

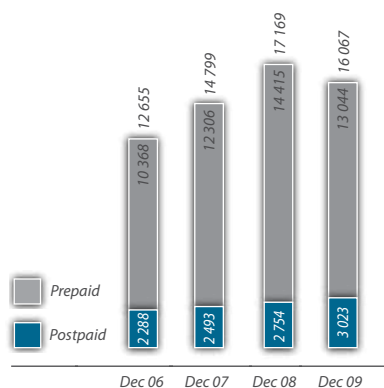
Group chief operating officer's report *continued*

for the year ended 31 December 2009

South and East Africa region *continued*

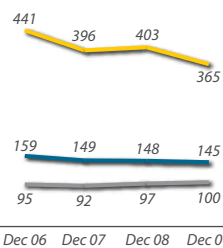
MTN South Africa

Subscribers ('000)



ZAR

ARPU



	Dec 06	Dec 07	Dec 08	Dec 09
Average total MOU comprises both incoming and outgoing minutes	124	106	102	100
Outgoing MOU	79	65	64	64

Launched June 1994, market share 32%, population 49,4 million, forecast market size in 2014 – 64,3 million, shareholding 100%.

MTN South Africa revenue and expenses summary

	12 months to December 2009 Rm	12 months to December 2008 Rm	% change
Airtime and subscription revenue	17 885	17 881	0
Interconnect revenue	7 271	6 951	5
Data and SMS	4 496	3 596	25
Connection revenue	69	35	94
Cellular telephones and accessories	2 870	3 122	(8)
Other	558	561	(1)
Total revenue	33 149	32 148	3
Direct network operating costs	2 319	2 301	1
Costs of handsets, SIMs and vouchers	4 173	4 293	(3)
Interconnect and roaming costs	6 400	5 140	25
Employee benefits and consulting costs	1 576	1 212	30
Selling, distribution and marketing costs	6 832	6 374	7
Other expenses (general and administration)	1 439	2 243	(36)
Total operating expenses	22 739	21 563	5
EBITDA	10 410	10 585	(1,7)
EBITDA margin	31,4%	32,9%	(1,5) pts

Overview

2009 was a tough year for MTN South Africa, marked by a depressed economy, network and IT support system problems and a drop in subscriber numbers following the implementation of the regulatory requirement to register all users' personal details. Competition continued to be vigorous in this maturing market, where – for the first time – the number of SIM cards in use exceeded the population. This was a result of the growing use of multiple SIM cards by many customers, as well as increasing demand for mobile communications for telemetry.

MTN South Africa's market share decreased to 32% in 2009 from 36%. The subscriber base narrowed for the first time in the Company's 15-year history, reducing by 6% to 16,07 million.

MTN South Africa increased revenue modestly by 3,1%, indicating that the prepaid subscribers lost in the RICA process were not meaningful to revenue. Consequently, prepaid ARPU increased by R3 to R100 at December 2009, despite the disconnections of 1,4 million prepaid subscribers. This was also a result of the launch of several innovative products and services for the prepaid market, coupled with enhanced distribution points, continued upgrades to the network, particularly in the second half of the year. Lower post-paid ARPU, which decreased by R38 to R365, was indicative of the pressure on consumers' disposable income, the Company noted a downward migration among many contract customers to lower monthly spending on mobile communication.

MTN South Africa's EBITDA decreased by 1,7% in the year as the rise in operating expenditure of 5% outpaced growth in revenue of 3%. As a result, the EBITDA margin slipped 1,5% percentage points to 31,4%. This was due mainly to reducing fixed to mobile

interconnect traffic, an increase in handset sales as margins reduced and higher distribution costs following the integration of iTalk and Cell Place.

MTN South Africa continued with its aggressive capital investment programme, spending R6,03 billion in the year. The core modernisation of infrastructure was completed and opportunities to share mast sites with competitors were pursued in an effort to reduce the Company's environmental footprint.

After suffering a reverse at mid-year because of network and IT system problems, the MTN brand saw benefits from its sponsorship of the 2010 FIFA World Cup South Africa™ as well as the new "Ayoba" campaign. In the 2009 Ask Afrika Trust Barometer, MTN was rated number one in the innovation category and the second most trusted company in South Africa.

Market environment

Consumers in South Africa were under severe pressure, evidenced by higher levels of bad debt and the downward migration among contract customers to more affordable packages. During the year, the central bank cut its key lending rate as inflation slowed and consumer confidence declined sharply.

The registration of subscribers' personal details became mandatory in the third quarter as the Regulation of Interception of Communications and Provision of Communications-Related Information Act (RICA) came into effect. This changed the dynamic of the market, impacting all operators' connections. In the fourth quarter, South African mobile operators agreed on an initial cut in mobile termination rates which became effective from 1 March 2010.

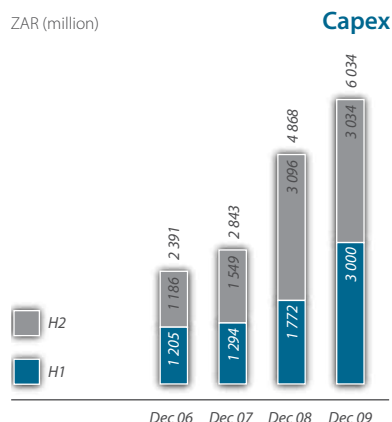
Group chief operating officer's report *continued*

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South and East Africa region *continued*

MTN South Africa *continued*

ZAR (million)

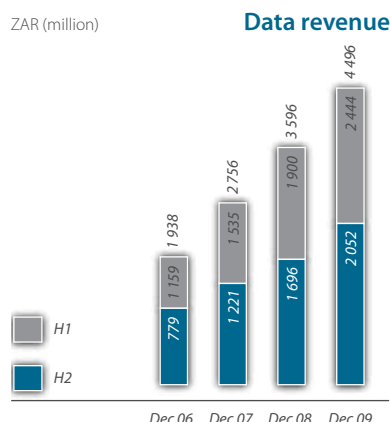


Capex as % of revenue

Dec 06 Dec 07 Dec 08 Dec 09

9,7 10,1 15,0 18,2

ZAR (million)



As % of SA revenue (excluding handsets)

Dec 06 Dec 07 Dec 08 Dec 09

9,0 11,0 12,4 14,8

Infrastructure

Network

MTN South Africa continued to invest in modernising its core, radio and transmission network to enhance its 3G, 2G and overall data capacity. Thanks to a focused effort from the network team, the Company integrated 1 155 base transceiver stations in 2009, the most it has installed in a single year in South Africa since 2001. This investment, in addition to that made in 2008 and the commissioning of its metropolitan fibre-optic network, enabled the Company to increase its circuit switch (voice) capacity by 26% and packet switch (data) capacity by 50%. The 3G population coverage increased to 48% from 35% in 2008. In early 2009, MTN South Africa agreed with other operators to build a joint 5 000km national fibre-optic network to connect the major centres across South Africa. Work has since begun with the Gauteng north ring expected to be completed by July 2010.

IT systems

After experiencing problems with a number of the Company's IT systems in the year, MTN South Africa embarked on a three-year development plan to upgrade those systems responsible for tracking, reporting and billing of a customers' network use. Working closely with a new team, to whom the Company outsourced its IT in 2008, improvements to the stability of various legacy systems have been made. Tools for better monitoring system performance have been implemented with the aim of ensuring a more versatile systems with better developed customer solutions. A command centre has also been commissioned in November to allow faster tracking and resolution of system issues.

In September the Company swapped out its wholesale billing system, replacing it with a new state-of-the-art solution. The call data network was also modified after delays in reporting data usage. Although many issues have been addressed, some remain unresolved. More work needs to be done to transform the current systems, with preparation being undertaken on numerous developments expected to go live over 2010/2011.

Undersea cables and data solutions

MTN South Africa secured access to more international broadband undersea cable capacity when SEACOM came online in mid-2009. Together with additional capacity and the economies of scale realised due to the merger of Verizon and MTN Network Solutions into MTN Business, the enlarged Company was able to reduce the cost of bandwidth to corporate customers by some 30%.

Products and services

The MTN Group's global sponsorship of the 2010 FIFA World Cup™ was used as a springboard for many MTN exclusive product launches in 2009, positively impacting the MTN brand. Similarly, the "Ayoba" summer campaign – through which MTN entrenched in local households the slang word for everything that is good – bolstered brand perception. The "Ayoba" advertisements have a strong local feel, stirring up excitement ahead of the soccer spectacle.

Among the various new products and services introduced in the year were the MTN Zone "100% Mahala" (free) promotion, and MTN Muziq starter pack and Muziq bundles, which give customers exclusive access to songs from South Africa's biggest hip hop groups. The Company also launched a domestic money transfer pilot in January 2009 using the MTN Mobile Money solution. The launch of BlackBerry® for prepaid TopUp customers and the reinforced focus on postpaid consumer BlackBerry® service offerings led to six-fold growth in the BlackBerry® base. MTN also launched the FIFA visitor starter pack which will enable MTN to capture a significant pool of sports tourists to South Africa in their home countries prior to the 2010 FIFA World Cup™.

There was growth of 75% in data traffic in 2009. This was helped by the successful deployment of various smartphone devices with enhanced web-orientated applications and messaging capabilities. More content became available on MTN Loaded, such as news and sports blips besides the regular content downloads.

Distribution

There was much progress made with regard to distribution channels in the year. These included the integration of retailers Cell Place and iTalk; the rebuilding or upgrading of more than 200 stores; and the closure and relocation of some retail outlets to more appropriate locations to better service customers. In the fourth quarter, MTN South Africa signed new distribution agreements with wholesalers and retailers to take into account the planned changes to mobile termination rates. In December, MTN South Africa set a new in-house record for the distribution of airtime.

People

Faced with the twin challenges of economic recession and fiercer competition, MTN South Africa undertook an aggressive exercise to realign the organisation behind the customer in 2009. In specific areas, it restructured jobs and was forced to make some retrenchments. By March 2010, MTN South Africa had reduced its workforce by some 400 permanent and 1 500 temporary/contract positions. This right-sizing, painful as it was, means the Company is now operating close to what it believes to be optimal headcount in the current circumstances. It is encouraging that in spite of the retrenchments, a recent customer satisfaction survey showed a measurable improvement in this important indicator.

Group chief operating officer's report *continued*

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South and East Africa region *continued*

MTN South Africa *continued*

Skills development remained a priority in the year, with employees attending various types of training, and 100 graduates participating in the graduate development programme. The Company understands the imperative of making South Africa a more equal society – socially, politically and economically. Accepting that everyone has a responsibility in this regard, MTN South Africa invests in training previously disadvantaged individuals and supports enterprise development through various programmes including preferential procurement. In 2009 it spent R9,07 billion with black-owned businesses, up from R5,3 billion in 2008.

Regulatory environment

The South African ICT regulatory environment underwent a number of changes in 2009. In January, a new licensing regime was established and new licences were issued to more than 350 organisations which are now entitled to provide their own telecoms infrastructure. MTN South Africa continues to engage with various parties, including the industry regulator ICASA and numerous governmental bodies. Key recent regulatory developments include:

- Following the conversion of MTN South Africa's mobile licence to an electronic communications network services licence and an electronic communications service licence in early 2009, new

licence fee regulations came into effect in April 2009. The new fee is 1,5% of gross profit, versus the 5% of net operating income paid previously.

- RICA came into effect in July 2009. Since then, MTN South Africa has been registering subscribers' personal details as required by the RICA provisions. Mobile operators have until end-December 2010 to complete the exercise.
- In 2009, MTN South Africa and a smaller competitor settled a dispute over interconnect fees for certain so-called community service telephones. As part of the settlement agreement, the competitor withdrew its complaint from the Competition Commission and the matter has been withdrawn by the Commission.
- Following the release of the draft facilities leasing guidelines by the regulator, MTN South Africa is awaiting the final regulations, expected this year.
- MTN agreed to a reduction in mobile termination rates together with its competitors in late 2009. The cut (to 89 cents from R1,25 during peak hours) took effect in March 2010. The regulator has released draft regulations relating to interconnection in April this year. MTN, together with other operators, has been given the opportunity to comment on regulations and is in constructive engagement with ICASA.

- The regulator has indicated that access to the appropriate spectrum required for LTE (long-term evolution) is destined for smaller players with 30% direct black equity ownership. MTN South Africa continues to engage with ICASA in this regard and is applying for frequency in terms of self-provisioning.

Outlook

The past year was one of the most difficult MTN South Africa has experienced, but the Company believes it has emerged the stronger. Retail sales figures indicate that consumer confidence remains weak, but the 2010 FIFA World Cup™ is expected to boost the economy, with a large inflow of foreign exchange also expected. MTN continues to engage customers around this event.

Further developing the data business will remain a priority, helped by the recent landing of the EASSy undersea fibre cable near Durban. The growth of MTN business is expected to continue, thereby improving MTN's competitive position in the rapidly converging mobile and ISP sectors. The Company's programme to modernise the network is almost complete. However, it will continue to invest in the national long-distance fibre network, the new metropolitan fibre network and the replacement of IT systems. It has earmarked capex for 2010 of R4,25 billion.

MTN South Africa intends to devote considerable energy to enhancing its relationships and communication with all stakeholders – from staff and customers to regulators and the government. Its energy-reduction and renewable energy efforts will remain a key focus, with progress being carefully monitored at the Kleinaarpen site and the tri-generation plant at the Johannesburg campus.