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MTN's vision is to be the leader in telecommunications in emerging markets. Our strategy is built on three pillars – consolidation and diversification; leveraging our footprint and intellectual capacity; and convergence and operational evolution.

The acceleration in active mobile subscriber numbers in each of MTN's 21 operations since inception is indicative of the phenomenal growth experienced over many years across our footprint. Industry research points to further robust expansion in mobile telephony for the world as a whole in the next five years, particularly in emerging markets, including those of Africa, Asia and the Middle East. Reputable research organisation Informa Telecoms & Media forecasts that global mobile phone penetration will expand to almost 75% of the world's population by 2013 from just over 50% at the end of 2007, increasing the number of mobile subscriptions worldwide to 5,32 billion from 3,42 billion at the end of 2007. It is notable that these forecasts were made at a time when the world was beginning to experience a severe economic slowdown.

The research underscores the considerable opportunity that exists for MTN – already a well-established global brand of mobile operator in emerging markets. We estimate that the addressable mobile telephony market in our present footprint will grow to over 381 million in the next five years from 220 million now. MTN remains highly competitive in

all its markets, putting it in good stead to take advantage of significant future growth opportunities.

The 2008 year was challenging for all of the world's economies, precipitated by the banking credit crisis in the United States. However, as the economic slowdown began to affect emerging markets mainly in the fourth quarter of the year, the negative impact on MTN's performance for the full year was mitigated. The prices of commodities – and particularly oil – initially increased in 2008 and then fell sharply as a result of slowing global economic growth, impacting negatively the fundamentals of the economies of many of the countries in which we operate.

Despite this backdrop, MTN's performance was robust. The Group's subscriber growth expanded by 48% to 90,7 million customers given the large investment to enhance our infrastructure capacity. This enabled high subscriber take-up and resultant year-on-year revenue growth of 40% to R102,5 billion. MTN's EBITDA (earnings before interest, taxation, depreciation and amortisation) margin edged down 1,4 percentage points to 42,1% as a result of a number of factors, including increased



Phuthuma Nhleko
Group president and CEO

network maintenance costs related to the sharply higher number of base stations in operation in the year, as well as higher regulatory fees. The weakness of the South African rand – relative to the currencies of the larger countries in which we operate – supported the revenue and earnings growth by some 15%. Notwithstanding the marginally higher effective tax rate in the year, profit after tax increased by 44% to R17,1 billion.

Average revenue per user declined marginally in most operations in 2008, consistent with MTN's greater penetration into lower-usage segments. The MTN balance sheet remained strong with significant cash generation reducing Group gearing to 0,3 times EBITDA.

MTN's key competitive advantage is its people. All MTN's endeavours are driven by a "CAN DO" spirit, which clearly differentiates the Group from its competitors. It is also evident in our work as a good corporate citizen, particularly through the various MTN foundations which focus their energies on uplifting the communities in which they are based.

Operating environment

During 2008, competition intensified in virtually all our markets with the entry of new operators and as many regulators became increasingly vigilant in applying their mandate. The challenging macroeconomic backdrop described earlier affected the various markets in different ways. The larger countries remained relatively resilient in many respects although a reduction in hard currency liquidity and the consequent currency volatility became evident later in the year.

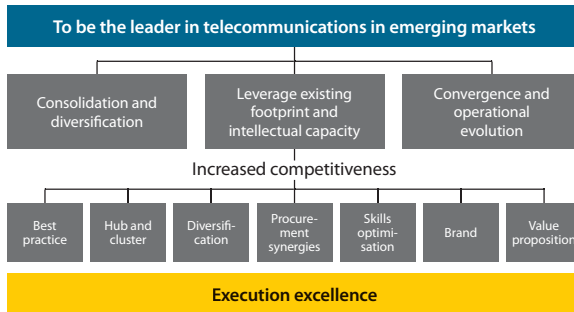
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Group president and CEO's report *continued*

The challenges of emerging markets are well documented and MTN considers risk management a key performance fundamental. Roll out and distribution capacity and efficiency in these more challenging environments is a key competence of the Group.

Strategic agenda

MTN's vision is to be the leader in telecommunications in emerging markets. We continue to innovate and develop products and solutions and evolve the business model. This is to ensure that we maintain a competitive advantage and consolidate our position while retaining margins. Our strategy is built on three pillars – consolidation and diversification; leveraging our footprint and intellectual capacity; and convergence and operational evolution.



Consolidation and diversification

In the last financial year, MTN continued to evaluate various opportunities to continue to grow its business and diversify earnings through leveraging its scale and offerings.

Our comparatively low level of gearing enables us to consider potential acquisitions with confidence regarding our ability to finance such acquisition. MTN's aspirations are moderated

by evaluation criteria and methodology that continue to be stringent.

In the last three quarters of the year, the market value of mobile operators across the world fell sharply. However it has not necessarily made it easier to conclude transactions because it resulted in an "expectation gap" as potential sellers have been reluctant to sell at the significantly lower market prices. There also continues to be competition for quality assets, putting upward pressure on valuations.

We continued our efforts to facilitate local participation in MTN operations. Apart from the commitment to a new empowerment scheme in South Africa in 2009, the most meaningful of these in 2008 was the disposal of a 5,96% interest in MTN Nigeria through a private placement to Nigerian individuals and institutions for a consideration of USD594 million. MTN also disposed of 49% of MTN Cyprus to a prominent Cypriot trading company, which has a further option for 1%.

Leveraging our footprint and intellectual capacity

MTN has built a strong global brand and is recognised for its leadership in mobile telephony in emerging markets. Our acquisition of the mobile content rights for the 2010 FIFA World Cup South Africa™ has enhanced the MTN brand. Our brand is a key differentiator, and our strategy is to leverage it to achieve even greater growth and efficiencies. In 2008 we launched the first phase of the 2010 World Cup marketing campaign to unite the continent that will host this event for the first time next year.

In 2008, there was increased focus on not only the speed and pace but also the efficiency of the roll out of our R28,3 billion capital expenditure programme (details of which appear in the Group chief operating officer's report on page 26).

Through our Group procurement function, we secured more competitive prices from vendors of network equipment. We also rationalised our sources of supply, entering long-term partnerships with suppliers, reducing costs and allowing for replication of products across standard technology platforms. An example of this was the introduction in nine markets of MTN Zone, the dynamic tariffing innovation, which manages demand on the network by encouraging greater use during quiet times and so reducing congestion. MTN Zone also partly addresses subscriber affordability constraints by offering large discounts to our customers when sufficient capacity exists on networks.

MTN's people are its key competitive resource and advantage. MTN employs some 26 000 people, including contractors, over 45 different nationalities in more than 21 countries. MTN recognises that people diversity, within a common Group culture and value framework, is a key strength. We are able to capitalise on skills in one market to use in a neighbouring one resulting in a higher degree of mobility of staff between operations. Apart from the benefits to the business of increased knowledge sharing, this also provides our people with attractive and meaningful opportunities for growth and bolsters MTN's ability to attract and retain the best talent.

In line with our objective of training people and skills development, we launched the MTN Academy in the final quarter of 2008. This is in addition to existing learnership programmes, such as the graduate training schemes we have in place in many markets.

Initiatives have been put in place to improve staff engagement at every level. We are most pleased with the record participation rate of 85% in the 2008 annual employee culture audit.

Motivated by this feedback, MTN has stepped up its efforts to recognise and reward deserving employees through many initiatives including the *Yello Stars* programme.

Convergence and operational evolution

There is a growing acceptance of the inevitable importance of data within the industry, with significant implications for infrastructure. As detailed above, MTN accelerated its preparations for an era, in which mobile operators will become meaningful providers of internet-based connectivity.

We have started work on the transition of the network infrastructure across all 21 markets to the next-generation, packet-switch network, based on Internet Protocol (IP). In South Africa and Rwanda, for example, we changed the core infrastructure by replacing 98% of the monolithic network and moving from classic transmission (using microwave or time-division multiplexing) to IP fibre-based transmission. Ultimately, this should lead to increased capacity and better quality of service. The installation of new-generation radio equipment makes use of network technologies such as EDGE and 3G, allowing for increased data access and improved voice quality.

Over the years, the contribution from data to Group revenue has grown steadily. 2008 was no exception and MTN South Africa saw the share of SMS revenue in its overall data revenue contribution declining as people increasingly used mobile technology for transferring other types of data. In West Africa, we experienced greater use of our MTN Loaded content portal during the year. South Africa continues to be our biggest data market, but many others are growing sharply too, including Uganda, Ghana and Iran.

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In 2008 MTN undertook a number of transactions to ensure that we are well positioned to benefit from a rapidly converging technology market and that we provide a more comprehensive service to the SME and corporate sector. We bought internet service provider (ISP) Verizon South Africa (concluded in February 2009), which we are merging with MTN Network Solutions under the MTN Business banner. The enlarged company will give us 23% of the South African data market. In Côte d'Ivoire, we acquired ISP Afnet and fixed-line service, Arobase, and in Cyprus we bought ISP OTEnet. These transactions build on similar acquisitions in Nigeria, Ghana and Cameroon in previous years.

Apart from buying existing data businesses, we are pursuing greenfield opportunities. These include ongoing and increased self-provisioning by rolling out fibre transmission networks, accessing submarine fibre cables and purchasing new WiMax and 3G licences. Another advance on the products side of our convergence efforts is the evolution of the MTN Mobile Money service.

Prospects

The Group remains cautiously optimistic about its prospects for 2009, in challenging conditions and amid increased competition. In the first three months of the year we added 7,6 million customers to our network: a good start to achieving our target of a total 22,6 million net additions in 2009. With our promise to be *everywhere you go*, MTN will continue to be a reliable provider of connectivity to our customers everywhere.

We continue to seek value-accretive expansion opportunities in emerging markets, and we believe that we have the potential to act as a consolidator in the currently depressed global economy.

After achieving record infrastructure roll out rates in 2008, we will work to keep up this momentum in 2009, and have increased our capital expenditure forecasts in the year to R37,7 billion. We will monitor this closely to ensure appropriate levels of capacity and quality of service and to enable us to respond quickly should there be changes to the currently strong market demand.

We prioritise the optimisation of cash and operational efficiencies, ensuring that the Group is able to benefit from a rapidly evolving technology market while maximising infrastructure sharing.

Economic research commissioned by MTN shows that the Group is providing mobile phone access to people across all income levels, including the unemployed. MTN serves a large number of people employed in the informal sector, enabling many households to make a living. Ultimately then, through the evidence on hand, we can claim to have assisted in improving the lives of marginalised groups in the countries in which we operate. Further, through our numerous charitable MTN foundations across our footprint MTN will continue to make a difference.

MTN continues to work to reduce its impact on the environment, by using more energy-efficient base stations,

sharing infrastructure with competitors and by encouraging handset and battery recycling.

Against the backdrop of significant macroeconomic uncertainty, when governments across the world are spending billions of dollars on economic stimulus packages, we believe that the highly cash generative mobile phone sector is one of the few that can stimulate economic activity through capital investment. This will rely on a high level of regulatory certainty and predictability. We will continue to engage positively with regulatory authorities in the year ahead to achieve solutions for markets to which we are committed.

In South Africa, where MTN has its roots, we remain fully committed to supporting and implementing a new black economic empowerment (BEE) equity deal as soon as conditions become conducive. This follows the maturing, in December 2008, of the previous empowerment ownership scheme which was implemented in 2002 without the Company's financial assistance.

Appreciation and closing

I thank all MTN employees everywhere for the passion and excitement with which they participate in optimising our business and living our values, which are leadership, integrity, innovation, relationships and a "CAN DO" attitude. You are the heart and soul of our vibrant and dynamic organisation.

My thanks too, to MTN's customers for the loyalty and enthusiasm with which they support our brand and take up our innovations; you inspire us to keep striving to deliver the best value proposition.

I would also like to thank our suppliers and the regulators and communities in which we operate for their constructive engagement in the year. I look forward to more of this positive interaction in the year ahead.

Phuthuma Nhleko

Group president and CEO

May 2009

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