

What we do

Our chairman's view

Who we are

How we performed

How we run our business

# Feel the energy. **You can.**

Group chief operating officer's report *continued*

## **West and Central Africa region**



Nine countries make up the operations of MTN's West and Central Africa (WECA) region, spreading from Guinea Bissau in the west to Congo-Brazzaville in the centre. The region is the largest contributor to the Group in terms of subscribers, revenue and profitability. Although there has been an increase in mobile penetration in the past few years, this is still relatively low at between 22% and 59% of the population. The regional office is in Accra.



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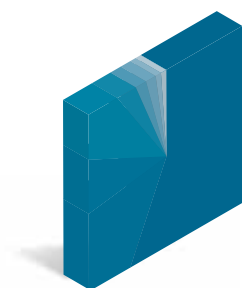
### West and Central Africa regional overview

#### West and Central Africa regional contribution to Group total

	Population (million)	Subscribers (000)	Revenue (Rm)	EBITDA (Rm)	Capex (Rm)
<b>Total</b>	<b>232,9</b>	<b>40 274</b>	<b>47 682</b>	<b>25 318</b>	<b>15 024</b>
<b>% of Group total</b>	<b>44%</b>	<b>44%</b>	<b>46%</b>	<b>59%</b>	<b>53%</b>

Country contributions to WECA region total

#### Subscriber contribution



■ Nigeria	57%
■ Ghana	16%
■ Cameroon	9%
■ Côte d'Ivoire	9%
■ Benin	3%
■ Guinea Conakry	2%
■ Congo-Brazzaville	2%
■ Liberia	1%
■ Guinea Bissau	1%

#### Capex



■ Nigeria	64%
■ Ghana	12%
■ Rest of region	24%

## Performance

MTN's WECA region recorded a strong performance in 2008, improving our market share in most countries, despite increased competition and economies showing signs of stress due to the international downturn.

In some countries, regulators – with whom we maintained constructive relations – increased their demands on the industry.

Total subscribers increased 44% to 40,27 million, buoyed by the launch of innovative products such as MTN Zone launched in Ghana, Congo and Cameroon and significant improvements in network roll out. In line with this increased user base, MTN's average revenue per user (ARPU) across all WECA markets fell between USD1 and USD6, except for MTN Benin, where the ARPU remained fairly stable at USD15.

Early in the year, MTN boosted brand awareness in the region through its title sponsorship of the MTN Africa Cup of Nations football tournament in Ghana. We are pleased to report good take-up of content via MTN Loaded during the championship, particularly in Cameroon. Users downloaded scores, pictures and video clips, boosting data revenue and providing an encouraging precursor to the 2010 FIFA World Cup South Africa™.

MTN increased its shareholding in MTN Côte d'Ivoire to 65% from 60% as part of a prior arrangement with local partners, while reducing its stake in MTN Nigeria to 76% after a private placement of an equity interest of 5,96% that raised USD594,5 million. This is part of the Group's efforts to broaden local ownership and representation.

In line with our ambitions to constantly improve our value proposition to customers and ensure that we are well positioned to benefit from a rapidly converging technology market, MTN Côte d'Ivoire concluded the acquisition of internet service provider (ISP), Afnet, and fixed-line operator, Arobase, in 2008. This builds on purchases in recent years of ISPs in Cameroon and Nigeria.

Total WECA capital expenditure almost doubled to R15,0 billion as MTN stepped up its investment in infrastructure. MTN Nigeria (details of which appear in the separate Nigeria report on page 45) rolled out a record number of base stations, double the previous year. MTN also initiated some infrastructure-sharing targets in the WECA region and will work to extend this further in the years ahead.

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## Group chief operating officer's report *continued*

### West and Central Africa regional overview *continued*/MTN Nigeria review

Despite a difficult competitive environment and due to a very attractive value proposition, MTN Congo-Brazzaville captured considerable market share during the year, accounting for 38% of all users by December 2008 from 26% a year earlier.

MTN Guinea Bissau boosted its share of the market by 10% to 82%, driven by aggressive marketing and product innovation as well as good product availability.

MTN Guinea Conakry was one of the few operations where market share fell, to 44% from 53%, due to aggressive competition in an environment of high inflation. Political instability during the year prompted MTN to twice evacuate all non-essential staff and the families of expatriate employees until the situation in the country stabilised.

The negotiations regarding the renewal of MTN Liberia's licence are almost concluded.

Employees of MTN Côte d'Ivoire were joint winners, with Yemen, in the "21 days of Yello Care Challenge" for the greatest staff participation in volunteer activities to help support their communities.

### Outlook

Although the price of oil and various other commodities produced in the WECA region fell sharply in 2008, we believe the full impact of the worldwide economic slowdown is yet to be seen. Competition in the region continues to be fierce, compelling MTN to be more efficient by leveraging synergies such as network roll out, procurement and human resources sharing across the region.

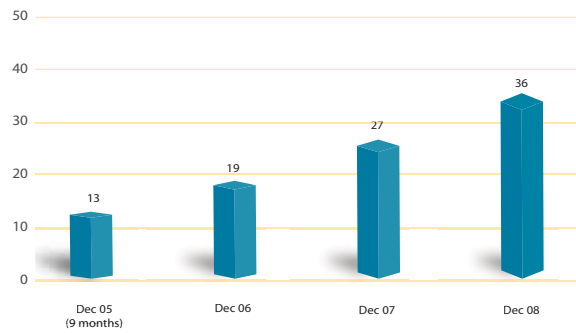
Faster execution of certain products and services is a priority in 2009, and we expect our seamless roaming offering, which has already been launched in Nigeria, Ghana, Cameroon and Benin to be available everywhere in the region. Similarly, Mobile Money, which will offer services such as airtime transfer and payments, is being piloted and introduced throughout WECA.

Over the next three years, local regulations permitting, MTN operations will gradually gain access to MTN-owned international capacity on a number of submarine cables. MTN operations along the west coast of Africa will have direct access to cable capacity on the SAT-3/WASC/SAFE submarine network, boosting our international data capabilities significantly.

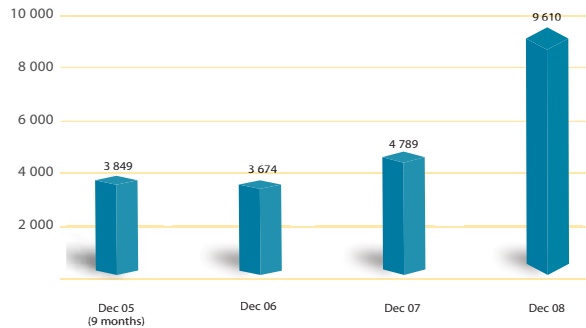


Launched August 2001, market share 44%, population 143,3 million, forecast market size in 2013 – 107,1 million, legal shareholding 76%.

### Mobile penetration – Nigeria (%)



### Capex – Nigeria (R million)



### Overview

MTN Nigeria performed well during the year, despite a number of challenges related to network congestion, increasing competition, regulatory restrictions and a slowdown in the growth of the economy, whose longer term health is linked to moves in the oil price. Subscribers grew 40% to 23,1 million, as it connected a net 6,6 million users, up from 4,2 million a year earlier. To support this growth and improve network quality, MTN Nigeria's capital expenditure allocation was the largest in the Group, resulting in a record network roll out.

In 2007 the industry regulator had imposed a ban on promotions by MTN Nigeria and a competitor to mitigate the impact on customers of increasing network congestion. This, along with our limited numbering capacity, led to a slowdown in customer acquisitions in the first half of 2008. Both these issues were resolved by the third quarter of 2008 when MTN Nigeria was permitted again to carry out promotional activity and we received a fourth number range, with additional capacity for 10 million numbers.

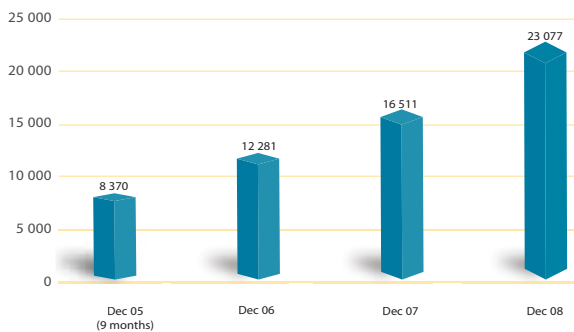


## Group chief operating officer's report *continued*

### MTN Nigeria review *continued*

#### Subscribers – Nigeria

(000)

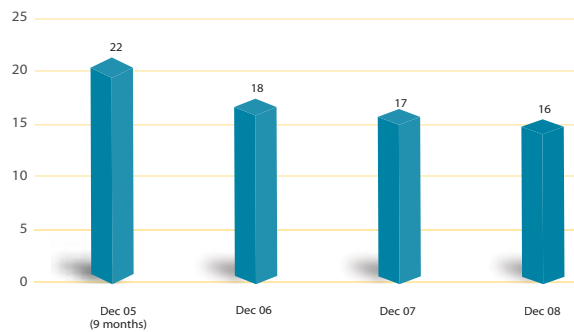


Consequently, some 44% of total additions occurred in the final quarter of 2008. As the network quality improved, we stepped up promotional activities and enhanced our distribution resulting in an increase in market share in the year to 44% from 43%. However, in line with the growth in subscribers, average revenue per user declined by USD1 to USD16.

In line with efforts to provide customers with a comprehensive communications offering MTN Nigeria worked during the year to integrate the business of VGC Communications, which was acquired in 2007. We launched high-speed broadband, as well as other fixed and data services during 2008.

#### ARPU – Nigeria

(USD)



#### Market environment

The sharp drop in crude oil prices in the second half of 2008, from highs above USD145 a barrel in July to below USD40 a barrel by year-end, affected confidence and put pressure on Nigerian export earnings and on exposed banking positions. The impact of the oil price fall, together with the impact of the flight of capital, particularly from the local stock market as the international liquidity squeeze was felt, led to a depreciation of the naira.

Despite the economic slowdown in some areas, spending on mobile services remained relatively resilient, due to the reasonably low penetration and underscoring the priority consumers assign to telecommunications. The telecoms sector in Nigeria is one of the largest non-oil producing sectors in the economy. Nigeria is also one of the most competitive markets in Africa, with unrivalled customer demand for value for money. In 2008, competition intensified with the launch of a new GSM operator and a 3G operator.

### Infrastructure

Capital expenditure was a major focus in the year, and we invested a record R9,6 billion in network capacity, coverage, transmission and the roll out of a fixed network and mobile broadband. This was up from R4,8 billion a year earlier and resulted in sharp quality improvements. It brought our investment in Nigeria since 2001 to more than USD5 billion.

We built and integrated 1 560 base transceiver stations (BTS) in the year, lifting the total to 4 776. The roll out of 3G sites also remained a priority, with 551 3G sites in operation by year-end and supporting greater data usage. To further improve the network, a new microwave backbone route was built and 1 170 km of new metro and national fibre was implemented on key routes.

We experienced loss of service as a result of generator theft or vandalism and continued to focus on how to better secure our infrastructure. With environmental impact and cost considerations in mind, MTN Nigeria is now sharing, with competitors, around 350 BTS sites in Nigeria.

### Products and services

MTN's sponsorship of the 2008 MTN Africa Cup of Nations in nearby Ghana, as well as MTN Nigeria's support for the popular television quiz show *"Who wants to be a millionaire?"* were two of the main brand-building exercises during the year, and they proved very successful.

To maintain our reputation for innovation, MTN Nigeria also launched numerous products and services during the year, including seamless roaming; MTN Loaded (an online music entertainment store targeting the youth); individual and shared data bundles (designed for small and medium enterprises and corporate customers); MTN Nigeria SIM menu (a SIM-based portal that pulls together all value-added services), to mention but a few.

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## Group chief operating officer's report *continued*

### MTN Nigeria review *continued*/ MTN Ghana review

We also introduced segmentation in customer service delivery, commencing with prioritisation of the service at call centres and guaranteeing specific service levels to premium customers. We established a new voice-recognition platform for the call centre, which includes all the major Nigerian languages.

#### Distribution

MTN Nigeria restructured its distribution model during the year to ensure more effective, efficient distribution of our products to customers. We believe that this represents the best trade partner proposition in the industry.

As a result of the changes, the number of appointed distributors at year-end was a more co-ordinated and incentivised 111, down from 202 in 2007. The second distribution tier consists of 5 666 channels and the third tier has about 30 000 points. In addition, there are several unregistered informal distribution points that are still being integrated into the company database.

The new distribution model is working very well, boosting net additions dramatically in the last quarter of 2008.

#### People

During the year MTN Nigeria launched an employee reward and recognition programme to attract and retain the skills we need to grow our business sustainably into the future. We

worked to ensure a greater degree of executive engagement with staff as well as improved communications through the "Go" campaign that targeted specific staff segments.

We also started an enterprise-wide "back to shop" programme, during which all employees spend a day in a customer-facing role. This reinforces the importance of customer care as one of our key values.

Although expatriates account for only a very low percentage of the 4 800 MTN Nigeria employees, key positions such as chief technical officer and chief marketing officer, as well as the executives responsible for human resources, customer service, sales and distribution and corporate services, are all held by Nigerians. In addition, a growing number of Nigerians are working in other MTN Group operations as expatriates.

#### Regulatory environment

As mentioned earlier, MTN Nigeria secured the lifting during the year of the Nigerian Communications Commission (NCC) ban on promotions, after making significant improvements to the network quality.

The end to this ban afforded the business the much-needed level playing field to compete and the ability to roll out various customer retention and loyalty packages as new competition entered the market. As required by the regulator,

we continue to submit regular reports on quality of service and infrastructure deployment and maintain open lines of communication and engagement with the NCC.

In February 2009 the regulator issued a consultation paper on the proposed implementation of number portability in Nigeria. MTN Nigeria is in discussions with the regulator and will await the final regulatory decision.

**Outlook**

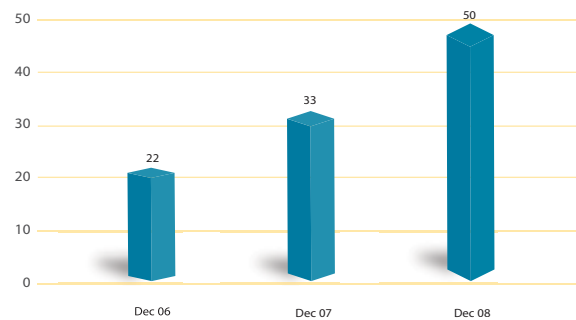
MTN Nigeria will continue to invest in enhancing its network in the year ahead, and has authorised a 25% increase in rand terms in capital expenditure for 2009. This will ensure that Nigeria remains the Group's top destination for investment. We remain committed to overcoming challenges and delivering a network that meets customers' expectations.

Improvements to our distribution channel and network in late 2008 have already resulted in sharp increases in new customer numbers in the first two months of 2009, with some 2,2 million net additions recorded during that period.

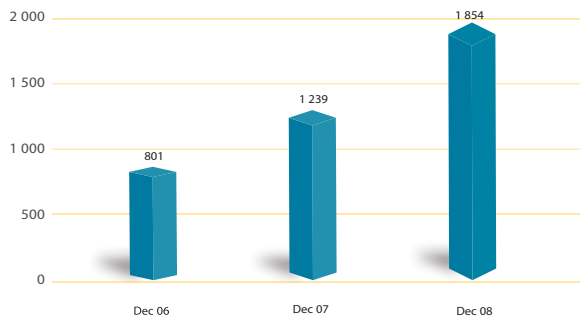


Launched November 1996, market share 55%, population 23,3 million, forecast market size in 2013 – 23 million, legal shareholding 98%.

**Mobile penetration – Ghana** (%)



**Capex – Ghana** (R million)

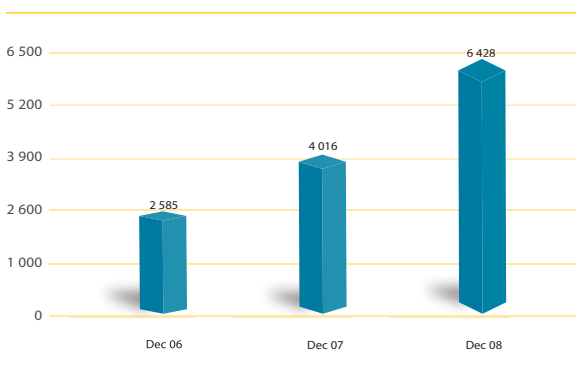


## Group chief operating officer's report *continued*

### MTN Ghana review *continued*

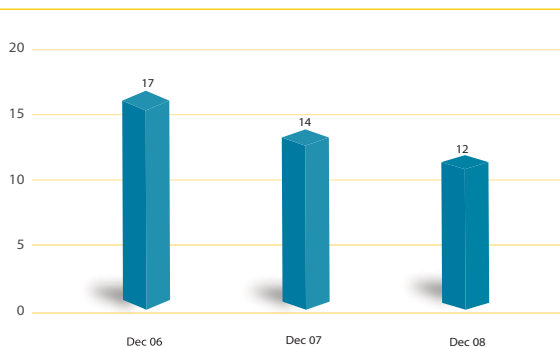
#### Subscribers – Ghana

(000)



#### ARPU – Ghana

(USD)



#### Overview

MTN Ghana grew subscriber numbers 60% during the year to 6.4 million, increasing its share of the market to 55% from 52% and helping boost Ghana's mobile penetration to half the population. Reflecting the continued acquisition of subscribers at the lower end of the market, average revenue per user per month decreased to USD12 from USD14.

To mark the first-year anniversary of the MTN brand in Ghana, we supported various music industry events as well as key football activities during the year. The most significant of these was the title sponsorship of the MTN Africa Cup of Nations (Afcon) football tournament in Ghana, which concluded with a Cameroon vs Egypt final in February. Egypt successfully defended the title to extend to six their record number of Afcon titles.

Linked to the tournament were various data offerings on MTN Loaded which helped push up data revenue's contribution to overall Ghana revenues steeply to 7.8%.

### Market environment

The telecoms market in Ghana is now crowded as competition increased during the year. Six mobile operators are now licensed in a country of 23 million people, up by two since 2007. The sixth licensee is expected to start operations during 2009.

During the year, Ghana held elections, which resulted in a smooth change of government. Economic activity in Ghana continues to broaden, and the discovery of oil in the western region is expected to provide an additional boost to the economy. Inflation remains a challenge, though, with the level of price rises in 2008 in the high double digits.

### Infrastructure

MTN Ghana spent R1,85 billion in 2008 (from R1,24 billion in 2007) on an aggressive base station roll-out plan, which resulted in the integration of 704 base transceiver stations (BTS) and the commissioning of a mobile switching centre and a base station controller to cater for traffic demand in Accra and Kumasi. This significantly improved the quality of the network and brought the total number of BTS so far to 2 364. Network capacity limitations earlier in the year had prompted management to slowdown subscriber acquisitions to alleviate network congestion.

### Products and services

The launch in June of MTN Zone, proved to be a major success, resulting in a sharp increase in network traffic in the second half of the year. It also ensured that most new connections in Ghana during the year were with MTN, and brought the total number of MTN Zone customers to some 4,6 million by end-December 2008.

Various other products were also launched to improve the value proposition to customers, including seamless roaming, where customers can recharge airtime at the local rate when visiting another country and ringback tones. Blackberry services were introduced in January 2008, and the soft launch of Mobile Money took place in September.

### Distribution

The distribution strategy in Ghana is designed to ensure full availability, accessibility and visibility of MTN products at the point of purchase and of usage, while aggressively acquiring corporate and high-income customers through a key account management approach.

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### MTN Ghana review *continued*

In 2008 we increased the number of points of sale selling MTN products to around 98 000 from some 59 000, representing growth of 67%. In addition, we grew our corporate lines by nearly 50%. We implemented a regionalised distribution scheme, appointing eight dealers who are responsible for each of the eight sales territories. As these dealers are engaged in active retail redistribution, they give MTN Ghana a significant competitive edge.

All MTN service centres were reorganised during the year to improve service and distribution. Further work was done through the expansion of distribution into new channels. Our cross-distribution initiative engaging FMCG distributors, such as Coca-Cola, Unilever, Guinness Ghana as dealers and sub-dealers means that MTN products are the first telecommunication products to enter popular grocery shops around the country. To ensure deeper distribution reach in rural areas we created 200 strategic distribution points in key districts and towns, thereby creating a cost-effective means of distributing at the local level. To drive prepaid customer acquisitions and event sales, a 400-person team of "town stormers" with representation

in all key towns was set up to support distribution and market – share growth efforts.

### People

During the year, MTN Ghana focused on developing the skills of our people and worked hard on staff retention initiatives as new competitors entered the market. Among these were improved staff engagement and feedback systems, enhanced recognition and reward programmes and more user-friendly and accessible human resources policies. MTN Ghana also worked to rotate talent in the region to provide staff with an opportunity to enhance their skills in other markets. A strong succession plan was put in place and compensation was benchmarked within the industry.

We launched the regional learning centre of the MTN Academy in Accra, one of three throughout the group. This is designed to unify and standardise key strategic learning and organisational development services across all operating units.

### Regulatory environment

Effective January 2008, regulatory fees were increased from a flat fee of 750 000 Ghana cedi per annum to 1% of revenue. We also pay a rural development levy of 1% of revenue.

A communications service tax (CST) of 6% of revenue was also imposed during 2008. Mobile operators had to increase tariffs in response to these new fees; however, the full impact was not passed on to MTN Ghana subscribers.

During the year we acquired a 3G licence, and were allocated a new number range.

The legal dispute between some of the former shareholders of Scancom, which MTN acquired when we bought Investcom in 2006, continues. We look forward to resolution of this issue in due course.

### Outlook

We recently increased our forecast for the size of the Ghana mobile market in five years' time to 22,5 million from 15,1 million previously, highlighting the significant

opportunities ahead. Included in these is data growth off a low base of less than 4% Internet penetration. Competition will, however, remain tough in the crowded market and quality of service will increasingly be a key competitive factor driving customer satisfaction.

Consequently, MTN Ghana plans to sharply scale-up capital expenditure on its network in the year ahead, spending more than double, in rand terms, the amount spent in 2008. We also intend launching a number of enhanced value propositions and products including voice SMS, conference calling, mobile TV, Mobile Money and 3G. Together, these initiatives should help us add another 1,1 million customers to MTN Ghana's network in 2009.