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## Middle East and North

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**Overview | Iran | Sudan | Syria**

**MTN Irancell**

Iran market information and results

	<b>2008</b>
Population (million)	71,9
Mobile penetration (%)	61
Market share (%)	37
Market sizing (million) (2013)	53
Shareholding (%)	49
Launch date	Oct '06

**Overview**

In its second full year of operations, MTN Irancell moved significantly beyond a start-up project, taking more than half of all net additions in the market. This brought total subscriber numbers to 16,04 million, up from six million – the largest annual increase in subscribers of any MTN operation, ever – and bolstered MTN Irancell’s market share to 37%, from 23% a year earlier.

Subscriber acquisition was driven by strong brand image, successful seasonal promotional campaigns and new products and services.

Average revenue per user declined by USD1 to USD9 . This is due to the sharp increase in the number of subscribers, which now includes many more lower-income customers, as well as the depreciation of the rial against the dollar. Almost 98% of our users are

prepaid, while the rest are on postpaid plans, a significant change from two years ago when the market was almost completely postpaid.

**Market environment**

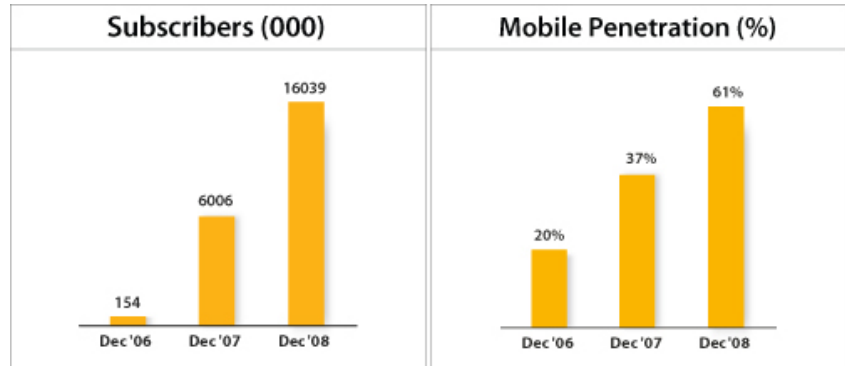
A steep fall in the price of oil – Iran’s key export – led to a drop in the value of the rial against the dollar and also stoked inflation, which at one stage reached more than 23% in the year. Other reasons for the inflationary environment were Iran’s expansionary monetary policy, fuel rationing and the lifting of some government subsidies on general consumer goods.

Strong rises in price levels typically put pressure on disposable incomes, which impacts spending patterns, although this has not been evident as yet.

**Infrastructure**

MTN Irancell invested R2,7 billion (49%) in capital expenditure (from R1,6 billion – 49% – the year before) to improve the coverage, capacity and quality of the MTN Irancell network. By the end of 2008, the operation had added 1 529 base transceiver stations to the network, bringing the total rolled out so far to 3 532. We increased our network’s coverage of the population to 62% at December 2008, from 48% a year earlier

Gross connection greatly improved to minimise the impact of churn by rolling out more sites in cities where demand was high as well as establishing a network footprint in new cities. We have faced challenges in acquiring sites in some of the larger cities, including Esfahan and Tehran in particular. By the end of the year, MTN Irancell covered 699 cities in the country, up 465 during the year. Another four base station controllers and eight switches were commissioned during the year, bringing the cumulative total since inception to 67 and 16 respectively.



**Products and services**

The Iranian market is very receptive to innovations in mobile telephony, and to capitalise on this, MTN Irancell had a strong focus on marketing during the year, particularly offers targeted at the large youth segment.

Our main promotional activity was the "Buy One, Get One Free" campaign, driven largely by market research, which helped boost brand awareness and lifted connection rates to an average of more than 31 000 a day for the year.

Competitive pricing of SIM packs, which lowered upfront ownership costs, combined with attractive basic and promotional tariff plans, contributed to subscriber growth. New segmented tariff plans, tailored to subscriber usage patterns, were also well received.

Vitrin, MTN Irancell's content portal, was launched at the start of summer as an innovative entertainment product. In an effort to improve the customer experience, MTN Irancell launched three new service centres during the year.

**Distribution**

MTN Irancell introduced a value-based channel strategy in the year, providing distributors with a greater incentive to sell MTN packages. MTN Irancell now has 11 established distributors with 5 980 registered dealers and approximately 64 000 points of sale nationally. We also set up distribution through three banks with more than 4 000 ATMs selling 'logical PINs' as well as two banks selling prepaid airtime over the Internet.

An efficient and cost-effective supply chain of warehouses ensured that the right products, such as SIM and recharge cards, were available on demand, even though sales during the year exceeded forecasts. MTN Irancell more than doubled the capacity of the local production of recharge cards (and plans to increase this further); started the local production of SIM cards; and signed up two new local SIM kit-packaging suppliers, increasing the number of local suppliers, as well as local content.

**People**

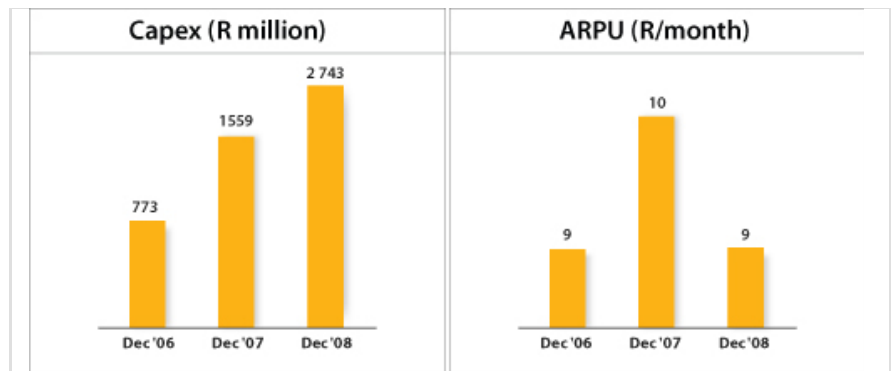
To meet the needs of our rapidly expanding customer base and network, MTN Irancell doubled the number of people employed during the year, although many were previously contractors working in a temporary capacity. MTN's priority is to attract, recruit and retain people with the relevant skills and experience. We are also working on a customer-centric culture programme to ensure excellent customer service.

**Regulatory environment**

Many regulations in Iran are still being developed and there is no overarching telecoms legislation or industry-specific regulations on issues such as interconnection and infrastructure sharing. During the year MTN Irancell continued to work on negotiations with the Telecommunication Company of Iran (TCI) for an interconnect agreement.

One of the main regulatory priorities for MTN Irancell is the registration of users' personal details, as required by law. We have equipped nearly 3 000 dealers with the means needed to register subscribers.

During the year, MTN Irancell was awarded a WiMax licence as well as spectrum, and will commence WiMax services in 2009. We also received an ISP licence from the regulator and plan to roll out ISP services during the course of 2009. Iran recently named the preferred bidder for a third mobile operator licence; however, it is not clear when the new entrant will start operating.



### Outlook

In the year ahead we will continue to work hard towards achieving critical mass and to firmly establish MTN Irancell's position in the market against an entrenched competitor as well as the expected entry of a third operator.

Despite what we expect to be still-high inflation, we see strong potential for growth in Iran, particularly in the more rural areas, where we intend to further extend our network. Our estimate of the addressable market in five years is 53 million subscribers.

MTN Irancell is also looking to penetrate the corporate segment and to add total of around six million new customers to our network in 2009. We plan to achieve this through the launch of a series of innovations to leverage our technological leadership and stimulate usage. Improvements to customer service, through segmentation, are a priority and we plan to develop offerings that attract and retain users in the various market segments.

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