Africa, Nigeria, Cameroon, Uganda, Rwanda, Swaziland, Côte d'Ivoire, Congo-Brazzaville and Zambia.

- Our CSR programmes, supported by the established MTN foundations (South Africa, Nigeria and Cameroon), attempt to address both socio-economic and environmental challenges in our operational territories. MTN has mandated all operations to spend up to 1% of their total profits after tax in developing programmes that impact positively on surrounding communities.

Technology: developments, initiatives and plans

- During the year, MTN South Africa initiated its local HSDPA and 3G evolved services roll out. HSDPA improves the end-user experience by increasing peak downlink data speeds, while 3G is ideal for applications such as mobile and interactive TV, enhanced video telephony, multiplayer gaming and information sharing. The new mobile capability will enable users to work faster and smarter through improved business and home mobility.
- In November 2006, MTN launched a world first in the mobile telecommunications market with the introduction of i-Mail (MTN Integrated Mail), a new fully integrated and flexible web-based mailbox, enabling customers with internet access to listen or view their voice mail, fax mail or video mail from anywhere in the world.
- MTN Cameroon obtained a first category licence from the Cameroon authorities for MTN Network Solutions. The company has entered the internet market to address network convergence opportunities in the region. Considering the relatively low internet penetration rate and quality of existing products offered to Cameroonian consumers, this is a significant development opportunity for MTN and the telecommunications sector in Cameroon. The final objective will be to provide a global service combining telephone, television and internet services.
- In 2006, MTN Uganda launched a country-wide roll out of its WiMax network. The platform will initially be used as a fixed data platform, but will replace 3G as a broadband network by 2008.



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- MTN's network services comprise voice calls and data connections, including GPRS. The company offers seamless changes between 3G, EDGE and GPRS at different speeds. MTN has 100% GPRS coverage in South Africa, with nearly four million handsets in circulation. MTN offers EDGE customers data speeds of up to 236kbps. Currently over 30% of MTN's sites offer EDGE and over 800 000 handsets are in circulation. MTN's 3G network currently offers data speeds of up to 384kbps.
- In early 2007, ICASA will publish papers on the interconnect market and determine how to regulate interconnection pricing. Until the outcomes are clear, MTN will anticipate possible changes and restructure the business accordingly.
- MTN has implemented a call subscriber registration and monitoring system, which is compliant with the Regulation of Interception of Communications and Provision of Communications-Related Information Act, 2002 (RICA), as set out by the South African government in 2005. RICA relates to monitoring and intercepting calls as well as subscriber registration. MTN follows strict privacy and security protocols and will only intercept subscriber calls as mandated by law.
- In Uganda, new telecommunications policy guidelines were issued in May 2006 and new proposed licences introduced by the Minister of Works, Housing and Communications. In August 2006, the Uganda Communications Department issued licences in the following categories, expanding competition in the region:

Compliance with legislation, licence obligations and licence fees

MTN strives to comply with all legislation and to fulfil its licence obligations. The Group is vigilant in monitoring legal and regulatory compliance across its operations to protect the business from regulatory impacts.

There were no material instances of non-compliance within the Group.

Regional considerations for the reporting year and year ahead include:

- In South Africa, changes to the Electronic Communications Act may result in the reissue of composite licences as two separate licences: infrastructure and services. MTN awaits a decision from ICASA.
- Service provision off public networks
- Voice over internet protocol (VoIP)
- Trunk capacity resale
- International data gateway
- VSAT (very small aperture terminal)

- MTN Swaziland has submitted its application for licence renewal in anticipation of its licence expiring in 2008. Applications for renewal should be made two years prior to the licence expiry date. In addition, a new telecoms bill will be tabled in parliament in 2007. There has been no formal regulation of the Swazi telecommunications industry to date.
- The GSM mobile tax report issued by the GSM Association during the year identified that lowering taxes on mobile communications can greatly enhance affordability in emerging markets. Findings included:
 - Taxes are disproportionately high in many developing countries.
 - The 'black market' in handsets is expanding as users try to avoid high taxes.
 - Should a government lower taxes on mobile use by just 1%, it could boost the number of mobile users in that country by more than 2% by 2010.

- An increase of 10% in mobile penetration can boost a country's GDP per capita by 0,59% per year. This is significant given that most countries' GDP per capita grows by about 2% a year.
- Two MTN operations, Zambia and Uganda, were mentioned as countries that had disproportionately high tax rates.



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Market presence across the nine operations

Region	Country	Subscribers 000	Coverage of country's population %	Market share %
South and East Africa	South Africa	12 483	96	36
	Swaziland	268	90	100
	Zambia	187	53	19
	Uganda	1 595	74	66
	Rwanda	384	90	95
West and Central Africa	Nigeria	12 281	84	46
	Cameroon	1 783	80	58
	Côte d'Ivoire	1 625	47	41
	Congo-Brazzaville	280	75	31

Our subscriber base increased from 23 million at the end of 2005 to 40 million at the end of 2006, reflecting our growing presence across Africa and the Middle East.

Network coverage: quality, reliability, consistency and support

- Capital expenditure of R9,4 billion reflects our commitment to continuously improving the quality and reliability of our network.
- The outcome of our stakeholder engagement process suggests general customer satisfaction with MTN's network coverage. Notably, Zambian customers perceive MTN's network to be superior in terms of quality and reliability.
- Despite the network in Cameroon coming under pressure during 2006 due to the increase in subscriber numbers and increased calls in heavy traffic, market perception in the region remained positive and subscribers indicated that the MTN network was superior to competitors in terms of quality and reliability. To deal with network congestion, transceiver unit capacity was increased by 54% – from 2 218 at December 2005 to 3 407 at December 2006. MTN also improved core network capacity by increasing mobile switching centres from three to

six, base stations controllers from five to seven and carrying out processor upgrades. In addition, the first mobile soft switching system was installed in the MTN Group.

- As confirmation of our ongoing success in network expansion, MTN was recognised in September 2006 as the African Mobile Operator of the Year at the inaugural CommsMEA Awards held in Dubai. The award recognises operators that have shown outstanding performance and results in key market segments and is acknowledgement of the MTN Group's leadership in telecommunications in emerging markets.

Customer satisfaction and customer-centric commercial partnerships

Customer satisfaction

- The increasing subscriber base across all operations during the year reflects the ongoing need to enhance the customer-centric focus of all of our business activities. Targeted, customer service-oriented training programmes are planned for the coming year. For instance, in 2007, MTN Zambia will roll out a staff education campaign to coach employees on the importance of customer service.
- Customer accessibility is an ongoing priority for the Group. In Uganda, MTN launched an MTN ConnectStore where customers can access basic

mobile services, such as SIM pack purchases and bill payments.

- Nigeria increased its operational Connect Stores from 18 in December 2005 to 21 in 2006.
- In Zambia, MTN introduced a free SMS helpline to assist consumers with queries.

Customer-centric commercial partnerships

- MTN South Africa's commitment to making services more readily available to consumers led to the conclusion of a retail agreement with retailer Pick 'n Pay. As of June 2006, MTN customers have been able to buy MTN airtime at any Pick 'n Pay supermarket, mini-markets and family stores. In the first two weeks of sales, 14 000 MTN starter packs were sold through 5 000 Pick 'n Pay tills nationally.
- In Uganda, MTN partnered with a local area dealer, Daj Communications, to install more advanced technology catering for sophisticated customer needs. Rather than having to travel to the MTN head office in Kampala, customers can now purchase MTN SIM packs, pay their bills or activate other MTN services and products at ConnectStores. Another five ConnectStores are due to open in other parts of Uganda.



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Local supplier support

MTN continues to support local suppliers in our operational territories to promote regional economic development. The majority of our local small and medium enterprise (SME) suppliers cater for our operational office requirements (eg computer services and stationery). Network equipment and handsets are typically sourced from global suppliers. In South Africa, procurement practices are legislated with an emphasis on local empowerment. MTN balances the need to meet local black economic empowerment expenditure obligations with regional procurement of goods and services at a Group level.

In future, MTN will increasingly source high-value items and services such as network infrastructure equipment, hardware and software as well as consumer products (such as SIM cards, scratch cards, etc) from local SME suppliers (where available). This increased focus on procuring higher-value goods and services from small suppliers in the regions will indirectly foster local commercial empowerment for small businesses.

In the quest to persistently improve performance, the MTN Group

procurement unit conducts annual supplier satisfaction surveys that provide additional insights into the challenges and requirements of all suppliers including SMEs in the different countries. This feedback is used to assist the department in formulating plans and strategies in supporting local SME suppliers.

The value of goods and services sourced from local suppliers across all operations amounted to R7,4 billion in 2006.

Black economic empowerment performance in South Africa

MTN has a formal and frequently updated BEE policy (available on www.mtn.com). Our BEE procurement scorecard and associated questionnaire are directly aligned with both the ICT charter and the codes of good practice set out by the Department of Trade and Industry in terms of the Broad-based Black Economic Empowerment Act. Our policy outlines our intent to maximise purchases from black-empowered suppliers and to encourage entrepreneurship in previously disadvantaged communities that were excluded from mainstream commercial participation. MTN partners with local BEE companies, either through joint ventures or by contracting BEE

businesses, to encourage local industry support and enterprise development.

Our suppliers are required to complete our BEE questionnaire and comply with stringent empowerment requirements such as ownership, management control, pro-active skills development, affirmative procurement, enterprise development and corporate social investment. These activities enable MTN to support local industry indirectly and to facilitate wider economic development in historically disadvantaged communities. Rather than excluding companies not meeting the ICT charter's required minimum 35% BEE rating, MTN assists these vendors to improve their BEE status, particularly if the company is strategic in the supply chain. In addition to our ongoing practice of introducing small businesses to larger industry players to facilitate networking, MTN has also introduced a shortened payment period for small, medium and micro enterprises to improve their cash flow.

Our BEE performance highlights for 2006 include:

- Achieving a BEE profile rating of AA, an improvement on the earlier BB rating.

The AA rating details our total BEE score at between 75% and 85%, compared to the BB rating of between 45% and 55%.

- Spending R1,9 billion with black-empowered companies during the financial year.
- Spending some R86 million on entrepreneurial development, of which approximately R46 million was spent on commissions to entrepreneurs. Indirect entrepreneurial activities resulting from this investment have empowered an estimated 4 000 individuals.
- Achieving a BEE spend of approximately 29,22% of total procurement.

In 2006, the MTN Group was recognised with three prestigious awards at the Top Empowerment Awards ceremony, South Africa's largest empowerment gathering of industry and government leaders. MTN was named Top Empowered Company of the Year in the telecommunications sector and received the award for the overall Top Empowered Company of the Year. In addition, MTN's Group President and CEO, Phuthuma Nhleko, won the award for Top Empowered Businessman of the Year, while Irene Charnley, Vice President of

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the MENA region, was nominated as Top Empowered Businesswoman.

Our plans for 2007 include:

- Re-evaluating our BEE procurement policy to implement a more robust system to verify the BEE status of suppliers and a reporting mechanism to avoid 'fronting' in procurement transactions.
- Improving the tracking of procurement expenditure with BEE suppliers.
- Introducing an award system to reward suppliers that comply holistically with our BEE requirements. The criteria will include: quality of service, BEE credentials; delivery against promise and cost benefit to MTN. Through this award system, MTN will reflect its appreciation for the market in which it operates and its respect for companies that embrace national and regional empowerment imperatives.
- Nurturing black entrepreneurship by developing and publishing a formal investment and enterprise development strategy.
- Building small/medium sized black enterprises through affirmative procurement.
- Building a strategic supplier base and ensuring its long-term sustainability.
- Developing a job-creation programme to secure opportunities for former

employees and unemployed people, and to ensure black equity participation in outsourced contracts.

Tariff structure

Tariff structures impact our entire stakeholder base. Our regional operations define tariff structures according to local regulatory guidelines and approvals.

MTN aims to grow its low-income base in all operational territories through more competitive pricing strategies and tailored product offerings.

- MTN South Africa announced the reduction of its cellphone call costs by up to 40%, effective June 2006. MTN Pay As You Go subscribers can expect lower local rates during standard times. A standard rate was introduced to all local networks which will reduce call rates for all customers on the call-per-second package. MTN also introduced a lower-denomination recharge voucher during the year.
- MTN Rwanda reduced the cost of starter packs from Rwf3 000 to Rwf1 000, resulting in more affordable start-up costs for new MTN subscribers.
- There were no tariff increases in Uganda in 2006. However, the government announced the introduction of a 5% excise tax on

fixed lines and payphones, effective 1 July 2006. This is in addition to the 12% excise tax levied on mobile rates. MTN Uganda intends to pass on the increase to customers in 2007.

- In Cameroon, there is a steady downward trend in tariff structuring. This is due to:
 - The industry practice of providing bonus minutes on high-value airtime cards and loadings.
 - Aggressive competitive pricing of mobile-to-mobile offerings and off-net rates to other networks.

Social performance indicators

Employment

Our commercial success is directly linked to the social and economic wellbeing of our employees and the development and application of their skills and talents in the business. The continued expansion of our operations and the introduction of new services have increased our subscriber base exponentially. This has necessitated a renewed emphasis on capacity building, skills development and succession planning across the Group.

Ongoing staff expansion across borders also requires the development of cultural understanding and new levels of management leadership. Our Y'ello Leader Academy is a year-long

programme which actively instils a sense of cultural acceptance and develops leadership maturity among participants. The programme promotes the concept of peer-group appraisals, where individual managers receive performance feedback from both subordinate colleagues and peers, enabling more balanced views of their managerial abilities. The Y'ello Leader Academy was formed two years ago to foster a common leadership vision across the Group and to enable managerial staff at all levels to refine their leadership skills.

Staff turnover

For the reporting period, MTN Group's staff complement was 14 067. Some 1 700 employees joined the Group through organic growth and 4 676 through corporate acquisitions. The Group percentage for staff turnover during the year was 8%. Our target for the coming year is between 5% and 7%.

The staff turnover rate for MTN South Africa, specifically, was 9%. Approximately 600 employees were retrenched during the year when their positions became redundant after the restructuring and merger of MTN Network Operator and MTN Service Provider. In many instances, retrenchments were voluntary.