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Chairman's statement

In the 2008 financial year, MTN continued to deliver to its shareholders. It lifted earnings per share by 44% to 821,0 cents from 569,9 cents and the total dividend paid to ordinary shareholders to 181 cents a share for 2008 from 136 cents in 2007.

15 years of achievement

This year, MTN celebrates 15 years of existence. From humble beginnings in 1994, the Group is now a leading mobile network operator in emerging markets, with operations in 21 countries. This important anniversary gives us an opportunity to reflect on the extraordinary achievements, as well as the considerable challenges, over the period.

The Group's expansion in the last decade and a half has been phenomenal, far exceeding even the ambitious forecasts we set for ourselves. However, the emerging markets in which MTN has chosen to devote its energies are typically tough. Basic infrastructure is often limited, while regulation continues to evolve. Political risks are generally greater in emerging markets, as are security considerations.

The industry has changed dramatically – the cost of handsets has come down sharply, as has their size: the original "brick" mobile has been replaced by a sliver of metal and plastic that fits easily into a pocket. While voice remains the dominant

application, people are increasingly embracing the "mobile internet" and using mobile networks more and more to transfer data as transmission speeds accelerate.

The industry landscape has also changed as the viability of mobile technology in emerging markets, where fixed telephony had not been successful, has proved a sound business model. It is less than 10 years since MTN paid USD285 million for a licence in Nigeria when the opportunity was not fully understood and many believed the risks were too high.

The link between mobile penetration and economic growth is much talked about and the concurrent development in almost all areas of these previously underdeveloped markets has been impressive. Access to mobile telephony has changed people's lives: migrant workers who once communicated irregularly with their families by an unreliable postal system now can afford to speak to their loved ones regularly. Entrepreneurs are able to secure new business while on the road – they do not need to be tied to an office. A mobile number has become an enabler



Cyril Ramaphosa
Chairman

and a passport to work for many who simply hang up a sign displaying their name, craft and mobile number.

Large corporations have also benefited as fast, efficient communication has become fundamental to business success. People who once had to spend hours in, for example, the Lagos traffic to get to a meeting with a potential business partner now transact by tele-video conferencing. High-speed access to mobile networks is also increasingly facilitating business data transfer.

World politics has also changed in the 15 years since MTN's creation, not least with the inauguration early this year of the first black president of the United States, Barack Obama, heralding a new era of hope for the world. In Africa, in as much as there have been setbacks in some countries, on the whole the continent has made enormous strides in terms of development and the spread of democracy and the health and growth of African economies. Among recently notable events, we applaud the people of Ghana for the smooth handover of power following the run-off in presidential elections in December 2008 and welcome the establishment of a government of national unity in Zimbabwe. We hope this heralds a real turnaround in that country.

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In South Africa, where MTN has its roots, democracy is also maturing following the recent conclusion of the country's fourth all-race elections. MTN is a company that was born as apartheid was dying. The first calls were being made on our network just as South Africans of every race were voting in the country's first democratic elections in 1994. Very quickly, the novelty of mobile telephony caught on; people adopted the innovation, and by 1996 MTN's South African customer base had grown to about 200 000.

Then in 1997 the company began its international expansion drive, acquiring licences in Uganda, Rwanda and Swaziland and beginning operations in these countries the following year. In 2008, MTN's operations in these three countries celebrated their 10-year anniversaries.

In 2000 MTN purchased a licence in Cameroon and a year later the Group took a bold step forward and started operating in Nigeria. In that same year MTN acquired its first internet service provider, previously MTN Network Solutions and currently being integrated with Verizon as MTN Business in South Africa, increasing the range of data services provided to corporate customers.

In 2005 MTN bought operations with licences in Zambia, Côte d'Ivoire, Congo-Brazzaville, Botswana and was awarded the opportunity to participate as the second national mobile licence in Iran. This was followed by the purchase in 2006 of Investcom LLC for USD5,5 billion (R33,5 billion at the time), bolstering the Group's Middle Eastern and African presence and bringing to 21 the number of countries in which the MTN flag now flies.

When MTN celebrated its 10-year anniversary, it recorded almost 10 million subscribers across its operations. In the fewer than five years since then, the Group has increased this by a factor of nine, to more than 90,7 million customers at the end of 2008.

Innovation leads the way

Leadership is one of MTN's five values. A "CAN DO" attitude and innovation are two more. Time and again, the Group has remained true to these values. In 1996 MTN was the first mobile operator to introduce a prepaid cellular service, popularising "pay as you go" in emerging markets. This has since become ubiquitous and the preferred payment method for mobile phone users worldwide.

In 2008, MTN created MTN Zone which allows for dynamic tariffing. This is another industry first. It allows the Group to better manage its network by encouraging calls during low-usage times by offering discounts of up to 95% on call rates.

The Group's financial performance over the last decade-and-a-half has been noteworthy. MTN's market capitalisation increased from R6,5 billion in 1996 (or R3,85 a share) to a year-end value of more than R200 billion (R108,50 a share) in 2008, although it peaked in 2008 at over R300 billion (R165,00 a share) in early June. Revenue increased from R2 billion in 1997 to R102,5 billion in 2008.

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Sustaining our performance

Using MTN South Africa's sustainability framework as a springboard, Group companies have worked over the years to integrate a sustainability structure into each of their own operations. From a business perspective, the Group recognises the need to ensure its own sustainability and that of its market. From a moral perspective, it also works to ensure the sustainability of the communities in which it operates and the planet on which we all rely. MTN's first sustainability report was published in 2003 and the Group has been listed on the JSE's Socially Responsible Investment Index (SRI) since May 2004.

One of our key sustainability goals is to maintain the network to ensure a good quality service to our customers. We have spent R102,38 billion on capital expenditure since we began rolling out our first network in 1994. In 2008 alone, the Group spent a record R28,3 billion on capital investment.

Investing in people is another high-priority sustainability goal. In a world short of skills, MTN has devoted increased time and energy to developing its own people and those in the communities in which the Group operates. In 2008, MTN launched the MTN Academy to strengthen the Group's human resource capacity. Talent retention programmes and succession planning have also received increasing focus over the years.

Education, along with health – and particularly HIV/Aids awareness and prevention programmes, is a key focus of the charitable foundations that MTN has set up in 11 countries. These foundations are responsible for a variety of corporate

social responsibility programmes, among them improved access to communications. Through the Group's *21 days of Yello Care* programme, MTN's people across our operations participate in worthy volunteer activities in their communities.

Some 10 years ago MTN started rolling out environmental management systems and safety and health management systems across its operations, complying with international standards and best practice in this regard.

Site sharing is an important environmental sustainability initiative MTN Group is undertaking. This involves the sharing with other operators of base station sites, significantly reducing the Group's environmental footprint. Another important project is to improve the Group's power efficiency by making use of base station infrastructure which consumes less energy. The new generation network that MTN is currently rolling out uses 40% – 60% less power than its predecessor.

The Group is constantly exploring new ways to save energy, produce its own energy and reduce emissions. We are testing wind and solar generation at a farm in central South Africa and are also evaluating the effectiveness of fuel cells, which use clean liquid hydrogen batteries, as a source of power for base stations.

MTN voluntarily reports to the global Carbon Disclosure Project, an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world, and although we are a very small contributor to emissions, it is something that the Group monitors closely.

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Recycling is another environmental initiative – from paper and ink cartridges in our offices, to our customers' handsets and to scrap metal from old base station masts.

Ensuring sound corporate governance

Although there have been many changes in MTN's 15 years of operations, some things are constant – sound corporate governance and the Group's focus on people (both its own and its customers) are its trademark. This is no mean feat – there are many challenges for a company that has grown very quickly to one that services more than 90 million customers in 21 countries.

With the new Companies Act of 2008 due to become effective in South Africa in 2010 and the recent release of the draft King III Report on Corporate Governance, the Group is pro-actively preparing for a shift in the South African corporate governance and regulatory best practice landscape. The Group secretary and her team are spearheading MTN's efforts in this regard.

During the year Peter Woicke, Mamphele Ramphele and Sheikh Sharbatly resigned from the board. We would like to thank them for their valuable contribution over the years and wish them well in their future endeavours.

MTN, a company created at a time when South Africa's democracy was taking shape, has long had strong black economic empowerment (BEE) credentials. Black individuals and groups have always held a sizeable stake of the Group's equity. Employment equity is a key focus.

Group businesses endeavour to secure local sources of supply, thereby encouraging enterprise development. Skills transfer and development, including bursaries, are priorities. Through the MTN Foundation South Africa, the Group invests directly in uplifting underdeveloped communities and so helps to transform the socioeconomic landscape.

The BEE equity ownership programme that was implemented in 2002 recently matured, to the benefit of more than 3 000 MTN staff in South Africa: an example of real empowerment through capital formation. The stories of how this scheme has changed the lives of many employees who have been able to realise their dreams are remarkable and heartening.

The MTN Group is embarking on another BEE equity ownership scheme in South Africa. This will be supported by the Company, which has committed to undertaking the new programme when there is greater confidence in financial markets.

Although South Africa has a unique history, the legacy of which BEE initiatives are endeavouring to rectify, the MTN Group is also working to facilitate local participation in other MTN operations, particularly those in which the Group has very large majority ownership. In 2008, the Group reduced its legal share in MTN Nigeria to 76% from 82% and sold a 49% equity share in MTN Cyprus to a prominent Cypriot trading company which has a further option for 1%. Moves such as these benefit local investors, who gain greater exposure to MTN business in their countries. In addition, it makes sound business sense to the Group, providing it with solid local know-how and expertise.

It also highlights the premium the Group puts on relationships, another MTN value. The Group's mutually beneficial and dynamic interaction with its business partners, suppliers, customers and staff is at the core of the business. MTN endeavours to deal with all these parties with the utmost integrity, the last of MTN's five shared values.

MTN also acknowledges the importance of its relations with authorities in all its jurisdictions. In August 2008, Zambia's courageous President Levy Mwanawasa died and in April 2009, South Africa's long-serving Communications Minister Dr Ivy Matsepe-Casaburri, passed away. We extend our condolences to all those close to the former president and cabinet minister.

Appreciation and closing

I thank all the members of the board for their insight and guidance during the year and congratulate Phuthuma Nhleko and his management team for another record performance in challenging times: an example of the real MTN "CAN DO" spirit shining through.

While the MTN Group continues with the aggressive roll out of network infrastructure and has allocated a record R37,7 billion to capital investment in 2009, the Group is also implementing various cost-saving initiatives. The capital expenditure will ensure a quality service to an expanding customer base. Notwithstanding the significant investment in infrastructure to date, the Group's gearing remains low so that it has the balance sheet strength necessary to facilitate any potentially attractive growth opportunities.

In their reports on developments in the past year, both the Group president and CEO's and Chief executive and chief operating officer (on pages 20 and 26 respectively) spell out the successes MTN has achieved so far in standardising and rationalising functions and infrastructure, and initiatives to reduce costs through, for example, sharing base station sites and transmission.

I believe MTN has started 2009 on a solid footing, and although conditions are difficult, the board is confident that management has the experience, resources and commitment to face the challenges. Despite the exponential growth in mobile telephony in emerging markets in the past decade-and-a-half, there are still significant opportunities for further growth.

The MTN Group is the exclusive global mobile sponsor for the 2010 FIFA World Cup South Africa™, which is being held in Africa for the first time in FIFA's 50-year history. This is a clear differentiator and displays the Group's brand leadership. We can't wait – forward to 2010. *One Spirit. One Team. One MTN.*

Cyril Ramaphosa

Chairman

May 2009

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