

You can explore the boundaries.

Group chief operating officer's report

Contents

27 Overview

30 South and East Africa region

2

(See page 8 for more information)

40 West and Central Africa region

2

(See page 10 for more information)

54 Middle East and North Africa region

2

(See page 13 for more information)

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Overview

The MTN Group's strengths come from its experience in successfully rolling out sophisticated networks in some of the least developed countries in the world; creating meaningful distribution mechanisms in these informal environments and thereby providing a vital and innovative service to customers.

In 2008 we continued to benefit from increasing economies of scale across our 21 markets and stepped up our efforts to achieve operations and execution excellence.

We standardised many functions, focusing on various aspects of our capital expenditure programme. In particular, we are pleased to report that we continued to achieve improved pricing of network equipment through our Group procurement function. MTN's rationalisation of the sources of supply for network infrastructure and other technology requirements like intelligent network platforms and billing systems remained important. However, within this framework, MTN continues to be a multi-vendor operator. Apart from the benefits of reduced costs, more standardised technology platforms make for easier use and replication of products across operations.

Sifiso Dabengwa
Group chief operating officer

Group chief operating officer's report *continued*

In the year we established a global private IP network connecting all our businesses, which will be a key driver for delivery of shared services across the Group. Among these is the centralised human resources information system, which we launched in 2008.

Infrastructure roll out

Mobile penetration across the many markets in which we operate is still, on average, below 50% of the population, demonstrating the need for MTN to continue to invest aggressively in bigger, more resilient and power-efficient networks to meet demand. Even in relatively mature mobile markets, like South Africa, where growth has continued to impress on the upside, we needed to invest considerable capital expenditure to ensure the quality of the network and secure cost savings. In 2008, we invested a record R28,3 billion across our operations, almost double 2007's figure. In key markets, significant sums were spent on migrating from monolithic core network architecture to next-generation core network architecture.

Infrastructure sharing was identified as a key theme for MTN in 2008 and will continue to be a major focus in the year ahead: there is scarcely an operation where we are not sharing infrastructure. Typically, we share the "passive infrastructure" of the base station (such as the tower, mast, fence, generator and container). We also participate in transmission sharing to reduce duplication and waste within the industry (including power and, hence, atmospheric pollutants). All these help to reduce capital costs, associated operational costs and lessen the impact on our environment.

As part of network roll out we have installed more power-efficient base stations, some of which use alternative sources of energy such as solar and wind power. The new-generation network also uses 40% – 60% less power than its predecessor, helping reduce the cost of provisioning, while increasing the capacity of the network.

Submarine cable capacity

MTN has invested in a number of new-generation, high-capacity fibre-optic submarine cable systems to gain primary access to more reliable, less expensive international voice and data broadband capacity. This will also facilitate higher Internet penetration (which is currently around 2% – 3% of the population across our markets and about 6% in South Africa) and higher data growth. Although MTN co-owns the submarine cable capacity, it does not manage it. Over the next three years, local regulations permitting, MTN operations will gradually gain access to improved quality and availability as well as more cost-efficient international capacity.

Customers and innovations

We owe much of our growth and success to the loyalty of customers to the MTN brand and the enthusiasm with which they take up our new offerings. In 2008 we launched a customer segmentation drive after carrying out a detailed analysis of each market. This showed that many of our customers are youthful, but many are also professionals and entrepreneurs with sophisticated needs. This means MTN's technological offering everywhere must continue to be of the highest standard and we must continue to offer innovative products which meet their requirements.

MTN Zone dynamic tariffing, launched during the year, has been an exciting innovation. MTN Zone was introduced to help manage network capacity usage by offering discounted rates when network utilisation was low and so encouraging use during these off-peak times. It is also an efficient way to implement an affordable pricing solution, and has already resulted in a reduction in customer churn and improved competitiveness.

People

During the year there were a number of management changes, with new chief executives appointed in countries including Sudan, Benin, Congo-Brazzaville and Afghanistan. These appointments – along with those of a number of new chief financial, marketing and information officers – were mostly from within the Group and are in line with our efforts to build one Group culture.

We continue to seek opportunities for value-enhancing, inter-operational movement across MTN. Apart from the benefits of increased knowledge share and skills transfer across the business, this also provides our staff with attractive and meaningful opportunities for growth within emerging markets and should further bolster MTN's ability to attract and retain the best skill and capability across its footprint. We recognise that diversity within a common culture and value framework is an important strength of the Group.

A key challenge ahead is good staff adaptation to the skills set required of the new-generation networks. We also have to ensure that we have enough of the right resources required to keep up with the sharp growth in the business. We expect that the launch, in late 2008, of the MTN Academy will help address these needs.

Apart from overviews of each of the three operating regions, in the following pages you will find separate reports on each of a group of six of our large operations.

Sifiso Dabengwa

Group chief operating officer

May 2009