

## Middle East and North Africa region

Revenue contribution to Group

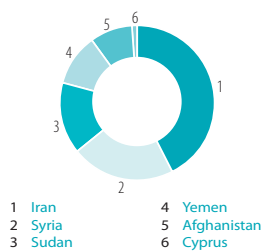
R10 779 million

Middle East and North Africa regional contribution to Group total

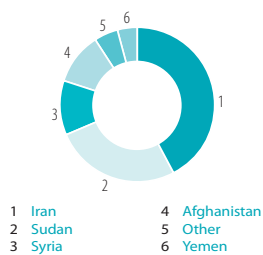
Population (million) and % of Group total	Subscribers (000) and % of Group total	Revenue (Rm) and % of Group total	EBITDA (Rm) and % of Group total	PAT (Rm) and % of Group total	Capex (Rm) and % of Group total
182,3 36%	14 025 23%	10 779 14%	2 530 8%	730 6%	3 676 24%

Country contributions to Middle East and North Africa region total

### Subscribers %



### Capex %



The MENA region is the fastest-growing contributor to the Group. The region is characterised by an improving economic performance and average penetration of 27%. The regional territories include Afghanistan, Cyprus, Iran, Sudan, Syria and Yemen.

### Performance

There was impressive subscriber growth of 186% to 14 million. This was underpinned by the very strong growth of MTN IranCell. ARPU in most operations reduced by between USD1 and USD2. ARPU in Sudan, however, declined by USD4 due to dual SIMs and lower tariffs.

### Operational

The key focus during the year was on rolling out infrastructure to improve quality and capacity of the networks in each market. The MENA operations, excluding Afghanistan, were formally rebranded

## Middle East and North Africa region *continued*

to MTN. This helped to increase brand awareness in the region.

MTN Irancell recorded an exceptional performance, increasing subscribers from 154 000 to 6 million. MTN Sudan increased its subscriber base by 96% to 2,1 million and market share from 25% to 28% in a highly competitive market. MTN Syria delivered a stable performance and increased subscriber numbers by 39% to 3,1 million. This was underpinned by an increased sales focus and GSM services. The highly revenue share, however, remains a challenge. Afghanistan delivered a strong growth increase in subscribers of 982 000, off a low base, due to an untapped and highly responsive market. MTN Yemen maintained its leading position in a competitive market with 40% market share. A fourth operator was launched in Yemen in December 2007.

### Outlook

In the years ahead there will be further investment in infrastructure roll out, particularly in Iran and Sudan, to improve the quality of service. Given the relatively undeveloped regulatory environment in the region, there will be ongoing focus on building constructive relationships with the regulator in each market. There are a number of opportunities to leverage synergies in terms of products and procurement in the region.

## Middle East and North Africa region

### MTN Irancell

#### Irancell market information and results

	2007	2006
Population (million)	70,6	69,5
Mobile penetration (%)	37	20
Market share (%)	23	1
Market sizing (million) (2012)	52	
Shareholding (%)	49	
Launch date	Oct 06	

#### Overview

MTN Irancell was awarded the second GSM mobile licence in Iran in November 2005 and launched commercial operations with postpaid services in October 2006. Prepaid services were launched in January 2007.

During the period, MTN Irancell delivered exceptional performance as a start-up operation, increasing subscribers from 154 000 to 6 million. This equates to an average net acquisition rate of 488 000 subscribers per month. Prepaid subscribers comprise 94% of the base. This was underpinned by effective pricing and innovative promotions targeted at regional customer segments.

ARPU increased from USD9 at 31 December 2006 to USD10 at 31 December 2007. This was a result of high MOUs due to usage-

stimulating packages and improvements to the quality and capacity of the network and increased coverage.

During 2007, there was a strong focus on infrastructure roll out to ensure appropriate levels of coverage and quality of service.

#### Market environment

There is entrenched competition in the Iranian market with one fixed-line operator and two mobile operators. Trading conditions were initially difficult given the wider coverage of competitors.

At 31 December 2007, MTN Irancell had 23% market share and was gaining 48% of new connections. The increase in market share was achieved through an extensive network roll out, which



**The MENA region is the fastest-growing contributor to the Group.**



## Middle East and North Africa region *continued*

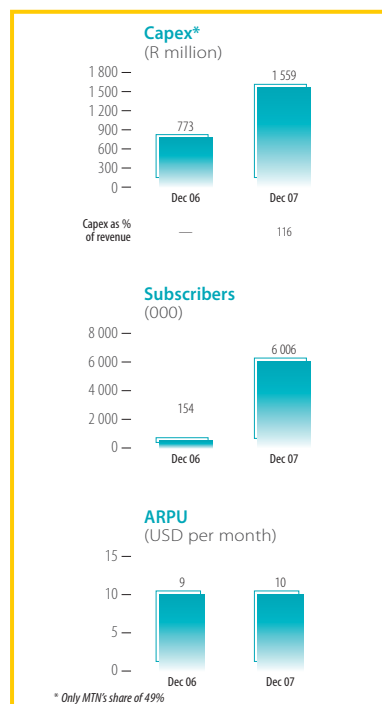
ensured improved levels of quality and coverage, and a very competitive proposition with a number of innovative products and services that appeal to Iran's large youth population. MTN Irancell also has a comprehensive customer care approach, which includes a call centre providing country-wide services, access through the internet and self-management as well as dealer portal services.

The outlook for the Iranian economy remains strong with GDP growth forecast at approximately 5%. The economy is buoyed by oil revenues as well as the benefits of structural economic reforms introduced since 2000.

### Products

The Iranian market is predominantly focused on voice services. During the period, MTN Irancell introduced its prepaid offering with leading products such as flat competitive rates for national calls, standard per-second billing with no round-up charges and innovative subscription packages. The Buy One Get One Free offering introduced in June 2007 was also very successful.

MTN Irancell was first to market in providing GPRS which has enabled email solutions, MMS, data SIMs and Vitrin.



### Infrastructure

During the period, MTN Irancell faced the network coverage and quality challenges typically experienced by a new entrant to a market. The operation is focused on expanding the network to improve quality and coverage and synchronise the introduction of new products and services with available capacity.

## Middle East and North Africa region

Following a slow network roll out in 2006, the operation had sufficient capacity to service 6,5 million subscribers at 31 December 2007. There are 2 023 live sites across 30 provincial capitals and 339 cities. Geographic coverage is 3%, population coverage is 50% and there is 1 500km of road coverage. Three core locations, two in Tehran and one in Esfahan, provide resilience to the network and the IP core and backbone provide a ready upgrade path to converged services.

R1 559 million (MTN share) was invested over the period.

### Distribution

MTN Irancell has significantly increased its distribution channels in all 30 provinces of Iran, which remains a key differentiator for the operation. There are five regional warehouses and one central warehouse for the distribution of SIM cards and recharge cards. There are 12 main distributors with 4 945 registered dealers for the distribution of starter packs and recharge cards and 20 000 unregistered (second tier/informal) dealers for distribution of recharge cards. MTN Irancell has five service centres located in the key capital cities.

The MTN Irancell distribution footprint will continue to be expanded by adding dealers in new towns and areas with network capacity.

### Regulatory environment

The regulatory environment in Iran is underdeveloped and hence poses a number of challenges. MTN Irancell has complied with licence conditions to date. The process for issuing a third licence will start in the new Iranian year with the third operator expected to be operational by the second quarter of 2009.

The interconnection agreement is yet to be signed. There is constructive dialogue between all parties.

MTN Irancell is pursuing an ISP licence and regional 3G licences may be awarded in Iran in 2008.

### Next steps

In the years ahead, a key focus will be on improving the perception of value and quality among customers. This will be greatly assisted by the aggressive roll out of the network, which will continue into 2008.

There is significant potential from MTN Irancell given the relatively under penetrated market that has reacted well to the operation's products and service offerings. MTN Irancell also has the benefit of being competitive and agile as well as being able to leverage off the global MTN Group.



## Middle East and North Africa region *continued*

### MTN Sudan

#### Sudan market information and results

	2007	2006
Population (million)	37	36,3
Mobile penetration (%)	21	12
Market share (%)	28	25
Market sizing (million) (2012)	18,4	
Shareholding (%)	85	
Launch date	Sep 05	

#### Overview

MTN Sudan increased its subscriber base by 96% to 2,1 million at 31 December 2007 and market share from 25% to 28% in a highly competitive market. Subscriber acquisitions in the first quarter of 2007 were slightly lower due to technical challenges during the migration to the new billing system. In July 2007, the Sudan operation was successfully rebranded as MTN Sudan.

ARPU declined from USD16 to USD12 due to increased penetration into the lower-usage market, the high use of dual SIMs and low tariffs. MTN Sudan has introduced a segmented pricing offering, which will stimulate traffic and should support ARPU.

#### Market environment

The Sudanese market has relatively low penetration of 21% but is highly competitive, with two GSM operators and one CDMA operator introduced in 2007. MTN Sudan and the other GSM operator have exclusivity on the GSM licence until 2011.

Competition increased significantly during the year, particularly with the low flat tariff introduced by the CDMA operator and the rebranding exercise of the other mobile operator. Despite challenging market conditions, MTN Sudan recorded the highest growth in subscribers of all participants in this market. This was largely due to a technically sound network, and the delivery of value-added services such as 3G and international roaming.

Despite relatively low GDP figures of approximately USD1 262 per capita, the economy is showing signs of growth with GDP growth estimated at 12,8%. In terms of mobile use, the population is highly communicative and the market size is expected to grow to 18 million by 2012.

## Middle East and North Africa region

### Products and services

MTN Sudan introduced a number of innovative products and value-added services during the period. These included: Caller Tunez, voice SMS, prepaid multi-profiles, bulk SMS, 3G connect card, IVR content services, and super clip. MTN Sudan is the only provider of per-second billing and pioneered customer care management in the country.

### Infrastructure

During the period, there was extensive network deployment focused on stabilising the network and extending core capacity to 3 million subscribers. Some 575 base transceiver sites were rolled out, taking the total to 982. Despite difficulties in rolling out infrastructure in areas of ongoing conflict, MTN Sudan managed to roll out over 40 sites in Darfur. At year-end, population coverage was 43% and geographic coverage 3%.

MTN Sudan aims to improve the infrastructural backbone by laying 1 200km of fibre cabling from Khartoum to Port Sudan and introducing next generation networking

as part of its advanced technical strategy.

Capital expenditure was R964 million for the year.

### Distribution

The MTN Sudan distribution network was significantly increased. The operation partnered with 16 main distributors to 6 000 points of sale through subdealers. The aim for 2008 is to cover all rural areas and main cities and to support or create required distribution channels outside greater Khartoum.

### Regulatory

MTN Sudan actively engages with the regulator (NTC) on key issues, although the regulatory



**MTN Sudan recorded the highest growth in subscribers of all participants in the Sudanese market.**



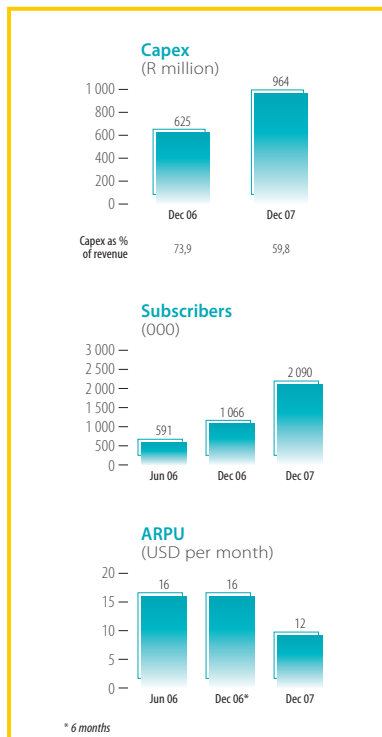
## Middle East and North Africa region *continued*

environment remains challenging. MTN Sudan has an interconnect agreement with one mobile operator and negotiations are ongoing with the incumbent.

### Looking forward

The outlook for the Sudanese economy is positive, with the mobile environment expected to remain highly competitive. MTN Sudan will increase its focus on enhancing brand awareness with a targeted approach to different customer segments. Advanced 3G and high-speed data services such as HSDPA are expected to boost growth in the postpaid segment.

MTN Sudan will concentrate on increasing the subscriber base outside Khartoum. Accordingly, there will be a drive to strengthen distribution channels, continue the infrastructure roll out and maintain stability of the network. In addition, there will be refinements to network vendors in line with the MTN Group policy.



## Middle East and North Africa region

### MTN Syria

#### Syria market information and results

	2007	2006
Population (million)	19,3	18,8
Mobile penetration (%)	35	26
Market share (%)	45	46
Market sizing (million) (2012)	11,7	
Shareholding (%)	75	
Launch date	Jun 02	

#### Overview

MTN Syria recorded a strong performance with subscriber numbers increasing by 39% to 3,1 million at 31 December 2007. This was underpinned by an aggressive sales drive, a broader product portfolio and enhanced network quality. The rebranding to MTN in July 2007 has been positively received.

Data revenues are relatively low at 6% of overall revenue but low internet penetration of 10% provides significant upside.

Blended ARPU was slightly down from USD22 at 31 December 2006 to USD20 at 31 December 2007 due to increased penetration from 26% to 35%.

Prepaid ARPU was USD15 with postpaid at USD42.

The prepaid subscriber base continues to show a high churn rate of 59% due to affordability and the short-term validity of recharge cards. There are difficulties in extending the validity of recharge cards as the competitor needs to be in agreement. The prepaid multi-profiling product, scheduled to be introduced in the second half of 2008, should assist in addressing this issue.

#### Market environment

Syria is a highly regulated environment due to the build, operate and transfer (BOT) structure. This limits full competition and flexibility in defining market strategies. Competition is intense, with one fixed-line operator, two mobile operators and seven active ISPs. A third mobile operator is expected in mid-2009.

The Syrian economy remains challenging given high inflation, low GDP and a price-sensitive market. There are, however, encouraging signs of GDP growth, with 2,6% growth expected in 2008.

## Middle East and North Africa region *continued*

### Products and services

The Syrian market is receptive to innovation. A number of new products and services were introduced during the year as part of an increased focus on enhancing the customer experience. These include mobile banking services, electronic prepaid vouchers, virtual top-up and data-only cards.

### Infrastructure

MTN Syria continued to focus on improving coverage in major cities and providing coverage in rural and coastal areas. In the 12 months to 31 December 2007, 317 BTSs were rolled out. Population coverage and geographic coverage were 98% and 78% respectively. During 2007, R418 million was invested in the network.

During the year, 3G trial services were launched in Damascus and Aleppo. The roll out of 3G will continue in 2008 with the installation of over 200 new 3G sites and coverage in the four main cities.

### Distribution

MTN Syria has a well-developed distribution system with over 7 000 retail shops and more than 38 MTN-owned customer service centres covering all regions.

### Regulatory

The BOT structure requires a fairly high revenue share and for MTN Syria to provide GSM services in line with the competitor. MTN Syria will continue its efforts to convert the BOT contract into a licence.

MTN Syria has applied for an ISP licence, which is expected to be awarded in the first quarter of 2008.

### Outlook

There is growth potential in the Syrian market, particularly in prepaid services. MTN Syria has embarked on market segmentation and a prepaid multi-profiling approach to access subscribers in the lower-income segments. There will also be greater focus on improving the customer experience with 12 additional customer care centres planned for 2008.

## Middle East and North Africa region

While voice remains dominant, MTN Syria will continue to invest in data-related technologies such as 3G, high-speed data and internet service provider offerings.

As part of the Group's strategy to provide leading technology, the legacy core network will be replaced with the NGN core network and an IP transmission backbone will be installed.

