

Group finance director's report

The Group delivered an excellent performance in 2008, driven by a 48% increase in subscribers to 90,7 million resulting in a 40% increase in revenue to R102,5 billion and a 36% increase in EBITDA to R43,2 billion.

Introduction

As detailed by the Group president and CEO in his report, 2008 was a robust year for MTN. The Group increased revenue by 40% and lifted earnings before interest, taxation, depreciation and amortisation (EBITDA) by 36%. MTN increased capital investment by 84% to a record R28,3 billion, which enabled strong subscriber growth and better capacity and coverage to our customers.

Despite a severe worldwide economic slowdown and fierce competition within most of the 21 markets in which we operate, MTN's average revenue per user (ARPU) declined only marginally in most operations in 2008. Falling ARPU is consistent with increased penetration into lower-usage segments. The effect of the economic downturn on consumer spending in our markets only reflected in the last quarter of 2008 and has been varied with, for example, economic activity in countries such as South Africa, Syria and Zambia reflecting a decline while expenditure in Nigeria and Ghana remained relatively strong.

MTN continued to generate significant cash and despite increasing the dividend paid to shareholders during 2008 and the increased expenditure on capex reduced the net debt to EBITDA ratio to 0,3 from 0,5.

Basic headline earnings per share (HEPS) increased by 43% to 836,5 cents for 2008 while adjusted headline earnings per share increased by 33% to 904,4 cents.

The depreciation of the rand against the US dollar resulted in the effective appreciation of many African and Middle Eastern currencies against the South African unit for a major portion of the year. This positively affected MTN Group revenue and EBITDA by approximately 15%.

Changes in ownership

During the year MTN Group concluded a number of transactions that impacted our financial statements:

- In February 2008, MTN disposed of a 5,96% interest in MTN Nigeria for USD594 million. This reduces the Group's financial interest in MTN Nigeria to 78,61% and its legal interest to 76,08%.
- In October 2008, MTN reduced its shareholding in MTN Cyprus by 49% to a prominent Cypriot trading company which has a further option for 1%.



- In November 2008, MTN increased its shareholding in MTN Côte d'Ivoire to 65% from 60% at a cost of USD38 million.
- In Côte d'Ivoire, MTN acquired Afnet and Arobase and in Cyprus, MTN acquired Infotel and OTEnet for a total consideration of approximately USD50 million.

Income statement analysis

The Group reports its performance by region, namely South and East Africa (SEA), West and Central Africa (WECA) and the Middle East and North Africa (MENA). MTN consolidates only 30% of MTN Swaziland and 49% of MTN Iranell, thereby diluting the impact of MTN Iranell's growth on the revenue and EBITDA lines.

MTN Group recorded a 40% increase in revenue to R102,5 billion (31 December 2007: R73,1 billion), driven by the strong growth in subscribers.

Table 1: Current vs previous period exchange rates

Exchange rates vs rand	Average exchange rates			Closing exchange rates		
	2008 Actual	2007 Actual	% change	2008 Actual	2007 Actual	% change
USD	8,13	7,04	(15)	9,35	6,78	(38)
NGN (Nigeria)	14,54	17,89	19	15,07	17,46	14
GHC (Ghana)	0,13	0,13	—	0,13	0,14	7
SDD (Sudan)	0,27	0,28	4	0,24	0,30	20
SYP (Syria)	5,74	7,09	19	4,96	7,08	29
IRR (Iran)	1 151,90	1 320,38	13	1 047,8	1 393,05	25

Rob Nisbet
Group finance director

Group finance director's report *continued*

Table 2: Analysis of MTN Group revenue by region

	December 2008 Rm	December 2007 Rm	Change %	December 2008 Contribution %	December 2007 Contribution %
SEA	37 483	31 453	19	37	43
South Africa	32 456	28 220	15	32	39
Other	5 027	3 233	55	5	4
WECA	47 682	30 843	55	46	42
Nigeria	31 558	20 250	56	30	28
Ghana	6 047	4 048	49	6	6
Other	10 077	6 545	54	10	9
MENA	17 215	10 779	60	17	15
Sudan	1 629	1 656	(2)	2	2
Iran	4 935	1 341	268	5	2
Syria	6 508	4 530	44	6	6
Other	4 143	3 252	27	4	4
Head office companies	146	70	109	—	—
Total	102 526	73 145	40	100	100

Revenue

The WECA region was the largest contributor to Group revenue, comprising 46% of the total (2007: 42%). This was mainly driven by MTN Nigeria, which made up two-thirds of the region's total revenue and achieved 56% revenue growth to R31,6 billion in 2008. Ghana contributed more than 13% of the region's total revenue.

The SEA region's contribution to Group revenue decreased by six percentage points to 37% in 2008. MTN South Africa remains the largest contributor to the SEA region and recorded a year-on-year revenue increase of 15% to R32,5 billion, bringing its share to more than 86% of the region's total.

The MENA region contributed 17% to total revenue, compared with 15% in 2007. Syria contributed 38% to the region's revenue, followed by MTN's proportionate share of MTN Irancell, which contributed 29%.

Table 3: MTN Group EBITDA by region

	December 2008 Rm	December 2007 Rm	Change %	December 2008 Contribution %	December 2007 Contribution %
Southern region	12 878	11 329	14	30	36
South Africa	10 654	9 814	9	25	31
Other	2 224	1 515	47	5	5
WECA	25 318	16 601	53	58	52
Nigeria	18 248	11 605	57	42	36
Ghana	2 786	2 072	34	6	7
Other	4 284	2 924	47	10	9
MENA	4 654	2 530	84	11	8
Sudan	250	576	(57)	1	2
Iran	1 492	(180)	929	3	(1)
Syria	1 829	1 381	32	4	4
Other	1 083	753	44	3	2
Head office companies	316	1 385	(77)	1	4
Total	43 166	31 845	36	100	100

EBITDA

As a result of strong revenue growth, MTN Group's EBITDA increased by 36% to R43,2 billion.

MTN Group's EBITDA margin declined by 1,4 percentage points to 42,1% as a result of numerous factors. An increase in direct network operating costs was led by higher site leases to support network expansion – particularly in Nigeria, Iran and Ghana – and higher regulatory levies (particularly in Syria, Iran and Ghana) as well as higher facilities and utilities costs (mainly higher fuel prices).

MENA contributed 11% to Group EBITDA, increasing its share by three percentage points from December 2007. At 39%, Syria was still the main contributor to MENA EBITDA, although it is now closely followed by MTN's proportionate share of MTN Irancell at 32%. It is pleasing to note that MTN Irancell's EBITDA margin turned positive in 2008, from negative 13,4% in 2007 to a positive 30,2%, as the business picked up critical mass.

The WECA region is the largest contributor to Group EBITDA and increased its share by six percentage points to 58% at 31 December 2008. The region increased EBITDA by 53% to R25,3 billion due to the 57% EBITDA growth in rand terms from the Nigerian operation.

The SEA region contributed 30% of Group EBITDA, a six percentage point decrease from the previous year reflecting lower growth of the maturing South African market. The SEA region's EBITDA increased by 14% to R12,9 billion, mainly driven by South African EBITDA which increased by 9% to R10,7 billion. The South Africa EBITDA margin dropped two percentage points to 32,8%, principally as a result of management's strategic decision to invest in distribution.

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Group finance director's report *continued*

Depreciation and amortisation

MTN Group's depreciation increased by R3,2 billion to R9,9 billion for the year ended 31 December 2008. This was as a result of an increase in the Group's depreciable assets, mainly infrastructure, to support growth. The depreciation of the rand against the US dollar also increased overall depreciation.

MTN Nigeria's depreciation charge increased by 45% to R4,5 billion as a result of additional capital expenditure for network expansion and the strengthening of the naira against the rand. MTN South Africa and MTN Irancell's depreciation increased by 21% and 158% respectively.

Net finance costs

	December 2008 Rm	December 2007 Rm
Finance costs	(8 644)	(5 179)
Interest paid	(4 173)	(3 151)
Put option	(1 259)	(583)
Forex losses	(2 875)	(746)
Other	(337)	(699)
Finance income	6 727	2 006
Interest received	2 322	1 336
Functional currency gains	2 779	255
Revaluation of FECs	968	146
Other	658	269
Net finance cost	(1 917)	(3 173)

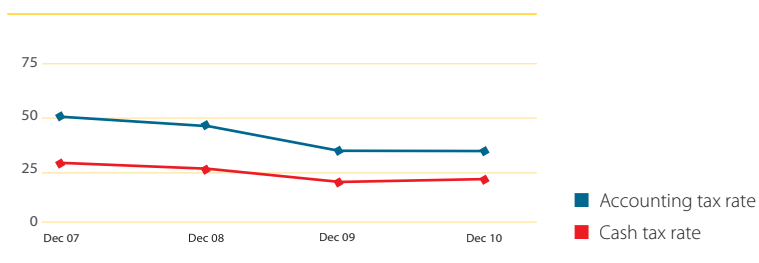
Net finance costs for the Group decreased by 40% to R1,9 billion in 2008. This was mainly due to the substantial unrealised foreign exchange gain at a holding company level on loans to operating companies of R2,8 billion and the R1 billion increase in interest received due to increased cash balances across the Group and the impact of currency movements. These gains were offset to an extent by the fair value adjustment of the Nigerian put option of R1,3 billion and by foreign exchange losses on foreign loans in holding and operating companies. Finance cost increases were also substantial due to increases in interest-bearing liabilities at the operating company level, following increased capital expenditure.

Taxation

The Group's effective tax rate increased marginally to 39,9% from 39,5% at 31 December 2007. The difference between the statutory tax rate of 28% and the Group effective tax rate is largely due to:

- The effect of the Nigerian commencement provisions (4,3%), which resulted in double taxation on MTN Nigeria's profits for the first three months of the year
- Disallowed expenses (2,6%)
- The secondary tax on companies (STC) and other withholding taxes on dividends and management fees (3,4%)
- The provision for the Nigerian put option (1,2%).

NIGERIA – expected trends in effective tax rates *(Illustrative %)*



Adjusted headline earnings per share

The Group continues to report adjusted headline EPS in addition to basic headline EPS. The adjustments are in respect of:

- The IFRS requirement that the Group account for a written put option held by a minority shareholder of one of the Group's subsidiaries, which provides it with the right to require the subsidiary to acquire its shareholding at fair value. The net impact is an increase in adjusted headline EPS of 44,3 cents
- The unwinding of a previously reversed deferred tax asset in Nigeria increased the adjusted headline EPS by 23,6 cents. This unwind is now complete and there will be no further impact in subsequent years.

Adjusted headline EPS of 904,4 cents was 33% higher than the previous year's 681,9 cents.

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Group finance director's report *continued*

MTN South Africa

MTN South Africa revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	18 158	15 674	16
Interconnect revenue	6 951	6 346	10
Data and SMS	3 596	2 756	30
Connection revenue	35	29	21
Cellular telephone and accessories	3 122	2 989	4
Other	594	426	39
Total revenue	32 456	28 220	15
Direct network operating costs	2 301	1 897	21
Costs of handsets, SIMs and vouchers	4 293	4 426	(3)
Interconnect and roaming costs	5 140	4 387	17
Employee benefits and consulting costs	2 137	1 516	41
Selling, distribution and marketing costs	6 400	5 032	27
Other expenses (general and administration)	1 531	1 148	33
Total operating expenses	21 802	18 406	18
EBITDA	10 654	9 814	9
EBITDA margin (%)	32,8	34,8	(2,0) (pts)

Revenue

MTN South Africa increased revenue by 15%, which was driven by a similar increase in subscribers and efforts to deliver on customer needs. Prepaid voice, with a subscriber base of nearly 14,4 million (or approximately 84% of all customers), remains a key revenue driver, expanding by almost a third in the year. This was assisted by the launch of the innovative MTN Zone pricing plan as well as the ever-popular low-denomination recharge options.

Although interconnect revenues were up in the year, the proportion of these to total revenues is gradually decreasing, dropping to 20% in 2008 from 22% in 2007. Data and SMS revenues are gaining importance, growing by 30% in the year and contributing R3,6 billion or 11% of revenues from R2,8 billion or 9,8% of revenues in 2007. This is driven mainly by the increases in packet switch data, with SMS reflecting slower revenue growth as a consequence of the high SMS penetration level and increased use of lower cost bundles. Other revenue increased by 39%, due to a number of factors including increased use of international roaming, repairs to handsets, increased demand for itemised billing and caller-line identity, as well as revenues from ISPs (MTN Network Solutions).

EBITDA

MTN South Africa's EBITDA increased by 8,6 % to R10,65 billion, due mainly to revenue growth. However, as a result of a strategic decision the operating expenses increased at a faster pace (18,4%) than revenue growth and the EBITDA margin therefore decreased to 32,8% from 34,8% in 2007. Direct network operating costs increased by 21% due to partly higher costs of maintenance of network equipment, computer software and BTSs. Although the cost of handsets, SIMs and vouchers decreased 3%, the handset subsidy increased during the last quarter of the year due to the deterioration of the rand exchange rate to the USD. Interconnect and roaming costs were substantially in line with revenue growth. The increase in operating expenses included a 41% rise in employee benefits and consulting costs, mainly related to the outsourcing of the IT department and professional consultancy on the restructuring of the company. Selling, distribution and marketing costs increased by 27% and included the cost of the mobile content rights for the 2010 FIFA World Cup South Africa™, as well as other sponsorship costs. The drive to improve distribution in the rural and lower-income groups led to projects such as MTN Zone – a value proposition that required relatively significant upfront operational costs included in other expenses.

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Group finance director's report *continued*

MTN Nigeria

MTN Nigeria revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	25 848	16 577	56
Interconnect revenue	4 291	2 763	55
Data and SMS	988	589	68
Connection revenue	236	171	38
Other	195	150	30
Total revenue	31 558	20 250	56
Direct network operating costs	3 418	1 943	76
Costs of handsets, SIMs and vouchers	590	505	17
Interconnect and roaming costs	2 847	2 042	39
Employee benefits and consulting costs	1 540	795	94
Selling, distribution and marketing costs	3 046	1 795	70
Other expenses (general and administration)	1 869	1 565	19
Total operating expenses	13 310	8 645	54
EBITDA	18 248	11 605	57
EBITDA margin (%)	57,8	57,3	0,5 (pts)

Revenue

A sharp increase in subscriber numbers, network quality improvements and a decline in the value of the rand relative to the naira lifted MTN Nigeria's rand revenue by 56% in 2008. In naira terms, the increase in revenue was 25%. The currency effect, coupled with an increase in incoming call minutes from other operators, lifted interconnect revenue by 55%. Connection revenue increased by 38%, matching the increase in subscriber numbers in the year. Data revenue increased 68%, off a low base, driven by increased usage.

EBITDA

MTN Nigeria's rand EBITDA increased 57% which is slightly ahead of revenue growth due to sound cost containment in general and administration expenses, lower interconnect and roaming costs and a limited increase in the cost of handsets, SIMs and vouchers.

Direct network operating costs increased by 76% mainly as a result of the network expansion which resulted in a 54% increase in the number of BTS sites. Increases in rent and fuel prices also contributed to the significant growth in these costs. Interconnect and roaming costs increased by 39% but below revenue growth. Multiple SIMs resulted in less off-net traffic. Higher staff numbers, a significant increase in the number of consultants engaged for the network roll out and network optimisation as well as an increase in call centre agents were some of the main factors behind the 94% rise in employee benefits and consulting fees.

Selling, distribution and marketing costs increased by 70%. This was mainly due to marketing costs associated with various sponsorships, including the 2008 MTN Africa Cup of Nations football tournament as well as an increase in commission and distribution costs associated with the new dealer commission structure and expanded subscriber base.

Group finance director's report *continued*

MTN Ghana

MTN Ghana revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	4 439	3 411	30
Interconnect revenue	950	560	70
Data and SMS	553	15	
Connection revenue	61	28	118
Other	44	34	29
Total revenue	6 047	4 048	49
Direct network operating costs	468	216	117
Costs of handsets, SIMs and vouchers	143	63	127
Interconnect and roaming costs	845	364	132
Employee benefits and consulting costs	335	280	20
Selling, distribution and marketing costs	581	442	31
Other expenses (general and administration)	889	611	45
Total operating expenses	3 261	1 976	65
EBITDA	2 786	2 072	34
EBITDA margin (%)	46,1	51,2	(5,1) (pts)

Revenue

MTN Ghana delivered a 49% increase in revenue, which was driven by a 60% increase in subscriber numbers. Airtime revenue, up 30%, was the largest contributor to total revenues and was buoyed by increased subscriber usage as well as from the substantial increases in the number of subscribers. Interconnect revenue increased 70% as market share improved and the larger subscriber base received more off-network calls. Data and SMS revenues increased significantly from a very low base in 2007, underlining the considerable opportunity for growth in this service segment.

EBITDA

The EBITDA margin declined to 46,1% from 51,2%. Ghana's EBITDA was negatively affected by the increase in regulatory fees and the introduction of a communications service tax.

Direct network operating costs increased by 117%, partly as a result of steep increases in utility costs, as well as higher rentals due to the substantial increase in the number of sites.

Apart from the increase in the subscriber base which led to more off-network calls, the exchange rate effect of calls made while roaming internationally led to a 132% rise in interconnect and roaming costs.

Selling, distribution and marketing costs increased by 31% mainly as a result of the realignment of MTN's proposition to the distribution channel and the increased commissions that resulted.

MTN Irancell*

MTN Irancell revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	4 817	944	410
Interconnect revenue	3 421	786	335
Data and SMS	1 407	209	573
Connection revenue	420	798	(47)
Other	6	1	500
Total revenue	10 071	2 738	268
Direct network operating costs	1 232	647	90
Regulatory fees – revenue share	2 613	1 114	134
Costs of handsets, SIMs and vouchers	332	128	159
Interconnect and roaming costs	1 358	316	330
Employee benefits and consulting costs	249	177	41
Selling, distribution and marketing costs	958	547	75
Other expenses (general and administration)	284	176	61
Total operating expenses	7 026	3 105	126
EBITDA	3 045	(367)	
EBITDA margin (%)	30,2	(13,4)	(43,6) (pts)

*Irancell is shown at 100%, although 49% is consolidated in accordance with the joint venture structure.

Revenue

MTN Irancell increased revenue by 268% to R10,1 billion, driven by the 167% increase in subscribers as well as improved network roll out that provided substantially more coverage and capacity. Despite the high number of connections, connection revenue dropped due to a reduction in connection prices and the use of promotional campaigns. Connection revenue now only represents 4% of total 2008 revenue compared to 29% in 2007.

EBITDA

MTN Irancell reported a turnaround in profitability in 2008, its second full year of operation, reporting EBITDA of R3,0 billion as a result of the business obtaining critical mass. The 90% increase in the direct network operating costs is in line with the network roll out in the year.

Regulatory fees grew at a lower rate than revenue because in the prior year as actual revenue did not achieve the minimum specified in the licence the minimum revenue share was paid, whereas in the current year it became a percentage of actual revenue.

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Group finance director's report *continued*

MTN Syria

MTN Syria revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	5 434	3 590	51
Interconnect revenue	472	350	35
Data and SMS	375	427	(12)
Connection revenue	82	91	(10)
Other	145	72	101
Total revenue	6 508	4 530	44
Direct network operating costs	410	294	40
Regulatory fees – revenue share	2 765	1 700	63
Costs of handsets, SIMs and vouchers	38	35	9
Interconnect and roaming costs	453	336	35
Employee benefits and consulting costs	235	154	53
Selling, distribution and marketing costs	237	248	4
Other expenses (general and administration)	541	382	42
Total operating expenses	4 679	3 149	49
EBITDA	1 829	1 381	32
EBITDA margin (%)	28,1	30,5	(2,4) (pts)

Revenue

MTN Syria recorded a 44% increase in revenue in rand terms, driven by a 51% increase in airtime and subscription revenue, as well as a 35% increase in interconnect revenue. These increases were mainly due to the larger subscriber base (14% higher than 2007). The growth in local currency revenue of 14% was in line with subscriber growth.

EBITDA

The high revenue sharing arrangement in Syria causes EBITDA margins in this operation to typically be below those of other MTN operations. In 2008, MTN Syria's EBITDA margin decreased to 28,1% from 30,5% at the end of 2007 as the increased Build, Operate and Transfer (BOT) revenue sharing fee increased to 50% from 40% in June.

Direct network operating costs increased by 40%, due to the continued network expansion. Other significant increases were in employee benefits and consulting costs as a result of the use of consultants during the implementation of a number of projects. Interconnect and roaming costs increased slightly below revenue growth as a greater percentage of calls were made on-net.

MTN Sudan

MTN Sudan revenue and expenses summary

	December 2008 Rm	December 2007 Rm	Change %
Airtime and subscription revenue	1 134	995	14
Interconnect revenue	296	454	(35)
Data and SMS	63	77	(18)
Connection revenue	29	34	15
Other	107	96	11
Total revenue	1 629	1 656	(2)
Direct network operating costs	391	224	75
Costs of handsets, SIMs and vouchers	43	32	34
Interconnect and roaming costs	260	316	(18)
Employee benefits and consulting costs	206	144	43
Selling, distribution and marketing costs	225	207	9
Other expenses (general and administration)	254	157	62
Total operating expenses	1 379	1 080	28
EBITDA	250	576	(57)
EBITDA margin (%)	15,3	34,8	(19,5) (pts)

Revenue

The regulatory requirement to disconnect all prepaid subscribers in the first half of 2008 who had not registered their personal details with their mobile operator (some 1,1 million users disconnected in H108) together with network and distribution challenges resulted in MTN Sudan reporting virtually no change in revenue between 2007 and 2008. While airtime and subscription fees increased by 14%, interconnect revenue declined by 35% mainly due to the drop in the interconnect tariff in the last quarter of 2008.

EBITDA

Higher operating expenditure associated with the continued network roll out and flat revenues led to a decline of 57% in MTN Sudan's EBITDA and a fall in the EBITDA margin to 15,3% from 34,8%. There were increases in other expenses arising from provisions for interconnect rate disputes and the IT fund contributions that were absorbed by the company following a change in the method of invoicing by the regulator.

Group finance director's report *continued*

Balance sheet analysis

MTN Group

Balance sheet

	December 2008 Rm	December 2007 Rm	Change %
Non-current assets	115 319	82 085	40
Property, plant and equipment	64 193	39 463	63
Goodwill and other intangible assets	45 786	38 797	18
Other non-current assets	5 340	3 825	40
Current assets	54 787	33 501	64
Bank balances	26 961	16 868	60
Other current assets	27 826	16 633	67
Total assets	170 106	115 586	47
Capital and reserves	80 542	51 502	56
Non-current liabilities	34 973	29 114	20
Long-term liabilities	29 100	23 007	26
Deferred taxation and other non-current liabilities	5 873	3 551	65
Put option liability	—	2 556	(100)
Current liabilities	54 591	34 970	56
Put option liability	3 341	—	—
Non-interest-bearing liabilities	38 760	24 320	59
Interest-bearing liabilities	12 490	10 650	17
Total equity and liabilities	170 106	115 586	47

Overview

The 2008 balance sheet was affected by the appreciation of the operational currencies relative to the rand. Total assets increased by 47% to R170 billion. This was mainly because of increases in property, plant and equipment due to the significant roll out of infrastructure in the year.

Property, plant and equipment

Property, plant and equipment increased by R24,7 billion in the year, due mainly to significant capital additions undertaken in the year, primarily in Nigeria, South Africa, Iran, Ghana and Syria, and due to the weakening of the rand against the dollar.

Goodwill and intangibles

Goodwill of R31,9 billion at December 2008 showed an increase of R6,2 billion on that reported at December 2007 mainly due to the weakening of the rand and the effect of this on the translation of the goodwill from the acquisition of Investcom LLC in 2006. Intangibles increased mainly due to software acquisitions by South Africa, Iran and Cameroon.

Current assets

Current assets increased by 64% to R54,8 billion at 31 December 2008. The increase in trade receivables was marginally above the organic growth rate of the business. Despite the net cash outflow of R27,1 billion on investing activities and R2,5 billion for dividends, the Group's cash balance increased by R11,1 billion to R28,7 billion at year-end.

R2,7 billion of the increase in bank balances was due to the positive impact of foreign exchange rate movements. Cash balances in Syria and Ghana continued to increase as resolution of the specific issues in these countries remained principally unresolved. A portion of the R11,9 billion cash balance at the head office was utilised soon after year-end for the repayment of amortising loans and the acquisition of Verizon Business South Africa.

Trade and other receivables increased by R6,4 billion, with the majority of this increase recorded in South Africa, Ghana, Nigeria, Iran, Sudan and Syria. Sudan's trade receivables increased due to higher interconnect receivables in the absence of interconnect agreements with other operators. Nigeria's trade and other receivables increased by R900 million due to higher prepayments and increased trading activities. South Africa's trade receivables increased by R1,4 billion, a result of higher trading activities and an increase in interconnect debts.

Group finance director's report *continued*

Interest-bearing liabilities

MTN Group's interest-bearing debt increased from R33,7 billion to R41,6 billion at December 2008. 52% of the interest-bearing liabilities are at the holding company level, with Nigeria accounting for 31% of the balance. Operational gross debt increased by 44% to R24,7 billion, mainly due to the R8 billion increase in interest-bearing liabilities in Nigeria. This is in line with MTN's strategy of gearing up the operational companies wherever possible and efficient.

Due to the current economic climate and uncertainties in financial markets, MTN Group or holding companies within the Group may be required to provide additional funding to certain of its operations.

Non-interest-bearing liabilities

Non-interest-bearing liabilities consist of trade payables, accruals, taxation, provisions, put option liability and unearned income. These liabilities increased by R14 billion from December 2007 to R39 billion. Trade payables increased by R3,8 billion to R10,2 billion at 31 December 2008. Iran's trade payables increased by R2 billion, while those for South Africa, Syria and Nigeria increased by R1 billion each.

Cash flow analysis

Cash generated from operations improved to R44,8 billion from R34,3 billion as a result of the strong operational performance. The Group paid a dividend of R2,5 billion in April 2008 and tax of R6,8 billion in the year. The successful capital expenditure roll out programme utilised R26,9 billion of cash in the year. Nevertheless, net cash flow for the year was R7,4 billion before foreign exchange translation gains of R2,7 billion and movements in restricted cash balances.

Capital commitments

The Group has committed to capital expenditure of R37,7 billion in 2009, mainly to expand the capacity of the network and increase its coverage, which in turn is expected to underpin demand growth. This amount includes the effect of an expected weakening of the rand in the year by an average rate of 9,09. The operations with the largest capital expenditure allocations for 2009 are Nigeria (R12 billion), South Africa (R8,15 billion), Iran (R4 billion) and Ghana (R3,65 billion).

Dividends

The board declared a cash dividend of 181 cents per ordinary share, in line with the Group's dividend policy of five times adjusted headline earnings.

Conclusion

MTN Group performed well in 2008 and substantially met its ambitious capital spending plans, made significant progress in improving operational efficiencies and continued to report impressive growth in revenue and earnings.

The Group's net debt to EBITDA ratio dropped to 0,3 in 2008 from 0,5, as a result of MTN's strong cash flow generation, which reached more than R7 billion after taking into account capital investment.

In an environment of increasingly tight credit markets, this robust cash position and strong balance sheet place the Group in a solid position to take advantage of any expansion opportunities that may arise, and that are considered to be commercially and strategically attractive and feasible.

Rob Nisbet

Group finance director

May 2009

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