

MTN Group Limited

Reviewed Interim Results for the six months ended 30 June 2008

#### Highlights

Group subscribers up 53% to 74,1 million from June 2007

Revenue up 35% to R46,1 billion from June 2007

EBITDA up 29% to R19,6 billion from June 2007

Adjusted headline EPS up 26% to 408,5 cents from June 2007

#### Review of results

Against the background of increased investment in infrastructure and distribution to cater for ever increasing demand, the MTN Group Limited (MTN Group) delivered a sound performance in the six months to 30 June 2008, driven mainly by subscriber growth in increasingly competitive markets.

The Group reports operational performance by region, namely South and East Africa ("SEA"), West and Central Africa ("WECA") and Middle East and North Africa ("MENA").

The Group recorded strong revenue growth of 35% to R46,1 billion (30 June 2007: R34,2 billion). The WECA and SEA regions contributed 46% and 38% respectively of total Group revenue, and MENA the remaining 16%. This compares with 44% by WECA, 43% by SEA and 13% by MENA for the six months to June 2007. Included in these numbers is the positive effect of foreign currencies which, having strengthened against the Rand, contributed to the increase in Group revenue.

The Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 29% to R19,6 billion (30 June 2007: R15,2 billion). The WECA and SEA regions contributed 57% and 30% respectively of total Group EBITDA, and MENA the remaining 11%. This compares with 54% by WECA, 34% by SEA and 8% by MENA for the six months to June 2007. Included in these numbers is the positive effect of foreign currencies which, having strengthened against the rand, contributed to the increase in Group EBITDA.

The Group EBITDA margin reduced by 1,8 percentage points to 42,6% for the period ended 30 June 2008 (30 June 2007: 44,4%). MTN maintained EBITDA margins in Nigeria but margins in South Africa were lower by 2 percentage points when compared to the same period last year. The Group EBITDA margin dilution was due to a number of factors including increased investment in distribution and marketing, the benefits of which are expected to come through in future reporting periods; increased maintenance activities to improve network quality; rising fuel; site rental renewal costs and increased marketing spend. Excluding the high revenue share arrangements in Iran and Syria, the Group EBITDA margin would have been 46,0% (June 2007: 47,8%).

Notwithstanding the increase in the tax charge in Nigeria mentioned in the income statement analysis below, profit after tax ("PAT") increased by 11% to R7,0 billion compared to R6,3 billion for the six months to 30 June 2007.

Basic headline earnings per share ("HEPS") rose to 339,3 cents for the period, 12% above the 304,2 cents for the six months ended 30 June 2007.

Adjusted headline earnings per share increased to 408,5 cents for the period, 26% above the 324,7 cents for the six months ended 30 June 2007.

The Group recorded 74,1 million subscribers as at 30 June 2008, a 53% increase from the same period last year (48,2 million

subscribers) and a 21% increase from 61,4 million at 31 December 2007. In the six months from December 2007, subscribers in the WECA region increased by 16% to 32,5 million, in the SEA region by 9% to 21,0 million and the MENA region recorded a 47% increase to 20,6 million. The growth in the MENA region over the last six months was mainly driven by a 93% increase in subscribers in Irancell to 11,6 million. MTN consolidates only 49% of Irancell financials thereby diluting the impact on revenue and EBITDA growth.

The average revenue per user ("ARPU") has marginally declined in most operations, which is consistent with increased penetration into lower usage segments.

Income statement analysis

Group consolidated revenue increased by 35% to R46,1 billion (30 June 2007: R34,2 billion) driven largely by the 54% growth in subscribers since 30 June 2007. The increase in revenue was mainly driven by Nigeria, which increased revenue by 39% to R13,4 billion, and South Africa, which increased revenue by 18% to R15,4 billion when compared to the six-month period ending 30 June 2007. Syria, Ghana and Iran (MTN's share of 49% only) generated revenues of R2,9 billion, R2,8 billion and R1,9 billion respectively. Group EBITDA increased by 29% to R19,6 billion (30 June 2007: R15,2 billion) as a result of strong revenue growth.

The WECA region's EBITDA increased by 37% accounting for 57% of the Group's EBITDA. This was mainly driven by EBITDA from Nigeria. The SEA region contributed 30% to Group EBITDA, down 4% from 30 June 2007. The MENA region contributed 11% to Group EBITDA, up 3% from 30 June 2007.

The Group's EBITDA margin declined by 1,8 percentage points to 42,6% as compared to June 2007.

The Group depreciation and amortisation charge increased by R1,4 billion to R5,7 billion for the period ended 30 June 2008. R0,5 billion of this amount is attributable to additional capital expenditure for the network expansion in Nigeria where depreciation increased by 34% to R2,0 billion compared to the six-month period to 30 June 2007. Increased investment in South Africa, Iran and Sudan accounted for R0,3 billion of the increase. Net finance costs remained almost flat at R1,5 billion for the period ended 30 June 2008 in relation to the comparable period in the prior year. Net finance costs include interest expense of R2,8 billion (30 June 2007: R2,0 billion) and foreign exchange gains of R1,0 billion (30 June 2007: 2,0 billion). The higher finance costs mainly relate to the increased funding requirement for the ongoing expansion of network capacity in Nigeria. Included in the finance costs this period is R1,2 billion (MTN share R924 million) relating to the Nigeria put option(30 June 2007; R288 million and MTN Share R243 million).

The Group's Board 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 subsidiaries which provides them with the right to require the subsidiary to acquire their shareholding at fair value. The net impact is an increase in adjusted headline EPS of 46,4 cents; and The unwinding of previously reversed deferred tax asset in Nigeria, which increased the adjusted headline EPS by 22,8 cents. Adjusted headline EPS of 408,5 cents for the period under review compares favourably with adjusted headline EPS of 324,7 for the six months ended 30 June 2007.

The Group taxation charge increased by R2,4 billion compared to the six months ended June 2007. This relates mainly to the ending of pioneer status tax holiday in Nigeria in March 2007 resulting in a tax charge of R2,9 billion for the period under review as compared to R1,0 billion for the period ended June 2007. As provided by the commencement rule for the taxation of new business post pioneer status, taxable profit in Nigeria for the 12 months between April 2007 and March 2008 was effectively taxed twice. The implication of this is that taxable profits in Nigeria for the January to March 2008 period was taxed at 60% for company income tax and 4% for education tax.

MTN Group's effective tax rate increased from 33% in June 2007 to 44% in June 2008, mainly due to the tax effects in Nigeria noted above. This is expected to decrease to the high thirties for the year ending December 2008.

#### Balance sheet and cash flow

The Group's total assets increased by 26% to R146 billion compared with R116 billion at 31 December 2007. Property, plant and equipment increased by R10,7 billion from 31 December 2007.

Included in this increase is R5,2 billion relating to foreign currency translation movements. The increase in assets is mainly driven by infrastructure investment to increase network capacity and improve quality of service across all operations. For the six months ended 30 June 2008, Nigeria invested R3,9 billion, South Africa R1,8 billion, Ghana R0,8 billion and Sudan and Iran each invested R0,6 billion. Total capital expenditure for the Group was R10,3 billion as at 30 June 2008 (30 June 2007: R6,3 billion). Goodwill and intangible assets increased by 12% to R43,5 billion as compared to December 2007, mainly as a result of exchange rate movement of local currencies against the rand on the translation of Investcom LLC's goodwill.

Current assets increased by R13,1 billion to R46,6 billion as compared to December 2007. The increase is mainly attributable to the improvement in cash and cash equivalents of R10,0 billion to R27,6 billion and other current assets which increased by R3,1 billion to R19 billion. The increase in other current assets is mainly due to the movement in trade and other receivables. Trade and other receivables in South Africa increased by R0,1 billion to R6,4 billion, in Nigeria by R0,6 billion to R0,8 billion and in Iran by R1,4 billion to R1,7 billion.

Total interest-bearing debt increased by 21% to R40,6 billion as at 30 June 2008 (31 December 2007: R33,7 billion).

The increase is mainly attributable to Nigeria drawing down US\$865 million of the US\$2 billion unsecured facility during the six months ended 30 June 2008. A significant portion of the interest-bearing debt was originally used to fund the Investcom acquisition via MTN International (Mauritius). This debt includes R5 billion four-year bonds, R1,3 billion eight-year bonds, as well as syndicate facilities consisting of two five-year amortising loans of which US\$656 million and R6,1 billion remain respectively, and an undrawn revolving credit facility of US\$1,25 billion. R4 billion of the unproductive debt was repaid during the six months ended 30 June 2008, reducing it to R10,9 billion.

MTN Nigeria's debt increased by R7,4 billion to R12,4 billion due to the draw downs mentioned earlier. This facility comprises two tranches, namely the Naira equivalent of US\$1,6 billion and US\$400 million denominated in US\$. The company continues to draw down on this facility as it rolls out its network.

Irancell's debt increased by R1,1 billion to R4,5 billion, primarily as a result of funding its network rollout and other

operational and working capital requirements. The company continues to benefit from deferred payment facility arrangements with its equipment vendors for the sole purpose of funding the network rollout.

The Group's net debt as at 30 June 2008 was R13,0 billion (31 December 2007: R16,1 billion), reflecting the continued strong cash flow generation of the Group, notwithstanding the increased investment in infrastructure. Net debt to EBITDA annualised was 0,3 times for the period ended 30 June 2008. The Group's target is to reduce net debt to EBITDA to 0,4 times EBITDA by the end of 2008 financial year.

#### OPERATIONAL REVIEW

South Africa MTN South Africa performed well in a very competitive environment and despite the slowdown in consumer spending in many sectors due to rising interest rates, inflation and the rising fuel prices. Subscribers increased by 5% to 15,6 million in June 2008 from 14,8 million in December 2007. This was mainly due to strong growth in prepaid subscribers which grew 6% to 13 million and to a lesser extent the 4% growth in postpaid subscribers to 2,6 million.

The introduction of MTN Zone (a prepaid dynamic tariffing price plan) in February 2008 together with the continued impact of low denomination vouchers played a major role in the acquisition of prepaid subscribers. MTN Zone had 4,5 million users at the end of June 2008, of which 400 000 were estimated to be new connections. Average revenue per user (ARPU) of the prepaid segment remained stable at R92 while postpaid ARPU increased R9 to R405. The prepaid ARPU performance was positively influenced by the continued success of the low denomination vouchers and higher average usage by the subscribers that signed up for MTN Zone when compared with other prepaid subscribers. Blended ARPU, as a consequence of the movement in postpaid ARPU and increased contribution of prepaid subscribers, shows a decline by R4 to R145 from December 2007.

During the period additional nodes were introduced to increase capacity on the voice and data core networks of 25% and 30% respectively. SMS capacity was also increased by over 40%.

To improve the efficiency of the distribution channel, MTN South Africa acquired the remaining 51% shareholding of Cell Place (Proprietary) Limited and also exercised the right to acquire the remaining 51% of I-Talk (Proprietary) Limited, also a service provider. Both these transactions together with Verizon South Africa (Proprietary) Limited, an internet service provider, are subject to the Competition Commission approval.

Nigeria The Nigeria subscriber base increased 12% to 18,6 million subscribers from December 2007. ARPU declined slightly to US\$16 from US\$17 reported at the end of last year. The trend is in line with the increasing competitive environment and the deeper mobile penetration into the market, which is now at 31%. Market share marginally declined to 43% to 44% December 2007.

Aggressive network rollout continued during the first half of the year and 758 new BTS sites were integrated into the network and 494 3G sites are now live. Over 1 200 km of new microwave backbone routes are already in progress and shall be completed by the end of 2008.

Iran The Iran subscriber base grew 93% from December 2007 to 11,6 million subscribers. The aggressive subscriber acquisition rate can mainly be attributed to the Buy One Get One Free (BOGOF) campaigns, competitive sim pricing which lowered upfront cost of ownership, and attractive basic and promotional tariff plans.

Market share increased from 23% in December 2007 to 32% at the end of June 2008, while mobile penetration moved up from 37% to 50% over the same period.

Iran's ARPU declined marginally from US\$10 in December 2007 to US\$9 for this half-year period as the operation continued to attract low income subscribers.

During the half year period, 696 new BTS sites were rolled out bringing the total live sites to 2 649. At the end of June 2008, 454 cities have been covered by the network, of which 220 were switched on this year, and a total of 4 027 km of road coverage has been put on the ground (2 918 km at December 2007). Population coverage has increased from 50% in December 2007 to 57% in June 2008.

The operation now has seven established dealers of its products with 6 000 registered dealer outlets and 40 000 points of sale countrywide.

Ghana MTN Ghana recorded a 24% increase in subscribers to 4,9 million from December 2007. A combination of usage-based promotions, direct consumer engagements and network coverage expansion led to this performance. MTN Zone was successfully launched on 1 June. Market share remained at 52% as in December 2007, and the market environment is expected to become more competitive later in the year as new entrants join the industry. ARPU has declined by US\$1 to US\$14 from December 2007. The tariffs were adjusted in June 2008 to partly absorb the 6% CST revenue tax that was introduced effective 1 June 2008.

The company rolled out 483 new BTS sites and now has a total of 1 271 sites. One new switch and four new Base Station Controllers (BSC's) were also installed during the period.

Sudan The MTN Sudan subscriber base grew by almost 20 000 from December last year to 2,1 million subscribers. Stiff competition combined with the regulatory requirement to disconnect all prepaid subscribers with no personal information recorded resulted in lower connections and a high level of disconnections. A total of 1,1 million subscribers were disconnected during the beginning of the second quarter this year. Market share consequently declined from 28% end of last year to 25%. The results from MTN Sudan were not as expected but the situation is being appropriately addressed.

ARPU reduced by US\$5 to US\$7 from December 2007 as a consequence of both lower minute usage by subscribers and lower effective tariffs as all the players in the industry offered cheap on-net calls to ringfence their market shares.

A total of 191 BTS sites were rolled out during the six-month period and the core network capacity has been increased from 3 million to 4,1 million subscribers. Preparations for rollout of the network into the southern part of the country commenced in April 2008.

Syria MTN Syria now has 3,4 million subscribers, up 9% from December 2007. The growth was mainly driven by the reduction in connection fees and effective churn management. Market share increased from December 2007 by 1 percentage point to 46%.

ARPU for the period was US\$ 19, a reduction of US\$1 from the year ended December 2007. Penetration into the lower usage segments of the market and a 20% tariff reduction in the last quarter of 2007 were responsible for this drop.

During the period 239 new BTS sites were rolled out. The operation has been running a 3G trial project over the past 12 months and

has received governmental approvals for commercial launch of the services.

#### Prospects

Given the current developments in the global telephony market, the Group's prospects for the second half of 2008 remain positive in increasingly competitive markets. The major strategic priorities are:

actively seeking value-accretive expansion opportunities in emerging markets;  
ongoing infrastructure investment to ensure appropriate levels of capacity and quality of service;  
ensuring the Group is well positioned to benefit from a rapidly converging technology market; and  
optimise efficiencies in maintaining and improving competitive position.

For and on behalf of the Board

M C Ramaphosa  
(Chairman)

P F Nhleko  
(Group President and CEO)

Fairland  
28 August 2008

Certain statements in this announcement that are neither reported financial results nor other historical information are forward-looking statements, relating to matters such as future earnings, savings, synergies, events, trends, plans or objectives.

Undue reliance should not be placed on such statements because they are inherently subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results).

Unfortunately, the company cannot undertake to publicly update or revise any of these forward-looking statements, whether to reflect new information of future events or circumstances or otherwise.

Operational data 30 June 2008

	Subscribers ('000)	ARPU
South and East Africa	20 995	
South Africa	15 590	R145
Uganda	2 776	\$9
Botswana	885	\$13
Rwanda	834	\$11
Swaziland	457	\$15
Zambia	453	\$12
West and Central Africa	32 506	
Nigeria	18 565	\$16
Ghana	4 997	\$14
Côte d'Ivoire	3 030	\$11
Cameroon	3 106	\$12
Guinea Conakry	797	\$10
Benin	779	\$16
Congo Brazzaville	522	\$23
Liberia	407	\$16
Guinea Bissau	303	\$12
Middle East and North Africa	20 557	
Iran	11 593	\$9
Syria	3 375	\$19

Sudan	2 109	\$7
Yemen	1 725	\$8
Afghanistan	1 627	\$6
Cyprus	128	\$45
Total MTN	74 058	

#### Condensed consolidated balance sheets

	30 June 2008 Reviewed Rm	30 June 2007 Reviewed Rm	Change %	31 December 2007 Audited Rm
<b>ASSETS</b>				
Non-current assets	98 963	79 330	24,7	82 085
Property, plant and equipment	50 125	33 954	47,6	39 463
Goodwill and other intangible assets	43 450	40 524	7,2	38 797
Investments in associates	52	78	(33,3)	60
Deferred income tax assets	945	2 335	(59,5)	1 332
Loans and other non-current receivables	4 391	2 439	80,0	2 433
Current assets	46 585	26 574	75,3	33 501
Cash and cash equivalents	27 058	12 744	112,3	16 868
Restricted cash	524	622	(15,8)	739
Other current assets	19 003	13 208	43,9	15 894
Total assets	145 548	105 904	37,4	115 586
<b>Equity and liabilities</b>				
Shareholders' equity	67 228	47 033	42,9	51 502
Share capital and reserves	63 112	43 207	46,1	47 315
Minority interests	4 116	3 826	7,6	4 187
Non-current liabilities	34 075	28 661	18,9	29 114
Borrowings	29 313	24 531	19,5	23 007
Deferred income tax liabilities	3 812	2 753	38,5	2 676
Other non-current liabilities	950	1 377	(31,0)	3 431
Current liabilities	44 245	30 210	46,5	34 970
Put option	3 258	—	—	—
Non-interest-bearing liabilities	29 737	20 287	46,6	24 320
Interest-bearing liabilities	11 250	9 923	13,4	10 650
Total equity and liabilities	145 548	105 904	37,4	115 586

#### Segmental analysis

	Six months ended	Six months ended	Financial year ended
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	30 June 2008 Reviewed Rm	30 June 2007 Reviewed Rm	31 December 2007 Audited Rm
<b>REVENUE</b>			
South and East Africa	17 609	14 556	31 453
West and Central Africa	21 132	15 053	30 843
Middle East and North Africa	7 324	4 575	10 779
Head office companies	63	22	70
	46 128	34 206	73 145
<b>EBITDA</b>			
South and East Africa	5 905	5 163	11 328
West and Central Africa	11 174	8 162	16 601
Middle East and North Africa	2 161	1 163	2 529
Head office companies	407	713	1 387
	19 647	15 201	31 845
<b>PAT</b>			
South and East Africa	3 162	2 684	6 155
West and Central Africa	3 985	4 264	6 529
Middle East and North Africa	636	189	730
Head office companies	(819)	(832)	(1 498)
	6 964	6 305	11 916

#### Condensed consolidated income statements

	Six months ended 30 June 2008 Reviewed Rm	Six months ended 30 June 2007 Reviewed Rm	Change %	Financial year ended 31 December 2007 Audited Rm
Revenue	46 128	34 206	34,9	73 145
Direct network operating costs	(5 891)	(3 932)	49,8	(8 525)
Cost of handsets and other accessories	(2 447)	(1 992)	22,8	(5 524)
Interconnect and roaming	(6 225)	(4 747)	31,1	(9 997)
Employee benefits	(2 167)	(1 560)	38,9	(3 379)
Selling, distribution and marketing expenses	(6 368)	(4 655)	36,8	(9 071)
Other expenses	(3 383)	(2 118)	59,7	(4 804)
Depreciation and amortisation	(5 714)	(4 309)	32,6	(8 973)
Net finance costs	(1 499)	(1 491)	0,5	(3 173)
Share of results of associates after tax	2	5	(60,0)	8
Profit before	12 436	9 406	32,2	19 707

income tax				
Income tax expense	(5 472)	(3 101)	76,5	(7 791)
Profit after tax	6 964	6 305	10,5	11 916
Attributable to:	6 964	6 305	10,5	11 916
Equity holders of the company	6 240	5 555	12,3	10 608
Minority interests	724	750	(3,5)	1 308
Earnings per ordinary share (cents) attributable to equity holders of the company				
- basic	334,6	298,6	12,1	569,9
- diluted	326,6	286,2	14,1	559,2
Dividends per share (cents)	136,0	90,0	51,1	90,0

#### Condensed consolidated statements of changes in equity

	Six months ended 30 June 2008 Reviewed Rm	Six months ended 30 June 2007 Reviewed Rm	Financial year ended 31 December 2007 Audited Rm
Opening balance	51 502	42 729	42 729
Net profit attributable to equity holders of the company	6 240	5 555	10 608
Dividends paid	(5 165)	(2 702)	(3 387)
Issue of share capital	8	14	60
Transactions with minorities	4 076	200	—
Disposal of non-controlling interest	907	—	294
Purchase of controlling interest	—	—	192
Minorities' share of profits and reserves	724	750	1 308
Shareholders' revaluation reserve	153	259	565
Share-based payment reserve	6	11	92
Cancellation of MTN Cote d'Ivoire put option	54	—	—
Cash flow hedging reserve	(8)	—	30
Conversion of shareholders' loans to preference shares	—	—	(192)
Currency translation differences	8 731	217	(797)
	67 228	47 033	51 502

#### Condensed consolidated cash flow statements

	Six months ended 30 June 2008 Reviewed	Six months ended 30 June 2007 Reviewed	Financial year ended 31 December 2007 Audited
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	Rm	Rm	Rm
Cash inflows from operating activities	12 988	9 408	25 850
Cash outflows from investing activities	(7 444)	(7 170)	(17 152)
Cash in/(out)flows from financing activities	3 209	41	(2 135)
Net movement in cash and cash equivalents	8 753	2 279	6 563
Cash and cash equivalents at beginning of period	15 546	9 008	9 008
Effect of exchange rate changes	1 705	9	(25)
Cash and cash equivalents at end of period	26 004	11 296	15 546

#### Notes to the condensed consolidated financial statements

##### 1. Independent review by the auditors

These condensed consolidated results have been reviewed by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsaluba vsp, who have performed their review in accordance with the International Standard on Review Engagements 2410. A copy of their unqualified review report is available for inspection at the registered office of the company.

##### 2. General information

MTN Group Limited (the "Group") carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associate companies.

##### 3. Basis of preparation

The condensed consolidated interim financial information ("interim financial information") announcement was prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 - Interim Financial Reporting and in compliance with the Listing Requirements of the JSE Limited and the South African Companies Act (1973), on a consistent basis with that of the prior period.

##### 4. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

##### 5. Headline earnings per ordinary share

The calculations of basic and adjusted headline earnings per ordinary share are based on basic headline earnings of R6 328 million (June 2007: 5 660 million) and adjusted headline earnings of R7 618 million (June 2007: R6 040 million) respectively, and a weighted average number of ordinary shares in issue of 1 864 911 (June 2007: 1 860 430).

Reconciliation between net profit attributable to the equity holders of the company and headline earnings

Six months ended	Six months ended	Financial year ended
30 June 2008	30 June 2007	31 December 2007
Reviewed	Reviewed	Audited
Rm	Rm	Rm
Net**	Net**	Net**

Net profit attributable to equity holders of the company	6 240	5 555	10 608
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(1)	32	61
Impairment of property, plant and equipment	89	73	173
Other impairments	—	—	44
Basic headline earnings	6 328	5 660	10 886
Adjustment:			
Reversal of deferred tax asset	—	(223)	(223)
Reversal of the subsequent utilisation of deferred tax asset	425	436	1 664
Reversal of put option in respect of subsidiary			
- Fair value adjustment	520	132	262
- Finance costs	404	111	210
- Minority share of profits	(59)	(76)	(106)
Adjusted headline earnings	7 618	6 040	12 693
Reconciliation of headline earnings per ordinary share (cents)			
Attributable earnings per share (cents)	334,6	298,6	569,9
Adjusted for:			
(Profit)/loss on disposal of property, plant and equipment	(0,1)	1,7	3,3
Impairment of property, plant and equipment	4,8	3,9	9,3
Other impairments	—	—	2,4
Basic headline earnings per share (cents)	339,3	304,2	584,8
Reversal of deferred tax asset	—	(12,0)	(12,0)
Reversal of the subsequent utilisation of deferred tax asset	22,8	23,5	89,4
Reversal of put option in respect of subsidiary	46,4	9,0	19,7
Adjusted headline earnings per share (cents)	408,5	324,7	681,9
Contribution to adjusted headline earnings per ordinary share (cents)			
South and East Africa	165,9	144,0	329,2

West and Central Africa	261,0	217,3	410,6
Middle East and North Africa	25,5	1,7	22,2
Head office companies	(43,9)	(38,3)	(80,1)
	408,5	324,7	681,9

Number of ordinary shares in issue:

- Weighted average (000)	1 864 911	1 860 430	1 861 455
- At period end (000)	1 865 354	1 861 208	1 864 798

\*\* Amounts are stated after taking into account minority interests.

Adjusted headline earnings adjustments

Deferred tax asset

The Group's subsidiary in Nigeria had been granted a five-year tax holiday under "pioneer status" legislation. On 31 March 2007 MTN Nigeria exited "pioneer status", and from 1 April 2007 became subject to income tax in Nigeria. A deferred tax asset of R2,5 billion was created during "pioneer status" in respect of capital allowances on capital assets that are only claimable after the company comes out of "pioneer status". The above resulted in the commencement of the reversal of the deferred tax asset shown as an adjustment of R542 million (June 2007: R515 million) (R425 million excluding minorities (June 2007: R436 million) to the adjusted headline earnings figure.

As previously disclosed, although the Group has complied with the requirements of IAS 12 in this regard, the Board of Directors has reservations about the appropriateness of this treatment in view of the fact that no cognisance may be taken in determining the value of such deferred tax assets for uncertainties arising out of the effects of the time value of money or future foreign exchange movements. The Board therefore resolved to report adjusted headline earnings (negating the effect of the deferred tax asset) in addition to basic headline earnings, to more fully reflect the Group's results for the period.

Put option in respect of subsidiary

"IFRS requires the Group to account for a written put option held by a minority shareholder of one of the Group subsidiaries, which provides them with the right to require the subsidiary to acquire their shareholdings at fair value. Prior to the implementation of IFRS the shareholding was treated as a minority shareholder in the subsidiary as all risks and rewards associated with these shares, including dividends, currently accrue to the minority shareholders.

IAS 32 requires that in the circumstances described in the previous paragraph:

- the present value of the future redemption amount be reclassified from equity to financial liabilities and that financial liability so reclassified subsequently be measured in accordance with IAS 39;
- in accordance with IAS 39, all subsequent changes in the fair value of the liability together with the related interest charges arising from present valuing the future liability be recognised in the income statement; and
- the minority shareholder holding the put option no longer be regarded as a minority shareholder but rather as a creditor from the date of receiving the put option.

Although the Group has complied with the requirements of IAS 32 and IAS 39 as outlined above, the Board of Directors has

reservations about the appropriateness of this treatment in view of the fact that:

- (a) the recording of a liability for the present value of the future strike price of the written put option results in the recording of a liability that is inconsistent with the framework, as there is no present obligation for the future strike price;
- (b) the shares considered to be subject to the contracts are issued and fully paid up, have the same rights as any other issued and fully paid up shares and should be treated as such; and
- (c) the written put option meets the definition of a derivative and should therefore be accounted for as a derivative in which case the liability and the related fair value adjustments recorded through the income statement would not be required."

	30 June 2008 Reviewed Rm	30 June 2007 Reviewed Rm	31 December 2007 Audited Rm
6. Capital expenditure incurred	10 311	6 256	15 348
7. Contingent liabilities and commitments			
Contingent liabilities	1 013	610	957
Operating leases	917	1 490	955
Finance leases	1 393	608	581
Other	84	—	373
8. Commitments for property, plant and equipment and intangible assets			
- Contracted for	12 686	7 022	8 671
- Authorised but not contracted for	11 816	8 446	21 910
9. Cash and cash equivalents			
Bank balances, deposits and cash	27 058	12 744	16 868
Call borrowings	(1 054)	(1 448)	(1 322)
	26 004	11 296	15 546
10. Interest-bearing liabilities			
Call borrowings	1 054	1 448	1 322
Short-term borrowings	10 196	8 475	9 328
Current liabilities	11 250	9 923	10 650
Long-term liabilities	29 313	24 531	23 007
	40 563	34 454	33 657

#### 11. Other non-current liability

The put option in respect of the subsidiary arises from an arrangement whereby the minority shareholders of the Group's subsidiary have the right to put their remaining shareholding in the subsidiary to Group companies.

On initial recognition, the put option was fair valued using effective interest rates as deemed appropriate by management. To the extent that the put option is not exercisable at a fixed strike price the fair value will be determined on an annual basis

with movements in fair value being recorded in the income statement.

In January 2008, the MTN Cote d'Ivoire put option, amounting to R474 million, was cancelled. Upon cancellation the outstanding balance was transferred to equity. There was no effect on profit and loss.

12. The disposal of 5,96% of MTN Nigeria Communications Limited In February 2008, the legal shareholding in MTN Nigeria Communications Limited, a telecommunications company incorporated in Nigeria, was reduced from 82,04% to 76,08%, for ZAR 4660 million. The transaction did not result in loss of control.

Carrying value on  
disposal date

Rm

The assets and liabilities sold are:

Cash and cash equivalents	282
Property, plant and equipment	1 065
Intangibles	187
Investment in subsidiary	2
Net deferred tax assets	7
Non-current prepayments	3
Inventories and receivables	129
Payables	(439)
Other non-current liabilities	(3)
Borrowings	(326)
Net assets disposed of	907
Consideration received	4 660
Net assets disposed of	907
Profit on disposal included in equity on consolidation	3 753

13. Comparative amounts

During the period under review certain operating expenses and cost allocations from head office companies in respect of the prior year were reclassified to ensure consistency with the current year classification. These reclassifications were done to achieve better comparability.

Registration number: 1994/009584/06 ISIN code: ZAE 0000 42164

Share code: MTN

Directorate: MC Ramaphosa (Chairman), PF Nhleko\* (Group President and CEO), DDB Band, RS Dabengwa\*, KP Kalyan, AT Mikati, RD Nisbet\*, MJN Njeke, JHN Strydom, AF van Biljon, J van Rooyen \*Executive

Company secretary: SB Mtshali, 216 - 14th Avenue, Fairland, 2195. Private Bag 9955, Cresta, 2118

Registered office: 216 - 14th Avenue, Fairland, 2195

American Depository Receipt (ADR) programme: Cusip No. 62474M108

ADR to ordinary share 1:1

Depository: The Bank of New York, 101 Barclay Street, New York NY 10286, USA

Office of the South African registrars: Computershare Investor Services (Proprietary) Limited

(Registration number: 2004/003647/07). 70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107

Joint auditors: PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill, 2157. Private Bag X36, Sunninghill, 2157 and SizweNtsaluba vsp, 20 Morris Street East, Woodmead, 2146.

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