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**New market opportunities through a more
converged operating environment have
allowed us to expand our product base.**

Group finance director's report *continued*

reasonably low interest rates. The upward movement in most currencies against the US dollar resulted mainly from dollar

weakness. The telecommunications sector in most of the countries in which the Group operates remained extremely competitive.

Current versus previous year's exchange rates

	Average exchange rates			Closing exchange rates		
	January to December 2007 Actual	January to December 2006 Actual	% change	December 2007 Actual	December 2006 Actual	% change
Exchange rates vs rand						
USD (rand per dollar)	7,04	7,04	—	6,78	7,05	(4)
NGN (Nigeria)	17,89	18,70	(4)	17,46	18,23	(4)
GHC (Ghana)*	1 318,79	1 282,55	3	1 445,26	1 312,99	10
SDD (Sudan)	28,69	32,54	(12)	30,23	28,82	5
SYP (Syria)	7,09	7,20	(1,5)	7,08	7,24	(2)
IRR (Iran)	1 320,38	1 365,28	(3)	1 393,05	1 308,73	6

*Exchange rates before four zeros were knocked off the Ghana cedi effective 01 July 2007.

The table sets out movement in the closing and average exchange rates between the rand and the currencies of the Group's major international operations.

The closing balance sheet has been impacted by exchange rate movements between the rand and reporting currencies of the other operations.

The foreign currency translation reserve decreased by R1,3 billion as a result of the foreign operations' cross rates strengthening against the rand.

The movement in the average exchange rates of local currencies of the Group's major operations strengthened against the rand and had a positive effect on the Group's results.

MTN Group

Analysis of MTN Group revenue by region

	12 months December 2007 Rm	12 months December 2006 Rm	December 2006 to 2007 %	December 2007 % of total	December 2006 % of total	12 months December 2006 with Investcom 12 months Rm
SEA	31 453	26 586	18	43	52	26 586
South Africa	28 220	24 578	15	39	48	24 578
Other	3 233	2 008	61	4	4	2 008
WECA	31 115	21 208	47	43	41	22 653
Nigeria	20 250	14 900	36	28	29	14 900
Ghana	4 048	1 704	122	6	3	2 967
Other	6 817	4 604	48	9	9	4 786
MENA	10 779	3 756	187	14	7	6 097
Sudan	1 611	570	183	2	1	846
Iran	1 341	77	1 642	2	0	77
Syria	4 530	2 009	125	6	4	3 452
Other	3 297	1 100	200	5	2	1 722
Head office companies*	(202)	45	—	(1)	0	61
Total	73 145	51 595	42	100	100	55 397
Original MTN operations	58 024	45 608	27	79	88	45 608
Investcom operations	15 121	5 987	153	21	12	9 789
Total	73 145	51 595	42	100	100	55 397

*Includes adjustment for Ghana revenue in 2007.

Revenue

Group consolidated revenue increased by 42% to R73,1 billion (2006: R51,6 billion) largely as a result of strong subscriber growth and the full-year contribution of the former Investcom operations (reported for a six-month period in 2006). This was mainly driven by South Africa, which lifted revenue by 15% to R28,2 billion, and Nigeria, which increased revenue by 36% to R20,3 billion.

Ghana and Syria generated revenues of R4 billion and R4,5 billion respectively, again driven by strong subscriber acquisition.

Former Investcom operations increased revenue by 54% to R15,1 billion (2006: R9,8 billion, 12 months unaudited). These operations contributed R5,7 billion (18%) to WECA revenue and R9,4 billion (88%) to MENA revenue for the review period.

Group finance director's report *continued*

The SEA region's contribution to Group revenue changed significantly from 52% in the previous year to 43%. This is mainly the result of substantial revenue growth in the MENA region driven by strong subscriber growth in Iran, Afghanistan, Sudan and Syria. Year-on-year revenue growth was also positively impacted by the full-year consolidation of Investcom operations in this region.

The 61% increase in 2007 of the other operations in the SEA region is a result of full consolidation of Uganda revenue compared with 2006 when revenues were only proportionately consolidated in accordance with the shareholding's joint venture of 52%.

WECA region's revenue increased by 47% to R31,1 billion year on year, a contribution of 43% to Group revenue and up two percentage points from the previous year.

Analysis of the MTN Group EBITDA by region

	12 months December 2007 Rm	12 months December 2006 Rm	December 2006 to 2007 %	December 2007 % of total	December 2006 % of total	12 months December 2006 with Investcom 12 months Rm
SEA	11 329	9 346	21	36	42	9 346
South Africa	9 814	8 340	18	31	37	8 340
Other	1 515	1 006	51	5	4	1 006
WECA	16 601	11 355	46	52	51	12 153
Nigeria	11 605	8 529	36	36	38	8 529
Ghana	2 072	890	133	7	4	1 356
Other	2 924	1 936	51	9	9	2 268
MENA	2 530	1 117	126	8	5	1 671
Sudan	576	99	482	2	0	160
Iran	(180)	(58)	(210)	(1)	0	(58)
Syria	1 381	700	97	4	3	1 109
Other	753	376	100	2	2	460
Head office companies	1 385	595	133	4	3	860
Total	31 845	22 413	42	100	100	24 030
Original MTN operations	25 582	20 100	27	80	90	20 100
Investcom operations	6 263	2 313	171	20	10	3 930
Total	31 845	22 413	42	100	100	24 030

EBITDA

Group EBITDA increased by 42% to R31,8 billion (2006: R22,4 billion) against strong revenue growth and initiatives to improve operational efficiencies, as well as the impact of full-year contribution by the Investcom operations.

The former Investcom operations generated R6,3 billion of total EBITDA for the year. Excluding these operations, the Group's EBITDA increased year on year by 27,3% to R25,6 billion.

The SEA region's EBITDA increased by 21%, accounting for 36% of the Group's EBITDA. This was driven mostly by EBITDA from South Africa and full consolidation of Uganda's EBITDA. South African margins increased by almost a full percentage point to 35% from productivity and cost-efficiency initiatives, especially on distribution and commission expenses. The WECA region's EBITDA increased by 46% and accounted for 52% of Group EBITDA, up one percentage point from 31 December 2006, driven largely by the EBITDA contribution of Nigeria at 57%.

The MENA region contributed 8% to Group EBITDA, up three percentage points from December 2006. Revenue share agreements in Iran and in Syria have the effect of diluting the region's EBITDA margin. Excluding revenue share, Iran's EBITDA margins would be 27% and Syria 67%.

The Group's EBITDA margin improved slightly to 43,5%, compared with 43,4% for the 12 months ended 31 December 2006.

Depreciation and amortisation

The Group depreciation charge increased by R1,7 billion to R6,8 billion for the period. R0,8 billion of this is attributable to the full-year depreciation charge from Investcom operations when compared with six months in the previous year. Additional investment, mainly in South Africa, Iran and Nigeria, contributed to the remainder. The depreciation related to former Investcom operations amounted to R1,3 billion, with Ghana, Syria and Sudan at R327 million, R509 million and R200 million respectively.

Group amortisation of intangible assets increased by R0,9 billion to R2,2 billion compared with 2006. Amortisation relating to the acquisition of Investcom operations increased by R0,5 billion to R1,1 billion for the year as a result of full-year expense compared with half-year expense in 2006. Iran contributed a further R98 million. Nigeria's amortisation increased by R60 million, mainly as a result of acquiring a 3G licence at a cost of USD150 million.

Net finance costs

Net finance costs of R3,2 billion were higher by R1,7 billion compared to 2006 and related mostly to the full-year impact of borrowings related to the Investcom acquisition.

MTN Nigeria's net finance income of R92 million in 2006 reversed to a net finance cost of R291 million because of lower cash balances and refinancing costs related to the USD2 billion debt portfolio medium-term fund.

Group finance director's report *continued*

MTN Nigeria's net debt at 31 December 2007 was R1 billion, a slight reduction from R1,2 billion at the end of 2006.

MTN Irancell's net finance cost increased to R185 million from net finance income of R43 million in 2006, against higher debt incurred mainly to finance network expansion after the operation launched in October 2006.

Net finance costs in South Africa were lower than last year by R77 million mainly as a result of lower levels of borrowings in the current year.

MTN's share of the fair-value adjustment of the put option in Nigeria was R366 million, which has been included in finance charges, while functional currency gains of R29 million in MTN International Mauritius after transfers to reserves (IAS 21) were recognised in finance income for the year.

Taxation

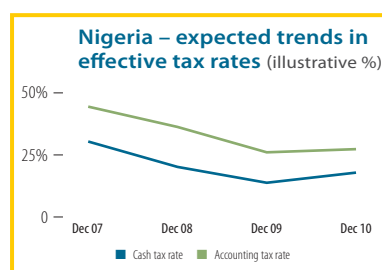
The Group's taxation charge increased by R5,2 billion compared to the previous year. This relates mostly to the end of the pioneer status tax holiday in Nigeria in March 2007, resulting in a tax charge of R3,8 billion in 2007 compared with a tax credit of R0,8 billion in 2006.

As a result, the MTN Group's effective tax rate increased from 17,6% at December 2006 to 39,5% at December 2007.

From April 2007, profits generated in Nigeria are liable for company income tax at 30% and

education tax at 2%. The provisions of the Nigerian Industrial and Development Act deem a new business to have started on the first day after the pioneer period. According to the commencement provisions of the Company Income Tax Act, MTN Nigeria will be subject to double taxation from 1 April 2007 to March 2008. This will result in a tax rate of approximately 65% from 1 April 2007 to 31 March 2008. MTN Nigeria's effective tax rate for the year ending December 2007 was 46,2% as a result of the first three months still being in the pioneer period.

The Group's effective tax rate for 2008 is expected to be in the mid-thirties percentage range.



According to IAS 12: *Income Taxes*, MTN Nigeria has recognised a deferred tax asset of R404 million at 31 December 2007. Movement during the year in the deferred taxation balance amounts to a decrease of R1,7 billion, which represents a reversal in deferred income tax now debited to the income statement for the period. The Group has adjusted its headline earnings to exclude this effect.

Headline earnings per share

The Group's board continues to report adjusted headline EPS in addition to basic headline EPS. The adjustments are for the:

- Impact on earnings from the Nigerian deferred tax credit, which decreases adjusted headline EPS by 12,0 cents
- Unwinding of a previously reversed deferred tax asset in Nigeria, which increased adjusted headline EPS by 89,4 cents.
- IFRS requirement that the Group accounts for a written put option held by a minority shareholder of a Group subsidiary – which gives the minority the right to require the subsidiary to acquire its shareholding at fair value. The net impact is an increase in adjusted headline EPS of 19,7 cents

Adjusted headline EPS of 681,9 cents for the year-end compares favourably with adjusted headline EPS of 584,7 cents for the previous year.

IAS 32 requires that, in the circumstances described in the previous paragraph relating to the put option:

- (a) the present value of the future redemption amount be reclassified from equity to financial liabilities and that the financial liability so reclassified subsequently be measured in accordance with IAS 39
- (b) in accordance with IAS 39, all subsequent changes in the fair value of the liability,

together with the related interest charges arising from present valuing the future liability, be accounted for in the income statement

- (c) the minority shareholder holding the put option no longer be regarded as a minority shareholder, but rather as a creditor from the date of receiving the put option.

Although the Group has complied with the requirements of IAS 32 and IAS 39 as outlined above, the board has reservations about the appropriateness of this treatment in view of the fact that:

- (a) recording a liability for the present value of the future strike price of the written put option results in recording a liability that is inconsistent with the framework, as there is no present obligation for the future strike price
- (b) the shares considered subject to the contracts are issued and fully paid-up, have the same rights as any other issued and fully paid-up shares and should be treated as such
- (c) the written put option meets the definition of a derivative and should therefore be accounted for as a derivative, in which case the liability and the related fair value adjustments recorded through the income statement would not be required.

Group finance director's report *continued*

OPERATIONS

MTN South Africa

MTN South Africa revenue and expenses summary

	12 months to December 2007 Rm	12 months to December 2006 Rm	December 2007 vs 2006 %
Wireless telecommunications	24 805	21 230	17
Airtime and subscription fees	15 674	13 640	15
Interconnect fees	6 346	5 600	13
Data and SMS	2 756	1 938	42
Connection fees	29	52	(44)
Cellular telephone and accessories	2 989	2 976	0,4
Other	426	372	15
Total revenue	28 220	24 578	15
Direct network operating costs	1 897	1 557	22
Costs of handsets, accessories and recharge cards	4 426	3 503	26
Interconnect and roaming costs	4 387	3 869	13
Employee costs	1 132	1 040	9
Professional consulting expense	384	130	195
Selling, distribution and marketing costs	5 032	5 367	11
Other expenses (general and administration)	1 148	772	15
Total operating expenses	18 406	16 238	13
EBITDA	9 814	8 340	18
EBITDA margin	34,8%	33,9%	0,9% pts

Revenue

MTN South Africa increased revenue by 15%, mainly because of the 17% increase in the total subscriber base. Revenue, excluding handset and other revenue, increased by 17%. Pre-paid revenue increased by 23% with a 19% increase in subscribers to 12,3 million. The increased subscriber base, higher average minutes of use (MOUs) and the launch of the R5 voucher drove prepaid revenue growth in the year. In the postpaid segment, revenue increased by 11% and subscribers by 9%. The low growth is due to MTN entering the on-biller segment and an overall slowdown in postpaid acquisitions as the market reaches maturity.

Airtime and subscription revenue have increased by 15% compared with the previous year. Prepaid airtime revenue comprised 66% of total airtime revenue compared with 63% in 2006.

Interconnect revenue rose by 13% year on year, given the increase in incoming minutes from other telecommunication operators. Interconnect revenue comprised 22% of total revenue in both 2006 and 2007.

Total handset revenue and accessories increased by 0,4% on 2006 while handset costs increased by more than 26%. The low growth in revenue and large negative margin on handsets reflects the subsidies required to remain competitive in the retail market.

Data revenue increased by 42% to R2,8 billion driven by new price plans and additional

bundle offerings. Data contributed 10% to total revenue, up from 8% in the previous year.

EBITDA

MTN South Africa's EBITDA increased by 18% compared with the previous year. This was driven mostly by higher revenue. The EBITDA margin improved to 34,8% at 31 December 2007, 0,9% higher than the previous year.

- Direct network operating costs were 22% higher than last year mainly as a result of increases in maintenance, rental and utilities arising from the commissioning of 359 new 2G base transceiver stations (BTS) and 378 3G BTS, and renewals of some BTS leases
- Costs of handsets, accessories and recharge cards increased by 26% compared to 2006, mainly as a result of higher handset prices, despite the lower volume of handsets distributed during 2007
- Interconnect and roaming costs were 13% higher mainly because of the increase in traffic to other operators as the competition's subscriber bases grow, and changes in the calling patterns of our subscribers
- Employee benefits increased by a modest 9% while consulting costs increased 195% mainly because of professional and consulting fees on several projects including automation of the warehouse facility, client service, management and wholesale billing development
- Selling, distribution and marketing costs comprise marketing expenses, commission and distribution and connection incentives. These decreased by 6% as a result of lower commissions to the distribution channel.

Group finance director's report *continued*

MTN Nigeria

MTN Nigeria revenue and expenses summary

	12 months to December 2007 Rm	12 months to December 2006 Rm	December 2007 vs 2006 %
Wireless telecommunications	20 100	14 717	37
Airtime and subscription fees	17 166	12 247	40
Interconnect fees	2 763	2 364	17
Connection fees	171	106	61
Cellular telephone and accessories	22	9	144
Other	128	174	(26)
Total revenue	20 250	14 900	36
Direct network operating costs	1 943	1 302	49
Costs of handsets, accessories and recharge cards	505	318	59
Interconnect and roaming costs	2 042	1 604	27
Employee benefits and consulting costs	795	617	29
Selling, distribution and marketing costs	1 795	1 307	37
Other expenses (general and administration)	1 565	1 223	28
Total operating expenses	8 645	6 371	36
EBITDA	11 605	8 529	36
EBITDA margin	57,3%	57,2%	0,1% pts

Revenue

Naira revenues were 30% up on the previous year as a result of higher subscriber numbers. The strengthening of the naira against the rand resulted in revenue growth of 36% in rand terms.

Interconnect revenue increased by 17% over the previous year, driven mainly by significant growth in competitor subscriber bases and the increase in international calls terminating on MTN Nigeria's network. This was achieved by streamlining partners and reviewing agreements to enhance inbound minutes.

The increase is lower than growth in the subscriber base and this is attributable to the reduction in the mobile-to-mobile interconnect peak tariff from N18 to N11 in September 2006.

The increase in connection revenue of 61% was attributable to the rising number of gross connections.

EBITDA

MTN Nigeria's EBITDA was 36% higher than in the previous year and the EBITDA margin remained at previous year's levels. This resulted chiefly from increased revenue and

effective cost controls. Areas of significant expenditure growth are summarised below.

- Direct network operating costs increased by 49% mainly as a result of increases in rent and utilities and maintenance related to the roll out of 785 additional sites. Increased use of diesel and fuel costs resulting from network expansion also contributed to this increase. Revenue-based operator's levies to the regulator also contributed to this category of costs
- Interconnect and roaming costs increased by 27% because of increases in the competitors' subscriber base, traffic on PTO (public telecommunications operator) networks at higher interconnect PTO rates effective September 2006
- Sales, distribution and marketing expenses increased by 37% in line with revenue growth driven mainly by commissions to dealers. Significant marketing costs were incurred on the relaunch of Extra Connect and a media campaign focusing on increasing the usage of services
- EBITDA margins are expected to trend lower towards the low 50% range as competitive pressure increases in the market and as both rising energy costs and higher network-related operating expenditure impact the profitability line.

Group finance director's report *continued*

MTN Irancell

MTN Irancell revenue and expenses summary

	12 months to December 2007 Rm	12 months to December 2006* Rm
Wireless telecommunications	2 737	157
Airtime and subscription fees	944	7
Interconnect fees	786	4
Data and SMS	209	1
Connection fees	798	145
Other	1	—
Total revenue	2 738	157
Direct network operating costs	1 761	97
Costs of sim cards and recharge cards	128	3
Interconnect and roaming costs	316	2
Employee benefits and consulting costs	177	100
Selling, distribution and marketing costs	547	32
Other expenses (general and administration)	176	41
Total operating expenses	3 105	275
EBITDA	(367)	(118)
EBITDA margin	(13,4%)	(75,2%)

*Iran information is at 100%, but 49% is consolidated in accordance with the joint venture structure.

Revenue

All revenue lines increased substantially over the previous year as a result of MTN Irancell operating for only two months in the December 2006 financial year.

greater of 28,1% of qualifying revenue or the amount stipulated in the licence. Additional fees, including frequency fees, can add up to an additional 5% of revenue. Excluding the revenue share, MTN Irancell's EBITDA margins would be 27% for 2007.

EBITDA

The EBITDA margin of (13,4%) is influenced by the revenue-share arrangement MTN Irancell has with the government. The operation has been reporting positive EBITDA on a monthly basis since September 2007. The revenue share is computed at the

Major expense items include direct network operating costs and selling, distribution and marketing costs resulting from significant network roll out and marketing campaigns to increase the subscriber base.

MTN Ghana

MTN Ghana revenue and expenses summary

	12 months to December 2007 Rm	6 months to December 2006 Rm	Unaudited 12 months to December 2006 Rm
Wireless telecommunications*	4 014	1 665	2 897
Airtime and subscription fees	3 426	1 357	2 365
Interconnect fees	560	290	508
Connection fees	28	18	24
Cellular telephones and accessories	21	20	37
Other	13	19	33
Total revenue	4 048	1 704	2 967
Direct network operating costs	216	69	137
Costs of handsets, accessories and recharge cards	63	36	93
Interconnect and roaming costs	364	162	248
Employee benefits and consulting costs	280	98	156
Selling, distribution and marketing costs	170	285	388
Other expenses (general administration)	883	338	589
Total operating expenses	1 976	988	1 611
EBIDTA	2 072	716	1 356
EBIDTA margin	51,2%	42,0%	45,7%

*Revenue adjusted to include dealer discounts, consistent with all other operations.

Group finance director's report *continued*

MTN Ghana *continued*

Revenue

Revenue increased by 36% to R4 billion compared with the previous unaudited 12 months. This was mainly driven by the increase in airtime and on strong subscriber growth in a highly competitive market. Increased use and the higher subscriber base (by 55%) drove year-on-year revenue higher. Interconnect revenue increased 10% over the previous 12 month period despite the reduction of mobile interconnect tariffs by 17% during the year.

EBITDA

EBITDA increased by 53% on higher revenues and cost controls and the EBITDA margin for the year was 51,2% compared with 45,7% in the previous unaudited 12-month period.

The main items of expenditure affecting EBITDA are summarised below:

- Staff expenses rose by 55% compared with the previous year because of an increase in the number of employees and consulting fees
- Direct network operating costs increased by 58% as a result of growth in BTS sites from 942 to 1 660
- Interconnect costs rose by 47% because of an increase in off-net, outgoing minutes, which was offset slightly by lower interconnect tariffs
- Marketing costs were 42% higher than 2006 due to the rebranding to MTN and to the preparation for Afcon 2008.

MTN Sudan

MTN Sudan revenue and expenses summary

	12 Months to December 2007 Rm	6 Months to December 2006 Rm	Unaudited 12 months to December 2006 Rm
Wireless telecommunications	1 526	550	821
Airtime and subscription fees	1 071	375	539
Interconnect fees	420	164	266
Connection fees	35	11	16
Cellular telephone and accessories	–	12	12
Other	85	8	13
Total revenue	1 611	570	846
Direct network operating costs	224	66	89
Costs of handsets, sim and recharge cards	35	31	36
Interconnect and roaming costs	316	140	243
Employee benefits and consulting costs	144	65	111
Selling, distribution and marketing costs	207	64	97
Other expenses (general and administration)	109	105	110
Total operating expenses	1 035	471	686
EBITDA	576	99	160
EBITDA margin	35,8%	17,4%	18,9%

Group finance director's report *continued*

MTN Sudan *continued*

Revenue

Total revenue increased by 90% to R1,6 billion compared to the previous unaudited 12-month period. This is mainly because of the 96% rise in subscribers to 2,1 million.

Interconnect fees, which make up 26% of total revenue, increased by 58%. This resulted from the growing numbers of subscribers on both the MTN and competitor networks generating increased incoming traffic.

EBITDA

The significant increase in revenue contributed to EBITDA rising by 260%, compared with unaudited EBITDA in 2006 off a lower base during the start-up phase. Margins at 35,8% are impacted by strong pricing pressure in the market and the recent start-up of the operation. Tight control of

operating expenditure, coupled with the start-up phase in 2006 contributed to the 16,9 percentage-point increase in EBITDA margin to 35,8% at December 2007, when compared with the unaudited EBITDA margin in 2006.

The main items of expenditure are summarised below:

- Marketing and advertising costs rose by 113% because of increased marketing activity and rebranding of the network to MTN
- Direct network operating costs (maintenance, rentals and utilities) increased by 151% following the commissioning of an additional 575 sites to the 407 original sites
- Interconnect and roaming costs rose by 30% as an increase in competitor subscribers boosted outgoing net minutes.

MTN Syria

MTN Syria revenue and expenses summary

	12 months to December 2007 Rm	6 months to December 2006 Rm	Unaudited 12 months to December 2006 Rm
Wireless telecommunications	4 458	1 983	3 386
Airtime and subscription fees	4 017	1 766	3 012
Interconnect fees	350	169	283
Connection fees	91	48	91
Other	72	42	66
Total revenue	4 530	2 025	3 452
Direct network operating costs	1 994	771	1 455
Costs of handsets, accessories and recharge cards	35	18	25
Interconnect and roaming costs	336	142	230
Employee benefits and consulting costs	154	75	119
Selling distribution and marketing costs	248	106	182
Other expenses (general and administration)	382	213	332
Total operating expenses	3 149	1 325	2 343
EBITDA	1 381	700	1 109
EBITDA margin	30,5%	34,6%	32,1%

Group finance director's report *continued*

MTN Syria *continued*

Revenue

Total revenue increased by 31% to R4,5 billion against the previous unaudited 12-month period mainly because of a 39% rise in subscribers to 3,1 million. Prepaid subscribers rose by 52% to 2,5 million and postpaid subscribers by 1% to 572 000.

Airtime and subscription revenue increased by 33% because of higher subscriber numbers. Interconnect revenue rose by 24% because of growing incoming traffic resulting from the higher subscriber base.

EBITDA

EBITDA margins are relatively lower in this market compared with those of other operations because of a revenue-share arrangement (40% in 2007). The revenue share steps up in mid-2008 to 50%. Finalisation of the licence commencement date is still under discussion with the regulator.

The main items of expenditure are summarised below:

- Direct network operating costs increased primarily because of 337 sites being added to the 1 683 in operation at 31 December 2006
- Rent and utilities increased as a result of the following:
 - Increase in number of sites
 - Increase in the electricity charge to offices and branches
 - Increase in office occupancy taxes.
- Maintenance rose by 66% because of network supplier maintenance contracts
- Advertising and marketing, selling, distribution and marketing costs increased by 29% mostly due to rebranding to MTN
- Interconnect charges increased by 46% because of a rise in outgoing traffic to the fixed network.
- Employee benefits and consulting costs increased by 39% mainly from an increase in staff numbers.

MTN GROUP

Balance sheet and cash flow

	December 2007 Rm	December 2006 Rm	Change %
Non-current assets	82 085	76 282	8
Property, plant and equipment	39 463	30 647	29
Goodwill	25 744	27 017	(5)
Other intangibles	13 053	13 088	—
Deferred tax	1 332	2 605	(49)
Loans, investments and other non-current assets	2 493	2 925	(15)
Current assets	33 501	20 635	62
Bank balances and security cash deposits	17 607	10 091	74
Other current assets	15 894	10 544	51
Total assets	115 586	96 917	19
Capital, reserves and minority interests	51 502	42 729	21
Ordinary shareholders' interests	47 315	38 696	22
Minority interests	4 187	4 033	4
Non-current liabilities	29 114	34 203	(15)
Deferred taxation	2 676	2 778	(4)
Long-term liabilities	23 007	28 587	(20)
Non-current liabilities	3 431	2 838	21
Current liabilities	34 970	19 985	75
Non-interest-bearing liabilities	24 320	15 593	56
Interest-bearing liabilities	10 650	4 392	142
Total equity and liabilities	115 586	96 917	19

Group finance director's report *continued*

The total assets of the Group increased by 19% to R116 billion at December 2007 compared with R97 billion at 31 December 2006.

The closing balance sheet has been affected by exchange rate movements between the rand and the reporting currencies of the other operations.

Property, plant and equipment

Property, plant and equipment increased by R8,8 billion from 31 December 2006. This included acquisitions of R14,8 billion across the Group – R4,8 billion in Nigeria, R2,6 billion in South Africa and R1,5 billion in Iran (MTN's share only).

Goodwill and intangibles

Goodwill decreased by 5% to R25,7 billion as a result of the exchange rate movement of local currencies against the rand on the translation of Investcom LLC's goodwill.

Intangible assets before amortisation increased by R2,1 billion, mainly because of the acquisition of the 3G licence and the 7,5MHz frequency spectrum band licence awarded to MTN Nigeria.

During the year under review, the purchase price allocation process as required by IFRS 3 for the prior-year acquisition of Investcom LLC and MTN Uganda Limited was finalised. On finalisation, certain goodwill amounts previously attributed to the underlying Investcom LLC cash-generating units (CGUs)

were reallocated. The reallocation was done as part of a decision to allocate goodwill to the Investcom CGUs based on the CGUs, enterprise valuation in relation to the total purchase consideration paid.

Deferred tax

The Group's deferred tax asset has decreased by R1,3 billion, mainly because of Nigeria's deferred tax asset reducing by R2,0 billion (R1,7 billion excluding minorities), as a result of pioneer status ending on 1 April 2007 (tax holiday).

Current assets

Current assets grew by R12,9 billion to R33,5 billion, because of the increase in receivables of R5,4 billion to R15,9 billion and cash balances increasing by R7,5 billion to R17,6 billion. The movement in trade and other receivables was driven mainly by Nigeria, which increased by R388 million to R519 million (interconnect receivables and prepayments), and South Africa, which increased by R1,1 billion to R7,1 billion.

Net debt decreased from R22,9 billion to R16 billion, reflecting the strong cash generation of the Group. This was after cash outflows of R14,5 billion for capital expenditure, R1,7 billion for dividends, R91 million additional equity purchased in subsidiaries and joint ventures (net inflow of R52 million when offset against cash balance acquired) and R4,2 billion in taxes paid.

Interest-bearing liabilities

Of the total interest-bearing liabilities of R34 billion (2006: R33 billion), a significant portion was originally used to fund the Investcom transaction via Mauritius. This debt includes R5 billion four-year bonds, R1,3 billion eight-year bonds, as well as syndicated facilities consisting of two five-year term loans of USD750 million and R7 billion each, and a three-year revolving credit facility of USD1,25 billion. R5,2 billion of unproductive debt was repaid in 2007, reducing it to R14,9 billion.

MTN Irancell's debt increased by R1,6 billion to R3,4 billion, primarily because of funding for network roll out and operational and other working capital requirements. The company entered into deferred payment facility arrangements with Nokia, Ericsson and Huawei to fund network roll out.

MTN Nigeria's debt increased by R1,4 billion to R5 billion, as a result of funding its network roll out and dividend payments. In October 2007, Nigeria signed an unsecured USD2 billion, medium-term debt fund made up of 80% local currency and a 20% US dollar portion.

Net debt to EBITDA at 31 December 2007 improved to 0,5 times from 1,05 times as a result of strong cash generation and the increase in EBITDA. The Group's target is to reduce total debt to mid to low 0,4 times EBITDA by the end of 2008.

Other liabilities

Other liabilities consist of trade payables, accruals, taxation, provisions and revenue received in advance. These liabilities increased by R9 billion from December 2006 to R24 billion and include discounted fair-value options held by minority shareholders of certain subsidiaries. Trade payables increased by R4,5 billion to R17 billion at 31 December 2007. South Africa, Nigeria, Iran and Syria trade payables increased by R622 million, R1 billion, R1 billion and R546 million respectively. MTN Nigeria has recognised a tax provision of R2 billion covering the period April to December 2007. The actual payment for the first year will begin in June 2008 when the returns for the first post-pioneer period will be filed with the tax authority, followed by instalments until November 2008.

Cash flow

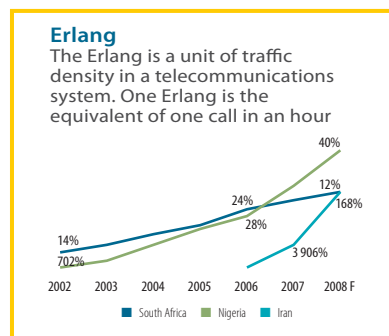
Cash generated from operations improved from R22,9 billion in the previous period to R34 billion on a strong operating performance. The Group generated cash of R26 billion after paying a dividend of R1,7 billion and tax of R4,2 billion. Cash outflows from investing activities amounted to R17,2 billion.

Capital commitments

The Group has committed to invest R30,5 billion in capital expenditure over the next year, mainly in network infrastructure to increase capacity for growing demand

Group finance director's report *continued*

and to address congestion on networks to improve quality. Significant growth in traffic in Nigeria in 2007, following the value propositions introduced in the market in late 2006, have necessitated a revision of previous estimates for capacity and roll out. We have also redefined addressable markets in various countries. All these factors have the effect of pushing network-related investments higher in 2008. Nigeria committed to R13,1 billion, South Africa R7 billion and Iran R2,1 billion (MTN share). R26 billion of these commitments is expected to impact the balance sheet by the end of 2008. These commitments will be financed through cash flows from operations and raising appropriate debt facilities in operations where cash flows are insufficient. Calendar 2008 is expected to be a "peak capex" year for MTN, after which capex investments will return to more normalised levels.



Dividends

A dividend of 136 cents per share has been declared. The Group's dividend policy of five to six times adjusted headline earnings has not been altered.

Conclusion

The Group performance for the year was positive with strong growth in revenue and profitability. The full-year contribution of the former Investcom operations, compared with six months in 2006, had a significant and positive impact on Group results. The Group's net debt-to-EBITDA ratio dropped to 0,5 times from 1,02 times as a result of strong cash flow generated by the Group.

The strong balance sheet positions the Group to take advantage of viable expansion opportunities.

RD Nisbet

18 March 2008