

MTN Group Limited

Final audited results for the year ended 31 December 2009

#### Highlights

Group subscribers up 28% to 116,0 million

Revenue up 9,2% to R111,9 billion

EBITDA up 6,7% to R46,1 billion

Adjusted Headline EPS down 16.6% to 754,3 cents

Adjusted Headline EPS, excluding the impact of functional currency losses, up 8,5% to 878,9 cents

Dividend per share of 192 cents

#### Overview

MTN Group revenues increased by 9,2% to R111,9 billion and earnings before interest, tax and depreciation ("EBITDA") by 6,7% to R46,1 billion based on a sound operational performance for the year ended 31 December 2009. Movements in exchange rates in the year, mainly in the South African Rand ("ZAR") and Nigerian Naira ("NGN"), had a substantially negative impact on the Group's financial results. To illustrate this, had there been no change in currency rates during the year, reported revenues at year end would have been 11 percentage points higher, and EBITDA 12 percentage points above that reported. Adjusted headline earnings per share ("EPS") decreased by 16,6% to 754.3 cents and, excluding the impact of the functional currency losses, increased by 8,5% to 878.9 cents. The solid performance of MTN operations in most of the countries in which the Group has a presence was achieved despite economic challenges, increased regulatory changes and growing competition.

Continued delivery in accordance with an aggressive network rollout strategy remained key throughout 2009, enabling MTN to maintain or improve its market share in most of its operations. Better distribution and a focus on segmental product offerings were other contributory factors. As a result, subscribers increased by 28,0% to 116,0 million for the period under review, indicating a continuing demand for mobile services in countries where mobile penetration is still relatively low.

MTN initiated several Group projects during 2009 which are being rolled out through most operations. Although many of these projects are still in progress, this Group-wide approach allows MTN to differentiate itself from the competition, thereby ensuring a stronger brand and product preference whilst leveraging its regional footprint. These projects include the following:

A coordinated effort to improve operational efficiencies through centralised procurement, best practice guidelines for site build, network management, safety and activity based costing.

Continued investments in Internet Service Providers ("ISP") across all regions have been made to ensure that MTN is favourably positioned. MTN South Africa acquired Verizon Business South

Africa (Pty) Ltd in early 2009 and successfully integrated the company with Network Solutions. The combined entity was launched in September 2009 with a key focus on converged services to the corporate segment. It is envisaged that MTN Business, although South African based, will provide a Pan-African opportunity to service the corporate sector across and beyond MTN's footprint.

MTN has committed in excess of USD191 million in various submarine cables to ensure high-speed connectivity and improved quality and capacity of voice and data offerings. These include the East Africa submarine cable ("EASSy"); the Europe India gateway ("EIG"); SAT-3/SAFE; the East Africa Marine system ("TEAMS") and the West Africa Cable System ("WACS").

With an initial focus on money transfers, Mobile Money has been launched to date in South Africa, Uganda, Rwanda, Ghana, Côte d'Ivoire, Benin and Yemen. The success of MTN Uganda, which was first to launch the new service in March 2009, is indicative of the scale of the opportunity: to date, Uganda has more than 680,000 Mobile Money subscribers.

There have been many regulatory changes within the telecommunications industry over the past year, particularly focused on SIM registration and reductions in Mobile Termination Rates ("MTR"). Constructive and early engagement with regulatory authorities by management teams have ensured that MTN's operations have been generally well prepared for compliance with the regulatory changes implemented in 2009, and will be for those to follow in 2010.

#### Group financial review

##### Income statement

MTN Group revenues increased by 9, 2% to R111,9 billion, largely driven by subscriber growth. The movements in foreign currencies, when compared to December 2008, had a negative impact on reported revenue of R10,9 billion or 11 percentage points, as a strong ZAR eroded foreign earnings.

The Group's EBITDA increased by 6,7% to R46,1 billion for the year. When compared to December 2008, the fluctuation in foreign exchange rates had a negative impact on reported EBITDA of R5,1 billion, or 12 percentage points. The one percentage point reduction in EBITDA margin was mainly due to an increase in the revenue share costs in Syria, as well as the impact of reducing fixed to mobile interconnect traffic and the integration and outsourcing costs in South Africa.

Currency movements affect the income statement through translated earnings, functional currency adjustments and the effect of the written put option held by a minority shareholder in MTN's Nigerian subsidiary. The ZAR closed 21% stronger at R7,39 to the USD on the 31 December 2009, compared to the closing rate of R9,35 the year before, R9,49 in March 2009 and R7,72 in June 2009.

Translation of earnings affected by movements in the various local currencies to the USD was compounded in the second half of the year by the strong ZAR.

Net finance costs increased by 203% to R5, 8 billion for the year. This was mainly due to the ZAR/USD exchange rate which, as explained above, significantly affects a large proportion of MTN's assets and liabilities denominated in a currency other than the entities' reporting currency. These foreign-denominated assets and liabilities resulted in a functional currency loss for the period of R3,2 billion compared to the R2,4 billion foreign currency gain at the end of December 2008 - a swing of R5,6 billion. Much of the loss is attributable to foreign currency denominated loans, receivables and cash balances in Mauritius (a ZAR reporting entity). In addition, the put option effect on the income statement was a credit of R701 million (June 2009: R1 billion credit and December 2008: R1,2 billion debit), mainly as a result of the depreciation in the NGN/USD exchange rate.

The depreciation charge increased by 18, 8% to R11,8 billion mainly as a result of an increase in the Group's depreciable infrastructure assets.

Minority interests increased by 38% to R2,5 billion, compared to R1,8 billion at 31 December 2008.

The Group's effective taxation charge for the year reduced from 39,9% to 33,4%, for the comparable period. This was mainly due to the end of the commencement period following the tax holiday in Nigeria in 2008 and the financial effect of the put option. The 24% reduction in tax and the resultant reduction in the effective tax rate were not sufficient to offset an 18, 8% increase in depreciation, a 203% increase in net finance costs and a 38% increase in minority interests, and the overall result was a decrease in the Group's attributable EPS of 3,6% and adjusted headline EPS of 16,6% to 791,4 and 754,3 cents respectively, when compared to the prior year.

The impact of the reversal of the put option on adjusted headline EPS was a debit of 48,9 cents, while functional currency losses on the revaluation of assets and liabilities due to the strong ZAR was a debit of 124,6 cents. Adjusted headline EPS excluding the impact of the functional currency losses of 124,6 cents increased by 8,5% to 878.9 cents for the year.

The Group continues to report adjusted headline earnings per share in addition to the attributable headline EPS. The adjustment is in respect of the IFRS requirement that the Group accounts for a written put option held by a minority shareholder of one of the Group's subsidiaries, which gives the minority shareholder the right to require the subsidiary or its holding company to acquire this shareholding at fair value. Although the Group has complied with the IFRS requirements, the board of directors (the board) has

reservations about the appropriateness of this interpretation and hence the adjustment.

#### Balance sheet and cash flow analysis

MTN's extensive network expansion and investment strategy resulted in capital expenditure for the year of R31,2 billion, a 10,6% increase on 2008. The final amount spent was lower than the R42 billion approved during the year due to a R7,2 billion expenditure rollover into 2010 and the stronger rand, which led to a R3,5 billion saving on capital expenditure. We expect 2009 to have been our peak year for capital expenditure. The approved budget for 2010 is R23,6 billion (including rollover capex), 44% lower than the 2009 amount.

Cash generated from operating activities increased to R36, 3 billion from R34, 2 billion, reflecting another strong operational performance. MTN continued to reduce its borrowings, with net debt down marginally from R12,9 billion in 2008 to R12,2 billion in 2009, resulting in lower cash balances. The lower borrowings and cash balances were also partially due to the impact of foreign currency translation.

During the year, MTN Group concluded the acquisition of 100% of Verizon South Africa (Pty) Ltd (in February 2009) and 59% of iTalk Cellular (Pty) Ltd (in January 2009), increased its stake in MTN Uganda from 95% to 97% (in October 2009) and acquired a 20% stake in Belgacom International Carrier Services (in November 2009) in exchange for selling 100% of its own international carrier service business. The Group also completed a private placement of 2,2% of MTN Zambia (in January 2009) and the sale of its 50% stake in DMTV Africa (in January 2009). The unwinding of black empowerment vehicle Newshelf resulted in a 1,6% reduction in the number of shares in issue.

#### Operational review

##### South Africa

MTN's South African operations had a challenging 2009. External challenges as the country went through a recession in the first half of the year, combined with maturing market conditions and increased regulation of the industry were compounded by difficulties experienced with the outsourcing of various critical IT functions. High churn and lower gross connections in the prepaid segment resulted in a 6,4% reduction in subscriber numbers to 16,1 million at 31 December 2009. The lower gross connections were a consequence of the implementation of new industry regulations (RICA). In line with RICA, mobile operators have to register subscribers' personal details and to date MTN has collected the details of 5,5 million prepaid customers. The postpaid segment was not affected to the same degree by the RICA requirements, and showed subscriber growth of 9,8%, mainly because of the increasing use of hybrid packages.

MTN South Africa's revenue increased modestly by 3,1% to R33,1 billion for the year to 31 December 2009, indicating that those prepaid subscribers lost during the RICA process were not as meaningful to revenue. Consequently, prepaid Average Revenue per User per month ("ARPU") increased by R3 to R100 at December 2009, despite the disconnection of 1,4 million prepaid subscribers, as customers who remained on the network continued to spend. Lower post-paid ARPU, which decreased by R38 to R365, was mainly due to lower out-of-bundle usage and migrations to lower-value packages, reflecting slowing consumer spending within the more formal economy.

The EBITDA margin decrease of 1,7 percentage points to 31,4% at 31 December 2009 was mainly a result of increased distribution costs, following the integration of i-Talk Cellular and Cell Place as well as the impact of lower fixed to mobile traffic.

MTN South Africa continued to make substantial investments in its network to improve capacity and increase 3G coverage. Capacity increased by 12% on 2G and 22% on 3G networks with the integration of 496 2G and 659 3G base transceiver stations ("BTS's"), while the 3G population coverage increased from 35% in December 2008 to 48% in December 2009. The deployment of 5 000 km of national fibre continued throughout 2009 with 245 km completed along the Gauteng-Durban route. The southern and northern rings of the Gauteng fibre projects are expected to be completed by July 2010.

Although some progress has been made on improving the various IT functions, further improvements are required. Increased management attention is also being given to support systems, including customer care and call centres, in order to cope with the challenges.

## Nigeria

MTN Nigeria performed well for the period under review. The large capital investment made to improve network quality and capacity together with the efficient restructure of the sales and distribution channel have allowed MTN Nigeria to grow subscribers by 34% to 30,8 million at the end of December 2009, and increase its market share to 49,6%.

Although local currency revenue increased by 30,0% for the period, in line with subscriber growth, this translated into a much smaller 5,6% growth in rand terms to R33,3 billion at December 2009, due to ZAR strength in the second half of the year compounding NGN weakness in the first half. ARPU in local currency reduced by 9,6%. This translated into a USD4 decline from December 2008 to USD12, which was unchanged from the figure reported for June 2009 as the NGN stabilised in the second half of the year. The decline in ARPU from December 2008 to June 2009 was mostly the result of the depreciation of the NGN against the USD. Local currency ARPU declined in line with increased penetration into

lower-usage segments and - to a lesser extent - pressure on consumer spending.

The EBITDA margin increased by 1,5 percentage points to 59,3% at December 2009, mainly due to strong overall cost savings and in particular an 18% decline in the price of fuel.

High network rollout and investments made to improve the quality and capacity of the network continued throughout 2009. MTN Nigeria added 1,220 BTS's during the period, bringing the total BTS count to 5,996 at December 2009. 561 3G sites were rolled out during the year, completing phase 2 of the 3G rollout plan. MTN's data propositions gained momentum, with 25,363 active Blackberry® subscribers at the end of December 2009 and 78,331 data modems being sold during the year. Some 1,562 km of new backbone and 110 km of metro fibre were introduced during the year. The WACS submarine cable consortium, of which MTN is a member, has been granted a landing licence in Nigeria.

#### Ghana

MTN Ghana increased its subscribers by 24% to 8 million for the year ended 31 December 2009. Improvements in network quality and capacity, enhanced value propositions, the MTN Zone offering as well as loyalty programmes have enabled MTN Ghana to maintain its market share of 55%, despite fierce competition. An increased distribution footprint also contributed to the maintenance of market share.

Although local currency revenue increased by 25,1% for the period, significantly ahead of subscriber growth, this translated into a 6,3% decline in revenue in rand terms to R5,7 billion at December 2009 due to the combination of ZAR strength in the second half of the year and weakness in the Ghanaian cedi ("GHC"), particularly in the first half of the year.

ARPU in local currency was stable from June 2009. This translated to a decrease to USD8 at the end of December following the stabilisation of the GHC against the USD in the second half of the year.

MTN Ghana showed a 0,1 percentage point decline in its EBITDA margin to 45,3%, mainly as a result of the increase in site rentals in line with network expansion.

MTN Ghana rolled out 729 2G and 531 3G additional BTS's for the year. 3G mobile broadband services, including the internet SIM launch and MTN Loaded, have been introduced to both the consumer and corporate segments. At the end of December 2009, there were approximately 1 million unique hits on MTN Loaded.

#### Iran

MTN Irancell recorded strong subscriber growth of 45% to 23,3 million in 2009, increasing its market share to 40%. This was a

result of continued attractive acquisition promotions such as a reduction in the price of SIM starter packs, as well as loyalty programmes and bonus discount products.

Revenue in local currency increased by 60% for the period, significantly ahead of subscriber growth, and this translated into a 54,5% increase in revenue in rand terms. MTN's 49% share of MTN Irancell's revenue was R7,6 billion at December 2009. ARPU declined by USD1 to USD8 at December 2009, in line with deeper mobile penetration.

MTN Irancell's EBITDA margin increased by 4,7 percentage points to 34,9% for the year. This was attributable to cost optimisation from using single-vendor maintenance, locally manufactured recharge vouchers, as well as a focus on general cost control and scale efficiencies.

Aggressive rollout continued during 2009, increasing the operation's coverage of Iranian cities and roads. A total of 1 429 towns and cities and an additional 4 996 km of roads were covered during 2009, although network quality still remains a priority in Tehran, Tabriz and Esfahan. WiMax was successfully launched in December 2009, with a coverage centred on high-density areas, mainly Tehran and Esfahan. A total of 328 WiMax sites have been integrated.

#### Syria

MTN Syria increased its subscribers by 20% to 4,2 million at December 2009. The uptake in subscribers gained momentum in the second half of the year, owing to the success of various promotions which included MTN Gold, per-second billing, as well as segmental product offerings to the youth. These value propositions enabled MTN Syria to increase market share from June to 45% at December 2009.

Local currency revenue increased by 8,2% for the period, slower than subscriber growth, and this translated into a 7,4% increase in revenue in rand terms to R7,0 billion at December 2009. ARPU decreased by USD1 over the period to USD18. The EBITDA margin decreased by 8,5 percentage points to 19,7% as a result of the full year impact of the revenue share increase in June 2008.

Network expansion and upgrades continued throughout the year, but remain constrained by the Build, Operate and Transfer (BOT) contract under which the business operates. Completed network achievements and efficiencies include the outsourcing of site maintenance, the implementation of a new network management system and transmission expansion and optimisation.

#### Succession

Phuthuma Nhleko will not be renewing his long term contract as Group President and CEO which ends on 30 June 2010. He has, however, agreed to continue in his current role up to March 2011

focusing on certain key objectives including the seamless transition to a successor over this period. A board process is underway to appoint his successor.

The board particularly wishes to record its admiration and appreciation for Phuthuma's outstanding leadership role in building MTN into a major global telecommunications company in his tenure with the Group.

#### Prospects

Competition across MTN's footprint is likely to continue to increase and whilst economies remain fragile, there are tentative signs of a recovery in economic activity. MTN remains focused on:

Actively seeking value-accretive expansion opportunities in emerging markets to reduce concentration risk and leverage economies of scale;

Monitoring infrastructure investments to ensure appropriate levels of capacity and quality of service. The continued investment in fibre and cable requirements to service evolving voice and data requirements;

Optimising efficiencies including infrastructure sharing, standardisation of systems and processes, rationalisation of suppliers, cost management and cash optimisation;

Continued engagement with regulatory authorities in the development and refinement of the telecommunications sector; and

The implementation of MTN's BEE transaction.

#### Subscriber net addition guidance for 2010

South Africa	800 000
Nigeria	6 000 000
Ghana	800 000
Iran	5 000 000
Syria	400 000
Rest	7 000 000
	20 000 000

#### Dividends

Shareholders are advised that a cash dividend of 192 cents per ordinary share in respect of the period 31 December 2009 has been declared, in line with the board's belief that some relaxation in its dividend policy is appropriate. The dividend is payable to shareholders recorded in the register of the MTN Group at the close of business on Friday, 9 April 2010. In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE, the MTN Group has determined the following salient dates for the payment of the dividend:

Last day to trade cum dividend                      Wednesday, 31 March 2010

Shares commence trading ex dividend	Thursday, 1 April 2010
Record date	Friday, 9 April 2010
Payment of dividend	Monday, 12 April 2010

Share certificates may not be dematerialised or rematerialised between Thursday, 1 April 2010 and Friday, 9 April 2010, both days inclusive.

On Monday, 12 April 2010, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility. In respect of those who do not use this facility, cheques dated Monday, 12 April 2010 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 12 April 2010.

Condensed consolidated income statement  
for the year ended 31 December 2009

	31 December 2009	31 December 2008	% change
	Audited Rm	Audited Rm	
Revenue	111 947	102 526	9,2
Direct network operating costs	15 925	14 140	(12,6)
Handsets and other accessories	6 297	5 985	(5,2)
Interconnect and roaming	15 166	13 217	(14,7)
Employee benefits	5 843	4 776	(22,3)
Selling, distribution and marketing expenses	14 649	13 274	(10,4)
Other expenses	8 004	7 968	(0,5)
Depreciation	11 807	9 939	(18,8)
Amortisation of intangible assets	2 668	2 820	5,4
Net finance costs	5 810	1 917	(203,1)
Share of results of associates (net of tax)	(5)	—	—
Profit before income tax	25 773	28 490	(9,5)
Income tax expense	8 612	11 355	24,2
Profit after tax	17 161	17 135	0,2
Attributable to:	17 161	17 135	0,2
Equity holders of the company	14 650	15 315	(4,3)
Minority interests	2 511	1 820	(38,0)
Earnings per ordinary share (cents) attributable to equity holders of the company			
- basic	791,4	821,0	(3,6)
- diluted	781,5	806,1	(3,1)
Dividends per share (cents)	181,0	136,0	33,1

Condensed consolidated statement of comprehensive income  
for the year ended 31 December 2009

	31 December 2009	31 December 2008	
	Audited	Audited	%
	Rm	Rm	change
Profit for the year	17 161	17 135	0.2
Other comprehensive income:			
Exchange differences on translating foreign operations	(17 700)	13 191	(234,2)
Cash flow hedges	(191)	138	(238,4)
Total comprehensive (loss)/income for the period	(730)	30 464	(102,4)
Attributable to:			
Equity holders of the company	(2 509)	27 341	(109,2)
Minority interests	1 779	3 123	(43,0)
	(730)	30 464	(102,4)

Condensed consolidated balance sheet  
at 31 December 2009

	31 December 2009	31 December 2008	
	Audited	Audited	%
	Rm	Rm	change
Non-current assets	110 213	115 319	(4,4)
Property, plant and equipment	67 541	64 193	5,2
Goodwill and other intangible assets	37 526	45 786	(18,0)
Other non-current assets	5 146	5 340	(3,6)
Current assets	46 024	54 787	(16,0)
Bank and cash	23 999	26 961	(11,0)
Restricted cash	742	1 778	(58,3)
Other current assets	21 283	26 048	(18,3)
ASSETS	156 237	170 106	(8,2)
Total equity	72 866	80 542	(9,5)
Non-current liabilities	28 426	34 973	(18,7)
Long-term borrowings	21 066	29 100	(27,6)
Deferred tax and other non-current liabilities	7 360	5 873	25,3
Current liabilities	54 945	54 591	0,6
Non-interest bearing liabilities	39 094	42 101	(7,1)
Interest-bearing liabilities	15 851	12 490	26,9
EQUITY AND LIABILITIES	156 237	170 106	(8,2)

Condensed consolidated statement of changes in equity  
for the year ended 31 December 2009

	31 December 2009	31 December 2008
	Audited	Audited
	Rm	Rm
Opening balance	80 542	51 502
Total comprehensive (loss)/income for the period	(730)	30 464

Dividends paid	(6 122)	(6 514)
Shares issued during the year	20 392	41
Transactions with minorities	(43)	4 020
Disposal of non-controlling interest	—	909
Purchase of non-controlling interest	—	(85)
Newshelf share buy-back	(21 226)	—
Other reserves	53	151
Cancellation of MTN Cote d'Ivoire put option	—	54
Closing balance	72 866	80 542

Condensed consolidated cash flow statement  
for the year ended 31 December 2009

	31 December 2009	31 December 2008
	Audited	Audited
	Rm	Rm
Cash inflows from operating activities	36 282	34 236
Cash outflows from investing activities	(33 192)	(27 177)
Cash (out)/inflows from financing activities	(926)	292
Net movement in cash and cash equivalents	2 164	7 351
Cash and cash equivalents at beginning of period	25 596	15 546
Effect of exchange rate changes	(5 114)	2 699
Cash and cash equivalents at end of period	22 646	25 596

Segmental analysis  
for the year ended 31 December 2009

	31 December 2009	31 December 2008
	Audited	Audited
	Rm	Rm
<b>REVENUE</b>		
South and East Africa	39 669	37 483
West and Central Africa	50 543	47 682
Middle East and North Africa	21 525	17 215
Head office companies	210	146
	111 947	102 526
<b>EBITDA</b>		
South and East Africa	12 701	12 878
West and Central Africa	27 029	25 318
Middle East and North Africa	5 782	4 654
Head office companies	551	316
	46 063	43 166
<b>PAT</b>		
South and East Africa	6 875	7 322
West and Central Africa	12 026	9 943
Middle East and North Africa	2 099	1 549
Head office companies	(3 839)	(1 679)
	17 161	17 135

for the year ended 31 December 2009

1. Independent audit by the auditors

These condensed consolidated results have been audited by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsaluba vsp, who have performed their audit in accordance with the International Standards on Auditing. A copy of their unqualified audit 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 financial year end information is based on the audited financial statements of the Group for the year ended 31 December 2009 which have been prepared in accordance with International Financial Reporting Standards ("IFRS's") 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 2008, as described in the annual financial statements for the year ended 31 December 2008.

During the year under review, the Group adopted all the IFRS and interpretations being effective and deemed applicable to the Group. None of these had a material impact apart from IAS 1 (Revised) which resulted in a separate condensed consolidated statement of comprehensive income being included as part of the primary financial statements of the Group.

The necessary changes were also made to the condensed consolidated statement of changes in equity as a result.

5. Headline earnings per ordinary share

The calculations of basic and adjusted headline earnings per ordinary share are based on basic headline earnings of R14 869 million (2008: R15 603 million) and adjusted headline earnings of R13 963 million (2008: R16 870 million) respectively, and a weighted average number of ordinary shares in issue of 1 851 260 (2008: 1 865 299).

	31 December 2009	31 December 2008
	Audited	Audited
	Rm	Rm
	Net **	Net**
Net profit attributable to company's equity holders	14 650	15 315
Adjusted for:		
Loss on disposal of non current asset	71	111
Impairment of PPE and NCA	148	177
Basic headline earnings	14 869	15 603
Adjustment:		

Reversal of the subsequent utilisation of deferred tax asset	–	441
Reversal of put option in respect of subsidiary:		
– Fair value adjustment	(537)	74
– Finance costs	537	344
– Forex	(701)	569
– Minority share of profits	(205)	(162)
Adjusted headline earnings	13 963	16 870
Reconciliation of headline earnings per ordinary share (cents)		
Attributable earnings per share (cents)	791,4	821,0
Adjusted for:		
Loss on disposal of non current asset	3,8	6,0
Impairment of PPE and NCA	8,0	9,5
Basic headline earnings per share (cents)	803,2	836,5
Reversal of the subsequent utilisation of deferred tax asset	–	23,6
Reversal of put option in respect of subsidiary	(48,9)	44,3
Adjusted headline earnings per share (cents)	754,3	904,4
Number of ordinary shares in issue:		
– Weighted average ('000)	1 851 260	1 865 299
– At period end ('000)	1 840 536	1 868 010

\*\*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 Rnil (2008: R542 million) (Rnil excluding minorities (2008: R441 million)) to the adjusted headline earnings figure. The remaining pioneer deferred tax asset was fully utilised during 2008.

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:

(a) 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;

(b) 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;

(c) 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;

(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.

	31 December 2009	31 December 2008
	Audited	Audited
	Rm	Rm
6. Capital expenditure incurred	31 248	28 263
7. Contingent liabilities and commitments		
Contingent liabilities - upgrade incentives	1 209	504
Operating leases - non cancellable	832	801
Finance leases	348	554
Other	749	541
Commitments for property, plant and		
8. equipment and intangible assets		

- Contracted for	6 780	11 410
- Authorised but not contracted for	16 819	26 257
9. Cash and cash equivalents		
Bank balances, deposits and cash	23 999	26 961
Call borrowings	(1 353)	(1 365)
	22 646	25 596
10. Interest-bearing liabilities		
Call borrowings	1 353	1 365
Short-term borrowings	14 498	11 125
Current liabilities	15 851	12 490
Long-term liabilities	21 066	29 100
	36 917	41 590

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 profit or loss.

12. Business combinations

Acquisitions

During the year under review, certain subsidiaries of the Group acquired the following entities:

(a) An additional 59% in iTalk Cellular (Proprietary) Limited, a cellular service provider, was acquired in January 2009

(b) 100% of Verizon South Arica (Proprietary) Limited, an internet service provider, was acquired in February 2009

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquiree to reflect the additional depreciation and amortisation that would have been charged assuming that the fair value adjustments to property, plant and equipment and intangible assets had been applied from acquisition date, together with the consequential tax effects.

	Carrying amount on acquisition date Rm	Total fair value Rm
The assets and liabilities arising from the acquisitions are as follows:		
Property, plant and equipment	106	106
Other non-current assets	95	95
Investments	1	1
Cash and cash equivalents	95	95
Net working capital	42	42
Long term borrowings	(118)	(118)

Taxation	7	7
Deferred Taxation	(80)	(80)
Customer relationships	284	284
Other liabilities	(56)	(56)
Net asset value	376	376
Purchase consideration		2 126
Fair value of net assets acquired		376
Goodwill		1 750

13. The acquisition of 100% of Newshelf 664 (Proprietary) Limited MTN acquired the entire issued ordinary share capital of Newshelf 664 (Proprietary) Limited ("Newshelf") from the PIC. The Newshelf acquisition was affected by way of a specific issue of shares to the PIC and the specific repurchase by MTN of 243.5 million MTN shares held by Newshelf. The transaction was concluded in April 2009. MTN acquired the Newshelf shares at an effective discount to market value and intends to apply a significant portion of this effective discount to future participants in a BEE transaction as an incentive to invest in that transaction. The board remains fully committed to implement a BEE transaction as soon as conditions become conducive.

14. Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the reporting period, not otherwise dealt with herein, which significantly affects the financial position of the Group or the results of its operations or cash flows for the year ended.

Registration number

1994/009584/06 ISIN code: ZAE 0000 42164 Share code: MTN

Directorate

MC Ramaphosa (Chairman), PF Nhleko\* (Group President and CEO), RS Dabengwa\*, N Patel\*, KP Kalyan, AT Mikati, MJN Njeke, JHN Strydom, AF van Biljon, J van Rooyen, DDB Band, D Marole, P Mageza, A Harper \*Executive

Group 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, Marshalltown, 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  
PO Box 2939, Saxonwold, 2132

Sponsor  
Deutsche Securities (SA) (Proprietary) Limited

E-mail: [investor\\_relations@mtn.com](mailto:investor_relations@mtn.com)