

Group chief operating officer's report *continued*

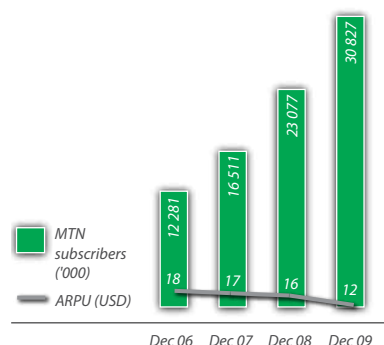
for the year ended 31 December 2009

West and Central Africa region *continued*

MTN Nigeria

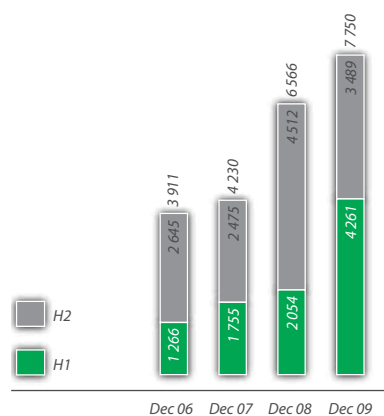
ARPU (\$)

Subscribers ('000)



Outgoing MOU

Net additions ('000)



Launched August 2001, market share 49,6%, population 146,6 million, forecast market size in 2014 – 110,7 million, legal shareholding 76%.

MTN Nigeria revenue and expenses summary

	12 months to December 2009 Rm	12 months to December 2008 Rm	% change
Airtime and subscription revenue	27 534	25 557	8
Interconnect revenue	4 045	4 291	(6)
Data and SMS	1 321	1 110	19
Connection revenue	116	236	(51)
Other	309	363	(15)
Total revenue	33 326	31 558	6
Direct network operating costs	3 240	3 418	(5)
Costs of handsets, SIMs and vouchers	785	590	33
Interconnect and roaming costs	2 793	2 847	(2)
Employee benefits and consulting costs	1 034	1 048	(1)
Selling, distribution and marketing costs	3 250	2 976	9
Other expenses (general and administration)	2 477	2 431	2
Total operating expenses	13 579	13 310	2
EBITDA	19 746	18 248	8
EBITDA margin	59,3%	57,8%	1,4 pts

Overview

MTN Nigeria's continued heavy investment in infrastructure to enhance the quality and capacity of its network, together with a more streamlined sales and distribution channel, helped boost subscriber numbers in Africa's most populous country by a third in 2009, and lift MTN Nigeria's market share to almost half.

The strength of the MTN brand, the broad appeal and innovative nature of its segmented value propositions and effective usage-boosting promotions also assisted in ensuring that MTN Nigeria achieved more than three-quarters of the net additions in the market to end the year with 30,83 million customers and a GSM market share of 49,6%. To accommodate these new subscribers, MTN Nigeria rolled out its new 0813 number range.

Total mobile market penetration grew to 42,4% from just 15% five years ago.

Although local currency revenue increased by 30% for the period, in line with subscriber growth, this translated into a much lower 5,6% growth in rand terms to R33,3 billion, due to the rand strength in the second half of the year compounding naira weakness in the first. In line with increased penetration into lower-usage segments and pressure on consumer spending, average revenue per user declined marginally in local currency, by 9,6% for the year. Weakness in the naira currency exacerbated the fall in dollar terms, with ARPU of USD12 for 2009 down from USD16 in 2008.

MTN Nigeria's EBITDA grew 8% in rand terms and 32% in naira terms. The EBITDA margin improved by 1,4 percentage points to 59,3% mainly due to an increase in revenue and the benefits of scale together with a containment of operating expenses, in particular an 18% decline in the price of fuel.

Nigeria remained the top destination for MTN Group capital expenditure in 2009, accounting for some R10,2 billion. Investments were made to modernise the network and improve its capacity and coverage, with a major emphasis on strengthening the Company's wireless data offering.

Market environment

In 2009, the Nigerian economy faced numerous challenges, starting the year with a depressed oil price which reduced export earnings. This kept the pressure on the naira, which lost further ground to the dollar following the run on the currency in late 2008. In response to the challenges, changes in the central bank's foreign exchange policy and a reduction in credit lines by foreign counterparties further affected the currency. However, by year-end the naira had stabilised, recovering some of its losses.

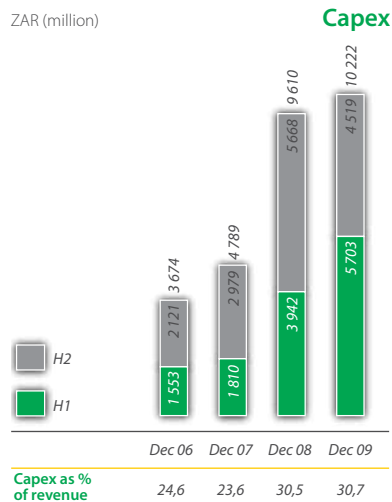
Nigeria did not escape the worldwide credit squeeze, resulting in high local interest rates due to banks' exposure to non-performing loans and a stock market collapse. Liquidity improved after the central bank replaced the executive management of a number of undercapitalised Nigerian banks. Inflation remained high and the supply of electricity – aggravated by political instability in the oil-producing Niger Delta – continued to be inadequate.

Group chief operating officer's report *continued*

for the year ended 31 December 2009

West and Central Africa region *continued*

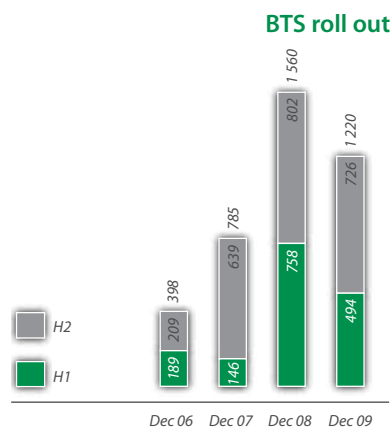
MTN Nigeria *continued*



In this difficult economic environment, the Nigerian telecoms sector also faced increasing regulatory requirements. A new interconnect regime was adopted at the end of the year. The number of CDMA operators increased by four to 20. These companies offer low prices in voice and data, but do not meet customers' needs for complete mobility. A new GSM licence holder commenced full commercial operation in 2009, bringing to five the total number of GSM operators and intensifying competition through aggressive promotions and price reductions. In 2009, both CDMA and GSM operators focused on promoting their data offerings, leveraging 3G and 3G-related technologies. MTN Nigeria was able to effectively compete and remains supported by the strength of the network, the MTN brand and the continued attractiveness of its segmented propositions. During the year, it increased its market share by subscribers by over five percentage points, and also lifted its brand preference scores significantly.

Infrastructure

MTN Nigeria maintained its strong momentum in infrastructure development in 2009, rolling out a total of 1 220 base transceiver stations to bring to 7 113 the total number built so far. Roll out maintained momentum despite numerous challenges, including delays in customs clearing of goods and generally slow delivery of network equipment. The coverage of the network was enhanced in the year with the addition of 215 towns and cities, taking to 83,4% the land mass covered by MTN Nigeria, from just over two-thirds in 2008. In an effort to expand transmission facilities, some 1 561km of new backbone and 110km of metro fibre were implemented in the year, however the challenge of fibre cuts resulting from roadworks, as well as vandalism remain.



The roll out of the Nigerian 3G network gained traction, with 561 3G sites going live, completing the second phase of the 3G roll out plan and bringing the total number of live 3G sites to 1 117 in December 2009.

Infrastructure sharing initiatives continued to gain traction, with the sharing of BTS sites and fibre infrastructure pursued as a means of reducing the overall capital cost of the network, as well as its environmental footprint.

MTN Nigeria embarked on testing and commissioning of alternative energy systems with a view to significantly reducing diesel consumption and the associated emission of carbon into the atmosphere. Wind and solar energy options are also currently being investigated for possible adoption in future and environmental awareness initiatives are being encouraged Company-wide.

Products and services

MTN Nigeria's product and service development focuses on initiatives that will enhance MTN's brand equity, as well as facilitate revenue growth, particularly in data and value-added services. In line with this, in 2009 the Company launched MTN Google SMS and MTN Backup, both supported by MTN's extensive messaging and data infrastructure (HSPA, 3G, EDGE, GPRS). These services are particularly suited to the Nigerian market, providing access to information as well as security. Google SMS enables subscribers to

use their mobile phones to do searches, get the latest news, sports information etc, while MTN Backup allows users to save a copy of their contacts off their SIM cards and handsets directly on to the MTN network. Both products were the first of their kind in Nigeria.

MTN Nigeria introduced a variety of mobile broadband data bundles, marketing 3G/HSPA data dongles and data SIM cards via various channels. More than 78 000 data modems were sold in the year. Although this is still relatively small, it – as well as the take-up of BlackBerry® handsets – is an indicator of increased momentum among MTN Nigeria's data propositions. By year-end, there were more than 25 300 active BlackBerry® users on the network.

A solid campaign to promote Caller Tunez Re-Loaded (with several enhanced features to allow customers to personalise the service) led to increased user awareness and acceptance. By year-end more than four million subscribers were using this service. There was also good response to MTN Nigeria's 2010 FIFA World Cup South Africa™ promotion, as well as the "Yello Bounty" year-end promotion designed to reward customers via the innovative neighbourhood Yello Bounty Train.

Among other service launches in 2009 were MTN Care (which provides Nigerian customers with 24-hour access to medical and emergency services in three major cities) and seamless and 3G roaming.

Group chief operating officer's report *continued*

for the year ended 31 December 2009

West and Central Africa region *continued*

MTN Nigeria *continued*

MTN also tapped into the youth market's passion for music and sport through a number of significant sponsorships. These included "MTN Project Fame West Africa", a musical talent search show that dominated prime-time television viewership across West Africa for four months. It also recorded the highest SMS and website hit rate for any show of its kind in Nigeria. The Lagos Street Soccer Championship, which aims to develop young football talent by giving youths a platform to display their skills, was an important sponsorship linked to the Group's 2010 FIFA World Cup™ sponsorship.

Distribution

MTN Nigeria continued to benefit in 2009 from the restructuring of the distribution model executed the year before and as more of the unregistered informal distribution points were integrated into the Company database in the year. The focus now is to improve the distribution footprint in areas outside major cities, improving distribution logistics to deepen MTN Nigeria's reach into outlying areas.

People

In an effort to drive a customer-centric culture at MTN Nigeria and ensure a consistent MTN-branded experience for all, 90% of employees participated in a project to go back to the shop floor and spend a day in a customer-facing role. This initiative reinforces

the importance of customer care and has also led to a number of recommendations from employees to improve the customer experience. Among the many proposals implemented are the deployment of point-of-sale terminals for electronic transactions, the introduction of queue management systems as well as aesthetic upgrades of MTN shops.

MTN Nigeria is pleased to report a 100% participation rate in the 2009 Group culture audit, from which the Company gauges employee satisfaction. The Company works hard to engage with its employees to ensure a happy, motivated staff. With a focus on career enhancement, many of MTN Nigeria's people travelled in the region in 2009, providing their expertise to other operating units through short-term assignments and secondments. MTN Nigeria continued to improve its remuneration policies to position the Company competitively to attract and retain top talent.

Regulatory environment

Continued evolution of the telecoms regulatory environment in Nigeria has led to increasing demands on the businesses of all mobile operators. In the year, MTN Nigeria continued to actively engage the regulator, the NCC, on a number of proposed initiatives such as subscriber registration, quality-of-service parameters, mandated customer care centres and mobile number portability.

The Company secured approval from the NCC for MTN's submarine cable landing station and the new 0816 numbering plan range in December 2009. It also aimed to pursue a zero-tolerance strategy to collect interconnect debts due to MTN, and as a result, was able to recover substantial sums. However, interconnect receivables remain a challenge in the industry.

In April 2009 the regulator reviewed the wholesale SMS interconnect rates downward following consultation with operators. Later in the year, the NCC determined new interconnect rates 30% below previous rates, with a glide path to uniform rates for fixed termination and newer mobile operators. The new interconnect regime came into effect on 31 December 2009 with asymmetrical rates skewed in favour of new entrants. These will converge over the next three years. As some four-fifths of MTN Nigeria's traffic is on-network, it expects the impact of the reduction in interconnect fees to be muted.

Outlook

MTN Nigeria will continue to work to improve the quality and availability of its network, and has committed to capital expenditure of some R6,4 billion for 2010, which includes increasing the commercial roll out of wireless internet. The Company will encourage greater use of electronic airtime recharge through e-payment operators and banks and will launch new segment-based value propositions for voice and data, also making the most of the Group's sponsorship of the 2010 FIFA World Cup South Africa™.

Although competition is expected to intensify, and the economic outlook remains uncertain, MTN Nigeria is cautiously optimistic. MTN Nigeria expects its strong distribution network to assist greatly in the process of registering subscribers, and expects this regulatory requirement – starting in May 2010 – to only dampen subscriber growth for a period when it is implemented.

MTN Nigeria is targeting the addition of approximately six million new subscribers to its network in 2010 and forecasts the size of the mobile market in Nigeria to expand to nearly 110,7 million in 2014, underscoring the considerable opportunity for mobile telephony that still exists in this important economy.