

MTN Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 1994/009584/06

ISIN: ZAE000042164

Share code: MTN

("MTN" or "the Group")

Quarterly update for the period ended 30 September 2014

MTN is a leading emerging market mobile operator, connecting approximately 219 million people in 22 countries across Africa and the Middle East. MTN is at the forefront of global technological changes, delivering a bold, new Digital World to our customers.

MTN Group records 219,2 million subscribers

Highlights

- Satisfactory subscriber growth of 2,0% to 219 million subscribers quarter-on-quarter (QoQ).
- Data revenue increased by 34% year-to-date (YTD), now contributing 17,8% to total revenue.
- Registered Mobile Money subscribers of 22,2 million, up 20,2% QoQ.
- South African operation regaining traction with 1,4 million net additions for the quarter.
- Constrained subscriber growth in Nigeria as a result of regulatory pressure.
- Iran local currency data revenue up 102,8% YTD, following the launch of 3G services.

MTN Group president and CEO, Sifiso Dabengwa comments:

"MTN reported encouraging results for the third quarter, delivering subscriber growth of 2,0% QoQ, however, performance was impacted by continued aggressive competition and stringent regulatory requirements. The South African operation delivered an improved performance in the prepaid segment supported by competitive offers while the Nigerian operation faced a challenging regulatory environment resulting in lower-than-expected growth. Group net addition subscriber guidance for the full year has increased marginally to 17,5 million.

The Group continued to benefit from good growth in non-voice revenue driven by data and Mobile Money across key markets. Data revenue increased by 34,4% year-on-year and now contributes 17,8% of total revenue. Good progress was also achieved in the optimisation of our operating model, particularly in reducing costs and the monetisation of assets with the announcement of the tower transaction in Nigeria during the quarter."

Operational review

MTN Group

This commentary includes an analysis of the performance of MTN South Africa, MTN Nigeria and the Group's large opco cluster. A detailed schedule of subscriber numbers and quarterly average revenue per user (ARPU) data for all 22 operations is also included. ARPU is based on actual quarterly ARPU and is disclosed in both US dollars and local currency.

MTN South Africa showed good progress from the first half of the year. The operation increased its subscriber base by 5,7% to 26,7 million, adding 1,4 million net additions for the quarter, mainly attributable to competitive offers such as "rush hour" and "talk free" in the prepaid segment. As a result, the prepaid subscriber base increased by 7,1% to 21,2 million, with encouraging growth in minutes of use during the quarter. The postpaid segment delivered a satisfactory performance and grew its subscribers marginally to 5,5 million, 2,0 million of which were telemetry SIMs.

Data revenue growth was muted, largely impacted by a 17,9% decrease in the average effective rate per megabyte. Data now contributes 22,7% to the operation's total revenue. Data subscribers increased to 16,1 million and data usage grew by 55,9% supported by attractive data promotions and improved network quality. In addition to improving revenue growth, MTN South Africa continues to focus on various cost containment initiatives and on optimising its operating model. Blended ARPU decreased by 4,6% to R89,26.

MTN Nigeria reported a marginal decline in its subscribers to 58,4 million, largely impacted by regulatory restrictions relating to the "dominant operator" ruling and continued unrest in the northern region during the quarter. While this muted subscriber performance is expected to impact revenue growth for the second half of the year, by mid-September the operation had resolved a number of issues with the regulator resulting in an improvement in subscriber growth.

Local currency data revenue continued to grow strongly, increasing by 26,4% YTD and now contributes 17,8% to total revenue. This was mainly attributable to the growth in data users, which increased by 31,7% YTD and the introduction of a low-cost MTN smartphone during the quarter. The operation successfully sold 58 300 of such devices in Q3. The Mobile Money offering, Diamond Yellow, gained encouraging momentum while the launch of other innovative data products including MTN Yello Health, MTN Music plus MTN Yello, Cover, MTN Biz Plus and MTN SME plus will further assist MTN Nigeria's growth in the digital space. Local currency ARPU declined by 0,1%.

Other operations: Large opco cluster

MTN Irancell delivered a solid performance despite the high mobile penetration rate and aggressive competition, increasing its subscriber base by 2,0% to 43,5 million. The operation continues to focus on innovative offers to address subscriber acquisition and retention. Local currency data revenue increased by 102,8% YTD and now contributes 17,1% to total revenue. This was mainly attributable to the launch of 3G services and attractive bundled data packages. MTN Irancell added 1 291 3G sites and 70 4G sites YTD. Local currency ARPU increased by 1,1%.

MTN Ghana's performance was satisfactory despite a weak macro-economic environment. The operation grew its subscribers marginally by 0,8% to 13,5 million impacted by aggressive competition during the quarter. Local currency data revenue increased by 156,0% YTD and now contributes 18,3% to total revenue. The strong growth in data was a result of improved 3G coverage and innovative data offerings. Mobile Money showed positive momentum, recording 3,0 million registered customers at the end of the quarter. MTN Ghana continues to focus on cost optimisation as the weakening of the Ghanaian cedi against the US dollar has resulted in pressure on fuel costs and other US dollar denominated expenses. Local currency ARPU increased by 0,4% for the quarter.

MTN Cameroon delivered a solid performance, increasing its subscribers by 9,7% to 11,2 million. This was attributable to segmented bonus offerings for voice and data and a well-executed churn and dormancy management programme. Local currency data revenue increased by 45,2% YTD, contributing 8,2% to total revenue. The operation ended the quarter with 1,5 million Mobile Money customers and continued to focus on increasing its active subscribers and transaction volumes. Mobile Money revenue more than doubled YoY. A third mobile operator launched commercially in September 2014 with an exclusive 3G licence. Local currency ARPU increased by 3,7%.

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MTN Ivory Coast maintained market share notwithstanding a marginal decline in its subscriber base to 7,7 million. This was mainly due to seasonality and aggressive bonus promotions offered by competitors during the quarter. The operation made good progress in expanding 3G coverage and improving its Mobile Money subscriber activity. Local currency data revenue increased by 60,8% YTD and now contributes 10,1% to total revenue and Mobile Money gained momentum, increasing its subscribers to 2,2 million. Mobile Money revenue now exceeds US\$1 million per month. Local currency ARPU declined by 1,9%.

MTN Uganda surpassed 10 million subscribers, increasing its base by 2,6% to 10,1 million in a competitive market. Local currency data revenue increased by 37,7% YTD and now contributes 24,4% to total revenue. This was attributable to improved 3G coverage, customer internet education forums and Mobile Money. Mobile Money subscriber activity continued to advance with approximately 18% of airtime sales distributed through Mobile Money. At the end of September, MTN Uganda recorded 6,8 million Mobile Money subscribers. Local currency ARPU increased by 1,3%.

MTN Sudan reported a net reduction of 361 000 subscribers largely impacted by a weak economy and subscriber registration requirements. The operation continued to enhance churn and dormancy management initiatives and launched its Mobile Money offering during the quarter. These initiatives are expected to support positive subscriber growth for the remainder of the year. Local currency data revenue increased by 101,2% YTD, contributing 12,1% to total revenue, mainly attributable to attractive data bundles. Local currency ARPU decreased by 1,0%.

MTN Syria continues to operate in extremely challenging conditions reporting a marginal increase in subscribers to 5,7 million. Some of the key challenges remain security, transmission, power outages and insufficient fuel supply. Local currency data revenue continued to gain momentum and increased by 124,1% YTD, while local currency ARPU declined by 2,4%.

Subscriber net additions guidance

	June 2014 '000	September 2014 '000
South Africa	1 500	2 000
Nigeria	5 000	3 500
Large opco	8 050	9 300
Iran	2 500	2 750
Ghana	900	1 000
Cameroon	2 000	3 000
Ivory Coast	1 000	900
Sudan	400	400
Syria	(250)	(250)
Uganda	1 500	1 500
Small opco	2 700	2 700
Total	17 250	17 500

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Subscribers (‘000)

Country	3Q13	4Q13	1Q14	2Q14	3Q14	QoQ %
South Africa	25 235	25 700	24 875	25 269	26 701	5,7%
Postpaid	4 875	5 005	5 192	5 458	5 477	0,3%
Prepaid	20 360	20 695	19 683	19 811	21 224	7,1%
Nigeria	55 596	56 766	57 224	58 446	58 363	(0,1%)
Large opco cluster	91 499	93 453	95 540	98 519	100 358	1,9%
Iran	41 295	41 374	41 783	42 697	43 533	2,0%
Ghana	12 765	12 930	13 055	13 439	13 547	0,8%
Syria	5 787	5 829	5 723	5 653	5 676	0,4%
Ivory Coast	6 683	7 078	7 521	7 742	7 723	(0,2%)
Cameroon	8 160	8 711	9 236	10 233	11 223	9,7%
Uganda	8 386	8 808	9 549	9 920	10 181	2,6%
Sudan	8 423	8 724	8 672	8 836	8 474	(4,1%)
Small opco cluster	31 432	31 881	32 426	32 726	33 770	3,2%
Yemen	5 010	5 055	5 185	5 268	5 300	0,6%
Afghanistan	5 650	5 890	6 058	6 182	6 339	2,5%
Benin	2 976	3 130	3 259	3 337	3 455	3,5%
Congo B	1 757	1 764	1 865	1 911	1 972	3,2%
Zambia	4 471	4 410	4 161	4 010	4 447	10,9%
Conakry	2 524	2 723	2 885	2 929	2 890	(1,3%)
Rwanda	3 637	3 556	3 525	3 621	3 743	3,4%
Cyprus	328	331	399	336	339	1,0%
Liberia	1 278	1 317	1 355	1 308	1 299	(0,7%)
Botswana	1 691	1 712	1 700	1 702	1 696	(0,3%)
Bissau	603	463	490	550	575	4,4%
Swaziland	852	811	813	868	928	6,8%
South Sudan	654	720	732	704	787	11,9%
Total subscribers	203 762	207 801	210 065	214 961	219 191	2,0%

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ARPU

(Local currency)

	3Q13	4Q13	1Q14	2Q14	3Q14	QoQ %
South Africa*	102,08	108,35	95,21	93,58	89,26	(4,6%)
Postpaid	194,63	198,42	189,30	166,37	159,76	(4,0%)
Prepaid	80,20	86,48	71,98	74,16	70,40	(5,1%)
Nigeria	1 148,78	1 217,14	1 177,82	1 124,34	1 123,29	(0,1%)
Large opco						
Iran	100 548,63	100 380,99	102 834,76	108 478,89	109 683,56	1,1%
Ghana	11,16	11,54	11,73	11,97	12,02	0,4%
Syria	639,84	676,78	718,37	797,17	778,42	(2,4%)
Ivory Coast	3 115,99	3 237,58	3 095,89	2 883,62	2 830,00	(1,9%)
Cameroon	2 715,32	2 715,03	2 469,15	2 193,14	2 274,49	3,7%
Uganda	9 761,85	10 379,00	8 974,72	8 688,11	8 801,30	1,3%
Sudan	11,09	11,13	12,36	13,21	13,07	(1,0%)
Small opco						
Yemen	1 302,91	1 232,02	1 182,54	1 171,57	1 159,58	(1,0%)
Afghanistan	204,79	197,23	180,62	195,43	190,33	(2,6%)
Benin	3 678,13	4 169,04	3 764,70	3 613,43	3 689,51	2,1%
Congo B	5 979,58	5 669,93	5 494,05	5 350,72	5 985,40	11,9%
Zambia	27,22	29,31	28,58	32,57	38,33	17,7%
Conakry	33 273,31	32 156,58	29 163,91	22 552,64	18 718,42	(17,0%)
Rwanda	1 728,22	1 853,42	1 655,75	1 684,02	1 763,68	4,7%
Cyprus	18,58	15,01	18,20	19,90	19,12	(3,9%)
Liberia	7,92	9,92	6,98	6,34	3,93	(37,9%)
Botswana	67,25	66,16	65,00	66,00	72,00	9,1%
Bissau	1 540,66	1 878,41	2 315,70	2 619,19	2 323,20	(11,3%)
Swaziland	96,00	100,36	100,88	100,03	98,17	(1,9%)
South Sudan	28,26	27,72	24,82	26,14	29,08	11,3%

*MTN SA's current and prior period ARPU restated to adjust for change in accounting policy for revenue recognition and handset adjustment.

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ARPU

(US dollar)

	3Q13	4Q13	1Q14	2Q14	3Q14	QoQ %
South Africa*	10,74	11,21	8,83	8,77	8,34	(4,9%)
Nigeria	7,11	7,63	7,21	6,92	6,91	(0,2%)
Large opco						
Iran	4,06	4,04	4,13	4,26	4,18	(2,0%)
Ghana	5,40	5,17	4,70	4,04	3,35	(17,1%)
Syria	3,70	4,31	4,81	4,88	4,60	(5,7%)
Ivory Coast	6,30	6,72	6,46	6,04	5,70	(5,6%)
Cameroon	5,49	5,63	5,15	4,60	4,58	(0,3%)
Uganda	3,79	4,13	3,58	3,45	3,36	(2,4%)
Sudan	2,40	1,96	2,17	2,32	2,29	(1,2%)
Small opco						
Yemen	6,06	5,73	5,50	5,45	5,39	(1,0%)
Afghanistan	3,64	3,42	3,16	3,39	3,34	(1,6%)
Benin	7,43	8,65	7,86	7,57	7,43	(1,8%)
Congo B	12,08	11,77	11,46	11,21	12,06	7,6%
Zambia	5,03	5,36	4,97	5,05	6,26	23,9%
Conakry	4,93	4,72	4,23	3,28	2,72	(17,0%)
Rwanda	2,66	2,78	2,46	2,49	2,58	3,8%
Cyprus	24,62	20,43	24,91	27,35	25,39	(7,2%)
Liberia	7,92	9,92	6,98	6,34	3,93	(37,9%)
Botswana	7,80	7,67	7,28	7,52	8,10	7,8%
Bissau	3,11	3,90	4,83	5,49	4,68	(14,7%)
Swaziland	9,55	9,88	9,35	9,47	9,12	(3,8%)
South Sudan	8,94	8,76	7,85	8,27	9,20	11,3%

*MTN SA's current and prior period ARPU restated to adjust for change in accounting policy for revenue recognition and handset adjustment.

The financial information on which this quarterly update is based has not been reviewed or reported on by MTN's external auditors.

Fairland
23 October 2014

Sponsor

Deutsche Securities (SA) Proprietary Limited