Welcome to the New World

MTN Group Limited Integrated Report
for the year ended 31 December 2012

everywhere you go

Driven by its pioneering approach, MTN is a leading emerging markets mobile operator which is at the forefront of the technological changes sweeping the world. We invest significantly in advanced communications networks, connecting more than 189 million people in 22* countries across Africa and the Middle East. In the past five years alone, our capital expenditure has exceeded R100 billion.

In pursuit of our vision to lead the delivery of a bold, new Digital World to our customers, and our mission to make our customers' lives a whole lot brighter, we leverage the talent of our nearly 27 000 employees to offer innovative products and a quality customer experience. We recognise the value of diversity within a group with a solid organisational culture.

Working with integrity, we value our relationships with the communities in which we work, our customers and employees, our shareholders and the media, governments and regulators, as well as suppliers and business and industry partners. We recognise the importance of these stakeholders, among others, in the sustainability of our business.

*MTN's brand is the most valuable in Africa, and is ranked in the top 100 brands worldwide**. MTN's shares constitute the biggest primary listing on the JSE – Africa's largest stock exchange.*

* *This includes 21 countries in which we have an operating licence. The 22nd country is South Sudan, where we operate, but where we await the issuing of our licence.*

** *Millward Brown's 2012 BrandZ Top 100 Most Valuable Global Brands study. MTN was ranked 88th in the world and was the first and only African brand to make the BrandZ Global Top 100 ranking.*

Welcome to the New World

We operate at the heart of nations bursting with innovation, creativity and new ideas. We will continue to champion positive change. We are not First World or Third World: Welcome to the New World.

Contents

01 Group overview

02 Performance review

03 Operational and financial review

04 Governance

05 Annual financial statements

06 Shareholder information

About this report

This integrated report is MTN Group Limited's (MTN, the "Group" or "Company") principal report to stakeholders and includes information on our governance, strategy, performance and prospects, seeking to provide a balanced account of key developments in the period 1 January to 31 December 2012. We have endeavoured to provide a clear and concise story of how MTN creates value over time, and have taken into account the latest prototype framework of the International Integrated Reporting Council.

The report also gives information on how we are addressing social, economic, environmental and governance issues that are important to our stakeholders and have a material impact on the long-term sustainability of our business.

To define the report content, we followed a structured approach, which included input from a broad range of key MTN representatives. This included representatives of the board, the executive committee and departments including Group strategy, company secretary, stakeholder management, investor relations, sustainability management, risk management, finance, marketing, human resources and corporate affairs.

The report endeavours to address issues that are material to the Company's sustainability. We determine which these are by reviewing the issues that are of most importance to our stakeholders, and our ability to influence these issues, as well as by taking into account our strategic objectives. These issues impact on our ability to remain commercially viable and socially relevant. These material issues have a strong bearing on our stakeholders' assessment and decisions about MTN's commitment to their needs.

Details of MTN Group's key stakeholders and our engagement appear on page 14. For more details of our process to determine materiality, please see page 9.

In this report, we provide commentary on the performance of the Group's businesses across 22 markets in the Middle East and Africa, and focus our more detailed reporting on the performance of the top nine operating companies (opcos) as they contribute the largest share to revenues, and have the most material impact on the Group's overall performance. This report also includes the Group's annual financial statements (AFS) as well as material activities undertaken through Group functions located in South Africa and Dubai. All figures are reported on a comparable basis, with no restatements, excluding the segment report (note 3) and statement of cash flows (note 45). A copy of this report is also available at www.mtn.com.

Key improvements in this year's report

This year we have made a number of refinements to our report. These include more detailed disclosure of our strategic objectives and MTN's delivery against these at Group level.

We have also provided better alignment of our governance to our strategic objectives, and in turn to our key performance indicators as well as to the risks the Group faces. We have reintroduced a value added statement and have endeavoured to provide more forward looking and strategic commentary. Following the organisational restructuring in early 2012, we now provide more comprehensive reporting on our operations: we have included detailed reports on the top nine operating companies, compared to five in the 2011 report.

This report shows that we are maturing in our integration of sustainability matters into the business, but we acknowledge that we still have much to do. We welcome feedback at investor_relations@mtn.co.za.

While we have included our financial, environmental, social and socio-economic performance in this report, we recognise the need for more detailed reporting to certain stakeholders. The 2012 MTN Group sustainability and GRI reports are available at www.mtn.com/sustainability. Similarly, we provide highlights of governance developments in this report, but a full governance report can be found at www.mtn.com. MTN's Carbon Disclosure Project standard report is at www.cdproject/net.

The integrated report has been approved by the board. It is dated 28 March 2013.

Reporting principles

In compiling its AFS, the Group applies International Financial Reporting Standards (IFRS) and complies with the SAICA Financial Reporting Guides, the JSE Listings Requirements and the Companies Act.

We use local and global sustainability standards, protocols and guidelines to report our responsible business performance. The key standards of reference are the JSE Social Responsibility Index (SRI), the King Code of Corporate Governance, the United Nations Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, the Telecommunications sector supplement and the Carbon Disclosure Project standard. We lodge a detailed report with the JSE SRI annually, and maintained our listing in 2012.

Assurance

The audit committee oversees the drafting of the integrated report with recommendations from joint auditors PricewaterhouseCoopers Inc and SizweNtsalubaGobodo Inc, where considered necessary. The audit committee approves the AFS which have been prepared under the supervision of the Group CFO, Mr NI Patel. This is the first year that we have undertaken external assurance on aspects of our sustainability performance. The full assurance statement is on page 100.

An overview of our performance

↑ 15,1% to 189,3 million	↑ 10,9% to R135,1 billion	↑ 7,0% R58,6 billion
Group subscribers	Revenue	EBITDA[1]
↑ 1,9% to 1 089,1 cents	↑ to 824 cents per share	↑ to R2,1 billion
HEPS	Dividend	Share buy-backs

[1] *Includes the profit from the sale of towers.*

	2012	2011	% change
Countries in which MTN has largest market share	15	15	–
Capital expenditure (Rbn)	30,1	17,7	69,9
People			
Number of employees	26 716	24 252	10,2
Investment in employee development (Rm)	383	265	44,5
Employee turnover (%)	5,3	7,1	
Gender diversity (% women to total employees)	36	32	
Employee culture survey (%)	69*	69	
MTN CSI (Rm)	193*	128**	50,8
Network activity			
Call setup success rate – 2G (%)	98,87*	N/A	
– 3G (%)	98,57*	N/A	
Dropped call rate – 2G (%)	0,79*	N/A	
– 3G (%)	0,48*	N/A	
Network availability – 2G (%)	99,14*	N/A	
– 3G (%)	98,53*	N/A	
Governance			
Operations with fraud management framework (%)	81*	N/A	
Number of whistleblower tip-offs	886*	N/A	
Hours spent on internal audit activities	168 035	166 000	1
Environment			
Greenhouse gases avoided through trigeneration plant (tonnes CO_2e)	15 284	N/A	
CO_2 emissions from energy use (tonnes CO_2e)	1 040 723	950 564	9,5
Scope 1 – direct emissions	652 790	536 541	21,7
Scope 2 – indirect emissions	384 725	407 492	(5,6)
Scope 3 – indirect emissions	3 208	6 531	(50,9)

* *Indicates data has been subject to limited assurance. See page 100 for assurance statement.*
** *This figure excludes MTN employee volunteerism costs.*

Transforming our head office to a LEED-certified green building

The Leadership in Energy and Environmental Design (LEED) green building certification programme is a US benchmark for the design, construction and operation of green buildings. We started the MTN 14th Avenue LEED certification application process early in 2009.

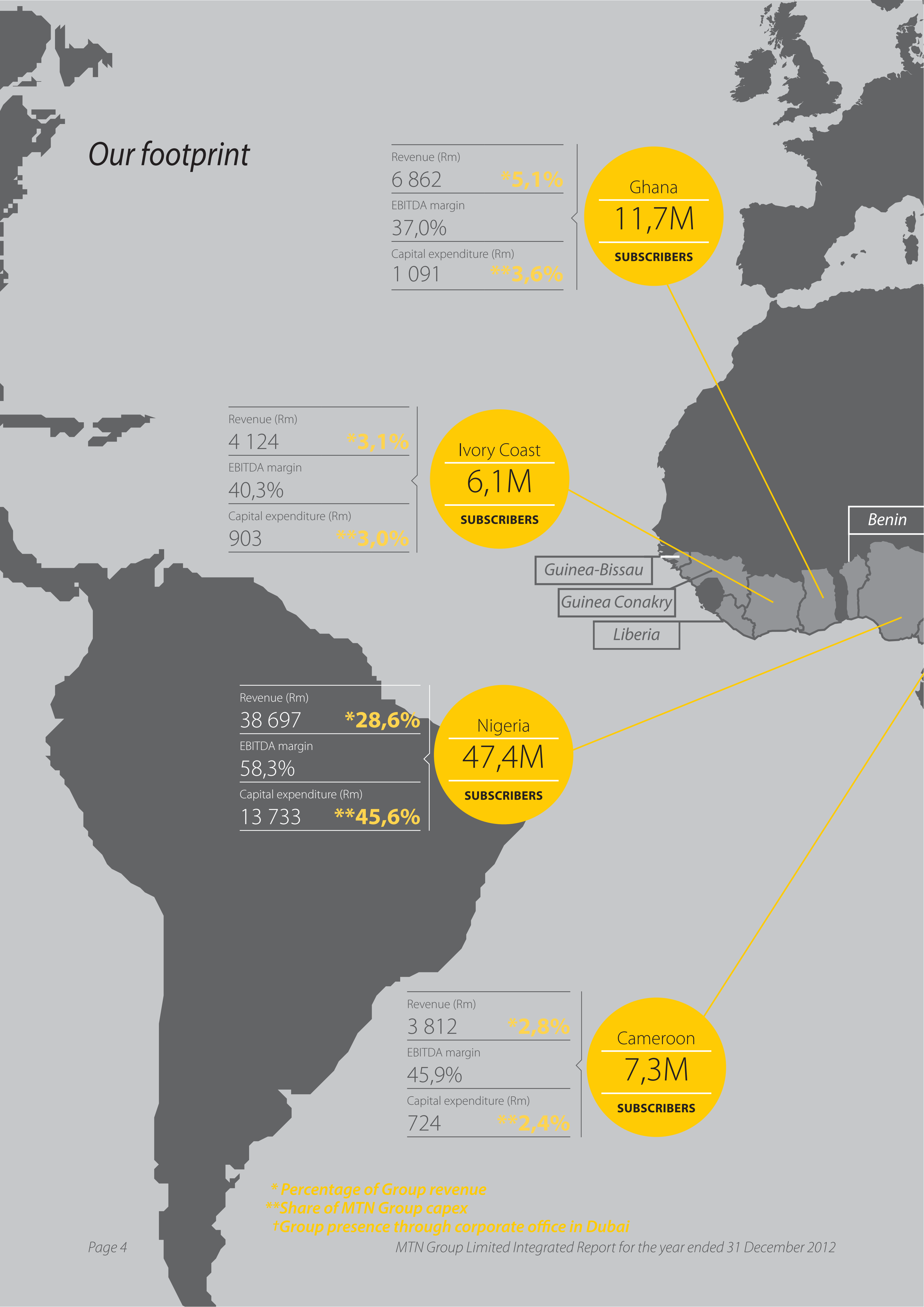
Since then, we have implemented numerous green strategies including energy-efficiency programmes, water-efficient fixtures and fittings, a green cleaning programme and a solid waste policy with stringent goals on diverting waste from landfill.

To access the full project scorecard, see http://new.usgbc.org/projects/mtn-14th-avenue

*01

Group overview

Our footprint



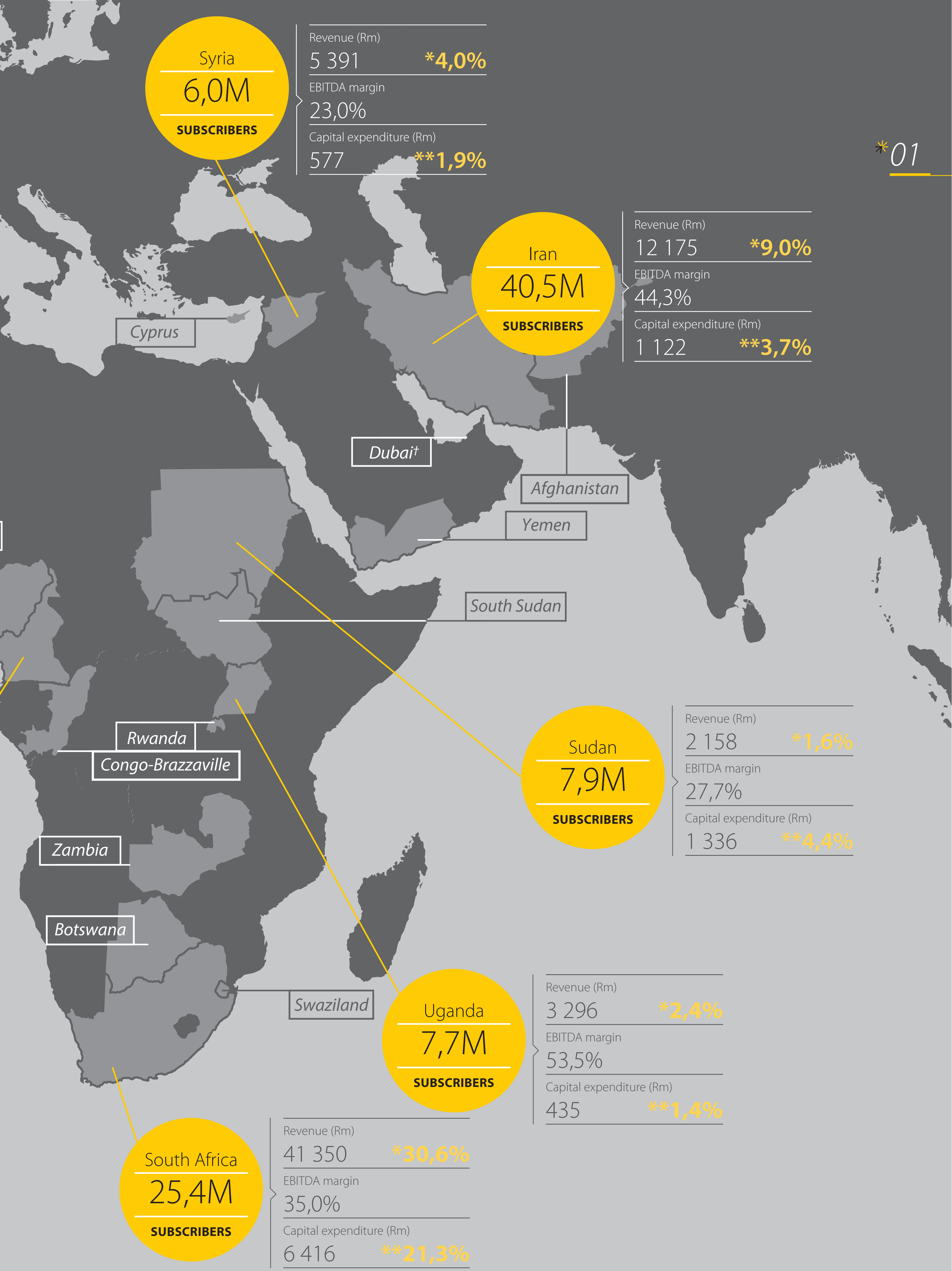
Ghana	
11,7M SUBSCRIBERS	
Revenue (Rm)	
6 862	*5,1%
EBITDA margin	
37,0%	
Capital expenditure (Rm)	
1 091	**3,6%

Ivory Coast	
6,1M SUBSCRIBERS	
Revenue (Rm)	
4 124	*3,1%
EBITDA margin	
40,3%	
Capital expenditure (Rm)	
903	**3,0%

Nigeria	
47,4M SUBSCRIBERS	
Revenue (Rm)	
38 697	*28,6%
EBITDA margin	
58,3%	
Capital expenditure (Rm)	
13 733	**45,6%

Cameroon	
7,3M SUBSCRIBERS	
Revenue (Rm)	
3 812	*2,8%
EBITDA margin	
45,9%	
Capital expenditure (Rm)	
724	**2,4%

** Percentage of Group revenue*
***Share of MTN Group capex*
†Group presence through corporate office in Dubai



Syria
6,0M
SUBSCRIBERS
Revenue (Rm)
5 391 *4,0%
EBITDA margin
23,0%
Capital expenditure (Rm)
577 **1,9%
Iran
40,5M
SUBSCRIBERS
Revenue (Rm)
12 175 *9,0%
EBITDA margin
44,3%
Capital expenditure (Rm)
1 122 **3,7%
Cyprus
Dubai†
Afghanistan
Yemen
South Sudan
Sudan
7,9M
SUBSCRIBERS
Revenue (Rm)
2 158 *1,6%
EBITDA margin
27,7%
Capital expenditure (Rm)
1 336 **4,4%
Rwanda
Congo-Brazzaville
Zambia
Botswana
Swaziland
Uganda
7,7M
SUBSCRIBERS
Revenue (Rm)
3 296 *2,4%
EBITDA margin
53,5%
Capital expenditure (Rm)
435 **1,4%
South Africa
25,4M
SUBSCRIBERS
Revenue (Rm)
41 350 *30,6%
EBITDA margin
35,0%
Capital expenditure (Rm)
6 416 **21,3%

Our strategy

The role that telecommunications plays in people's lives has changed rapidly in the last decade. Not so long ago, traditional voice services defined the telecommunications industry. Now they are just one of a growing range of services that impact many areas of our lives. The need for a broader digital offering has led MTN to refresh its vision and mission and refine its strategic objectives. This is to ensure that we maintain our leadership position in communications in emerging markets and sustain a business model that maximises value for all our stakeholders.

Our vision:
To lead the delivery of a bold, new Digital World to our customers.

Our mission:
To make our customers' lives a whole lot brighter.

Creating and managing stakeholder value

Creating sustainable value for our stakeholders is fundamental. The value created for our various stakeholders in 2012 is shown on page 16. An important part of this strategic objective is a sustainable shareholder returns strategy which incorporates an absolute growth dividend policy and opportunistic share buy-backs; ensuring an optimal capital structure and making

Creating a distinct customer experience

As telecoms services become "commoditised" it is imperative that MTN continues to create a customer experience which differentiates us from the competition. Here, providing our customers with superior coverage and network quality are imperative. Knowing them better, improving our communications and improving customer service at all touchpoints are important elements of a distinct customer experience.

Innovation and best practice

We need to continue to be innovative in creating structures, policies and procedures, performance metrics, talent investment, the best use of our cash and our capex programme. Good corporate citizenship is key: it includes managing our socio-economic impact and reputation, as well as sustaining our environment by ensuring that we act responsibly when building our network. Making sure MTN is a great place to work is essential to achieve value creation. We are making changes to our HR operating model and practices, as well as culture, in support of our strategy. MTN's overarching philosophy is to ensure that its people conduct all the Group's affairs with honesty, integrity, diligence and professionalism. We recently embarked on a process of formalising our existing ethics practices and deepening our ethics culture.

Driving sustainable growth

We will continue to refine our traditional product offering, as well as actively develop new opportunities to ensure the delivery of a bold new Digital World to our customers.

This encompasses our efforts to develop our participation in the enterprise sector, adjacent sectors (such as financial services) and media and entertainment.

Transforming our operating model

As competition and increased regulatory requirements place pressure on revenues, maintaining profitability is at the heart of transforming our operating model. Our priority is to transform the back office, centralising transactional activities, implementing standardised processes to promote efficiency as well as optimise technology. We will continue to monetise some of our passive infrastructure assets and transform our supply chain and procurement processes.

and reward and recognition mechanisms to support the execution of our vision. Continued product and service innovation is also fundamental. Developing our culture and brand is key to achieving innovation and best practice sharing across the Group.

Our key performance indicators

Our key performance indicators (KPIs) are aligned to the five objectives of our recently refined strategy and are used to measure our performance against this. They are also designed to help manage our top risks, a table of which appears on page 10. For the link between KPIs and remuneration, see the executive committee members' KPI summary on pages 82 and 83.

Strategic objective	*2013 KPIs*
Creating and managing stakeholder value	→ Upstreaming of cash → Share buy-back strategy management → Optimising gearing levels → Business risk and operational compliance → Employee Health Index (EHI) → Labour productivity composite index → Global leadership and talent management
Creating a distinct customer experience	→ Customer centricity strategy management → Global service delivery platforms → Brand health and equity index → Customer satisfaction and retention index → Network quality and drop rate
Driving sustainable growth	→ Revenue – Increase data revenue contribution – Mobile Money strategy management – Device strategy management – Global ICT strategy management → M&A strategy management on targeted assets → Earnings diversification and optimisation → Group equity transactions
Transforming our operating model	→ Cost management, Project Next! → Capital expenditure management → Monetisation of passive infrastructure → Global shared services strategy and execution (HR, finance, procurement and IT)
Innovation and best practice	→ Implementation of culture operating system → Spectrum allocation policy → Migration to all IP networks

Our material issues

We determine our material issues by taking into account the Group's strategy, the associated risks and opportunities, stakeholder requirements and how we measure up against key performance indicators and governance best practice.

The issues of highest importance and which have an impact on our business, are included in this integrated report, with more details also available on www.mtn.com/sustainability.

	High importance to stakeholders; impact on MTN	Medium importance to stakeholders; impact on MTN	Low importance to stakeholders; impact on MTN
Issue	• Economic performance • Ethics and good governance • Network quality and expansion • Customer satisfaction • Innovative offerings • Security, privacy, safe product use • Employee safety • Investment in employees • Energy and carbon	• Narrowing the digital divide • Corporate culture • Community investment • Electronic and electrical waste • Network environmental impact	• Responsible supply chain • Other environmental issues
Where reported	• MTN Group 2012 integrated report (www.mtn.com) • MTN Group 2012 detailed sustainability report (www.mtn.com/sustainability)	MTN Group 2012 detailed sustainability report (www.mtn.com/sustainability)	• Not formally reported in annual reports

More details of MTN's stakeholder engagement process may be found on pages 14 and 15.

Our top risks and what we are doing to mitigate them

The board of directors continuously considers the principal risks facing the Group, which are identified through our business risk management (BRM) process as well as our engagement with stakeholders. Details of the BRM process are in the governance section, and information on our stakeholder engagement is on pages 14 and 15.

In the table below, we provide details on the top 11 risks, which have a high residual risk and which we consider to be key risks requiring management focus. Importantly, the management of these risks is closely aligned to our five strategic objectives, with icons displayed to show which strategic objectives would be impacted should the risk materialise.

Our KPIs, on page 8, are designed to help manage many of these risks. These risks do not appear in order of priority, as their significance can change through the year.

Opportunities are inherent in most of these risk categories. For more details of our opportunities, see the chairman's statement and the Group president and CEO's report, as well as the reviews of the top nine operations.

✓ Achieved — In progress; action has an end date — Ongoing activity i.e. this action will not end at a specific date; is continuous

Risk overview	Progress on actions	
Recruit, develop and retain appropriate skills		
MTN recognises the importance of properly skilled employees who are motivated by their work. We therefore strive to be an employer of choice to attract and retain key skills. A shortage of skilled employees in emerging markets is exacerbated as competitive activity increases. Major changes in the telecoms industry, as well as the introduction of our refined strategy, puts pressure on both the recruitment and development of employees.	• The MTN Deal, our value proposition to employees (EVP), was launched in April 2011. It represents MTN's pledge to understand and develop career opportunities and improve the employment offering beyond reward and recognition.	Achieved
	• The Group culture operating system is an investment by the Group executive committee supported by each country's CEO, to drive innovation and business execution by aligning the Group's culture in a way that supports efficiency goals.	Ongoing
	• Provide ongoing learning initiatives via Group organisation development processes and the MTN Academy. In 2012 the total number of development interventions was over 61 000 with 32 000 e-learning courses completed by our employees.	In progress
	• In parallel with the Group's updated vision to lead the delivery of a bold, new Digital World to our customers, we have instituted an HR process to define the skills we require.	In progress
Exposure to negative financial market fluctuations		
Given our broad geographic footprint we are exposed to currencies other than our reporting currency, the rand. This has an impact on reported financial results and the servicing of foreign-denominated obligations. The Group is exposed to a variety of financial risks including credit, liquidity, market, foreign currency and interest rate risk.	• Implementing a local currency funding strategy, including gearing and the principle of "upstreaming" (the movement of cash from subsidiary to holding companies via the declaration and payment of dividends).	Ongoing
	• Managing foreign-denominated assets and liabilities.	In progress
	• Managing risks via implementation of treasury policy and committee oversight.	Achieved
	• Ensuring a sustainable dividend payout, coupled with share buy-backs.	Ongoing

Our strategic objectives:

Creating and managing stakeholder value

Creating a distinct customer experience

Driving sustainable growth

Transforming our operating model

Innovation and best practice

✓ Achieved | In progress; action has an end date | Ongoing activity i.e. this action will not end at a specific date; is continuous

Risk overview	Progress on actions
Effective governance and internal control structures	
Governance and control are critical to maintain profitability and business continuity. The implementation of mature and well-controlled processes is key. Adequate governance and control structures provide comfort and confidence to stakeholders across the value chain when dealing with MTN.	• We strive to maintain and enhance sound governance practices, which reflect prevailing international governance trends and the evolving legislative landscape. These practices are founded on values of responsibility, accountability, fairness and transparency. • During 2012, the Group established the social and ethics committee of the board of directors and completed the establishment of our ethics position. • Initiatives are underway to improve the standardisation of processes in certain areas of the business. These are part of the MTN Project NEXT! (discussed in CEO's report) and the shared services project. • We are considering establishing a dedicated Group compliance function. • Risk management and internal audit disciplines are well entrenched in most operating companies (opcos). • MTN has concluded a comprehensive assessment of the King III requirements, including combined assurance, IT governance and integrated reporting, and has made significant progress in implementing these. • MTN not only focuses on these issues internally, but also in our external dealings, bringing an improved understanding and appreciation to the communities in which we operate.
Network performance	
As competition continues to increase in all our markets, we need to ensure effective capital investments for the upgrading of network and information technology (IT) to cater for subscriber acquisition and increased traffic.	• Networks are monitored continuously; we focus on expanding our network quality and coverage to ensure sufficient capacity to carry traffic seamlessly. This is a key focus area within the new customer experience (Perfect 10) project as we strive to provide our customers with the best network and services. • The standardisation and optimisation of systems and technologies, together with outsourcing of non-core activities, lead to reduced costs and ensure discipline and focus on critical business requirements. • Infrastructure sharing through the establishment of tower companies reduces our roll-out costs and the ongoing costs of operating our passive infrastructure. • Implementing the Group chief technology and information officer's initiatives via the capital expenditure steering committee. • Monitoring our markets to ensure that capital spending is aligned to forecast growth.
Create and maintain a competitive advantage	
Slowing revenue growth, increased voice penetration, aggressive competition and substitute products continue to present a challenge. We have recently updated our vision, mission and strategy, seeking to focus on defining our competitive advantage in the new Digital World.	• We continue to invest in network capacity to maintain coverage and quality of existing services, and to position ourselves as a future-proof operator with adequate capacity to enhance customer experience on the network and address their evolving needs. • Traditional voice services remain the largest contributor to revenue. There is still potential to grow voice as well as augment it with revised and new products and services. • Since the launch in 2012 of the enterprise business unit, we now coordinate and standardise the implementation of all new enterprise and data connectivity services through a dedicated commercial function. We have defined a roadmap for the development and launch of enterprise products and services. These include cloud, machine-to-machine (M2M) and pan-African connectivity and collaboration offerings. In December 2012, MTN launched a pilot project for our cloud bouquet of services, becoming the first mobile network operator in Africa to adopt the cloud service brokerage model. • MTN continues to invest in various transmission and radio technologies, including undersea cables such as the ultra-high-capacity West Africa Cable System (WACS) linking southern and western Africa to Europe. Since 2008 we have invested over US$230 million in broadband submarine and terrestrial fibre-optic cables making the Group one of the largest investors in information and communication capacity across the continent.

Creating and managing stakeholder value

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Our top risks and what we are doing to mitigate them *continued*

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Risk overview	Progress on actions	
Meeting the expectations of our customers		
MTN recognises the key to success is a strong focus on customer experience. This includes maintaining a positive brand perception, the availability of a broad range of products and services and high quality and consistent customer experience at all touchpoints. As part of MTN's updated vision and mission, the organisation is being transformed to focus on our customers in the new Digital World.	• MTN is the number one telecommunication company in 15 of our markets and strives to maintain and enhance this position through network advantage, service excellence, ensuring a unique value proposition for customers and the alignment of the pricing and promotions strategy through our customer experience initiatives. • In 2012, MTN was ranked first on the African continent among the BrandZ Top 100 Most Valuable Global Brands, thus becoming the first and only African brand to make the list. We also moved up to 188th position in the Brand Finance Global 500 grading, the number one most valuable brand in Africa. • In 2012, we launched our new customer experience project – the Perfect 10 programme – rolling it out in Ghana and Nigeria. In 2013, it will be extended to the rest of the organisation. This project aligns with our key strategic objective of creating a distinct customer experience and helps to identify gaps in customer experience. • We are building key capabilities to better service our customers, including improving the end-to-end customer experience, building customer service KPIs into internal performance management processes, creating a unique MTN branded user experience etc. • We are continuously making the world more digital by launching new services both on our content platform MTN Play as well as our application platform, where we launched services such as Magic Voice.	Ongoing Achieved In progress In progress In progress
Impact of adverse regulatory changes or non-compliance with laws and regulations		
Changing laws and regulations. Increased regulatory or legal requirements may impact our commercial business. So too could adverse decisions by regulators, on issues such as spectrum allocation, tariff amendments etc. In many markets, tariffs are not properly regulated. This results in price wars and new licences being launched into already saturated markets.	• Continued constructive and transparent engagement with authorities at a Group and country level to ensure the success of social and commercial initiatives. • Every operation has a dedicated regulatory team led by a member of the executive team. Our approach is aimed at proactive engagement with regulators, showcasing international best practice and promoting environmentally friendly solutions. • Revision of Group-wide tax risk management processes.	Ongoing Ongoing In progress
Potential threats to continuity of operations as a result of political, environmental and macroeconomic events		
Many of our markets are characterised by economies that are in various stages of development. The political situation in some of the countries in which we operate continues to be challenging. In addition, we face security challenges that are often beyond our control, e.g. civil unrest. The impact of sanctions on some of our operations and on the wider Group remains a challenge.	• Implementing risk management strategies to mitigate safety and security risks i.e. independent and dedicated risk management teams, monitoring country risks, assessment and implementation of physical security measures and crisis management plans etc. More information is in the employee safe working conditions section of this report. • Transferring risk to insurance underwriters, where appropriate. • Diversifying the Group's portfolio. • Engaging through a dedicated stakeholder function which contributes to organisational readiness to manage potential threats to MTN's corporate reputation. This function scans the environment to identify stakeholder concerns and develops response plans to mitigate reputational risks. • Ongoing monitoring of compliance with sanctions through legal support and appropriate policies and controls.	Ongoing Achieved Ongoing Ongoing Ongoing

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Risk overview	Progress on actions	
Social and environmental impact of MTN's actions		
The social and economic landscape in which we operate continues to develop at a rapid pace and we are challenged to integrate economic, environmental and social considerations in our business activities.	• Social impact matters are assessed and mitigated through the following solutions: – The Group is reviewing its social, ethics and governance structures to ensure our activities reflect the most current operating risks related to civil society, labour, human rights, safe and healthy working conditions and ensuring responsible investments in the communities in which we operate. – MTN's products and services help close the digital divide in our markets and make a positive socio-economic impact. These include MTN Mobile Money, Pay As You Go, lowest cost data handsets, and many more. The implementation of the MTN enterprise unit in 2012 further focuses our activities on supporting commercial and industrial growth in our markets. Furthermore, MTN Business offers a range of machine-to-machine, smart and telemetry solutions that help businesses manage the costs, improve efficiencies and reduce their environmental impacts. – MTN's operations invest in communities through MTN Foundation projects focused on education, health, national priority issues and other social and economic upliftment initiatives. • Our direct environmental and climate impact is assessed and managed through energy and carbon management, efficiency initiatives and environmental impact assessments.	In progress Ongoing Ongoing In progress
Compromised information security and customer privacy		
We believe that information is critical to achieving our strategic business goals. It is therefore imperative to protect and secure all information resources from internal and external threats, misuse and fraud, failure and unavailability, unauthorised access, modification, disclosure and accidental or deliberate physical damage.	• We have rolled out a Group-wide information security programme to address information security requirements. This is based on global leading industry practices and standards such as ISO/IEC 27001:2005. • The imminent introduction in South Africa of the Protection of Personal Information Act (PoPi) will have far-reaching effects on how we use and protect the information we are responsible for. We are addressing this as part of the information security programme. • A Group information security officer will be appointed and appropriate supporting governance structures created. • Regular monitoring of information security controls and emerging information security risks and their potential impact on MTN is ongoing.	✓ In progress In progress Ongoing
Ability to recover from catastrophic events		
We are committed to our stakeholders and therefore strive to ensure that critical services are maintained without interruption or disruption, and in the event of a catastrophic event, that critical services are resumed at the earliest opportunity. We consider disaster recovery and business continuity management as a vital component of risk management and corporate governance. The Group and its operations are required to develop, exercise, test and maintain plans for the recovery and resumption of business functions and to make all necessary efforts to safeguard the life and safety of our personnel.	• Implementing disaster recovery (DR) and business continuity (BC) programmes is ongoing. This is a holistic management process that identifies potential impacts that threaten our organisation and provides a framework for building resilience and the capability for an effective response to safeguard the interests of our key stakeholders, reputation, brand and value-creating activities. • Ongoing identification and assessment of foreseeable risks and implementation of risk mitigations to negate or minimise these risks as part of the DR and BC programmes.	Ongoing Ongoing

Creating and managing stakeholder value

Creating a distinct customer experience

Driving sustainable growth

Transforming our operating model

Innovation and best practice

Our engagement with stakeholders

Creating and managing stakeholder value is one of MTN's strategic objectives, essential to the Group's sustainability. By stakeholders we mean all those people with whom we engage, employ, do business, rely on for licences, funding and finance and impact in so many different ways. To manage our risks, it is imperative that we consider and understand the expectations as well as the concerns of our many stakeholders. To identify these, we need to engage with them regularly and work continually at improving our communication.

Stakeholder category	Stakeholder group	Interest	Engagement types
Investment community	**Shareholders and investment analysts**	• Sustainable shareholder value through consistent operational and financial performance • MTN's strategy, governance practices, especially transparency, human rights, anti-corruption measures, etc	• Annual integrated report and sustainability report • SENS announcements, news releases • AGM • Financial results presentations, regular investor days and analyst conference calls • Chairman and lead independent director meetings with large shareholders
Customers	**Consumer and business market**	• Provision of leading network experience (voice and data) and customer service • Contribution to socio-economic objectives through, *inter alia*, CSI initiatives	• In store face-to-face engagements • News releases and newsletters • Surveys and focus groups • Social media platforms • CSI initiatives and advertising • Corporate functions • Call centres
Our people	**Employees**	• Competitive pay and compensation benefits • Development opportunities • Profitable business • Investment in our communities	• Recruitment • Satisfaction surveys • Performance management • Face-to-face strategy engagement with leadership, such as quarterly Group status updates • MTN Academy (training and development)
Government and regulators	**Governmental authorities and regulators**	• Compliance with licence conditions • Market oversight • New regulations • Agencies, departments and government officials responsible for creating, interpreting, implementing and enforcing government policies and directives	• Official meetings with heads of state, relevant ministers and other government departments to understand and engage on policy direction • Interface with regulators and ambassadors to understand our business plan and challenges • Engagement with law enforcement agencies to protect MTN infrastructure • Stakeholder presentations to share market insights • Engagement with pressure groups to understand their concerns
Industry bodies	**Organised ICT groupings**	• ITU, GSMA, SAMENA, Com series (e.g. Africacom conference) and local sector groups to seek consensus on industry issues, standards and practices, as well as drive a common agenda on regulation through lobbying and dialogue	• Participate at various GSMA conferences to explore new product areas such as m-services • GSMA board membership • Speaker opportunities at industry events
Other stakeholders	**Media**	• Keep MTN stakeholders informed of Group developments	• Press conferences, interviews with MTN executives/spokespeople • MTN Media Day face-to-face engagement and information sharing sessions • MTN media site visits
	Suppliers and business partners	• Helping MTN do business	• Formal and transparent sourcing process is in place to choose partners with relevant and value added solutions for our business • Strategic senior relationships to better jointly deliver services that meet our customers' needs
	Trade unions	• Drive fair labour relations practices	• Engage labour with adherence to local labour legislation and MTN operating company policies
	Local communities	• Expect business to contribute to social upliftment	• Staff volunteering (21 Days of Y'ello Care) • Activities of MTN Foundations

Based on our interactions in the past year, this table shows the main stakeholder groups and our understanding of their interests, gathered during our exchanges with them. It also shows the ways we engage, what we have achieved so far, and where we need to work harder to understand their needs and concerns.

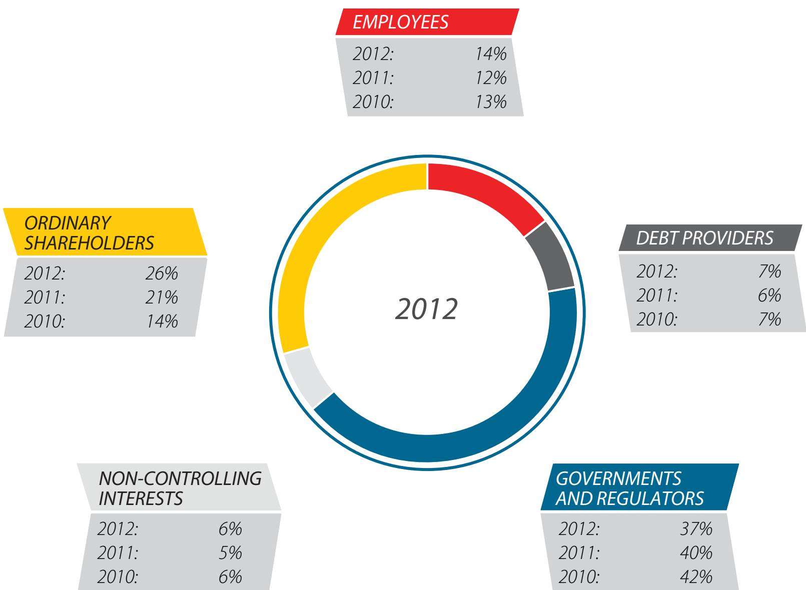
Achievements	Challenges	Opportunities
• 100% adoption of AGM resolutions • Constructive feedback on the integrated report and other engagement mechanisms • Adopted a new MTN vision and refined our strategy	• Competition • Turkcell lawsuit • Geo-political concerns in some markets, including Iran, Syria and Sudan • Cyber-security, social media and impact on freedom of expression	• Delivering on our strategic objectives • Roll out of new MTN vision and strategy • Review of code of ethics to improve governance and ethical practices
• Increasing usage of MTN products and services • Market share gains • Growing brand affinity • Millward Brown's 2012 BrandZ Top 100 Most Valuable Global Brands ranking	• Network and service quality • Pricing • Security of network infrastructure • Ensuring a distinct MTN customer experience	• New MTN vision and strategy • Customer experience initiative • New value propositions • Digital experience focus
• Roll out of The MTN Deal employee value proposition • Employer of Choice brand in many of our markets • MTN Connect – employee social media platform • Achieved 71% employee communication satisfaction • Effective management of the leadership pipeline	• Competition for skills • Employee safety in some volatile markets • Best practice sharing and standardisation • Inconsistent organisational culture • Employee litigation	• Roll out new culture operating system • Skills for a bold new Digital World • Employee operational efficiency initiative
• Limited negative legislative action in majority of our markets • Improved appreciation of our business challenges • Addressing quality of service issues with regulators • Growing MTN influence on key industry issues • Positive MTN brand perceptions across various stakeholder groups • MTN a "go to" company for doing business in Africa	• Aligning expectations with MTN policies • Tendency to politicise strictly legal and business issues • Licence suspensions and moratoriums on SIM card sales • Network infrastructure destruction in some markets • Spectrum allocation • Sanctions against Iran and Syria, and to some extent Sudan • Political unrest in Syria and regional conflict in Darfur and South Sudan • Turkcell lawsuit	• Proactive engagement on LTE roll-out • Increased strategically informed engagement with decision makers • Engage security agencies on infrastructure protection • Minimise litigation by working with regulators on quality of service challenges
• Leveraging MTN's GSMA board membership to share emerging market mobile insights • Profiled MTN's market leadership and competitive position at various conferences • Committed to key global protocols, *inter alia*, Telecoms Sector Supplement and OECD guidelines on doing business responsibly	• Compliance with a growing number of protocols • Prioritising affiliation to numerous industry bodies	• Optimising membership to these associations to achieve MTN's business objectives
• Balanced media coverage • Improved relationship with the media	• Insufficient understanding of MTN's challenges in some of our markets	• Improving media's understanding of the MTN business, products and services
• Achieved savings across all operating units • Established an integrated procurement and pricing approach for the Group in common spend categories • Applying economies of scale in many areas of the business	• Purchasing strategies not based on an understanding of supply and demand dynamics power for all categories of spend • Vendor relationships to be based on MTN values, innovation and service culture	• Ability to learn and leverage best practices across the global telecommunications base
• Constructive relationship with trade unions	• Different labour jurisdictions require different approaches across MTN markets	
• Running a number of initiatives in education, health and business	• Growing needs of communities • Streamlining the focus of MTN Foundations to ensure a meaningful impact	• Roll out education strategy to more MTN markets • Generate more media and stakeholder exposure to MTN's CSI initiatives

Our value added statement

for the year ended 31 December 2012

	2012 Rm	2012 %	2011 Rm	2011 %	2010 Rm	2010 %
Wealth created						
Revenue and other income	141 792		128 331		116 813	
Other finance costs	(6 035)		(3 279)		(3 107)	
Operating expenses	(78 801)		(69 113)		(68 828)	
	56 956		55 939		44 878	
Wealth applied						
Employees	7 775	14	6 754	12	5 961	13
Debt providers	4 088	7	3 331	6	3 064	7
Governments and regulators	21 025	37	22 067	40	19 026	42
Ordinary shareholders	14 919	26	11 722	21	6 313	14
Non-controlling interests	3 364	6	3 033	5	2 527	6
Reinvestment into MTN	5 785	10	9 032	16	7 987	18
	56 956	100	55 939	100	44 878	100
Capex	30 101		17 717		19 466	

Distribution of wealth



- ***People***

  We invested nearly R8 billion in our employees through salaries, pension plans, training and medical insurance.

- ***Shareholders***

  We paid R15 billion in dividends to our shareholders.

- ***Countries***

  We pay over R21 billion in taxation, regulatory fees and revenue share in the countries we operate in.

- ***Infrastructure***

  We invested over R30 billion in expanding and upgrading our infrastructure which positions us well into the future.

Our core offerings

Voice services

- Traditional voice services via 2G, 3G and LTE networks, including prepaid and postpaid airtime.
- MTN Zone is a dynamic tariffing service, pioneered successfully by MTN South Africa. The service offers discounted call rates based on available network capacity.
- International roaming, teleconferencing facilities and various community payphone models. MTN also provides interconnection services to other telecoms networks.
- International Airtime Topup provides family members of MTN customers with the ability to topup their relative's airtime wallets from international destinations.
- Me2U is the hugely popular service for customers to share airtime with one another.

Data services

- Mobile and fixed data services via various technologies (including 3G, LTE, WiMax, EDGE, HSPA, HSDPA and WCDMA).
- Mobile messaging, including basic SMS and MMS, which enables customers to send various media including music, photographs and videos from their phones.
- MTN Mobile Money, a mobile financial service product, offers remittance, person to person fund transfers and third-party bill payment solutions.
- MTN Play is a content portal providing a variety of entertainment services.
- MTN also has various services for easy and fast navigation or requests (such as balance enquiries or call-me-back requests).
- MTN customers can utilise the MTN Opera Mini browser in certain markets, offering access to the web at lower cost and faster speeds from their mobile phones.
- Caller Ringback Tones allow customers to personalise their dialling tones with music of their choice.

ICT services

- MTN Business provides large corporate customers with solutions designed to manage costs, improve efficiencies and deliver consistent quality. These include: corporate data solutions, satellite connectivity, infrastructure, networking, video conferencing and ePresence, system security, converged services and cloud computing.
- MTN has an extensive fibre network that is leased to corporates to provide connectivity typically offered by fixed-line operators.

A statement from our chairman

Cyril Ramaphosa

- *Group reported sound results*
- *Board enhanced governance processes*
- *Made good progress improving ethics policies and procedures*
- *Hoffmann Committee exonerated MTN of any wrongdoing*
- *Chairman retiring, leaving Group in good hands*

Recording good progress

2012 was a good year for MTN. The Group delivered to its customers through a more extensive and quality competitive offering, and to its shareholders through solid financial returns. To its numerous other stakeholders, MTN remained a reliable partner and contributor, championing positive change.

The Group increased headline earnings per share by 1,9% to 1 089,1 cents and declared a final dividend of 503 cents per share, up from 476 cents in 2011, bringing the total dividend to 824 cents per share.

As this is my last letter to you as chairman – I am retiring at the annual general meeting in May – I consider it an appropriate opportunity to share with you a few statistics to show just how much the Group has grown since 2001, the year I was first appointed to the board. Since then, MTN has grown its market capitalisation to more than R335 billion from R21.8 billion and subscriber numbers have increased to approximately 190 million from 3.9 million. In this time, the Group's cumulative capital expenditure has exceeded R171 billion and it has paid taxes, levies and licence fees of more than R129 billion.

It has indeed been an honour to be part of this home-grown African success story. MTN is a Group that has gained the admiration of several keen observers and indeed other operators throughout the telecoms world. MTN has recorded some extraordinary achievements and overcome considerable challenges to now call itself a leading emerging markets mobile operator in 22 countries across Africa and the Middle East, employing almost 27 000 people.

But now, back to 2012. Recognising the pace of change in the telecoms industry and the need to ensure increasing relevance, MTN management and the board of directors worked together in the year to hone the Group's mission, vision and strategy. The previous strategy had served us well, as we successfully entered markets where many others had feared to tread. We are now pursuing opportunities beyond merely providing voice services, and are focusing on evolving the Group's ICT offering.

In further elaboration of this, in his report for the year, the Group president and CEO spells out the changes being made to MTN's strategy to ensure the delivery of a bold, new Digital World to more and more people.

For more information please visit our website at

www.mtn.com

Enhancing governance

The board, which is accountable for the governance and sustainable performance of the Group, is committed to good corporate governance and continues to make significant progress in this regard. In an environment of increasing regulatory and legislative compliance requirements, we regularly review the board's governance structures and processes. This is aimed at enhancing the board's effectiveness and ensuring that it is aligned with sound business practices.

In 2012, the board adopted more King III recommendations as well as the latest JSE Listings Requirements and continued to implement changes required by the new Companies Act, including the establishment of a social and ethics committee. To keep up to date with changing legislation and governance principles, we reviewed and approved the board charter as well as the terms of reference of the board committees.

While the process to appoint directors has, in the past, been conducted in a formal and transparent manner, there has never been a formal policy in place. However, in 2012, the board adopted a policy on the appointment of directors and the Group secretary. We also appointed a new independent non-executive director – Fani Titi – with effect from 1 July 2012. With his extensive experience in a wide range of capacities, we know that Fani's contribution will be valuable and we welcome him.

Focusing on ethics

A major focus of the board in the year was on ethics, and strengthening our policies and procedures throughout MTN. The new social and ethics committee held its inaugural meeting in February 2012, and at this meeting and subsequent ones through the year it has been considering the Group's code of ethics. It also convened an ethics task team to review and further embed ethical values as well as ensure that employees practise ethical behaviour.

Key elements of the Group's ethics management process will be formerly introduced in the year ahead. It is fair to say that, like many other major corporations, MTN recognises that there is room for it to do more to enhance the ethics management process throughout the Group's 22 operations.

Closely linked to ethics is accountability, which the Group has identified in our culture change programme as one of four vital behaviours required for the organisation to successfully execute its revised strategy and remain sustainable.

As part of our commitment to ethics, human rights are fundamental in the culture of MTN. We are sensitive to concerns about human rights in relation to the implementation of interception capabilities. Protecting customer privacy is important to us and we work to prevent any illegal use or abuse of customer confidentiality. Throughout the industry worldwide, legal interception is a requirement of operating licences in many countries. This is the case in the majority of the countries in which we operate and in all countries where we operate there is legislation to enable law enforcement agents to obtain information.

Like all operators, MTN has no ability to control or manage how information obtained through legal means by relevant authorities is used. We continue to work proactively with other parties, including global operators and industry bodies, to find solutions to this issue, which were again discussed at the recent Mobile World Congress in Barcelona.

Defending our record

Just as we were stepping up our ethics policy, systems and processes, allegations of breaches of ethical conduct were made against the Group. Having set out the allegations in January 2012, on 28 March 2012, Turkcell Iletisim Hitzmetleri AS (Turkcell) filed a legal action against MTN Group and MTN International (Mauritius) Pty Ltd in the United States District Court in Washington, DC.

Turkcell has alleged that MTN violated the US Alien Tort Statute by conspiring to oust Turkcell from the Irancell consortium by: bribing an Iranian official and a South African official; encouraging the South African

A statement from our chairman *continued*

government to support Iran's nuclear development programme at meetings of the International Atomic Energy Agency; promising to influence the South African government to provide military equipment to Iran; and bribing its Iranian partners through sham loan agreements. Turkcell has sought damages of $4.2 billion. On 2 July 2012, MTN moved to dismiss the case on the basis that it lacks legal merit. MTN expects the court will decide the motion in its favour later this year.

Given the seriousness of the allegations, the MTN board felt they merited an authoritative and independent investigation and on 1 February 2012, appointed a special committee to do just that. Lord Leonard Hoffmann, an international jurist of unquestionable legal authority and independence, was selected to chair the special committee. Following a year-long investigation, that involved a detailed review of the evidence, Lord Hoffmann determined that the allegations were without foundation. He concluded that he found nothing in the conduct of MTN over this period that put at question MTN's integrity or propriety.

The board was particularly pleased to note Lord Hoffmann's findings that the allegations against MTN's former Group president and CEO Phuthuma Nhleko and MTN's former commercial director Irene Charnley were false. Allegations of complicity against me, the chairman, and the Group president and CEO Sifiso Dabengwa were similarly found to be without substance. The board is grateful to Lord Hoffmann, and independent non-executive directors Peter Mageza and Jeff van Rooyen for their work, and the scope and detail of their conclusions.

This was a testing time for the Group, but we now have the opportunity to state our case firmly and clearly, and build for the future. MTN is one of Africa's great success stories – a great company founded on innovation, courage and values of honesty and ethical business dealings. I am proud of what we bring to the communities and markets in which we work, and what MTN does to improve lives. We can now put these events behind us, and move forward.

Remaining compliant with sanctions

MTN continues to work closely with all relevant authorities to manage US sanctions against Iran and Syria, and retains international legal advisers to assist the Group in remaining compliant with all applicable sanctions.

Overcoming challenges

Continuing to comply with sanctions constituted just one of the challenges we faced in 2012. Among others were the continued global economic malaise linked to the debt crisis in Europe, as well as political and social volatility in a number of MTN markets. Specifically, we had to contend with the crisis in Syria, troubles in northern Nigeria, labour unrest in South Africa, ongoing fighting in Afghanistan and the continuing standoff between Iran and the West, to name but a few.

Other challenges our operations face on a day-to-day basis are clearly spelled out in the president and CEO's report, but suffice to say that the safety of our people is paramount and we continue to implement various risk management strategies to mitigate safety and security risks.

Looking ahead and appreciation

As we embark on a new year, it is worth reminding ourselves of the strengths of MTN's investment case. Among these are our large subscriber base and solid brand; our robust balance sheet and significant network infrastructure; our strong sales and distribution network as well as our micro-billing capabilities.

Our proven track record of operating in challenging markets and our established internet service provider businesses are other important attributes. Crucially, the resilience and inventiveness of our people are key to our ability to rise up to the challenges ahead. I thank them for their continued dedication to the task at hand.

I would like to thank my fellow board members for their wise counsel over the years, as well as the executives of MTN for their dedication and hard work and for making me welcome at MTN. In my years as chairman, I have travelled to many MTN operations across Africa and the Middle East, and the positive MTN attitude is evident everywhere I go: I feel we are all part of the MTN family.

I would also like to thank MTN's many partners, shareholders and regulators in various jurisdictions who have worked alongside us in growing the Group to where it is today. On behalf of the board, I invite all shareholders to attend the Group's annual general meeting on 28 May 2013, not only to vote, but also to use this meeting as an opportunity to interact with the members of the board and the management team. I also encourage you to visit our company website where a wealth of information is available.

MTN is well positioned to continue to grow sustainably: increasing subscriber numbers and profitability and contributing to economic development. Telecoms is certainly the way of the future and we have a responsibility to all our stakeholders to operate in an ethical and sustainable way in continuing to generate returns to our shareholders.

I believe MTN is in good hands and that the appointment of my successor is progressing responsibly. I wish the Group, the board and all MTN employees the best for the future. I will be watching your progress with great interest and affection.

Cyril Ramaphosa
Chairman
28 March 2013

Our board of directors

at 31 December 2012

MC Ramaphosa (60)

BProc, LLD (HC)

Independent non-executive director and chairman

Appointed: 1 October 2001

Board committee membership

- Remuneration and human resources committee
- Chairman of the nominations committee

Other directorships

Director of various companies in the MTN Group, founder and executive chairman of Shanduka Group (Pty) Ltd, non-executive chairman of The Bidvest Group Ltd, joint executive chairman of Mondi Plc and Mondi Ltd. Cyril is also a non-executive director of SAB Miller plc, Alexander Forbes Ltd and Standard Bank Group Ltd. In December 2012, Cyril was elected deputy president of the ruling African National Congress.

Skills, expertise and experience

Cyril joined the Council of Unions of South Africa as a legal adviser in 1981. He went on to join the National Union of Mineworkers, South Africa's largest trade union, serving as general secretary until 1991. Executive chairman of Shanduka Group (Pty) Ltd since 2003. Past chairman of the Black Economic Empowerment Commission in South Africa. He was also chairman of the Constitutional Assembly which negotiated South Africa's first democratic dispensation.

AF van Biljon (65)

BCom, CA(SA), MBA

Lead independent non-executive director

Appointed: 1 November 2002

Board committee membership

- Chairman of the audit committee
- Nominations committee

Other directorships

Director of various companies in the MTN Group, St Augustine College of South Africa, chairman and trustee of Standard Bank Group Retirement Fund and Liberty Group Pension and Provident Funds.

Skills, expertise and experience

Between 1975 and 2002, Alan held the position of group financial director for the following companies: Truworths Ltd, The Greatermans Checkers Group, Sun International, Kersaf Investments and the Standard Bank Group. In 2002, he established a specialised financial consultancy under the name of van Biljon & Associates. His past non-executive directorships include Alexander Forbes, Sage Group, Peermont Global and Hans Merensky Holdings.

RS Dabengwa (55)
BSc (Eng), MBA

Group president and CEO
Appointed: 1 April 2011
Executive director
Appointed: 1 October 2001

Board committee membership
- Chairman of the executive committee
- Attends various board committee meetings by invitation

Other directorships
Director of various companies in the MTN Group, Long Street Property Development (Pty) Ltd, Sea Star Motors (Pty) Ltd and Tsiya Group (Pty) Ltd.

Skills, expertise and experience
Before his appointment as Group president and CEO, Sifiso was MTN's Group chief operations officer for seven years. Prior to joining MTN, Sifiso was Eskom's executive director responsible for sales, customer service, electrification and distribution technology. Before Eskom, he worked as a consulting electrical engineer in the building services industry and in the mining and railway sectors.

A Harper (56) (British)
BA (Hons)

Independent non-executive director
Appointed: 1 January 2010

Board committee membership
- Chairman of the remuneration and human resources committee
- Nominations committee

Other directorships
Director of various companies in the MTN Group, Eaton Towers Ltd and Venture Partnership Foundation Ltd.

Skills, expertise and experience
Alan previously served as group strategy and new business director for Vodafone plc, was a member of the executive committee of the Vodafone Group, a board member of the GSM Association, chairman of Vodafone Ventures and chairman of the board of trustees of the Vodafone UK Foundation.

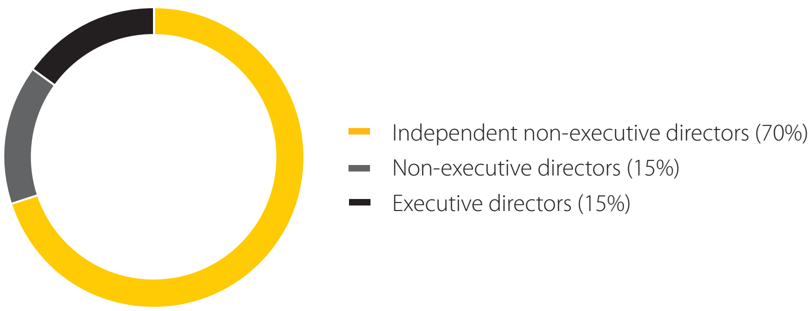
KP Kalyan (58)
BCom (Law) (Hons) Economics, Senior Executive Management Programme
Independent non-executive director
Appointed: 13 June 2006

Board committee membership
- Chairman of the social and ethics committee
- Risk management, compliance and corporate governance committee

Other directorships
Director of various companies in the MTN Group, Standard Bank Group Ltd, South African Bank Note Company (Pty) Ltd, South African Mint Company Ltd, Edgo Merap (London) Ltd, Omega Risk Solutions, the Tälberg Foundation (Sweden), Hayleys Energy Services (Sri Lanka) Ltd, AOS Orwell Oil and Gas (Nigeria) and Petmin Mining and chairman of the Thabo Mbeki Foundation.

Skills, expertise and experience
Koosum is the executive chairman of Edgo Merap in London. Prior to that, she was senior business development manager at Shell International Exploration and Production (Pty) Ltd in London; general manager: corporate, for Shell Southern Africa, senior economist at the Chamber of Mines and economist at the Electricity Commission of Victoria, Melbourne, Australia. She was also a graduate lecturer at the University of Durban Westville.

Group board independence status



Our board of directors *continued*

at 31 December 2012

NP Mageza (58)

FCCA

Independent non-executive director

Appointed: 1 January 2010

Board committee membership

- Audit committee
- Risk management, compliance and corporate governance committee
- Social and ethics committee

Other directorships

Director of various companies in the MTN Group, Remgro Ltd, Sappi Ltd, Rainbow Chicken Ltd, Eqstra Holdings Ltd, Clover Industries Ltd and Ethos Private Equity Ltd.

Skills, expertise and experience

Peter is a Fellow of the Association of Chartered Certified Accountants (UK), and was group executive director and group chief operations officer at Absa until June 2009.

MLD Marole (52)

BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme

Independent non-executive director

Appointed: 1 January 2010

Board committee membership

- Risk management, compliance and corporate governance committee
- Social and ethics committee

Other directorships

Director of various companies in the MTN Group, African Bank Investments Ltd, Eyomhlaba Investment Holdings Ltd, Richards Bay Titanium (Pty) Ltd, Richards Bay Mining (Pty) Ltd, Richards Bay Tisand (Pty) Ltd, Santam, JP Morgan Sub Saharan Africa Advisory Board and the Development Bank of Southern Africa.

Skills, expertise and experience

Dawn's career has primarily been in the financial services sector and dates back to 1983. She is also a member of the Presidential Review Committee on State Owned Entities.

AT Mikati (40) (Lebanese)

BSc

Non-executive director

Appointed: 18 July 2006

Board committee membership

- Nominations committee
- Remuneration and human resources committee

Other directorships

Director of various companies in the MTN Group, CEO of M1 Group Ltd (an international investment group with a strong focus on the telecommunications industry), director of various companies in the M1 Group as well as EZ-Link, B-Pro Ltd, B-Jet Ltd, Horizon Global Services, IMC, Mint Trading, Unioil and Facconable Group.

Skills, expertise and experience

Azmi founded T-One, a telecoms company providing long-distance services between the United States and other international destinations.

MJN Njeke (54)

BCom, BCompt (Hons), CA(SA), H Dip Tax Law

Independent non-executive director

Appointed: 13 June 2006

Board committee membership

- Audit committee
- Risk management, compliance and corporate governance committee

Other directorships

Director of various companies in the MTN Group. Chairman of MMI Holdings Ltd, ArcelorMittal SA, Resilient Property Income Fund, Adcorp Holdings Ltd and Silver Unicorn Trading 33 (Pty) Ltd. Director of Serengeti Properties (Pty) Ltd, Sameh Properties, South African Qualifications Authority and Sasol Ltd.

Skills, expertise and experience

Johnson co-founded Kagiso Trust Investment (Pty) Ltd, served as a partner at PricewaterhouseCoopers Inc. and was chairman of the South African Institute of Chartered Accountants.

NI Patel (56)
BCom, BCompt (Hons), CA(SA)

Executive director: Group chief financial officer
Appointed: 27 November 2009

Board committee membership
- Executive committee
- Attends various board committee meetings by invitation

Other directorships
Director of various companies in the MTN Group.

Skills, expertise and experience
Nazir has wide international experience in Europe and the Middle East. Since joining the MTN Group, he has been responsible for the Group financial management and accounting function and has participated in several of the Group's merger and acquisition activities.

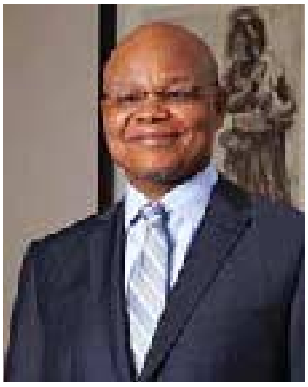
JHN Strydom (74)
MCom (Acc), CA(SA)

Non-executive director
Appointed: 11 March 2004

Board committee membership**
- Audit committee (withdrawn 29 May 2012)
- Remuneration and human resources committee
- Risk management, compliance and corporate governance committee
- Social and ethics committee*

Other directorships
Director of various companies in the MTN Group, non-executive director Afrisam (Pty) Ltd, Growthpoint Properties Ltd, the Public Investment Corporation Ltd and chairman of the PIC Investment Committee.

Skills, expertise and experience
Jan is a founding partner of Strydoms Incorporated Chartered Accountants (SA), a firm specialising in business valuations, litigation support and forensic investigations. He is now a professional consultant to Strydoms. He is also a senior member of the Special Income Tax Court for taxation appeals.



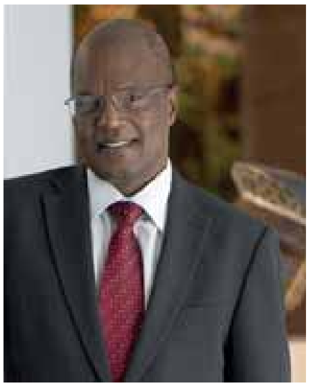
F Titi (50)
BSc Hons (Mathematics), MA (Mathematics), MBA

Independent non-executive director
Appointed: 1 July 2012

Board committee membership
- From March 2013, remuneration and human resources committee

Other directorships
Director of various companies in the MTN Group, non-executive chairman of Kumba Iron Ore Ltd and Investec Bank Ltd, and joint chairman of Investec Ltd and Investec plc. Fani is a director and investor in the private equity firm, Tsiya Group (Pty) Ltd.

Skills, expertise and experience
Fani is a former executive director of African Bank Investment Ltd, founding CEO of Kagiso Media Ltd and founding director of Kagiso Trust Investment (Pty) Ltd. He was also the founding chairman of Tiso Group (Pty) Ltd, non-executive deputy chairman of Bidvest Group Ltd and non-executive chairman of AECI Ltd. Fani has extensive experience in the private equity and banking sectors, and general business. He has served on audit, remuneration and nomination committees of various boards.



J van Rooyen (63)
BCom, BCompt (Hons), CA (SA)

Independent non-executive director
Appointed: 18 July 2006

Board committee membership
- Chairman of the risk management, compliance and corporate governance committee
- Audit committee
- Social and ethics committee

Other directorships
Director of various companies in the MTN Group, various companies in the Uranus Group, Pick n Pay Stores Ltd, Pick n Pay Holdings Ltd, Exxaro Resources Ltd and chairman of Financial Reporting Standards Council.

Skills, expertise and experience
Jeff founded his own auditing practice in 1984, which merged with Deloitte & Touche in 1990. He was then appointed as a partner at Deloitte until June 2000. He is a founder, member and CEO of Uranus Investment Holdings (Pty) Ltd and previously served as CEO of the Financial Services Board. He is also a founder, member and former president of the Association for the Advancement of Black Accountants (ABASA) and was chairperson of the Public Accountants and Auditors Board in 1995. Jeff is a former trustee of the International Financial Reporting Standards (IFRS) Foundation.

** Withdrawn 5 March 2013*
*** Nominated to nominations committee 5 March 2013*

Our executive committee

at 31 December 2012

RS Dabengwa (55)

BSc (Eng), MBA
Group president and CEO
Chairman of the executive committee

Other directorships
Director of various companies in the MTN Group, Long Street Property Development (Pty) Ltd, Sea Star Motors (Pty) Ltd and Tsiya Group (Pty) Ltd.

Skills, expertise and experience
Before his appointment as Group president and CEO, Sifiso was MTN Group's chief operations officer for seven years. Prior to joining MTN, Sifiso was Eskom's executive director responsible for sales, customer service, electrification and distribution technology. Before Eskom, he worked as a consulting electrical engineer in the building services industry and in the mining and railway sectors.

NI Patel (56)

BCom, BCompt (Hons), CA(SA)

Group chief financial officer

Other directorships
Director of various companies in the MTN Group.

Skills, expertise and experience
Nazir has wide international experience in Europe and the Middle East. Since joining the MTN Group, he has been responsible for the Group financial management and accounting function and has participated in several of the Group's merger and acquisition activities.

CM de Faria (60) (French)*

Degree in Finance Administration (CA)

Group chief commercial officer

Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Prior to joining MTN Group in 2006, Christian was chief executive officer of PT Excelcomindo Pratama, known as XL, the second-largest mobile operator in Indonesia and chief executive officer of Telekom Malaysia International, now known as Axiata.

At MTN, Christian was previously the vice-president for the West and Central Africa region and senior vice-president for commercial and innovation. In July 2011, Christian was appointed Group chief commercial officer responsible for all customer-facing activities from innovation, products and services, marketing, CRM to sales and distribution.

**Withdrawn on retirement 31 January 2013. Replaced by PC Verkade.*

JA Desai (55)

BA (Hons), BCom

Group chief technology and information officer

Other committee membership

- Operations committee
- Group tender committee

Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Prior to joining MTN, Jyoti worked at the Standard Bank Group and Telkom SA Ltd. At MTN, Jyoti initially held the position of chief information officer at MTN Nigeria. In 2005, she moved to Iran to start up the operation as chief operating officer of MTN Irancell.

S Fakie (59)

BCom, BCompt (Hons), CA(SA)

Group chief business risk officer

Directorships

Director of various companies in the MTN Group and director of Absa Group Ltd.

Skills, expertise and experience

Shauket has been the Group chief business risk officer and a member of Group exco since 2007. In 1999, he was appointed auditor-general of South Africa for a seven-year term. In this capacity he contributed to many international and regional organisations such as the United Nations and the African Organisation of Supreme Audit Institutions (AFROSAI).

Our executive committee *continued*

at 31 December 2012

A Farroukh (52) (Canadian and Lebanese)

MBA, CPA

Group chief operations executive

Other committee membership

- Operations committee
- Group tender committee

Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Previously vice-president of the Middle East and North Africa region and chief executive officer of MTN Nigeria. Prior to his appointment at MTN, Ahmad was managing director of Scancom Limited (part of Investcom Holding Group) in Ghana and regional manager for West Africa. He also previously worked for Mediterranean Investor Group, KPMG, Deloitte & Touche and the Investcom Holding Group as well as lecturing in accounting at the American University of Beirut and was the chief executive officer of MTN Nigeria.

B Goschen (48)

BCom, BCompt (Hons), CA(SA)

Chief executive officer: MTN Nigeria Communications Limited

Other committee membership

- Operations committee

Directorships

Director of various companies in the MTN Group.

Skills, expertise and experience

Brett was appointed chief executive officer of MTN Nigeria in April 2011. Prior to this, he was chief executive officer of MTN Ghana and chief financial officer of MTN Nigeria. Before joining MTN in 2002, Brett was the managing director of Altech Autopage Cellular.

PD Norman (47)

MA (Psych)

Group chief human resources and corporate affairs officer

Other committee membership

- Group tender committee (alternate member)

Directorships

Director of various companies in the MTN Group and trustee of the Chartered Accountants Medical Aid Fund.

Skills, expertise and experience

Paul has been an executive at MTN since 1997. He has spent more than 20 years in human resources and has worked extensively in the transport and telecommunications industries.

KW Pienaar (54)

BSc Eng

Chief executive officer: MTN (Pty) Ltd

Other committee membership
- Operations committee
- Group tender committee

Directorships
Director of various companies in the MTN Group.

Skills, expertise and experience
Karel has been with MTN since its launch in 1994 and has held various positions including chief technology and information officer of the MTN Group and chief executive officer of MTN Nigeria. Karel is chief executive officer of MTN South Africa.

Before joining MTN, Karel worked as a strategic business development manager for pay television company M-Net. He was also involved in the full spectrum of telecommunications management for Telkom. Karel is a member of the Institute of Electrical and Electronic Engineers.

I Sehoole (52)**

BCom, BCompt (Hons), CA(SA)

Regional vice-president: South and East Africa

Other committee membership
- Group tender committee

Directorships
Director of various companies in the MTN Group. Director of the Public Investment Corporation and a member of the Specialist Committee on Company Law.

Skills, expertise and experience
Ignatius was previously the chairman of The Developing Nations Committee of the International Federation of Accountants (IFAC), a member of Harith Fund Managers and the Accounting Standards Board, a member of the King Committee and the chairman of the National Treasury Audit Committee.

Prior to joining MTN, he was managing director of the inland region at Fedics (Pty) Ltd, senior executive at Murray & Roberts Holdings (Pty) Ltd and the executive president of the South African Institute of Chartered Accountants (SAICA).

***Ceased to be a member of the exco on 31 March 2012, in line with changes in the organisational structure. Subsequently appointed as Group executive: business risk management.*

KL Shuenyane (42)

B Econ and Internat Stud, CA (England and Wales)

Group chief strategy, mergers and acquisitions officer

Directorships
Director of various companies in the MTN Group.

Skills, expertise and experience
Prior to joining MTN, Khumo was head of direct investments and a member of the executive committee of Investec's South African operations. He was also a member of Investec's corporate finance division.

A focus on our CSI

Facilitating access to online education in Uganda

Many of the emerging markets in which MTN operates struggle to access relevant quality education. In particular, access to digital content and online educational material is uncommon.

MTN Uganda has facilitated the rollout of the Microsoft pathfinder school e-learning platform across the country, adding content on the platform and donating connectivity solutions. We have partnered with Gayaza High School (a Microsoft pathfinder school) to drive awareness of the e-learning platform as a means of creating access to quality and up-to-date education material for both teachers and students in secondary schools, particularly in rural areas.

At the end of 2012, we supported 26 schools. In early 2013, we will extend access to another 24 schools.

*02

Performance review

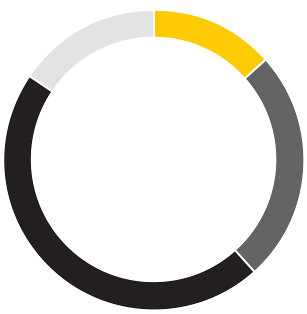
Group president and chief executive officer's report

Sifiso Dabengwa

Welcome to the New World
In 2012, MTN performed well in a challenging environment. We grew our customer base and traffic volumes and maintained market share, while accelerating our capital expenditure programme to ensure the Group's continued competitiveness and support revenue growth into the future.

We delivered to our customers through a keen focus on network quality and coverage, wider and more effective distribution and by introducing various innovative and competitive products and services. Underscoring the importance we give to a robust network, we invested over R30 billion in world-class technology infrastructure (up 69,9% in the year), improving voice call quality and extending faster data services to more customers.

Subscribers ('000)



* *We have broadened our definition of data which results in 'other' revenue from 2011 now included in the data category. Using prior period classification, data and SMS would have increased by 45,8%.*

- *We revised our vision and mission and updated our strategy*
- *Reported growth of 15,1% in subscribers, 10,9% in revenue, 7,0% in EBITDA*
- *Maintained market share in key markets*
- *Accelerated infrastructure roll out*
- *Extended data services, grew data's contribution to revenue*
- *Embarked on an overhaul of our ethics processes*
- *Launched Project Next! to transform our operating model*
- *Continued passive asset monetisation drive with more tower deals*

Over 24 million new subscribers joined our network, bringing MTN's subscribers to almost 190 million. Almost a third of these subscribers use our data services.

Through our segmented approach, we were able to provide more appropriate products and services to specific customer groups, including individuals, small- and medium-sized enterprises as well as corporates. We also got closer to our customers by 'regionalising' our customer-facing activities.

We grew revenue by 10,9% to R135,1 billion, with the contribution of data and SMS increasing 37,8%* to R22,7 billion – or 16,8% of the total (up from 13,5%). Earnings before interest, taxation, depreciation and amortisation (EBITDA) rose 7,0% to R58,6 billion. We achieved these results despite heightened competition and stiffer regulatory demands, including subscriber registration and more onerous fees and requirements to secure necessary radio spectrum.

Among other challenges in the year, many of them addressed by the chairman in his statement, were network congestion in some key operations; civil unrest and the impact of sanctions in others; difficulties in repatriating cash from some countries and adverse moves in foreign exchange rates as well as legal action against MTN.

For more information please visit our website at

www.mtn.com

Refining our vision, mission and strategy
Since its establishment in 1994, MTN has grown rapidly, consistently delivering strong returns. But as the rate of change in the telecommunications industry quickens, and competition intensifies, this is becoming more challenging.

Many telecoms services are becoming 'commoditised'. At MTN, we need to ensure that our products and services – as well as our people and processes – differentiate us. This, in turn, will support profit growth at the rate to which shareholders have become accustomed. The challenges of effective differentiation are significant.

2012 was a year of introspection, when we considered afresh what it is that we want to become; how we can use our assets more efficiently and so sustain profitable growth. As a result, we redefined MTN's vision and mission, and honed our strategy.

Our new vision – to lead the delivery of a bold, new Digital World to our customers – marks an evolution from the vision to be the leader in telecommunications in emerging markets. With clear market leadership in 15 of the 22 countries in which we operate, the leading telecoms brand in Africa and a top brand in the Middle East, we have largely delivered on this earlier vision. We do, however, remain focused on developing economies.

Our new mission – to make our customers' lives a whole lot brighter – means easier engagements with MTN such that all our customers are MTN promoters. It is a differentiated MTN-branded customer experience that we give at every touchpoint.

Launched towards the end of 2012, the updated strategy better addresses customers' needs, truly putting them at the centre of our efforts. It covers a more comprehensive range of offerings to drive sustainable growth and also focuses on transforming our operating model, to bring down costs and increase efficiencies.

Creating sustainable value for our many stakeholders remains fundamental. So too does ensuring an innovative approach and best practice in all that we do. The evolving strategy is well aligned to our values, which remain intact. They are: providing leadership; acting with integrity; cultivating relationships; inspiring innovation; and having a 'can do' attitude.

We are now working to better align our key performance indicators with our strategy and will measure this in 2013. We are also introducing new metrics, in addition to financial ones, to track our progress.

To facilitate the best delivery of strategy, in 2012 we introduced changes to the organisational structure. The new structure groups operations based on scale – South Africa, Nigeria and the large and small opco clusters – replacing the regional division of responsibilities. The CEOs of South Africa and Nigeria now report directly to me, and we have created a new position of chief operations executive who is responsible for all operations outside these two main markets.

Delivering on our key strategic objectives
Creating and managing stakeholder value
In 2012, we revised our dividend policy to an absolute growth policy, and the board declared a final dividend of 503 cents per share bringing the total dividend to 824 cents per share. We extended our share buy-back programme, spending R2,1 billion on purchasing MTN shares from the market.

Being an enthusiastic and responsible corporate citizen remains important to us. In 2012, we spent R193 million on corporate social investment projects – the largest contribution being to education.

More than 12 000 employees volunteered to help the less fortunate in our annual *21 Days of Y'ello Care* programme. This initiative is just one aspect of our many efforts to ensure MTN is a great place to work. We need to continue to safeguard this by, among others, attracting and retaining the appropriate skills and investing in employee development. In 2012, we spent R383 million on developing our nearly 27 000 employees, up from R265 million in 2011. While MTN provides opportunities for development, we expect our employees to take responsibility for this and to continually upgrade their skills through the MTN Academy in particular.

Holding on to good employees in an increasingly competitive market is not always easy. In 2012, it was pleasing to note that employee turnover declined to 5,3% from 7,1%.

Recognising the value of diversity within a group with a solid organisational culture across 22 operations, in 2012 we launched our culture operating system project, identifying the employee behaviour we consider vital to support our strategy. We will continue to roll this out in the year ahead.

To mitigate the risks to employees of instability in some of the countries in which we operate, most notably Syria, Afghanistan and Nigeria, we continue to improve our various medical, security, safe travel and crisis risk management initiatives.

Group president and chief executive officer's report *continued*

As the chairman has made clear, sound governance is absolutely vital to our strategy and should underpin all our efforts. In 2012, we sharpened our focus on social and ethical governance functions and processes, and are now partnering with the Ethics Institute of South Africa to provide training on these matters to all employees, starting at the highest level of the organisation.

Creating a distinct customer experience

In what seems to be an increasingly homogenous telecoms market in many countries, MTN strives to create a distinct customer experience. This starts with continually enhancing the quality of the network and ensuring appropriate capacity. In 2012 this was achieved in most operations through our targeted and large capital investments.

However, there were some challenges with the quality of service in a few markets – most markedly Nigeria. This stemmed from a faster-than-anticipated reduction in voice tariffs which in turn led to a significant increase in minutes of use on the network. As a result, our network became congested, leading to regulatory penalties. We have now committed sufficient capex to bolster our network capacity and quality in the year ahead.

Among other initiatives to create a distinct customer experience, in the year we extended our retail presence and refitted many of our retail and services centres to make them more device oriented. In some countries we negotiated a new distribution model with resellers. We got closer to our customers through our regionalised and segmented approach. We were pleased to have been ranked the top brand in Africa, and number 88 in the world, in the reputable Millward Brown BrandZ annual survey.

Driving sustainable growth

While revenue from voice services, that contributes just over three-quarters of MTN's total revenue, remains critical to our success today, data use will increasingly define the telecoms landscape ahead. Mobile networks will become important enablers for many aspects of life, providing connectivity anywhere, allowing intelligent systems to operate independently and linking consumers and businesses, and so forth.

Within the next decade, large swathes of people will likely depend on data connectivity to deliver this 'New World' lifestyle. In emerging markets, in particular, we see significant underlying demand for basic services which could be best delivered through mobile communications. MTN is working to drive these changes and so capitalise on them. Examples of our efforts in this regard in 2012 include a broadening of our Mobile Money and financial services offering, a step up in our cloud services as well as more development of local entertainment content, to name but a few.

By year end we had almost 10 million Mobile Money users, up by two-thirds on 2011's 6 million subscribers. In 2012, data services were the strongest contributor to MTN's revenue growth. We increased data subscriber numbers by 41,0% to 58,7 million and data traffic grew by more than 50%. This was achieved through extending our 3G coverage, investing in new technologies and our continued support of data-enabled devices. The number of smartphones on our network increased dramatically – to 21,9 million from 10,7 million.

To maintain this pace, we need to ensure access to sufficient reliable broadband capacity. In the year we gained access to the submarine West Africa Cable System (WACS). Data provision also requires that we have access to appropriate spectrum, as well as applicable licences. For this, continued constructive engagement with regulators remains essential.

We continue to make progress in embedding responsible environmental and social business requirements into our day-to-day activities. However, we can and must do more in areas such as energy efficiency, e-waste management and by leveraging our products and services to narrow the digital divide.

We continue to improve our understanding of our environmental impact, and use a combination of alternative energy and engineering solutions for optimum energy efficiency, mainly on network sites and data centres. By working on managing and reducing our energy use, we traded over R12 million worth of carbon credits and achieved silver certification from the US Green Building Council for our head office campus in South Africa.

Transforming our operating model

Amid greater price competition, which in turn pressures revenue and margins, it is imperative that we lower the cost base of our business and improve operational efficiency. In 2012 we made good progress with the launch of the detailed design phase of *Project Next!* This back-office transformation initiative aims to centralise transactional activities; implement standardised processes with clear roles and responsibilities; and optimise and consolidate the technology landscape.

Project Next! – which will likely run until the end of 2016 – will move MTN from operating as 22 autonomous opcos to a more cohesive and integrated company and ultimately build a foundation for the future. It requires a strong internal customer focus and seeks to free up the operations to focus on their core activities while various support functions are centralised. It is about digitising our own lives at MTN so that we can do the same for our customers. In a nutshell, *Project Next!* is about building the right platform to deliver on strategy, as efficient execution is key.

We also continue to look to monetise non-core assets – such as passive infrastructure – and transform our supply chain and procurement management.

Facilitating innovation and best practice

All our strategic objectives are underpinned by the objective of facilitating innovation and best practice. By this, we recognise that product development and execution are critical. In 2012, we launched numerous new services and products and better managed network use through our dynamic tariffing offering MTN Zone. We provide examples of key product launches in the performance reviews of our top nine operations.

We understand that we need to ensure innovation in all respects: in creating structures, policies and procedures, performance metrics, talent investment and reward and recognition mechanisms to support the execution of new initiatives. We made good progress in this regard in the year.

An important aspect of best practice is knowledge sharing, and in 2012 many operations benefited from the experience of others, with regard to, for example, subscriber registration, subscriber acquisition, the execution of handset or device strategies and cost management.

Looking ahead

To ensure that MTN continues along a profitable growth trajectory, we must rise to a number of challenges. Among these are intense competition and greater regulatory pressures, significant capital investment requirements and the growth of what are known as OTT players (internet-based alternatives to traditional telephony services).

Civil unrest and pressure from sanctions in some of the markets in which we operate, along with fluctuations in foreign exchange rates and difficulties in extracting cash from certain markets, are other challenges.

There remain, however, significant opportunities for MTN, which I have outlined above. They include opportunities to broaden our offering; providing more services to customers by moving decisively into the digital space; leveraging MTN's inherent strength in adjacent industries; creating a distinct customer experience and transforming our operating model.

We see potential in unlocking more value from our passive infrastructure, as we are doing through tower sales in Ghana, Ivory Coast, Cameroon and Uganda. We also see more opportunity to share our network and fibre, as well as diversify our earnings.

We are well positioned to take advantage of growth in data traffic in 2013, when we plan to invest R28 billion to further enhance our services. Although competition will remain intense, we will continue to be competitive by providing an excellent customer experience. Low internet penetration in many markets and the declining cost of data-enabled devices provide a good opportunity for MTN.

We expect to deliver improved organic growth in both revenue and EBITDA in 2013 and anticipate reaching the milestone of 200 million subscribers by the middle of the year. By year end, we expect 21 million new customers to have joined the MTN family. We look forward to welcoming them to the New World.

Sifiso Dabengwa
Group president and CEO
28 March 2013

Group chief financial officer's report

Nazir Patel

- Solid growth in revenue and EBITDA
- Strong results from large opco cluster
- Focus on cost control
- Currency volatility impacts results
- Significant investment in capex
- Increased shareholder returns

MTN's financial performance for the year reflects solid progress in growing revenue and EBITDA (earnings before interest, taxation, depreciation and amortisation). Revenue for the year increased 10,9% (8,5%*), with the majority of our operations delivering strong organic revenue growth. Nigeria experienced a challenging period following significant tariff declines amid heightened competition. However, the operation delivered consistent month-on-month growth in the last quarter of 2012, highlighting the strong underlying demand which we expect to continue in 2013.

EBITDA increased 8,2% to R57 978 million** with an EBITDA margin of 42,9%**. While Nigeria negatively impacted the Group's overall margin, encouragingly we saw margin improvement across the majority of our large opco cluster with year-on-year organic growth in EBITDA of 20,7%**.

We delivered on our commitment to accelerate our network investment, with R30 101 million capitalised for the year. In an effort to accelerate our 2013 capital expenditure (capex) programme, the reported capex for 2012 includes some equipment delivered for part of the 2013 rollout. We believe the strong momentum achieved in network expansion will be a key factor in securing our continued growth over the medium term.

Strategic considerations for the period

Currency

Currency movements continued to impact MTN Group results. During the year under review, the average Nigerian naira rate strengthened 10% against the rand, while the average Iranian rial weakened 14% against the rand. A new official trade rate for the Iranian rial was introduced in the fourth quarter of 2012 and hence the full impact of this effective devaluation will be felt in the 2013 financial year. The closing rate for the Iranian rial was IRR24 596 to the US$, 121% weaker than a year earlier.

Furthermore, in 2012, the average Ghanaian cedi was 10% softer against the rand and the average Syrian pound was 28% weaker against the rand. Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency and the Nigerian subsidiary places foreign currency on deposit as security against letters of credit when each order for imports is placed. Where possible, the Group manages foreign currency translation risks primarily through borrowings denominated in the relevant foreign currencies.

Once-off costs

A number of once-off costs had a significant effect on earnings. These relate to the legal challenge by Turkcell and the Hoffmann Committee costs (approximately R300 million), Iran tax-related charges

* *Constant currency.*
Constant currency is calculated on the current period data translated at the comparative period weighted average exchange rate.
** *Excluding the impact of tower transactions.*

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(approximately R250 million) and our new shared services initiative (approximately R200 million) – the latter is critical to our strategic objectives of innovation and best practice, as well as transforming our operating model.

Funding in challenging markets

Funding in select markets remains a challenge for the Group. We, however, continue to constructively engage with regulatory authorities and financial institutions and have made good progress in this regard.

Revenue analysis

Group revenue increased 10,9% to R135 112 million, supported by solid growth in South Africa (7,1%) and a number of operations which continued to record strong organic revenue growth: Iran (26,1%), Ghana (21,3%), Uganda (16,2%), Sudan (28,3%) and Ivory Coast (17,0%). The weakness in the average rand exchange rate during the year also supported the improvement in reported revenue.

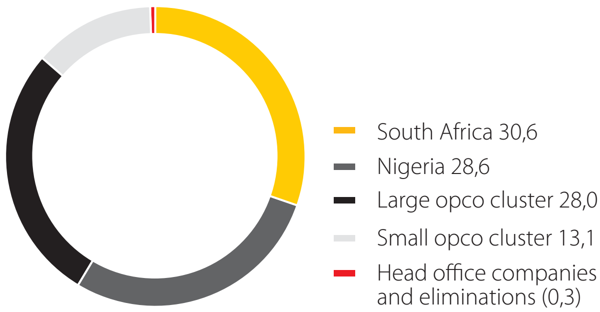
Group data revenue increased 58,5%* and was an important driver of total revenue growth. Outgoing voice revenue for the Group increased by 7,0% to R85,1 billion, contributing 63% to revenue. This was driven by promising growth in South Africa, Ghana and Iran. Interconnect revenue for the Group increased by 0,2%, impacted mainly by a 16,9% decrease in MTN South Africa's interconnect revenue due to regulator-agreed decreases in mobile termination rates implemented on 1 March 2012.

Cost analysis

Total operating costs increased by 13,4%. This was mainly due to higher direct network operating costs impacted by an increased number of sites and higher fuel costs. These costs are a result of efforts to remain competitive and expand the network significantly, which in turn are key to creating a distinct customer experience and driving sustainable growth.

Handset and accessories costs increased by 20,0%, driven largely by South Africa which sold 6,7 million pre-paid phones and 1,3 million post-paid phones during the year. Group employee costs represented 10,0% of operating expenditure, from 9,9% in 2011. High rates of wage

↗ Revenue contribution (%)



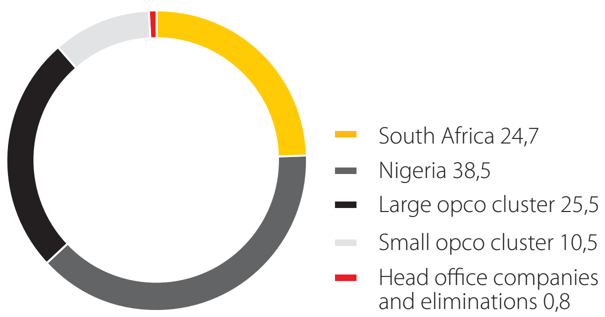
inflation in some countries as well as competition for skills are putting upward pressure on employee costs. Although the total number of sites in Nigeria increased by 20% in the year, we were able to maintain the ratio of diesel costs to revenue because of efforts to ensure more sites use hybrid power. In 2012, in Nigeria we had 2 550 hybrid power sites, compared to 988 in 2011.

EBITDA

Group EBITDA increased 7,0% to R58 564 million, which includes R586 million related to the profit on tower deals. On a normalised basis, EBITDA was R57 978 million, with an EBITDA margin of 42,9%. The growth in EBITDA was supported by solid organic growth in South Africa (6,5%) and particularly strong results from Iran, Ghana, Uganda, Sudan and Ivory Coast where organic EBITDA growth was 30,8%, 22,6%, 22,4%, 58,5% and 13,2% respectively. After a challenging year, Nigeria reported a decline in EBITDA of 6,2% (organic). A number of once-off costs, referred to earlier, resulted in an approximate R1,0 billion reduction in head office EBITDA. The combined impact of these on the EBITDA margin was approximately 0,7%.

**We have broadened our definition of data which results in 'Other' revenue from 2011 now included in the data category. Using the prior period classification, Group data revenue growth would have been 80,0%.*

↗ EBITDA contribution (%)

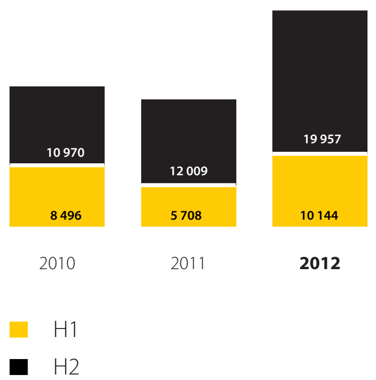


Capital expenditure

Capex increased by 69,9% to R30 101 million as we focused on capital investment across the Group, notably in South Africa and Nigeria, to deliver on our strategic objective of driving sustainable growth. During the year, South Africa rolled out 300 2G sites and 1 087 3G co-located sites and Nigeria rolled out 1 414 2G sites and 1 175 3G co-located sites. South African capex of R6,4 billion, a 56,3% increase on the prior year, was impacted by R749 million capitalised fibre leases previously treated as operating leases.

The pre-ordering of capital equipment for the 2013 rollout resulted in a R2,0 billion year-on-year increase in inventory and 'work in progress'. The weakening in the rand meant capex increased by R1 379 million. If there had been no change in currency rates during the year, capex would have been R28 722 million.

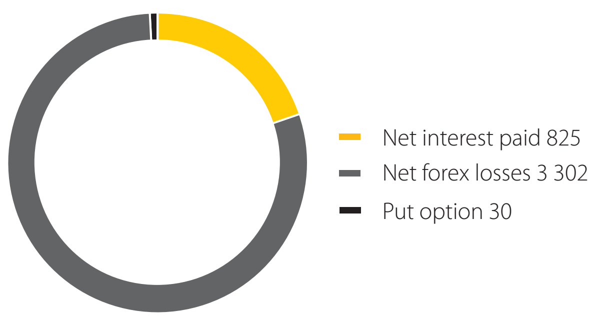
↗ Capex (R million)



Interest and tax

Net finance costs were R4 157 million, an increase of R2 575 million on the previous year, due to the effects of net forex losses. The weakness in the Syrian pound, which declined 60% over the year to the US$, resulted in a loss of R1 507 million related to the dividend payable, while the dividend due from Iran resulted in a loss of R1 191 million with a further R243 million related to the revaluation of Iranian tax balances following the decline in the Iranian rial in the last quarter. Iran incurred additional forex losses of R567 million, while vendor financing and current accounts in Sudan resulted in a forex loss of R373 million.

↗ Net finance cost (R million)



The Group's taxation charge decreased by 6,8% to R12 913 million and the effective tax rate decreased 1,9 percentage points to 34,9%. The lower tax charge and effective tax rate was mainly due to a deferred tax credit movement, and the discontinuance of the secondary tax on companies (STC) in South Africa during the year, resulting in no STC on the 2012 interim dividend declared.

Earnings per share

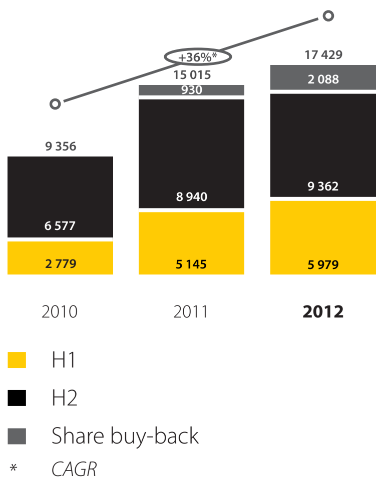
Attributable earnings per share (EPS) increased 0,6% to 1 126,4 cents. Headline earnings per share (HEPS) increased 1,9% to 1 089,1 cents from 1 068,6 cents. The depreciation of the Syrian pound, Iranian rial and Sudanese pound impacted reported HEPS by 82,0 cents, 79,3 cents and 17,2 cents respectively.

Highlights of the statement of financial position
Assets and liabilities were negatively impacted by the depreciation in the Iranian rial, Syrian pound and Sudanese pound. Property, plant and equipment increased 8,2% due to the higher capital expenditure in the second half of 2012. Current assets decreased 10,8% mainly because of decreases in cash balances. Interest-bearing liabilities decreased by 4,4%.

Net cash decreased by 53,0% to R5 519 million from R11 817 million, largely a result of increased dividend payments, capex and share buy-backs. At year end, the Group had net cash of approximately R7 034 million in Iran and Syria. We continue to explore acceptable channels that are compliant with applicable sanctions for repatriation of these funds.

Shareholder returns
Dividend policy
In line with our strategic objective to create and manage stakeholder value, the Group reviewed the dividend policy which was previously based on a payout ratio. In light of the ongoing exchange rate volatility and the impact of this on reported earnings, we took the decision to move to a dividend policy of absolute growth in dividends for the coming three-year period through to the end of 2015. While we aim to grow dividends in a range of 5% to 15%, these payments remain at the full discretion of the board of directors and will be considered by taking account of the growth needs of the business and the associated free cash generation. For 2012, our final dividend of 503 cents per share implies growth in the full year dividend for 2012 of 10%.

Shareholder returns (R million)



Share buy-backs
In the year, the Group spent R2,1 billion buying back shares in MTN on the open market. This brings the total repurchased shares since the buyback programme began in 2011 to 22 million shares.

Looking forward
We will continue to focus on managing our margins by offsetting declining voice revenue by increasing the contribution of data and ICT services, as well as focusing on optimising costs. We will also continue to evaluate opportunities to share both passive infrastructure as well as fibre.

Due to changes in International Financial Reporting Standards, from 2013 MTN's investments in joint ventures will be accounted for on the equity basis.

The negative impact of adverse movements in foreign exchange rates is anticipated to lessen in the year ahead and this, together with a lower tax rate, should support growth in reported earnings for 2013. We believe the acceleration in our network rollout during 2012 as well as the significant 2013 capex commitment, positions us well for sound growth in the medium term.

Nazir Patel
Group chief financial officer
28 March 2013

A focus on our CSI

Volunteering to improve education in Cameroon

21 Days of Y'ello Care is an annual MTN employee volunteer initiative that runs across the Group's operations. The challenge is to secure the highest percentage of employees participating in community care activities with the highest measurable impact. In 2012, MTN Cameroon was the overall winner of the *21 Days of Y'ello Care*.

MTN Cameroon's main campaign focused on the refurbishment of several public libraries across five municipal councils, mainly located in rural and underprivileged areas in Cameroon. This included the establishment of an e-library and a nationwide public drive to collect more than 100 000 books for these libraries.

Other initiatives included the construction of a modern school facility to accommodate 400 to 500 pupils and the training of more than 100 farmers on ICT applications.

*03

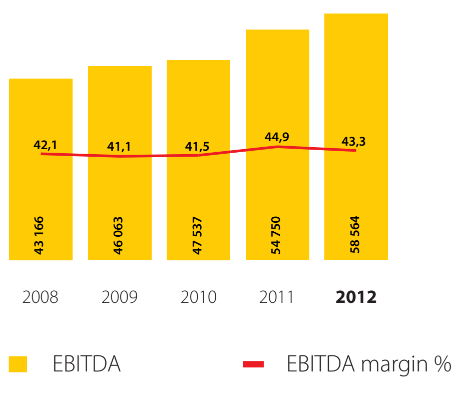
Operational and financial review

Five-year financial review

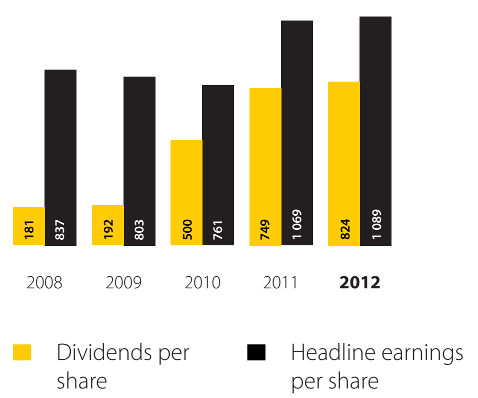
Income statement	2012 US$m[1]	CAGR[2] %	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Revenue	16 545	7	135 112	121 884	114 684	111 947	102 526
Other income	107	>100	894	1 458	–	–	–
Operating expenses	(9 480)	7	(77 480)	(68 689)	(67 378)	(65 717)	(59 135)
Reversal of impairment/(impairment) of property, plant and equipment	4	>100	38	97	231	(167)	(225)
EBITDA	7 176	8	58 564	54 750	47 537	46 063	43 166
Depreciation and amortisation	(2 107)	8	(17 246)	(15 459)	(15 368)	(14 475)	(12 759)
Impairment of goodwill	–	–	–	(31)	(32)	–	–
Operating profit	5 069	8	41 318	39 260	32 137	31 588	30 407
Net finance costs	(505)	21	(4 157)	(1 582)	(4 094)	(5 810)	(1 917)
Share of results of associates	(22)	(>100)	(180)	(38)	52	(5)	–
Profit before tax	4 542	7	36 981	37 640	28 095	25 773	28 490
Income tax expense	(1 594)	3	(12 913)	(13 853)	(11 268)	(8 612)	(11 355)
Profit after tax	2 948	9	24 068	23 787	16 827	17 161	17 135
Profit after tax attributable to							
– Equity holders of the Company	2 536	8	20 704	20 754	14 300	14 650	15 315
– Non-controlling interests	412	17	3 364	3 033	2 527	2 511	1 820
Headline earnings	2 452	6	20 018	19 811	14 011	14 869	15 603

[1] The income statement and the statement of financial position have been converted at an average R/US$ rate of 8,16 and a closing rate of 8,47 respectively.
[2] Compound annual growth rate.

EBITDA (R million)



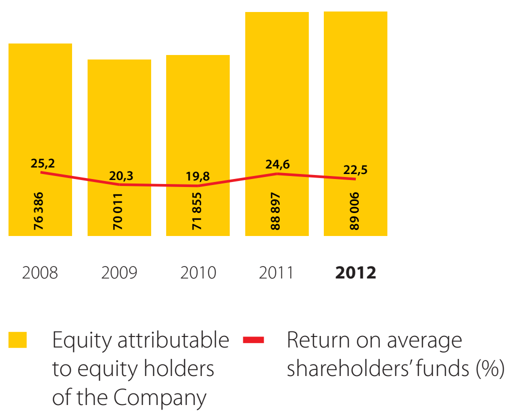
Headline earnings and dividends per share (cents)



Statement of financial position	2012 US$m	CAGR %	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Property, plant and equipment	9 152	5	77 485	71 610	63 361	67 541	64 193
Goodwill and intangible assets	4 008	(7)	33 935	34 540	30 266	36 064	45 786
Investments and loans	973	15	8 240	6 353	4 693	5 291	4 683
Deferred tax assets	170	22	1 437	1 284	1 407	1 317	657
Bank balances, deposits and restricted cash	4 495	7	38 051	45 832	36 232	24 741	28 738
Other current assets	2 627	(4)	22 236	21 789	18 827	21 283	26 049
Total assets	21 425	2	181 384	181 408	154 786	156 237	170 106
Equity attributable to equity holders of the Company	10 513	4	89 006	88 897	71 855	70 011	76 386
Non-controlling interests	459	(2)	3 881	3 802	2 219	2 855	4 156
Total equity	10 972	4	92 887	92 699	74 074	72 866	80 542
Interest-bearing liabilities	3 843	(6)	32 532	34 016	35 328	36 917	41 590
Non-interest-bearing liabilities	5 573	2	47 183	46 657	38 344	40 788	42 985
Deferred tax liabilities	1 037	15	8 782	8 036	7 040	5 666	4 989
Total liabilities	10 453	–	88 497	88 709	80 712	83 371	89 564
Total equity and liabilities	21 425	2	181 384	181 408	154 786	156 237	170 106

Total assets (R million)

Equity (R million) and return (%)



Five-year financial review *continued*

Statement of cash flows	2012 US$m	CAGR %	2012 Rm	2011[1] Rm	2010[1] Rm	2009[1] Rm	2008[1] Rm
Net cash inflows from operating activities	3 073	(5)	25 078	25 227	32 532	33 581	30 257
Net cash used in investing activities	(3 315)	–	(27 059)	(20 616)	(15 701)	(33 192)	(27 177)
Net cash (used in)/from financing activities	(706)	(>100)	(5 759)	(9 386)	141	1 775	4 271
Net (decrease)/increase in cash and cash equivalents	(948)	(>100)	(7 740)	(4 775)	16 972	2 164	7 351
Cash and cash equivalents at beginning of the year	4 364	23	35 213	35 907	22 646	25 596	15 546
Exchange (losses)/gains on cash and cash equivalents	(400)	(>100)	(1 942)	4 081	(3 711)	(5 114)	2 699
Cash and cash equivalents at end of the year	3 016	–	25 531	35 213	35 907	22 646	25 596
Statement of cash flows – extracts							
Cash generated from operations	7 089	7	57 856	50 277	50 536	49 632	44 836
Dividends paid to equity holders of the Company	(1 828)	56	(14 919)	(11 722)	(6 313)	(3 381)	(2 536)
Acquisition of property, plant and equipment	(2 766)	(4)	(22 572)	(14 103)	(15 343)	(27 720)	(26 896)

[1] Dividends paid to non-controlling interests were reclassified from financing activities to operating activities to include all dividends paid in operating activities.

	CAGR %	2012	2011	2010	2009	2008
Performance per ordinary share						
Basic earnings (cents)	8	1 126,4	1 119,5	776,2	791,4	821,0
Diluted earnings (cents)	9	1 119,5	1 110,8	764,5	781,5	806,1
Headline earnings (cents)	7	1 089,1	1 068,6	760,6	803,2	836,5
Dividends (cents)	46	824,0	749,0	500,0	192,0	181,0
Net asset value – book value (rands)[1]	4	47,3	47,2	38,1	38,2	41,0
Returns and profitability ratios						
Return on assets (%)[2]		22,8	23,3	20,7	19,4	21,3
Return on average shareholders' funds (%)[3]		22,5	24,6	19,8	20,3	25,2
EBITDA margin (%)		43,3	44,9	41,5	41,1	42,1
Enterprise value/EBITDA multiple (times)[4]		5,8	5,2	5,4	5,3	5,1
Effective taxation rate (%)		34,9	36,8	40,1	33,4	39,9
Solvency and liquidity ratios						
Gearing (%)[5]		(5,9)	(12,7)	(1,2)	16,7	16,0
Interest cover (times)[6]		4,1	5,9	5,2	2,6	3,5
Dividend cover (times)[7]		1,3	1,4	1,5	4,2	4,6
Net (cash)/debt to EBITDA[8]		(0,1)	(0,2)	–	0,3	0,3
Operating cash flow/revenue (%)		42,8	41,2	44,1	44,3	43,7

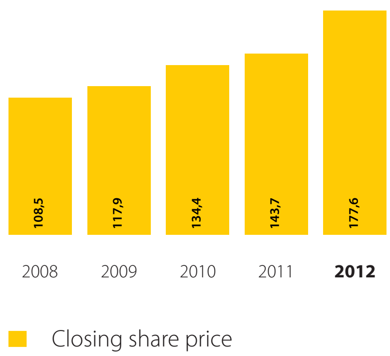
	CAGR %	2012	2011	2010	2009	2008
Share statistics						
Number of ordinary shares in issue (million)						
– at year-end	–	1 883	1 885	1 885	1 841	1 868
– weighted average during the year	–	1 838	1 854	1 842	1 851	1 865
Closing price (cents per share)	13	17 760	14 373	13 442	11 790	10 850
Market capitalisation (Rm)	13	334 507	270 904	253 318	216 999	202 385
US dollar to rand exchange rates						
Average	–	8,16	7,17	7,34	8,32	8,13
Closing	(2)	8,47	8,07	6,61	7,39	9,35

Definitions

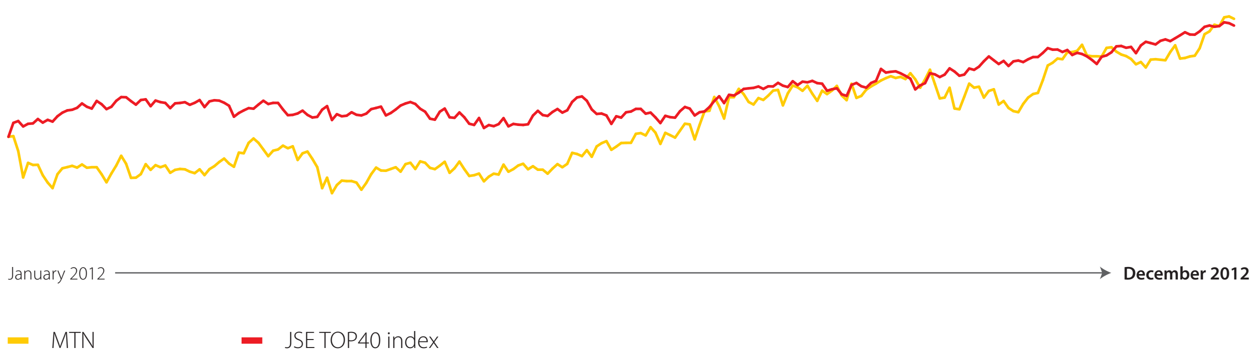
[1] Ordinary shareholders' interest divided by the number of ordinary shares in issue at year end.
[2] Operating profit as a percentage of the average of the opening and closing balances of total assets.
[3] Headline earnings as a percentage of the average of the opening and closing balances of ordinary shareholders' interest.
[4] Market capitalisation less net (cash)/debt (interest-bearing liabilities less bank balances, deposits and cash) divided by EBITDA.
[5] Net (cash)/debt as a percentage of total equity.
[6] Operating profit divided by finance costs.
[7] Headline earnings divided by total dividend.
[8] Interest-bearing liabilities less cash, divided by EBITDA.

Market capitalisation (R million)

Closing share price (R)



Share price performance



Non-financial information	CAGR %	2012	2011	2010	2009	2008
Countries in which MTN has GSM licences		21	21	21	21	21
Subscriber numbers (million)	20	189,3	164,5	141,6	116,0	90,7
Countries in which MTN has largest market share		15	15	15	15	13
Employees[3]	1	26 716	24 252	26 055	26 361	25 900
CO_2 emissions from energy use (tonnes CO_2e)		1 040 723	950 564	1 127 254	565 861	N/A
Operational information						
South Africa						
Mobile penetration (%)		131	120	105	103	97
Market share (%)		38	34	36	32	36
Subscribers (million)	10	25	22	19	16	17
ARPU (ZAR)[1]	(7)	122	134	154	126	164
EBITDA margin (%)		35	35	34	31	33
Capex/revenue (%)		16	11	11	18	15
Nigeria						
Mobile penetration (%)		62	54	49	42	36
Market share (%)		48	50	52	50	44
Subscribers (million)	20	47	42	39	31	23
ARPU (US$)[1]	(13)	9	10	11	12	16
EBITDA margin (%)		58	62	63	59	58
Capex/revenue (%)		36	18	14	31	30
Nigerian naira average foreign exchange rate	8	19,50	21,76	20,67	17,83	14,54
Nigerian naira closing foreign exchange rate	5	18,47	20,10	23,00	20,29	15,07
Ghana						
Mobile penetration (%)		91	78	67	61	50
Market share (%)		51	52	53	55	55
Subscribers (million)	19	12	10	9	8	6
ARPU (US$)[1]	(16)	6	7	7	8	12
EBITDA margin (%)[2]		37	37	44	45	46
Capex/revenue (%)		16	14	54	46	31
Ghanaian cedi average foreign exchange rate	15	0,23	0,21	0,20	0,17	0,13
Ghanaian cedi closing foreign exchange rate	14	0,22	0,20	0,22	0,19	0,13
Iran						
Mobile penetration (%)		113	103	92	80	61
Market share (%)		47	45	44	40	37
Subscribers (million)	27	41	35	30	23	16
ARPU (US$)[1]	(6)	7	8	8	8	9
EBITDA margin (%)		44	43	41	35	30
Capex/revenue (%)		9	11	18	44	56
Iranian rial average foreign exchange rate	10	1 686	1 474	1 401	1 195	1 152
Iranian rial closing foreign exchange rate	29	2 905	1 378	1 566	1 354	1 048
Syria						
Mobile penetration (%)		59	58	50	46	38
Market share (%)		45	46	45	45	46
Subscribers (million)	11	6	6	5	4	4
ARPU (US$)[1]	(17)	9	14	16	18	19
EBITDA margin (%)		23	26	24	20	28
Capex/revenue (%)		11	7	6	11	16
Syrian pound average foreign exchange rate	11	8,34	6,54	6,39	5,59	5,47
Syrian pound closing foreign exchange rate	20	10,22	6,71	7,13	6,20	4,96

[1] *Annual ARPU.*
[2] *Excluding profit on tower sales.*
[3] *Total number of employees.*
N/A – not available.

Non-financial information	CAGR %	2012	2011	2010	2009	2008
Cameroon						
Mobile penetration (%)		62	54	40	39	33
Market share (%)		56	55	60	61	62
Subscribers (million)	15	7	6	5	4	4
ARPU (US$)[1]	(14)	6	7	8	9	11
EBITDA margin (%)		46	44	49	51	48
Capex/revenue (%)		19	10	16	23	22
Cameroon Communauté Financière Africaine franc average foreign exchange rate	2	62,20	65,67	67,26	56,58	56,77
Cameroon Communauté Financière Africaine franc closing foreign exchange rate	4	58,70	62,73	74,20	61,89	49,87
Ivory Coast						
Mobile penetration (%)		77	75	64	51	41
Market share (%)		36	37	38	38	40
Subscribers (million)	11	6	6	5	4	4
ARPU (US$)[1]	(12)	6	6	7	9	10
EBITDA margin (%)		40	42	33	29	39
Capex/revenue (%)		22	12	24	28	30
Côte d'Ivoire Communauté Financière Africaine franc average foreign exchange rate	3	62,31	64,81	67,43	57,08	54,77
Côte d'Ivoire Communauté Financière Africaine franc closing foreign exchange rate	4	58,70	62,73	76,07	61,89	50,55
Uganda						
Mobile penetration (%)		41	42	34	25	22
Market share (%)		53	52	56	63	52
Subscribers (million)	19	8	8	6	5	4
ARPU (US$)[1]	(16)	4	4	5	6	8
EBITDA margin (%)[2]		36	35	45	44	45
Capex/revenue (%)		13	26	21	34	50
Uganda shilling average foreign exchange rate	9	303,08	347,60	295,99	242,29	215,59
Uganda shilling closing foreign exchange rate	11	312,26	306,73	348,03	256,43	206,87
Sudan						
Mobile penetration (%)		73	53	39	34	23
Market share (%)		32	27	21	28	28
Subscribers (million)	28	8	6	3	4	3
ARPU (US$)[1]	(19)	3	5	5	5	7
EBITDA margin (%)		28	22	17	20	15
Capex/revenue (%)		62	49	41	34	57
Sudanese pound average foreign exchange rate	12	0,43	0,36	0,34	0,29	0,27
Sudanese pound closing foreign exchange rate	21	0,52	0,33	0,40	0,32	0,24

[1] *Annual ARPU.*
[2] *Excluding profit on tower sales.*

Operational and financial performance review

for the year ended 31 December 2012

MTN South Africa

Karel Pienaar MTN South Africa CEO

Launch date	***June 1994***
MTN shareholding (%)	***100***
Market share (%)	***37,7***
Mobile penetration (%)	***131***
Population (million)	***51,6***
Forecast market size in 2014 (million)	***80***

2012 performance

MTN South Africa had a good year in 2012, marked by a 15,4% expansion in our customer base to 25,4 million, larger market share, sharp growth in data's contribution to revenue and continued robust network rollout.

Strong promotions, the popular MTN Mahala and MTN Zone offerings, as well as attractive data services drove a 15% acceleration in the pre-paid market. The post-paid user base increased by 17,3% to 4,5 million thanks to competitive data offers and the continued success of hybrid packages and post-paid telemetry.

Net connections totalled 3,4 million, increasing our share of the competitive market by 0,7 percentage points to 37,7%. Blended ARPU declined to R122 from R134, as the effective tariff reduced by 7,8% to 1,07 c/min.

Total revenue grew by 7,1% to R41,4 billion. MTN South Africa's data revenue increased by 37,6% to R6,4 billion, contributing 15,5% to total revenue. We had 13,4 million data users at year end, up from 10,9 million in 2011. Our strategic partnership with Opera Mini to provide an MTN branded version of the world's leading mobile browser has been very successful, providing cheaper and faster internet browsing and social connectivity. We see this continuing to grow in the year ahead.

We continued to modernise our network, further enhancing our 3G coverage and capacity. We committed capital expenditure of R6 416 million (which includes a once-off special provision of R749 million for capitalisation of fibre leases).

Our 3G population coverage rose to over 65%. We rolled out more than 1 000 3G sites and connected over 800 sites to fibre, a big improvement over the prior year. In addition, we modernised over 1 600 sites to support future long-term evolution (LTE) services. We doubled our deployment of microwave links to over 1 800, bringing the total of sites with MTN self-provisioned transmission capacity close to 50%.

We also added diverse routes the 300km core ring in Gauteng, for services to business customers. The rollout of national broadband fibre remains a priority, and we made good progress on this during the year.

We launched LTE services in Johannesburg, Pretoria and Durban, with 281 sites live by year end, and plan further rollout in Cape Town and other major cities in 2013. Access to spectrum remains a challenge in providing for nationwide rollout especially in areas where there is high demand for GSM services. The Minister of Communications is finalising qualification criteria for LTE spectrum and has embarked on a process to address the high demand frequency bands in South Africa.

Outlook

We look forward to a dynamic 2013, focusing on LTE, cloud computing and convergence. We expect discussions around spectrum allocation to intensify as we look to provide customers with the many opportunities presented by LTE. As businesses seek simplified communication solutions, mobile operators will also play a key role to facilitate converged voice, video and data communications. We have earmarked capital investment of R5 712 million to develop and maintain our network for a world-class network smartphone experience. We expect 2,9 million subscribers to join us in the year ahead.

A snapshot of our performance

	2012	2011
Subscribers (million)	25,4	22,0
ARPU (R'000)	122	134
Revenue (Rm)	41 350	38 597
EBITDA margin (%)	35,0	35,2
Minutes of use	70	69
Data (excluding SMS) as a percentage of revenue (%)	15,5	12,1
Capex (Rm)	6 416	4 105
Number of 3G devices on our network (million)	7,7	5,5
Number of smartphones (million)	5,5	3,6
Number of sites on air	11 172	9 785

Delivery against strategic objectives

Creating and managing stakeholder value

- Maintained effective BEE ownership at more than 44%. Met our B-BBEE targets for enterprise development and procuring goods from SMEs. Obtained a level 2 contributor rating from ratings agency Empowerdex.
- Invested R63 million in community investment projects, mostly in education.
- Named Best Employer by CRF Institute's Best Employers Certification Index. Rated Best Provider in the Telecoms category by Orange.
- Launched various graduate, developmental and bursary programmes to attract talent.

Creating a distinct customer experience

- Provided data solutions such as MTN Opera Mini browser for faster downloads and Pay-D, enabling mobiles to be used for online debit card purchases.
- Offering retail customers enhanced information for work, life, learning and fun through MTN Play.
- Extended MTN Business's data offerings to include air/water quality monitoring solutions and tools for telepresence, cloud computing and smart office management.
- Went live with LTE services.
- Boosted data revenue by 37,6% through competing effectively on our data offering, network capability and price.
- Modernised over 1 600 base station sites in preparation for LTE. Activated HSPA+ on nearly 1 000 sites.
- Re-farmed 2x10MHz in 90% of LTE sites to provide faster connection speeds.
- Increased network footprint. Widened 2G network coverage to 98,6% of population.

Driving sustainable growth

- Increased data's contribution to revenue to 15,5% from 12%.
- Increased MTN Zone's subscriber numbers by 20% to 14,1 million.
- Launched Mobile Money service with South African Bank of Athens.

Transforming our operating model

- Contained costs by optimising supplier contract agreements.
- Advanced enterprise development through partnership with Small Enterprise Development Agency.

Innovation and best practice

- Launched MTN Mahala Thursdays to incentivise customers to recharge on Thursdays. Results are pleasing.
- Provided price-sensitive customers with discounts allowing them to call for less or even free at any time of the day through MTN Zone Mahala Peak promotions.

Fast data facts

- *70% of all internet users in South Africa are now on Facebook.*
- *There are more than 60 million page views on the local YouTube.co.za every month and 2,5 million video views.*

Operational and financial performance review

for the year ended 31 December 2012

MTN Nigeria

Brett Goschen MTN Nigeria CEO

Launch date	***August 2001***
MTN shareholding (%)	***78,83***
Market share (%)	***47,8***
Mobile penetration (%)	***62***
Population (million)	***161***
Forecast market size in 2014 (million)	***141,9***

2012 performance

In 2012, MTN Nigeria invested a record R13 733 million in enhancing our network, accelerating our rollout and bringing online 1 414 2G sites and 1 175 3G sites. This compares to the 529 2G sites and 453 3G sites added in 2011. The capital expenditure programme supported efforts to address network quality and congestion, which improved as the year progressed and enabled us to bring tariffs down to competitive market levels in the second half. As a result, we added 5,8 million subscribers in the year, an increase of 13,9%.

Through our data strategy – focusing on devices, local content and servicing small, medium and micro enterprises – we almost doubled data's contribution to revenue. We expect to continue benefiting from this going forward. Over the medium to longer term as mobile penetration increases, data revenue will become a key element of our continued growth.

2012 was not without its challenges, particularly constraints on promotional activities and aggressive price competition. We experienced more than 600 fibre cuts, and our services in the north of the country were disrupted by unrest and attacks on network infrastructure.

Total revenue in naira was flat in 2012 despite the increase in subscribers, but grew 10,9% in rand terms as the rand weakened against the Nigerian currency. The subdued revenue performance was attributable to the steep tariff declines and network capacity constraints. The EBITDA margin declined by 3,4 percentage points to 58,3% because of lower effective tariffs, increased promotional minutes and a rise in interconnect costs, driven by higher off-network traffic.

Data revenue excluding SMS rose 113% in naira terms. This was supported by the availability of affordable data-enabled devices, the MTN Opera Mini browser and the success of our data strategy, which includes partnerships with independent device resellers and refocusing our service centres to ensure they are device driven. We recorded 4 million active 3G devices on the network in the year.

On the regulatory front, MTN and other GSM operators were fined for poor quality of service and towards year end, the regulator banned promotions which had contributed to network congestion. The registration of subscriber details continued, with no deadline yet communicated. By year end, MTN had registered 85% of subscribers but is awaiting details of users registered by the regulator's appointed agents.

We are well placed to manage the introduction of mobile number portability, expected at the end of the first quarter of 2013. In 2012, we successfully conducted LTE trials. The regulator has indicated the 2,6 GHz band will be made available for LTE auction in 2015.

Outlook

MTN Nigeria plans capital expenditure of R13 079 million in 2013. By July, we anticipate that this will sufficiently bolster our network capacity and quality to enable us to meet the strong demand for both voice and data services. We expect pressure on market prices to be more subdued in the year ahead following the large drops in 2012. We will work to enhance the customer experience and have engaged consultants to assist in developing a customer experience blueprint at all touchpoints. We will continue to encourage the uptake of smartphones and other 3G-enabled phones and enhance our local-content entertainment offering. By year end, we expect 7 million more subscribers to have joined our network.

A snapshot of our performance

	2012	2011
Subscribers (million)	47,4	41,6
ARPU (US$)	8,7	9,7
Revenue (Rm)	38 697	34 879
EBITDA margin (%)	58,3	61,7
Minutes of use	70	55
Data as a percentage of revenue (including sms) %	13,6	8,0
Data as a percentage of revenue (excluding sms) %	10,8	5,0
Capex (Rm)	13 733	6 331
Number of smartphones (million)	3,8	1,7
2G only cumulative sites on air	8 471	7 057
3G only and co-located cumulative sites on air	3 279	2 093

Delivery against strategic objectives

Creating and managing stakeholder value

- Total subscriber growth increased 13,9%, surpassing our targets despite network capacity constraints.
- Reduced MTN tariffs down to market levels in the second half. Expect more stable pricing ahead.
- Launched the pilot project for the Group's culture operating system.
- Supported more than 53 000 SME retailers through MTN BizLift, providing business ideas and access to finance and sales material.
- Continued our constructive engagement with regulatory authorities.
- Limited decline in EBITDA margin despite tariff cuts, by remaining focused on costs.
- Invested significantly in training employees to deliver our data proposition.
- Increased engagement with all levels of employees.

Creating a distinct customer experience

- Enhanced the network, by rolling out 1,414 2G sites and 1,175 3G co-located sites.
- Substantially completed network modernisation and swap-out upgrades impacting 4 057 sites.
- Grew retail presence by expanding points of sale by around 100 000 and refitted service centres to be device oriented.
- Developed access to more local-content entertainment, including Nollywood. This is set to accelerate.

Driving sustainable growth

- Grew data's contribution to 13,6% of revenue from 8% through a targeted device strategy.
- Extended Mobile Money nationally, recording 9 000 agents and over 500 000 subscribers by year end. Continued to engage with the central bank in 2013 to resolve outstanding issues around the bank-led model.
- Offered more solutions to corporates and SMMEs, including closed user group desktop, software bundles, mobile advertising, hosting network as services, etc. We will accelerate these.
- Deployed more hybrid power solutions, enabling us to maintain our diesel bill despite a sharp rise in the number of base stations in 2012. This will be extended.
- Invested more than R89 million in education, health and enterprise development.

Transforming our operating model

- Limited the increase in operating expenses through effective cost control, despite large capital expenditure rollout and growth of the business. This focus continues.
- Increased use of original equipment vendors for end-to-end managed services.
- Started groundwork to facilitate a tower deal should the opportunity arise.

Innovation and best practice

- Successfully leveraged social media to provide customer service, and were the first to provide services to specific customer requests via Twitter.
- Launched a new service delivery platform in November; within a month we had 8,5 million subscribers using just one of our services, "MTN Magic Voice".
- Partnered with resellers to further our device strategy by incentivising the use of MTN data bundles.
- Managed network use through MTN Zone, increasing its base to 8,5 million subscribers. We see good potential for this to continue to grow.

Fast data facts

Nigeria is the world's fastest growing Facebook market. At the end of 2012, there were 6,3 million Nigerians on Facebook, according to Internet World Stats.

Operational and financial performance review

for the year ended 31 December 2012

MTN Irancell

Alireza Ghalambor Dezfouli MTN Irancell CEO

Launch date	***October 2006***
MTN shareholding (%)	***49***
Market share (%)	***46,9***
Mobile penetration (%)	***113***
Population (million)	***76***
Forecast market size in 2014 (million)	***99,3***

2012 performance

MTN Irancell added more than 5,8 million GSM subscribers to the network in 2012. We also grew market share, revenue and ARPU despite operating in an environment of high inflation and challenging economic conditions given the continued sanctions against the country. Iran is a mature, competitive mobile market where penetration is 113%.

MTN Irancell's revenue growth of 26% in local currency in 2012 was largely due to attractive value propositions supported by efficient distribution channels and good network quality. However, in rand terms, reported revenue growth was limited to 10,2% because of the rial's 14% depreciation against the rand.

MTN Irancell benefited from increased use of GPRS services, thanks to improved network quality and lower data prices. The number of subscribers to our WiMax service increased by nearly 60%. The acceleration in data use resulted in an 103% rise in local currency data revenue including WiMax data usage in the year. This was supported by growth in SMS revenue of 30,4% and an expansion of voice revenue by 24,1%, in local currency.

MTN Irancell widened the EBITDA margin by 1,7 percentage points because of its various cost control initiatives involving the optimisation of transmission, use of cheaper and more effective advertising channels and increasing logical airtime distribution. These largely negated the impact of sharp price increases particularly with regards to foreign currency denominated maintenance fees, fuel, electricity and imported goods.

MTN Irancell continued to invest in infrastructure rollout. The rollout of some projects was slower than planned because of delays in the delivery of equipment as well as the impact of sanctions on certain equipment suppliers. As MTN Irancell made significant upfront investment when it first launched its service, the network is robust and capable of taking on more subscribers.

In October 2012, the authorities introduced a new exchange rate, known as the trade rate, which effectively devalued the rial against US dollar by 103% for certain categories of transactions.

Outlook

Should inflation remain high in Iran, we expect some pressure on margins as a result of higher operational costs across the board and potential further foreign exchange losses on loans and additional depreciation expenses. However, this should be negated to an extent by an increase in subscribers and revenue in 2013.

We plan to continue expanding our network in 2013, assigning R1 002 million of capital expenditure mostly on reaching underserviced regions, developing new products and services and improving data capabilities. In the year, we expect 3,9 million subscribers to join MTN Irancell's network.

A snapshot of our performance[1]

	2012	2011
Subscribers (million)	**40,5**	34,7
ARPU (US$)	**6,7**	7,9
Revenue (Rm)	**24 846**	22 551
EBITDA margin (%)	**44,3**	42,5
Data (excluding SMS) as a percentage of revenue (%)	**7,4**	4,5
Capex (Rm)	**2 289**	2 384
Cumulative number of (2G) sites on air	**8 244**	7 640

[1] *Reflected at 100%.*

Delivery against strategic objectives

Creating and managing stakeholder value

- Managed to attract and retain some of the best talent in the market.
- Continued to expose employees to learning and knowledge-share opportunities in other parts of the MTN Group through our rotation policies and MTN Academy courses.
- Engaged constructively with the authorities as we seek clarity on issues such as the right to provide 3G services and the negotiation of interconnect tariffs.
- Participated in the resettlement of the people affected by the earthquake that occurred in Tabriz in August 2012. We provided support to the affected communities by way of free on-net calls, allowing families and friends to stay in touch despite the lack of airtime availability.

Creating a distinct customer experience

- Invested IRR4 413 billion (R2 289 million) in the network, to improve quality and capacity.
- Offered various value-added solutions over MTN Irancell's GPRS and WiMax infrastructure, including electronic airtime charging and supported m-health.
- Launched various seasonal promotions, including buy one get one free SIM, happy hour and Friday bonus.
- Increased population and geographic coverage to 82% and 25,1% respectively.
- Added 642 dealers and 1,2 million points of sale, rebranded 421 dealer shops and signed up four new distributors.

Driving sustainable growth

- Made greater use of outdoor network sites and site insulation to manage heat and cooling exchanges.
- Continued to source all vouchers locally as well as a large proportion of SIM card assembly and personalisation.

Transforming our operating model

- Maintained a low operating cost base by continually exploring savings and optimisation opportunities in maintenance and distribution costs, developing in-house capabilities to perform certain previously outsourced tasks, and engaging suppliers in longer term service contracts.

Innovation and best practice

- Developed ITS applications and storage saving technologies that are already being shared with other operations in the Group.
- Several of our staff are involved in Group projects aimed at creating process and operational efficiencies.
- Worked with IT service providers to improve functionality of applications.

Fast data facts

Internet penetration in the country is almost 40%, with most access through educational facilities and internet cafés.

Operational and financial performance review

for the year ended 31 December 2012

↗ MTN Ghana

Launch date	***November 1996***
MTN shareholding (%)	***98***
Market share (%)	***50,5***
Mobile penetration (%)	***91***
Population (million)	***25,6***
Forecast market size in 2014 (million)	***25,3***

Michael Ikpoki MTN Ghana CEO

2012 performance

2012 was a good year for MTN Ghana in which we increased net subscriber additions by 10%, lifting customer numbers to 11,7 million. These improvements were driven by enhanced planning, execution of commercial strategies across the business, an efficient distribution network, improved regional structures and attractive customer value propositions.

Customer value propositions included, SMS mega promotions such as Dream Big, sustained data offers under the MTN Pocket Internet campaign theme, segmented propositions for customers (Just4U) and exciting usage stimulation campaigns like Free Beyond 3.

Following the entry of a new competitor in the second quarter of the year, Ghana now has six operators. The heightened competition, together with aggressive market offerings by two incumbents, resulted in MTN Ghana's market share dipping to 50,5% from 52,4%.

Data revenue, excluding SMS revenue, increased 96% in local currency mainly due to sustained market engagement, numerous promotions supported by affordable handsets, lower data prices and appealing bundle packages. The 3G market is becoming increasingly competitive with all operators investing considerably in their networks.

MTN Ghana's capital expenditure of R1 091 million in the year represented 85% of target. We have instituted a more streamlined and centralised capex management structure to ensure better execution in future.

In November 2012, we faced some challenges on our IP (internet protocol), which led to a ban on SIM card sales by the regulator. The ban was lifted early in 2013 after we addressed network quality issues to the satisfaction of the regulator.

Outlook

In 2013, MTN Ghana will continue to invest in 2G and 3G coverage and capacity through our metro and national fibre projects by committing R1 024 million in capital expenditure. We expect to add at least 800 000 new subscribers and increase penetration across the country. We will continue to compete to achieve voice and data growth while increasing our presence in the ICT space through MTN Business. We will also keep looking for innovative and exciting ways of connecting with customers and introducing products and services relevant to their needs. Importantly, as a key player in the economy and a responsible corporate citizen, we will continue to engage with all relevant stakeholders.

A snapshot of our performance

	2012	2011
Subscribers (million)	11,7	10,2
ARPU (US$)	6,2	7,1
Revenue (Rm)	6 862	5 941
EBITDA margin (%)*	37,0	36,6
Data (excluding SMS) as a percentage of revenue (%)	4,9	3,0
Capex (Rm)	1 091	845
Cumulative number of (2G) sites on air	2 191	2 076
Cumulative number of (3G) co-located sites on air	802	728

**Excluding profit on tower sales.*

Delivery against strategic objectives

Creating and managing stakeholder value

- Increased structured engagement with key stakeholders in all regions.
- Engaged in relevant corporate social investment projects in health, education and economic empowerment through the MTN Ghana Foundation.
- Started implementing the MTN Group culture operating system which is expected to contribute to developing a great Company culture, people and business results.
- Implemented a structured employee engagement framework to improve accountability, transparency on Company performance and objectives while promoting MTN's employee value proposition.

Creating a distinct customer experience

- Launched an internal customer charter to drive delivery of consistent and sustained customer engagement.
- Launched a customer experience programme designed to drive a customer-centric company culture, passion and delivery to best meet the needs of our customers.

Driving sustainable growth

- Continued to lead the market in network investments, translating into increased data speeds and leading to 96% growth in data revenue in local currency for the year. We also led the market in promoting customer awareness through platforms such as the Internet Festival.
- Achieved 620 site upgrades across Ghana, facilitating the acquisition of 1,6 million new customers in 2012 and contributed meaningfully towards increasing teledensity.
- Developed affordable and innovative ICT services, including MTN Mobile Money, m-health, MTN Zone, m-insurance, MTN Opera Mini browser, community payphones and a telecoms management solution for refugee crises and natural disasters.

Transforming our operating model

- Focused on managing a cost-efficient operation.
- Worked with other operations on procurement transformation and related initiatives to promote Group cost efficiencies and best practice sharing.
- Worked with American Tower Company and other tower companies in promoting industry best practice in infrastructure sharing. This has enabled cost-savings to be transferred to customers through competitive tariffs and charges.

Innovation and best practice

- Implemented MTN data, SMS and IDD value bundles to give affordable and convenient offers to our customers.
- MTN Business designed and implemented products such as directory and audio conferencing services to strengthen its impact in the ICT sector.
- Segmented value propositions to customers with the Just4U offers and campaigns.
- Pioneered partnerships to support e-commerce, such as Ghanamart with the Mobile Money platform as a payment medium.

Fast data facts

More than 1,6 million Ghanaians use Facebook, according to Internet World Stats.

Operational and financial performance review

for the year ended 31 December 2012

MTN Cameroon

Karl Toriola MTN Cameroon CEO

Launch date	***February 2000***
MTN shareholding (%)	***70***
Market share (%)	***56***
Mobile penetration (%)	***62***
Population (million)	***21,1***
Forecast market size in 2014 (million)	***17***

2012 performance

2012 was a year of transformation for MTN Cameroon. We delivered strong financial results, increased our market share through an aggressive acquisition drive and worked to ensure better engagement with all stakeholders. We invested in top-class infrastructure, rolling out 193 new sites to pass the key 1 000 site mark, and modernised 50% of our network.

The operating environment in Cameroon is difficult with a low rate of economic growth, high taxation and an unpredictable regulatory framework. Despite this, we grew local currency revenue by 8,9% and EBITDA by 14%.

We rolled out a comprehensive new distribution strategy with numerous "foot soldiers" selling SIM cards. As a result, we increased our subscriber base by 26% to 7,3 million and our market share by one percentage point to 56%.

In 2012, we saw data usage on our 2G network grow 400% thanks to our clear and deliberate strategy to expand this offering and revenue stream. We had many promotions, such as free Sunday browsing, to encourage uptake. We also recorded a 20% increase in SMS revenue, in local currency in the year.

We increased our capital investment to R724 million. Ahead of the advent of 3G services in Cameroon, we are modernising and expanding our WiMax network, particularly to drive growth in WiMax in the SME and consumer space.

There remains a great deal of uncertainty in the regulatory environment. We are preparing to renew our licence in February 2015 and are also applying for a 3G licence. We are still restricted from laying fibre, which is carried out by a separate state-owned infrastructure company, as well as being restricted from accessing the new WACS submarine cable. This limits our access to quality broadband.

A great deal of our focus in 2012 was on organisational development, improved governance and performance management. We now have a strong and competent middle management, which will be the growth engine of the Company going forward.

Outlook

The outlook for 2013 is positive. We are expecting good revenue growth, underpinned by our voice offering and an increasing contribution from data. We are expecting our subscriber base to expand to 8,3 million from 7,3 million. We are earmarking capex of approximately R697 million, however, this will increase significantly if we receive a 3G licence.

A snapshot of our performance

	2012	2011
Subscribers (million)	7,3	5,8
ARPU (US$)	5,5	7,3
Revenue (Rm)	3 812	3 331
EBITDA margin (%)	45,9	43,7
Minutes of use	48	42
Data (excluding SMS) as a percentage of revenue (%)	4,2	3,7
Capex (Rm)	724	326
Cumulative number of (2G) BTS stations on air	1 062	876

Delivery against strategic objectives

Creating and managing stakeholder value

- Strengthened our team and took steps to create an environment of accountability, equity and transparency.
- MTN Cameroon Foundation supported victims of the floods in the north, and won the Group president and CEO's award for 21 days of Y'ello Care employee volunteering initiative, during which we built a school in Waffango. We expect the Foundation to gain even more traction in 2013, with plans to roll out a number of other projects.

Creating a distinct customer experience

- Enhanced our network by extending our site numbers to 1 062 and modernising half the network.
- Consolidated dealers within regions.
- Launched new value proposition MTN One, where we dropped the headline tariff by 30%.
- Provided MTN Prestige loyalty cards, branded gifts and VIP airport lounge access to our top-tier customers.

Driving sustainable growth

- Data revenues (excluding SMS) increased 25% year-on-year in local currency.

Transforming our operating model

- Continued to drive competencies and the culture of the organisation. We now have a better understanding of what customers want and are able to offer better customer service.
- Signed an agreement for the sale of 827 towers to tower manager IHS. We are transferring ownership of 25% of these sites in early 2013.
- Managed to save 6% of budgeted operating expenses through effective cost management.

Innovation and best practice

- Offered MTN Prolongation – the first MTN operation to do so – in February 2012. This is an innovative credit advance solution which allows customers to be lent airtime, which is then recouped when they next recharge. There has been significant uptake with approximately 30% of our base using this service.
- Launched a number of innovative offerings including a new value plan which gives users a first call free after recharging.
- Implemented ST-Ericsson's capacity-optimisation technology, VAMOS in May. This allows us to deliver more calls from the same number of sites without compromising voice quality.

Fast data facts

According to Internet World Stats, Cameroon had just over 560 000 Facebook users at year end.

MTN Ivory Coast

Wim Vanhelleputte MTN Ivory Coast CEO

Launch date	***April 1996***
MTN shareholding (%)	***67,7***
Market share (%)	***36.4***
Mobile penetration (%)	***76,9***
Population (million)	***22,9***
Forecast market size in 2014 (million)	***13***

2012 performance

A return to stability in Ivory Coast in 2012, after the upheavals of 2011, supported MTN Ivory Coast's growth in the year. Access to the West African Cable System (WACS) sharply bolstered our broadband capacity and buoyed our data offering. Off a lower base in 2011, when the country experienced widespread political unrest, MTN recorded solid improvements in revenue and EBITDA.

We were, however, forced to disconnect 400 000 subscribers who failed to register their personal details, as required by the regulator, before year end. This led to a 3% decline in customers to 6,1 million. Those disconnected were mainly non-revenue-generating subscribers and hence their disconnection had no material impact on revenue.

Revenue and EBITDA grew 23% and 19% respectively. Our EBITDA margin narrowed by 1,3 percentage points in an intensely competitive environment, but remained above 40% thanks to the benefits of various cost optimisation initiatives. Margins were also impacted by the January 2012 increase by three percentage points in regulatory fees to 6,8% of revenue.

Data revenue increased significantly, helped by the availability of affordable data-enabled devices and a strong increase in data usage for browsing and games. MTN's access to WACS, in place since July 2012, improved connectivity and provided fast and affordable access to the internet. We are the only operator with a WiMax network and in December launched our 3G service.

Outlook

An important focus of 2013 will be extending mobile data usage in Ivory Coast, as well as furthering our Mobile Money drive. In support of this, we plan to roll out more fibre in Abidjan, as well as upgrade our intelligent network platform to allow for the quicker, easier launch of new products to maintain customer loyalty. We will also encourage the adoption of more smartphones by customers, to enable them to tap into MTN Ivory Coast's compelling data offerings.

Competition will likely remain intense. However, we will continue to develop new revenue streams in the six operator market where multiple SIM card use is commonplace. We expect the regulatory authority to step up quality-of-service monitoring. However, we intend maintaining a good quality network to remain competitive and avoid penalties.

Despite the challenges ahead, we expect 300 000 subscribers to join our network in 2013.

A snapshot of our performance

	2012	2011
Subscribers (million)	6,1	6,3
ARPU (US$)	6,0	6,0
Revenue (Rm)	4 124	3 351
EBITDA margin (%)	40,3	41,6
Minutes of use	43	50
Data (excluding SMS) as a percentage of revenue (%)	3,5	0,0
Capex (Rm)	903	406
Cumulative number of (2G) BTS sites on air	1 022	1 001
Cumulative number of (3G) co-located sites on air	126	–

Delivery against strategic objectives

Creating and managing stakeholder value

- MTN Ivory Coast Foundation focused on opening multimedia classrooms in schools across the country. We will extend this programme in 2013.
- Continued to spend over R9 million a year on training our people, who are also enthusiastic volunteers in the Group's 21 days of the Y'ello Care initiative.
- Continued with our notional stock option scheme for employees; MTN is one of the few companies in the country that has such a scheme.
- Began preparing our application for a new mobile licence to replace the current licence when it expires in 2016. Following the implementation of the new telecoms act in 2012, the new licence will be a global one, independent of technology.

Creating a distinct customer experience

- Doubled our capital expenditure from 2011 when we had put our investment programme on hold because of widespread political unrest. In 2012, we brought 147 new 2G and 3G sites on air and laid 1 124 km of fibre.
- Made good progress on modernising the network through the swap out of 531 of a total 1 000 legacy sites, replacing them with a state-of-the-art Huawei network, while ensuring that the impact on customers was limited.
- Maintained our market share lead through the launch of numerous attractive propositions, despite intense competition.
- Bolstered uptake of our prepaid roaming offering as well as the prepaid Blackberry services.

Driving sustainable growth

- Launched 3G services in December after receiving our 3G licence in March 2012. In 2013 we expect a strong increase in data usage via smartphones, rather than dongles, as more people use these devices for browsing and playing.
- Accessed WACS submarine cable in July 2012, boosting capacity in support of our data drive.
- Positioned ourselves strongly to service corporate clients in Abidjan via our fibre network rather than through our 3G radio network only, thanks to our investment in 1 124 km of fibre optics in this city in the past few years.
- Accelerated the uptake of Mobile Money, particularly among NGOs who use the service to make cash payments to people in need.
- Facilitated the enrolment of up to 50 000 school children for the new school year through our partnership with the Ministry of Education, which allows parents to pay school fees via Mobile Money.

Transforming our operating model

- Expect to finalise a deal with tower management group IHS in the first quarter of 2013. This involves the sale of 931 mobile network towers for US$141 million and will allow MTN to monetise non-core assets by outsourcing its passive infrastructure.

Innovation and best practice

- Launched Pocket WiFi on our WiMax network, which enables customers to create a WiFi hotspot by simply carrying a small device.
- Engaged local singers to provide their music as content for call ringback tones; these were enthusiastically received.
- Launch SOS credit in 2013, which is emergency call credit to a certain profile of customers who can then reimburse us in the next two days.

Fast data facts

Our mobile internet service using Max, a 4G technology, is used by more than 50 000 subscribers in Ivory Coast.

Operational and financial performance review

for the year ended 31 December 2012

MTN Uganda

Launch date	***October 1998***
MTN shareholding (%)	***96***
Market share (%)	***52,5***
Mobile penetration (%)	***41***
Population (million)	***36,1***
Forecast market size in 2014 (million)	***27***

Mazen Mroué MTN Uganda CEO

2012 performance

2012 was a good year for MTN Uganda, in which we increased revenue and EBITDA as well as data's contribution. This performance was driven by our better management of minutes of use (MOU) per subscriber as well as effective tariffs, after the sharp drop in market rates in 2011.

In a highly competitive environment, with seven network operators, MTN Uganda maintained its leading position in subscriber numbers and market share. By year end, we had 7,7 million subscribers and total market share of 53%, up from 52% in 2011. This was despite a regulatory requirement to register the personal details of all users, which led to a 1% decline in the overall market's subscriber base. By year end, MTN Uganda had registered more than five million subscribers, or around 74% of the base. We continue to actively encourage registration by all users.

Data revenue grew 86%, as the number of customers using our network for data transmission expanded. We also benefited from improved network performance, increased 3G coverage and speeds of up to 21mbps. The effective use of international route diversity via our access to two submarine cables also supported this growth, as did sustained marketing campaigns leveraging the theme "The UN has declared that Internet; access is your right" as well as improved coordination of our corporate offering with simplified communication.

Furthermore, there was a notable improvement in the performance and uptake of MTN Mobile Money, with revenue rising 96%, lifting its contribution to annual revenue to 9%.

Uganda has been through a sustained period of high inflation, averaging 18,7% in 2011 and 14% in 2012, which has had a significant effect on MTN Uganda. However, we were highly focused on managing operating costs in the year, and managed to limit the increase in costs to 13% in local currency.

Customers also benefited from network expansion. We spent more than R435 million in capital investment, focusing on optimising the network, upgrading existing infrastructure and rolling out new 3G sites and extended fibre backbone.

Outlook

MTN Uganda's data proposition is solid and we have established the groundwork to increase the contribution of data to overall revenues in 2013. In the year ahead, we will roll out LTE and deploy WiFi hotspots, and so give Ugandans world-class and universal access to the internet. We will also continue upgrading the 3G network and extend services to more remote areas. We are continuing to work actively to register all subscribers' personal details in line with regulatory requirements.

We anticipate that the new telecoms bill, which increases the telecoms levy to at least 2,0% of turnover from 1,0%, will come into effect in 2013. MTN Uganda expects to add another 800 000 subscribers to the network. The market, however, remains competitive, with the country's eighth licensed telecom provider launching services in January 2013.

A snapshot of our performance

	2012	2011
Subscribers (million)	7,7	7,6
ARPU (US$)	3,8	3,5
Revenue (Rm)	3 296	2 481
EBITDA margin (%)*	36,3	34,5
Minutes of use	68	67
Data (excluding SMS) as a percentage of revenue (%)**	15,0	9,3
Capex (Rm)	435	651
Cumulative number of (2G) BTS sites on air	1 085	1 004
Cumulative number of (3G) co-located sites on air	314	222

* *Excluding the profit on lower sales.*
** *We have broadened our definition of data which results in 'other' revenues from 2011 now included in the data category.*

Delivery against strategic objectives

Creating and managing stakeholder value

- Continued to drive employee satisfaction and motivation.
- Encouraged team work with more engagement and communication to improve operational efficiency and increase productivity.
- Positive results from the Group culture audit survey, which showed that employees believe and are incentivised by MTN's focus on community development, performance management and training.
- Voted the "best training and development employer" of the year by the Federation of Uganda Employers.

Creating a distinct customer experience

- Improved our product development cycle, resulting in faster first-to-market offerings of relevant and innovative products and services.
- Increased data customer numbers to 1,1 million and 3G network usage through the launch of 21,6 mbps attractive bundles and simplified communication.
- Leveraged social networks more effectively to better engage the youth and enhance customer awareness.
- Introduced Crazy Fridays and Overload promotions with a customised MTN Zone offering.
- Launched MTN Business to provide converged communications solutions.
- Introduced a self-service option which reduces the need for agents to deal with elementary queries and improves our answer rates and service levels.

Driving sustainable growth

- Recorded continued strong growth in MTN Mobile Money with 46% increase in subscribers, bringing the number of people accessing this service to 3,5 million. We were supported by the addition of new services such as electricity payments and global transfers.
- MTN Uganda was awarded "best mobile money service provider in Uganda" by the KACITA business association.
- Added another 600km of fibre backbone, bringing the fibre system to 2 800km, which allows high-speed data connectivity and a wider backbone for national 3G coverage.

Transforming our operating model

- Concluded a deal to sell 962 of our existing network sites to ATC Uganda for US$175 million, in line with the Group objective to optimise our assets through infrastructure sharing.
- Participated in implementing the Group's new procurement toolkit, resulting in a reduction in costs and an overall improvement in the supply chain process.

Innovation and best practice

- Re-engineered the MTN Zone dynamic tariffing proposition to better manage customer satisfaction and provide more value for money with optimised traffic growth. By year end, more than 70% of our subscribers were on MTN Zone.
- Benefited from the experience of MTN Ghana in implementing the sale of our towers by adopting best practice and ensuring a smooth transition to a leased tower model.

Fast data facts

- *In 2012, MTN Uganda recorded more than 200 million transactions on its Mobile Money platform.*
- *In the GSM Association's 2012 survey, we ranked second in the sample for the number of active Mobile Money accounts.*
- *The number of data customers accessing the internet via our network increased by 100% in 2012.*

MTN Syria

Ismail Jaroudi MTN Syria CEO

Launch date	***June 2002***
MTN shareholding (%)	***75***
Market share (%)	***45***
Mobile penetration (%)	***58,5***
Population (million)	***23,1***
Forecast market size in 2014 (million)	***16***

2012 performance

Amid the crisis in the country, MTN Syria delivered satisfactory results in 2012. The MTN proposition, which includes promotions and reliable systems, has underpinned our performance. This has also supported an increased uptake of data used. Importantly, we are focused on the safety of our people and on providing communication service to our six million customers as best we can.

Customer numbers increased by 5,5% to 6,03 million. Network outages resulting from power irregularities and fuel shortages rendered a number of our sites non-operational. Net additions slowed to 312 400 compared to 817 800 in 2011.

Total revenue in Syrian pounds grew by 2,9% driven mainly by data, which increased by 47,3% in local currency and SMS revenue, which grew by 14,3%. Most of this growth occurred in the first seven months of the year, but as the crisis deepened and economic activity in a number of towns and commercial centres was disrupted, our coverage and subsequently revenue was affected. The migration of large numbers of people from Syria to neighbouring countries, as well as the displacement of many more within the country, also impacted usage.

The average Syrian pound exchange rate to the rand weakened by 24% during the year. Revenue in rand terms declined by 16,6% to R5 391 million compared to R6 463 million in the previous year.

While the core network is still operating soundly, the crisis has hampered our ability to reach some of our sites to maintain them. We are continuing to rollout our capital programme despite challenges in sourcing capital equipment from some vendors. This has entailed increasing 3G availability in the country by swapping 600 sites (mostly in Damascus) in workable areas from 2G to 3G-enabled.

MTN Syria continues to operate the network under the basis of the build, operate and transfer (BOT) arrangement. The timing on the conversion of this into a freehold licence is uncertain until there is more clarity from the regulator regarding the conversion process.

Outlook

Conditions in Syria will remain extremely challenging as long as the crisis continues. We plan to continue to rollout our capital programme despite these challenges and we will stay committed to operating and serving our customers.

A snapshot of our performance

	2012	2011
Subscribers (million)	6,0	5,7
ARPU (US$)	9,1	13,9
Revenue (Rm)	5 391	6 463
EBITDA margin (%)	23,0	26,1
Data (excluding SMS) as a percentage of revenue (%)	7,3	5,1
Capex (Rm)	577	442
Cumulative number of (2G) sites on air	2 559	2 737
Cumulative number of (3G) co-located sites on air	758	515

Delivery against strategic objectives

Creating and managing stakeholder value

- Ensuring the safety of our people is critical. We are taking all measures necessary to mitigate this risk.
- MTN Syria's equality and diversity policy led to women making up 45% of employees by year end.
- Added childcare subsidies to employee benefits.
- Supported enterprise development by using local businesses in our supply chain.
- Invested in various CSR initiatives primarily supporting healthcare and education.

Creating a distinct customer experience

- Made MTN Syria's broadband offering even more appealing to customers through various bundled packages.
- Swapped 600 sites, mostly in Damascus, from 2G to 3G-enabled.
- Engaged with customers through new channels created on social media.

Driving sustainable growth

- Remained focused on reducing energy consumption. This includes converting most indoor BTS and terminal and sub-hub sites to outdoor sites. We are implementing hybrid solutions to benefit from solar and wind energy.

Transforming our operating model

- Effective implementation of cost optimisation strategy to minimise pressure on revenues.

Innovation and best practice

- Implementation of innovative data charging schemes.
- Introduction of bundled devices in major customer service centres.
- Focus on regional offerings and segmented "Below The Line" campaigns.
- Holistic approach to dealing with business clients through providing different connectivity solutions.

Fast data facts

- *4 million SMS sent daily.*
- *136 000 MB of daily data usage.*
- *Introduced Digital Call Centre" using social media to engage with customers and increase their satisfaction.*

Operational and financial performance review

for the year ended 31 December 2012

MTN Sudan*

Muhammad Ziaullah Siddiqui MTN Sudan CEO

Launch date	***September 2005***
MTN shareholding (%)	***85***
Market share (%)	***31,8***
Mobile penetration (%)	***73***
Population (million)	***34,4***
Forecast market size in 2014 (million)	***28,5***

2012 performance

MTN Sudan delivered a strong performance in a very difficult economic environment. We managed to increase both subscriber numbers and market share through our consistent value proposition as well as our continually expanding and better quality network.

Competition remains tough with three mobile operators and aggressive tariff reductions and promotions by the competition. The market also has a very large multiple-SIM segment.

Despite challenges, the subscriber base increased by approximately 2,2 million new subscribers and total revenue in local currency grew by 28%. Data revenue significantly increased in the period, with the number of data users rising to more than 1,7 million from 744 000 in 2011. We were also able to increase the EBITDA margin from 22,4% to 27,7%. This is a good result given significant cost pressures.

Sudan suffered a sharp depreciation of its currency, high inflation and a shortage of foreign exchange during the year. As a result there was a large revaluation loss on foreign currency debt. This also negatively affected capital expenditure as infrastructure imports are denominated in foreign currency, making them significantly more costly.

An increase in security issues in Darfur and the southern region was a key challenge for the rollout in those areas. Many of our sites were affected by the conflict, where they were either damaged in attacks or were not regularly maintained due to lack of access. Despite this, we delivered on our aggressive capital expenditure plans, successfully rolling out 332 2G sites and 146 3G sites and swapping 469 sites, mainly in Khartoum and surrounding areas.

We continued to work closely with the regulator on our plans to register the personal details of all of our subscribers. There is no deadline for this but the majority of our subscribers are already registered.

Outlook

There are encouraging signs of a resolution of the conflict with South Sudan, which should also assist with foreign exchange inflows and positively impact on the economy In 2013, we expect to increase our subscriber base by approximately 17% to around 9,2 million. We also plan to invest R774 million into our capital expenditure programme for 2013. We expect that the pace of growth in data will increase and that the data share in revenue will increase significantly. Mobile number portability will be launched during the year.

** Not including South Sudan.*

A snapshot of our performance

	2012	2011
Subscribers (million)	7,9	6,0
ARPU (US$)	3,2	4,5
Revenue (Rm)	2 158	1 946
EBITDA margin (%)	27,7	22,4
Minutes of use	100	124
Data (excluding SMS) as a percentage of revenue (%)	3,3	1,5
Capex (Rm)	1 336	952
Cumulative number of (2G) BTS sites on air	1 926	1 648
Cumulative number of (3G) co-located sites on air	508	459

Delivery against strategic objectives

Creating and managing stakeholder value

- Increased our engagement with employees and implemented a retention strategy aimed at retaining the top 20% of our people in particular. This is an effort to counter the effects of a wave of emigration by skilled and experienced Sudanese.
- Partnered with a major NGO in Sudan and conducted various "eye camps" all around Sudan, bringing back vision for around 50 000 people. MTN Sudan is the first and only organisation to undertake such an activity in the Darfur region.

Creating a distinct customer experience

- Modernised the network by rolling out 332 2G sites and 146 3G sites and swapping 469 sites in Khartoum and surrounding areas.
- Launched a customer retention programme to reduce churn value loss.
- Customer care was expanded to cater for the low value segment.
- Increased our distribution footprint and are working at improving our point of sale capabilities.
- Optimised our top 30 revenue sites to improve the experience of those customers who generate over 70% of our revenues.

Driving sustainable growth

- Expanded our data business, more than doubling data's contribution to revenue.
- Aggressive share of wallet strategies (tactical promotions) were adopted without compromising on ARPU to gain market share and improve revenues.
- Bulk SMS, End of First Call announcement, Balance Enquiry, Recharge notification and several other IN-based instant notifications were used to interact and communicate with customers. This greatly improved the adoption rate of various products and promotions.

Transforming our operating model

- Many cost optimisation initiatives were launched. These included site electrification to reduce diesel consumption, generator rehabilitation and local packaging of SIMs.

Innovation and best practice

- Began work with vendors on managing rural capacity, which are micro BTSs.
- Created a dedicated profile for the low ARPU/activity customers. Through this profile we targeted customers with segmented offers and promotions and strengthen their BTL communication techniques by using instant notification messages. As a result, the adoption level of MTN promotions increased from 17% to 33% and the churn rate reduced from 12% to 9% for this segment.
- Engaged with customers with online competitions using social media.
- Mobile kiosks have created more brand visibility and an increase in the point of sale around Sudan.

Fast data facts

According to Internet World Stats, there were 6,5 million Sudanese internet users by the middle of 2012, giving a 19% internet penetration rate.

A focus on our CSI

Supporting clinics in Yemen

A lack of access to adequate medical facilities in Yemen is a concern, with many underprivileged communities unable to afford medical consultation fees and the cost of treatment. This has been further exacerbated by social and political unrest.

MTN Yemen has funded the operational costs of three medical clinic facilities. This support ensures the provision of free medical services, which includes dispensing medication, obstetrics and gynaecological treatment, paediatrics and first aid support. In 2012, approximately 30 000 people used the services of these clinics.

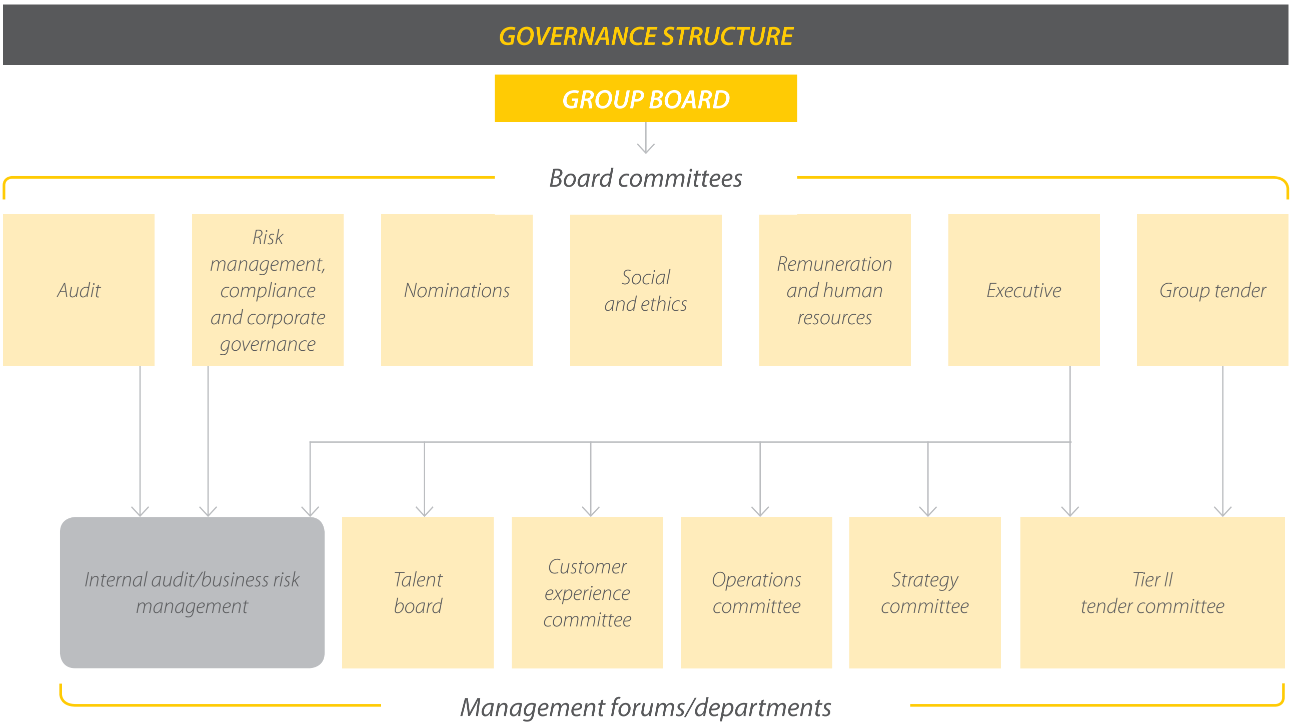
*04

Governance

Corporate governance highlights

The MTN board believes that strong corporate governance is essential for the achievement of sustainable value for all stakeholders. Accordingly, the Group is committed to entrenching the highest levels of corporate governance and continues to make significant progress in implementing structures, policies and procedures all aimed at strengthening governance within the organisation.

MTN aims to provide stakeholders with an accurate and transparent governance report which provides details of governance enhancements and achievements during the year under review.



Audit committee: AF van Biljon (chairman), NP Mageza, MJN Njeke, JHN Strydom (withdrawn 29 May 2012), J van Rooyen
Risk management, compliance and corporate governance committee: J van Rooyen (chairman), KP Kalyan, NP Mageza, MLD Marole, MJN Njeke, JHN Strydom
Nominations committee: MC Ramaphosa (chairman), A Harper, AT Mikati, JHN Strydom (nominated 5 March 2013), AF van Biljon,
Social and ethics committee: KP Kalyan (chairman), NP Mageza, MLD Marole, JHN Strydom (withdrawn 5 March 2013), J van Rooyen
Remuneration and human resources committee: A Harper (chairman), AT Mikati, MC Ramaphosa, JHN Strydom
Executive committee RS Dabengwa (chairman), CM de Faria (withdrawn 31 January 2013), JA Desai, S Fakie, A Farroukh, B Goschen, PD Norman, NI Patel, KW Pienaar, J Ramadan (withdrawn 31 March 2012), I Sehoole (withdrawn 31 March 2012), KL Shuenyane
Group tender committee: WA Nairn (chairman), JA Desai, A Farroukh, NI Patel, KW Pienaar, J Ramadan (withdrawn 31 March 2012), I Sehoole

Key governance enhancements and compliance

In 2011 the Group undertook to address some areas relating to King III and the Companies Act, No 71 of 2008, which required enhancement and implementation. The following are some of the key enhancements achieved in 2012:

Board committees' terms of reference	All the committees' terms of reference have been reviewed and adopted by the board in 2012.
Board charter	The board charter has been revised to align it with King III, the new MOI of the Company as well as the Companies Act. The revised board charter was adopted by the board in March 2013.
Board strategy review	In addition to the conventional annual Group strategy session and in an effort to increase the frequency of board and management engagement on strategy and to improve strategic dialogue, a mid-term board strategy review process was introduced to review strategic initiatives that had been previously sanctioned. The review also affords the board an opportunity to re-affirm the strategic direction.
Board appraisal	The board, through an independent service provider, conducted an independent board performance appraisal. The appraisal report was presented to the nominations committee and the board. The status of the appraisal is set out on page 73 of the governance highlights.
Director training and development	In line with section 88(2)(a) of the Companies Act which states that the Company secretary must provide the directors with guidance as to their duties, responsibilities and powers, among others the board was formally advised by the sponsors on all JSE Listings Requirements' amendments, which occurred during the year under review.
Independence review for directors who have served for an aggregate period in excess of nine years	If a director has served for an aggregate period in excess of nine years, the new MOI requires the board to consider whether that director continues to be independent. The board approved a policy, which states that a non-executive director who has served on the board for an aggregate period in excess of nine years, will be subject to an annual rigorous review of his/her independence and will thereafter be re-appointed annually. The board is satisfied with the independence of all the independent non-executive directors, including the independence of AF van Biljon and JHN Strydom who have served on the board for an aggregate period in excess of nine years. Based on the evaluation, there is no evidence of any circumstance and/or relationship that would impair their judgement and their independence is not affected by their length of service.
Application of the King III principles	The Group is compliant with the mandatory principles concerning governance in terms of the JSE Listings Requirements. A letter of dispensation has been obtained from the JSE and it affords the Group the opportunity to address any non-compliance with the non-mandatory "apply or explain" corporate governance requirements in the 2013 financial year. In assessing the Group's compliance and adherence to King III, an Institute of Directors' Governance Toolkit was used.
Delegation of authority	In line with King III, a revised delegation of authority was approved and implemented during the year under review.
Review of governance policies	Among others, the following policies were reviewed: The insider trading policy and share dealing policies were reviewed, pending finalisation of the Financial Markets Bill. The public information policy was revised and is in the process of being adopted. The Group directors and Group secretary appointment policy was adopted. The policy outlines a formal process for the appointment of all directors and the Group secretary. The gifts policy, among others, embraces the prevention of any corrupt activities and sets out a procedure to be followed when giving or accepting gifts. This policy was revised and adopted. The Group introduced the independence review policy which provides an outline of how the director's independence is reviewed. This policy was adopted. The code of ethics has been revised; however further work is still being done. In the interim, the Group has adopted a social and ethics statement which embodies the Group's values and practices with regard to ethical standards and behaviours.
Prescribed officers	The prescribed officers have been designated and the board is satisfied that they are adequately skilled for their responsibilities. All members of the executive committee are designated as prescribed officers. The category of persons designated as such will be reviewed on an ongoing basis. A prescribed officers' policy is in the process of being approved.
Alignment of memorandum of incorporation with the Act	The Group has concluded its new MOI, which is aligned with the Companies Act and JSE Listing Requirements. The MOI has been approved by the board and the JSE, and its salient features will be tabled for approval by shareholders at the annual general meeting.

Corporate governance highlights *continued*

Our approach to governance is to have a set of targets each year and report on our progress against these targets.

Looking ahead, we aim to continue focusing on embedding the highest standards of ethics and good governance, monitor our regulatory compliance and respond to any emerging issues related to our environment.

Governance structure

During the year under review, the board appointed Fani Titi as an independent non-executive director on the board and as a member of the remuneration and human resources committee. Fani has extensive experience in private equity, banking and general business.

Although the Group director and Group secretary appointment policy was not adopted at the time of his appointment, his appointment process was formal and transparent. The Group president and CEO disclosed the previous business association between Fani and himself. Pursuant to that disclosure Fani was subjected to an independence review. The outcome of the review showed that Fani was independent from the MTN Group business. The board was satisfied that the business association between the Group president and CEO and Fani would not have an impact on the performance of their duties and responsibilities.

The board's governance structure was reviewed and it was concluded that the Group tender committee should be independent from the board. Thus the board resolved that this committee will cease to be a standing committee of the board.

The board is satisfied that its committees are structured in such a way that there is sufficient competence to deal with current and emerging issues of the business and is able to enhance the performance of the Company.

The elements of the Group structure are replicated in major subsidiaries to maintain good governance throughout the Group. The governance structures of subsidiaries across the Group have been reviewed and are aligned with the operating model, which was implemented in March 2012.

The MTN Group has a unitary board structure with a majority of independent non-executive directors. The board considers nine out of the eleven non-executive directors to be independent.

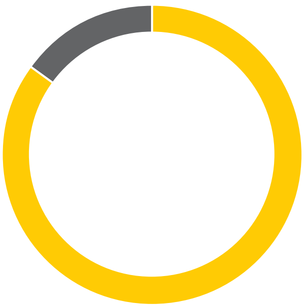
The roles and duties of the non-executive chairman and the Group president and CEO are separated and clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual having unrestricted decision-making powers.

Directors play a critical role as board representatives on the various board committees and ensure that the Company's interests are served by impartial, objective and independent views that are separate from those of management and shareholders.

The MTN Group board retains full and effective control over the Group and is responsible, *inter alia*, for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The full extent of the board's responsibilities is contained in an approved board charter. The directors are of the opinion that they have adhered to the terms of reference as detailed in the board charter for the financial year under review.

Diversity on our board

Representation by gender on the board



The board will address this matter as part of the succession planning programme in 2013.

Chairman

The board is chaired by MC Ramaphosa. Responsibility for managing the board and executive responsibility for the conduct of the business are differentiated. The chairman is responsible for leadership of the board, ensuring effectiveness in all aspects of its activities and setting its agenda. The chairman is responsible for making sure that the directors receive accurate, timely and clear information. The chairman also:

- ensures effective communication with shareholders;
- facilitates the effective contribution of non-executive directors in particular; and
- safeguards constructive relationships between executive and non-executive directors.

No individual board member has unfettered powers in respect of decision making.

The board, on the advice and recommendation of the executive committee, is responsible for setting the strategic direction of the Company. Annually, the board considers, debates and adopts with or without amendments, a strategic plan presented by the executive committee. This plan is further reviewed in the first quarter of each year.

Group president and chief executive officer

RS Dabengwa is the Group president and CEO and is responsible for the day-to-day management of the Group, supported by the executive committee, which he chairs. He provides leadership to the executive team in running the business, co-ordinates proposals developed by the executive committee for consideration by the board, and also develops the Company's strategy for consideration and approval by the board.

Delegation of authority and risk management

The ultimate responsibility for the Group's operations rests with the board. The board retains effective control through a well-developed governance structure of board committees that specialise in specific areas of the business. Necessary authorities have been delegated to the Group president and CEO to manage the day-to-day business affairs of the Company. The executive committee assists the Group president and CEO in discharging his duties and the duties of the board when it is not in session. However, in terms of statute and the Company's constitution, certain matters are reserved for board and/or shareholder approval. The delegation of authority is reviewed periodically to ensure it remains aligned and relevant in relation to the rapid growth of the Company.

Lead independent director (LID)

Although our chairman is considered independent, the LID has been appointed to further embed the culture of independence of the board. The LID's primary role is to provide leadership and advice to the board without detracting from the authority of the chairman when a conflict of interest arises.

Group secretary

The Group secretary plays a pivotal role in the continuing effectiveness of the board, ensuring that all directors have full and timely access to information and training that equips them to perform their duties and obligations properly and enables the board to function effectively.

The Group secretary's key duties with regards to the directors include, but are not limited to the following:

- Providing counsel and guidance to the board on their individual and collective powers and duties;

Corporate governance highlights *continued*

- Providing ongoing support and resources enabling directors to extend and refresh their skills, knowledge and understanding of the Group;
- Providing regular updates on effective and proposed changes to laws and regulations affecting the Group and/or its businesses.

In May 2012, the JSE Listings Requirements were amended to provide that with effect from 1 December 2012, company boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the Group secretary, and also whether she maintains as arm's-length relationship. The performance of the Group secretary, as well as her relationship with the board, are assessed on an annual basis. The Group secretary is not a director of the Company.

The board, with the assistance of the nominations committee and external assurers, have evaluated the Group secretary and is satisfied that she is suitably qualified to fulfil the role.

Details of the qualifications and competencies of the Group secretary are set out below.

Name	Bongi Mtshali
Date appointed	August 2005
Qualifications	FCIS and Higher Diploma in Company Law
Previous work experience	Bongi has over 25 years of company secretarial experience. Prior to joining MTN, she worked for Uthingo Management (Pty) Ltd, Telkom Limited, Anglovaal Limited and Anglo American Limited (Gold Division).

The board charter
The board charter regulates and details the following key matters:

- Board leadership and defines the separate responsibilities of the chairman and the chief executive as well as the role of the lead independent director;
- Board composition, procedures, pre-requisites and competencies for membership, size and composition of the board;
- Balance of powers;
- The role and responsibilities of the board;
- Board committees' governance;
- Appraisal and performance of the board and its committees; and
- Relationship with stakeholders.

The board charter stipulates that the operation of the board and the executive responsibility for the running of the company's business should be two key and separate tasks and there should be a clear division of responsibilities at the head of the Company to ensure a balance of power and authority, ensuring that no individual or block of individuals has unfettered powers of decision-making or can dominate the board's decisions.

Memorandum of incorporation
The general powers of the directors are set out in the Company's MOI. They have further unspecified powers and authorities in respect of matters that may be exercised and dealt with by the Company and that are not expressly reserved for the members of the Company in general meetings.

Matters reserved for the board
There are certain matters that are dealt with exclusively by the board. These include, but are not limited to, approval of financial statements; the Group's business strategy; the annual capital expenditure plan; major changes to the Group's management and control structure; material investments or disposals; risk management strategy; sustainability and environmental policies; and treasury policies.

Board induction and ongoing development
The Group secretary is tasked with assisting the board with the induction of new directors. All directors undergo a formal induction programme, which outlines their fiduciary and statutory duties and provides an in-depth understanding of the Group and its operations. Re-elected directors are also subject to an ongoing director training and development programme, which includes regular updates and information consultations on legislative and regulatory changes.

Board rotation

Directors are subject to retirement by rotation at least once every three years and may avail themselves for re-election, in accordance with the Company's memorandum of incorporation.

Independence of directors

Determination of independence is guided by King III, the JSE Listings Requirements and common corporate practice.

The chairman of the Group is subject to re-appointment by the board and evaluation of his independence on an annual basis.

Board appraisal

An independent appraisal was conducted by the governance agency Ratings Afrika on all the members of the board and the Group secretary. The appraisal included a peer review as well as a consolidated board appraisal. This process has recently been completed and the board is in the process of reviewing the report to identify areas of improvement.

Board and committee attendance

The MTN Group board recognises that it is ultimately accountable and responsible for the performance and affairs of the Group and that the issue of delegated authorities to board committees and management in no way absolves the board collectively from the obligation to carry out their fiduciary duties and responsibilities. All board committees operate under written terms of reference approved by the board. All committee chairpersons also provide the board with a report on recent committee activities.

Board committees are permitted to take independent outside professional advice as and when deemed necessary. The office of the Group secretary provides support and secretarial services to each of the board committees. Membership of board committees comprises independent and non-executive directors only, with the exception of the executive committee and the Tier II tender committee, which are primarily committees of an operational nature and so comprised of senior management. There is full disclosure and transparency from these committees to the board. The membership and attendance of the committees are set out below. Each committee's authority and the discharge of its responsibilities are directed by a charter.

Attendance register

Directors	Scheduled board meetings attended	Special board meetings attended	Risk, compliance and corporate governance	Meetings attended	Remuneration and human resources	Meetings attended	Nominations	Meetings attended
MC Ramaphosa	4/4	5/5			Member	3/3	Chairman	2/2
KP Kalyan	4/4	5/5	Member	5/5				
F Titi[#]	2/4	3/5						
MJN Njeke	3/4	5/5	Member	3/5				
AF van Biljon	4/4	5/5	Invitee				Member	1/2
J van Rooyen	4/4	5/5	Chairman	4/5				
A Harper	4/4	5/5			Chairman	3/3	Member	2/2
MLD Marole	4/4	5/5	Member	5/5				
NP Mageza	4/4	5/5	Member	5/5				
AT Mikati	4/4	5/5			Member	3/3	Member	2/2
JHN Strydom	4/4	5/5	Member	4/5	Member	3/3		
RS Dabengwa	4/4	5/5	Invitee		Invitee		Invitee	
NI Patel	4/4	5/5	Invitee		Invitee			

[#] Appointed with effect from 1 July 2012

In-camera meetings
During the period under review, most of the board and committee meetings were preceded by an in-camera meeting of non-executive directors.

Special *ad hoc* board committees
In certain instances, the board constituted special board committees, which are granted the necessary authority to deal with the salient matters under special projects and to allow for a more detailed consideration of issues. Special committees may consist of different directors depending on the expertise required to deliberate on any special matters under review by the committee.

Standing board committees
The committees are as follows:
- audit committee (details are set out on page 108)
- risk management, compliance and corporate governance committee
- nominations committee
- remuneration and human resources committee
- social and ethics committee (details are set out on page 96)
- executive committee

The board is satisfied that the board committees as set out in detail below have effectively discharged their responsibilities as contained in their respective terms of reference during the year under review:

Group risk management, compliance and corporate governance committee
The risk management, compliance and corporate governance committee was established to improve the efficiency of the board and assist it in discharging its duties which include the following:
- identifying, considering and monitoring risks impacting the Company; and
- responsible for the sustainability framework and sustainability reporting for the Group.

A close working relationship exists between the risk management, compliance and corporate governance committee and the audit committee. Three non-executive directors serving on the audit committee also serve on the risk, compliance and corporate governance committee. This ensures that overlapping responsibilities are dealt with in an efficient manner. The committee is also responsible for performing the following functions:

Compliance and corporate governance
- To periodically review issues relevant to the board's oversight responsibilities, including compliance with and adherence to the relevant laws and governance standards;
- Review compliance with all local and foreign legislation and regulatory body requirements applicable to the Company including but not limited to the following:
  - Companies Act
  - JSE Listings Requirements
  - Governance frameworks
  - Health and safety legislation
  - Employment equity
  - Security Services Act
  - Taxation legislation

During the year under review, the JSE had made a few amendments to its listings requirements; the committee assessed the Company's compliance with these requirements and all other statutory and governance codes and was satisfied that it had complied with the requirements. The committee is constituted of independent and non-executive directors only and details of attendance and membership of the committee are set out on page 73.

The remuneration and human resources committee
The committee is constituted as a committee of the board of directors in respect of all duties assigned to it by the board.

The committee oversees the formulation of a remuneration philosophy (policy) and human resources strategy to ensure that the Company employs and retains the best human capital possible relevant to its business needs and maximises the potential of its employees.

Nominations committee
The committee is constituted as a committee of the board in respect of all duties assigned to it by the board.

The committee has been constituted to improve the efficiency of the board in discharging its duties relating to the nomination of board members and senior management. It makes recommendations to the board on the composition of the board and board committees and to oversee the development of directors. In line with the JSE's requirement, the committee is chaired by the chairman of the board.

Executive committee
This committee is constituted as a committee of the board but comprises only executive management and is chaired by the Group president and CEO. The committee facilitates the effective control of the Group's operational activities in terms of its delegated authority approved by the board. It is responsible for recommendations to the board on the Group's policies and strategies and for monitoring their implementation in line with the board's mandate. The committee meets at least monthly and additionally as required. The profiles of the executive committee and subcommittee details are set out on pages 26 to 29.

Audit committee
Social and ethics committee
Details of the audit committee and social and ethics committee are contained in their respective committee reports set out on pages 96 to 98 and 108 of this integrated report.

External advisers
During the year under review, the board and its committees engaged numerous external advisers who frequently advise the board on a variety of matters that require board consideration and approval.

Regulatory compliance
The MTN Group encompasses operations in 22 countries in Africa, Europe and the Middle East and holding companies in three other jurisdictions. In keeping with its vision and strategy, the Group subscribes to and applies the principles contained in the Code of Corporate Practices and Conduct recommended by King III.

In other jurisdictions where the Company operates, governance developments are monitored on an ongoing basis to ensure that local regulatory requirements are complied with. The board monitors compliance by means of committee reports, which include information on any significant interaction with key stakeholders, including regulators, and through the activities of locally based audit and risk management committees.

The board of directors endeavours to ensure that all operations comply with these corporate governance principles and the requirements of common practices. Likewise, the board places strong emphasis on implementing high standards of reporting, financial and risk management.

The Company's corporate governance systems are aligned with the guidelines of King III and are designed to exceed minimum compliance levels and continue to evolve to meet the expectations of all stakeholders.

Conflicts of interest
A director or prescribed officer is prohibited from using his or her position with respect to the Company or confidential Company information obtained by him or her relating to the Company, in order to achieve a financial benefit for himself or herself or any related third party.

Furthermore, a director or prescribed officer is obliged to make certain disclosures regarding any conflict of interest he or she may have when such arises.

Directors and prescribed officers who have declared a conflict of interest in certain transactions, have voluntarily recused themselves from participating in any manner with regard to those transactions.

Code of business conduct
The MTN Group is committed to promoting the highest standards of ethical behaviour among its directors, management and employees. In accordance with this objective and in the interests of good corporate governance, the code of business conduct is subject to review annually and is cascaded down to all operations.

In addition, the board has also endorsed a social and ethics statement which embodies the Group's values and ethical standards and behaviours.

Sponsor
MTN fully understands the role and responsibilities of the sponsor as stipulated in the JSE Listings Requirements. MTN has a sound relationship with its sponsor (Deutsche Securities (SA) Proprietary Limited) and considers that they have discharged their responsibilities with due care.

For further details of the governance report please visit our website at

www.mtn.com

Our people and their remuneration

MTN's people

The calibre of MTN's people will continue to be a key differentiator in the increasingly competitive communications sector. In 2012, we had nearly 27 000 permanent employees across 22 operations and at our head office in Johannesburg and our corporate office in Dubai.

We recognise that to achieve our strategic objectives and deliver on our vision to lead the delivery of a bold, New Digital world to our customers, the Group needs appropriately skilled, culturally diverse employees who are motivated by and enjoy their work. MTN people are encouraged to develop their careers and are offered opportunities to hone their skills to meet the needs of the evolving business. This will help the Group create a distinct customer experience, drive sustainable growth, transform our operating model and create and manage stakeholder value through innovation and best practice.

MTN strives to be an employer of choice and retain key skills. As the number of mobile licences increases, demand for talent grows, making retention efforts that much more important. As the business evolves towards a broader service offering, MTN's philosophy is to employ experienced individuals who share and relate to MTN's values. These are a "can-do" attitude, innovation, leadership, relationships and integrity.

MTN Employee Value Proposition (EVP)

The MTN deal is a compelling and unique people-centred value proposition offered to all MTN employees across our operating companies. It has five key components: i) investing in talent; ii) a globally diverse culture; iii) total rewards and recognition; iv) brand strength; and v) a leadership brand. During 2012, various new and creative methods were applied to further develop and enhance the MTN deal internally to all staff and leaders to support the MTN human resources (HR) community. The new and improved www.mtn.com/careers website as well as 3D digital icons assist the business to embed the EVP process across the Group.

Investing in people and talent development

Investing in people and talent development remains an important priority for the Group and its operations to ensure that a sustainable pool of talent and skills is available to meet the organisation's strategic objectives and to ensure MTN wins the battle for talent in its markets. The Group invested R383 million in people, talent and skills development. Internal efficiencies were obtained through the MTN Academy and its global deployment of the e-live online learning capability, which substituted classroom learning with 24-hour remote access to over 3 000 online learning applications. The result has been a dramatic decrease in logistical costs, although classroom learning is still an important platform for leadership talent development programmes offered through the MTN regional learning centres in Dubai, Accra and Johannesburg.

MTN employees spent 83 165 hours completing e-learning courses in 2012. This figure represents all staff who had received a score of 80% and above for completion of an e-learning course. Total hours invested in learning at MTN were 38,8 hours per full-time equivalent (FTE) employee and approximately US$1 500 per person in 2012. Overall, MTN invested 2,8% of payroll in talent and people development. The MTN Academy's efficiency efforts included rigorous procurement practices and premium vendor partnerships, improved contract negotiations and smarter learning delivery capabilities. This resulted in more effective utilisation of learning infrastructure and the deployment of learning and development resources, without compromising quality and impact. The 2012 overall employee satisfaction scores for MTN people and talent development services remained well in line with the global benchmarks.

MTN has also partnered with the internationally recognised Investors in People standard (IIP). The IIP provides an integrated global framework for people and talent development in helping the organisation become a leading employer of choice, while at the same time supporting the strategic business agenda.

Culture, performance and recognition

Developing our globally diverse culture is one of the key EVP pillars. During 2012, the Group adopted a renewed focus in defining the MTN cultural operating system required to support and enable the Group's new vision. A set of vital behaviours was identified and measured through various internal culture engagement sessions and staff satisfaction surveys. The vital behaviours are leader-led and have been embraced as strategically important to MTN's future and success. The vital behaviours are: **candour, active collaboration, complete accountability** and **get it done** and set the tone for what is expected of every employee and leader in their interactions with each other and all stakeholders across the Group.

To support the new MTN vision statement and the focus on innovation and best practice, various new people and talent development learning solutions were launched across our operations to build skills for innovation during 2012.

The connection of people to business strategy is the foundation of the MTN Group's Integrated Performance Management (IPM) framework. In the past three years, the compliance with online performance has improved significantly. We encourage regular performance review discussions throughout the year, with formal reviews conducted in January and July of each year. This ensures MTN maintains a culture of active performance engagement, development and corrective action throughout the year.

MTN's EVP pillar of total rewards and recognition is supported by its global salary and incentive reward systems. The MTN Y'ello Stars recognition system provides opportunities for employees to nominate peers and team members for behaviour that goes beyond the call of duty. During 2012, we received 5 986 Y'ello Star nominations. Compared to 2011, the overall MTN Group-wide participation was more favourable, with more operations becoming committed and involved in the programme. Monthly recognition community forums share knowledge and best practice across operations. This contributed to the increase in participation of Y'ello Stars across the Group in 2012. The main recognition categories applicable since the launch of the programme in 2006 are: star performance, knowledge share, customer share and MTN values.

During 2012, the programme has evolved to align with the evolving business strategy and new categories were introduced, namely: innovation (driven through personal submissions by implementers of innovation ideas and not nominations), leadership, and a special category.

MTN ensures its alignment of work, people and performance is maintained through efficient and effective job and organisational design practices. The Hay Group job evaluation process remains the foundation to ensure work, performance and people are optimally aligned and integrated with the various organisational front and back office re-engineering and restructuring projects.

Leadership brand and talent management

During 2012, the MTN leadership talent management strategy further evolved to ensure MTN retains an overall succession bench strength ratio of between 2:1 and 3:1 for all priority leadership talent and critical positions within the Group. The development of a sustainable pipeline of leadership talent continued in 2012 with two groups of 30 high-potential leaders and successors to critical positions attending the MTN flagship executive development programme, GAP (Global Advancement Programme), in India and China. MTN's flagship middle management programme, Flight, remained a critical enabler of leadership talent within the middle management pools. To date over 55 business improvement projects have been identified and addressed by participating delegates, with findings presented for performance improvement or innovations to their local executive teams.

We endeavour to conduct talent reviews annually by the local CEO teams to provide valuable insights to the operations' and Group's talent health and risk profile. The results of these annual talent reviews are being integrated into various decisions to acquire, develop, retain or rotate local talent within and between operations across the Group.

Enhancing health and safety

The wellbeing of our employees is of primary concern to MTN. MTN employees in 45% of our operations represent their colleagues on health and safety committees, which monitor and advise the Group on occupational health and safety at operations. In 59% of our operations, we monitor operational health and safety matters through business functions or nominated representatives.

We regret to report two work-related fatalities in the year in Ghana and Syria. We also had 36 work-related injuries.

We extend comprehensive benefits to mitigate against risks that employees may be exposed to during their career at MTN. As such, MTN has secured world-class assistance services for all our employees by partnering with International SOS (ISOS) and Control Risks Group (CRG). Through this partnership, all MTN employees have access to a 24-hour international alarm centre for any medical, security, travel and crisis-related emergencies. The alarm centre provides emergency expertise to MTN's international travellers, expatriates and their dependants, as well as our global workforce in general.

Over the past few years we have seen increasing levels of national social upheaval in some of the countries in which we operate. In countries with particularly high incidents of unrest, customised safety solutions are implemented to complement the ISOS and CRG standard services. These may include increased security services at our premises, flexible working hours and remote working tools for employees who cannot safely travel between office and home, home relocation and counselling services where necessary, and even food vouchers and safe transport services.

More general health and safety risks may be faced by field workers, employees who are required to conduct extensive mobile telecommunications, and generally employees where climate conditions may be extreme. Employees and contractors at higher electromagnetic field (EMF) network risk are required to undertake annual compliance training and certification. Localised solutions to address other environmental issues such as air quality, flooding and other disasters affecting employees may include fully-paid "pollution" holidays, and earthquake and flooding assistance. Some operations also offer fully or partially-subsidised office lunches, and on-site crèche facilities to support the employment of women in the workplace in countries where opportunities for women to access employment are more restrictive.

Equitable labour practices

MTN's recruitment policy reinforces the Group's focus on eliminating all prejudice based on gender, ethnic origin, marital status, religion, age and physical disabilities in filling vacant positions. When recruiting for new positions, we give preference to those employees whose jobs have become redundant.

MTN has formal disciplinary processes in place to prevent arbitrary dismissals. These conform to International Labour Organisation standards. We are committed to upholding and enforcing codes of conduct that promote fundamental human rights as defined by the Universal Declaration of Human Rights. Freedom of association and union recruitment is not prohibited at any operation.

Remuneration

Remuneration governance

MTN's remuneration and human resources (R&HR) committee is delegated responsibility by the board to make sound remuneration decisions that are aligned to the Company strategy and are consistent and within acceptable governance principles. Full details of the committee's role, constitution and attendance details are outlined in the corporate governance report available on www.mtn.com. Remuneration details are on page 87 of this report.

Group remuneration strategy and policy

MTN's remuneration strategy aims to focus the effort and attention of individuals and teams on achieving the goals of both the short-term business plan and the Group's long-term sustainability, both of which are imperative to shareholder value creation.

Following the review of our remuneration policy during 2011, changes were proposed to ensure appropriate alignment with the interests of shareholders and reinforce the delivery of the business strategy within the Group's risk management framework. The revised report encourages sustainable performance and is guided by the principle to include a strong link between pay and performance.

Our remuneration practices are based on the following principles:

- Attracting and retaining high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy;
- Encouraging a culture of organisational, team and individual performance and significantly incentivising employees who deliver sustained performance consistent with strategic goals;
- Delivering a total reward proposition outlined in the Group's value proposition (The MTN Deal) that is affordable yet competitive, fair and justifiably differentiated; and
- Encouraging behaviour consistent with MTN's values.

The R&HR committee constantly reviews the remuneration policy to ensure that the delivery of these arrangements remains competitive and in accordance with regulatory requirements.

Remuneration structure

MTN's remuneration policy applies common principles and practices to all employees, including executive directors and other senior managers, although the exact structure and quantum of individual packages varies by business unit, roles and geographic location. Generally, employees based in South Africa are remunerated on a Total Guaranteed Package (TGP) approach, which includes a combination of base remuneration and benefit provisions, commonly referred to as fixed remuneration. The Group has implemented this approach subject to labour regulations and remuneration practices. Operations based outside South Africa have adopted and customised this in accordance with local practices and regulations.

The table below summarises the components of the Total Remuneration (TGP plus variable plus other remuneration) Package structure for the 2012 financial period.

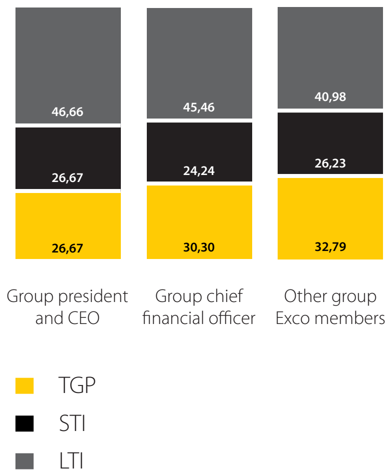
Fixed/variable	Component	Component description and strategic intent
Fixed remuneration	Base salary	• This is the non-variable element of the employee's package typically benchmarked and positioned at the market median. • The base salary reflects the scope and nature of the role.
	Benefits	• The purpose of these benefits is to increase the economic security of employees and act as an incentive to attract and retain skills. • Benefits provide employees with contractually agreed basic benefits such as health cover, retirement cover, and other insurance products including death and disability cover.
Variable remuneration	Short-term incentives (STI)	• Aligns individual, team and organisation-wide efforts and performance with the short-term objectives of the Group. • Focuses participants on achieving annual performance goals based on the Group's KPIs, to create sustainable shareholder value.
	Long-term incentives (LTI)	• Long-term incentives promote a longer-term view of the business. • They ensure wealth creation for both shareholders and employees.
Other remuneration	Lifestyle	• Supplement the cash earnings outlined above through the provision of benefit programmes that enhance employees' lifestyles.

Our people and their remuneration *continued*

Composition of remuneration package for executive directors

The following charts present the target remuneration mix (TGP, STI & LTI) for the Group president and CEO, the Group CFO and other exco members.

↗ *Composition of remuneration package for executive directors %*



Note: *STIs are based on "on-target" performance earning potential.*

Fixed remuneration

Base salary

Base pay is normally benchmarked to the market median and is reviewed annually. Variations may be influenced by factors such as the nature of the job, experience levels, changes in responsibilities, performance track records and the strategic importance of the role.

Benefits

Benefits are forms of value, other than salary payments, that are provided to employees in return for their contribution to the organisation. They typically include retirement contributions, health insurance, life insurance and disability insurance. Some benefits, such as unemployment and other forms of leave and worker's compensation may be statutory requirements and vary from country to country. Other non-financial benefits include leave, study assistance and additional benefits further discussed under "other remuneration".

Remuneration determination and benchmarking

Executive remuneration is structured to be competitive on a global scale. This is in the context of scarce key talent, rising costs and shareholder value creation. At MTN, executive salaries are benchmarked against global competitors and where applicable, salaries are adjusted in line with market rates. MTN's size and complexity, as well as each executive role, are regularly reviewed against benchmarks from a base, guaranteed package and variable pay perspective.

In 2011, the salaries of the Group president and CEO and other senior executives were revised following a benchmark exercise conducted after the Company's senior leadership changes.

Variable remuneration

Performance incentives

MTN Group's short-term incentive programmes are meant to drive particular behaviours and obtain desired results within the agreed risk framework. In the current incentive framework, jobs with a sales function participate in commission programmes, whereas non-sales roles participate in the Group's performance bonus programme. The latter intends to recognise the achievement of a combination of group, team and individual objectives.

Structure of performance incentives

The bonus structure for executives is linked to the operational and financial drivers of the business performance measured against the budget for individual operations and the Group as a whole. This bonus structure ensures that the business drivers and key results provide the necessary balance between top-line Group performance targets (EBITDA, cash flow and revenue) as well as operational efficiency and effectiveness targets measured on an annual basis.

Accordingly, the 2012 bonus programme for executives evaluated performance, firstly at a Company performance (CP) level and secondly at a team performance (TP) level. The applicable calculation parameters for 2012 are as follows:

<table>
<tr><th>Group category</th><th>Designation</th><th>Incumbent</th><th>Company performance</th><th>Team performance</th><th>Minimum bonus</th><th>On target</th><th>Hyper bonus</th></tr>
<tr><td>Group president and CEO</td><td>Group president and CEO</td><td>RS Dabengwa</td><td>70%</td><td>30%</td><td>0%</td><td>100%</td><td>200%</td></tr>
<tr><td>Group executive director</td><td>Group CFO</td><td>NI Patel</td><td>70%</td><td>30%</td><td>0%</td><td>80%</td><td>160%</td></tr>
<tr><td rowspan="7">Group chief officers</td><td>Group chief human resources and corporate affairs officer</td><td>PD Norman</td><td>40%</td><td>60%</td><td rowspan="9">0%</td><td rowspan="9">70%</td><td rowspan="9">140%</td></tr>
<tr><td>Group chief technology and information officer</td><td>JA Desai</td><td>50%</td><td>50%</td></tr>
<tr><td>Group chief commercial officer</td><td>CM de Faria</td><td>50%</td><td>50%</td></tr>
<tr><td>Group chief operations executive</td><td>A Farroukh</td><td>70% – Top 7 Opcos</td><td>30%</td></tr>
<tr><td>Group chief business risk officer</td><td>S Fakie</td><td>40%</td><td>60%</td></tr>
<tr><td>Group chief strategy, mergers and acquisition officer</td><td>KL Shuenyane</td><td>40%</td><td>60%</td></tr>
<tr><td>placeholder</td></tr>
</table>

Company performance (CP)

MTN Group executives are measured on Group attributable earnings. In 2012, MTN exceeded the target resulting in the executives earning above-target performance bonuses. On an operational level, the degree of contribution was based upon the employee level and was directly related to the degree of influence the employee has on the entity's performance. Thus a CEO has a relatively higher weighting towards the Company performance whereas exco members appointed on subsidiary boards have proportionate weightings apportioned between Group and applicable subsidiaries. The degree of variation is reviewed annually by the Group president and CEO in consultation with the R&HR committee, and where applicable, amended accordingly.

Team performance (TP)

Team performance aims at measuring team efforts aligned to the Group's strategic priorities. The team performance targets consist of operational imperatives based on a balanced scorecard, which are typically contracted at the beginning of the year (the contracting period) and evaluated against year-end actual audited performance results.

For executive directors and other exco members, their performance assessment process measures both absolute and relative performance against approved targets, as well as non-financial performance. Incentive amounts payable at the end of a financial year are based on a combination of performance against target in respect of the level of Group attributable earnings and individual performance (KPIs) scorecards.

Our people and their remuneration *continued*

Executive committee members' KPI summary

For 2012, the following dimensions were approved at the beginning of the financial year.

Perspective	Group president and CEO	Group chief financial officer	Group chief technology and information officer
	RS Dabengwa	NI Patel	JA Desai
Element 1: Company performance indicator: *Group attributable earnings (EBITDA, cash-flow and revenue)*	✓	✓	✓
Element 2: Group strategy and functional execution			
➢ Group EBITDA margin	✓	✓	✓
➢ Expenditure management (capex)			
➢ Expenditure management (opex)		✓	✓
➢ Data revenue contribution	✓		
➢ Monetisation of targeted assets (tower transactions)	✓	✓	
➢ Upstreaming of cash	✓	✓	
➢ M&A strategy management on targeted assets		✓	
➢ Global shared services strategy and execution (HR, finance, procurement and IT)	✓	✓	✓
➢ Device strategy management			✓
➢ Global ICT strategy management	✓		✓
➢ Business risk and operational compliance			
➢ Group equity transactions	✓	✓	
➢ Market share strategy management			
➢ Customer centricity management			
➢ Global service delivery platforms			✓
➢ Mobile Money strategy management			
➢ Brand health and equity index			
➢ Customer satisfaction and retention index			✓
➢ Employee health index (EHI)	✓	✓	✓
➢ Labour productivity composite index			
➢ Supply chain savings	✓	✓	

	Group chief commercial officer	Group chief business risk officer	Group chief strategy, M&A officer	Group chief HR & corporate affairs officer	Group chief operations executive	MTN Nigeria CEO	MTN South Africa CEO
	C de Faria	S Fakie	KL Shuenyane	PD Norman	A Farroukh	B Goschen	KW Pienaar
	✓	✓	✓	✓	✓	✓	✓
		✓		✓	✓	✓	✓
						✓	✓
		✓	✓	✓			
	✓				✓	✓	✓
			✓				✓
			✓				
				✓			
	✓					✓	
	✓					✓	
		✓					
			✓				
					✓	✓	✓
	✓						
	✓				✓		
	✓				✓		
	✓						
	✓						
	✓	✓	✓	✓	✓	✓	✓
				✓			

Our people and their remuneration *continued*

MTN Group Long-Term Incentive (LTI) schemes

Long-term incentive schemes are designed to retain key and senior employees by aligning their long-term performance with the interests of shareholders. The Group operates a combination of an equity-and cash-settled scheme for its workforce. Since 2001, the Group has implemented the following schemes:

MTN equity schemes

Plan type	Eligible participants	Date implemented	Performance conditions	Last vesting period
Share Options Scheme (Options)	All employees regardless of level	2001	N/A	2014
Share Appreciation Rights Scheme (SARS)	All employees at junior management level and above	2006	N/A	2018
Share Rights Scheme (SRS)	All employees at junior management level and above	2008	N/A	2020
Employee Share Ownership Plan (ESOP)	All general staff at MTN Level 1 and 2	2010	N/A	Vested, expiring 2015
Performance Share Plan (PSP)	All employees at junior management level and above	2010	Refer to note below	Vested, expiring 2015

Please refer to "Notes to the Group Financial Statements" for additional information.

MTN Group share administration

In 2012, MTN appointed Investec Share Plan Services (ISPS) to host the online Group share schemes administration platform. We anticipate that all share records under the NSO scheme will be fully migrated and verified by the end of the second quarter of 2013. The migration of Options, SARS, SRS and PSPs was completed in January 2013.

Trading in MTN shares was re-opened on 6 March 2013 immediately after the announcement of Group results. Accordingly, the trading process was conducted via the online system, where participants with matured options and rights use this platform to view and execute trading. The trading platform will be subjected to a full audit review by internal risk in May 2013, with the results thereof reported to the R&HR committee and the Group share scheme trustees.

MTN non-equity schemes for non-South African employees (NSO)

It is of prime importance to MTN to attract, motivate and retain capable people across all its operations. To create a sense of "one-ness" with the MTN Group brand, the Group offers eligible employees at junior management level and above, both expatriate and local, participation in the Group's Notional Share Option (NSO) scheme. This scheme enhances MTN's commitment to the "One Group, One MTN" philosophy.

Qualifying employees not only own options, but also participate in the growth of the Group and its operations, as applicable. The main objective of this long-term incentive scheme is to encourage an alignment between the individual interests of senior employees and the long-term success of the Group.

The general rules governing the Company's long-term schemes are as follows:

General rules of the MTN Group long-term incentive schemes

Employees are generally eligible to participate in the above schemes if they have met a minimum continuous service criterion within MTN, have not reached their retirement age at the date of allocation and subject to the approval of the R&HR committee. In addition, MTN reserves the right to exclude participation by certain employees by virtue of their employment status e.g. disciplinary, suspension, dismissal and so forth. Further details are available under the *Notes to the Group financial statements*. A summary of previous allocations and the vesting dates is presented below:

LTI schemes vesting schedule

Plan type	Issue period	Vesting timelines per anniversary (cumulative)						
	Date	Year 0	> Year 1	> Year 2	> Year 3	> Year 4	> Year 5	> Year 10
Share options	28 Sep 01*	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	02 Sep 02	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	02 Jan 03	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	07 Jul 03	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	01 Dec 03	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	01 Dec 04	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
SARS and SRS	01 Nov 04	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	01 Dec 04	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	31 May 06	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	31 May 06*	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	21 Nov 06	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	01 Jan 07	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	02 Apr 07	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	22 Jun 07	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	19 Mar 08	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	01 Sep 08	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
	28 Jun 10*	✓	●●●●	✧ ●●●	✧ ✧ ●●	✧✧✦●	✧✧✦✦	×
PSPs	29 Jun 11**	✓	●●●●	●●●●	●●➢	✧✧✦✦		×
	29 Jun 11	✓	●●●●	●●●●	●●●●➢	✧✧✦✦		×
	29 Dec 11	✓	●●●●	●●●●	●●●●➢	✧✧✦✦		×
	28 Dec 12	✓	●●●●	●●●●	●●●●➢	✧✧✦✦		×

**This offer includes an allocation with one year accelerated vesting.*
***This offer was accelerated from 36 months to 30 months.*

Key: ✓ *Allocation date* ✧ *20% tranche vested (cumulative)* ✦ *30% tranche vested (cumulative)*
➢ *Performance conditions evaluation* ● *Non-vested portion of award* × *Expiry*

Our people and their remuneration *continued*

Further details relating to the current status of allocations can be found under the *Notes to the Group financial statements*. In the first quarter of 2012, the administration of the schemes was transferred to the Group compensation and benefits function as the share schemes are an element of total reward's EVP and so should not be managed within the same custodianship. Notwithstanding this, to ensure an effective transition between the former administrator (Company secretariat) and Group compensation and benefits, some of the historical queries are to be resolved jointly by these two functions.

Audit comment: During 2011/2012, an audit review of the equity schemes was conducted by internal business risk as well as external consultants (PricewaterhouseCoopers). The results of the audit lead to key risk control measures being instituted to mitigate any potential risk. Share trustees were then informed of the audit findings and supported the imposition of control measures from both a system perspective and administration accuracy levels.

Other remuneration

MTN offers other benefits typically not disclosed in payslips. These include lifestyle benefits, leave of absence and additional insurance products such as funeral cover which are offered on a subscription basis. Although some of these benefits are not prevalent in some of the MTN operations, there are country-specific programmes approved and aligned equivalent to South African benefits.

Remuneration of prescribed officers

The board, as part of evolving best practice and in compliance with corporate governance, has provided disclosure on prescribed officers under the prescribed officers' emoluments and related payments.

Expatriate compensation

The expatriate compensation management model was refreshed to better address the changing needs of the Group and to introduce tighter compensation scales. The introduction of the United Arab Emirates as a hypothetical home base for purposes of assignment and compensation management, coupled with a "balance sheet" or "build-up" approach incorporating a base pay indexing element, has given MTN a framework for consistent, relevant and accurate pay determination.

MTN continued its drive to rely less on expatriates within operating companies. Following a study related to a phased initiative in this regard, immediate plans for Afghanistan, Benin, Ghana, Guinea Conakry and Liberia led to an average reduction in expatriate headcount for these countries of more than a third.

Non-executive director (NED) remuneration

The R&HR committee is responsible for advising on the remuneration of non-executive directors, including reviewing remuneration recommendations as put forward by the executive committee in consultation with external remuneration consultants. The committee also recommends the remuneration for approval by the board and shareholders. The remuneration for NEDs is considered annually and is determined in light of market practice and with reference to the time, commitment and responsibilities associated with the roles.

MTN Group's non-executive directors receive an annual retainer and meeting attendance remuneration. They do not participate in any type of incentive scheme nor do they receive any medical and pension-related benefits. The remuneration paid to non-executive directors on page 87 of this report and the proposed remuneration for 2013 is disclosed in the notice to the annual general meeting.

Contracts and severance: MTN's policies regarding Group executive employment contracts dictate the period of the contract as well as the notice of termination. Presently, MTN does not enter into limited duration contracts for Group executives, with the exception of the Group president and CEO. The inclusion of a period of restraint in the employment contract is generic and no specific timeframes are indicated. Notice of termination for Group executives is three months, unless otherwise specified.

Directors' and prescribed officers' emoluments and related payments. The tables set out on pages 87 to 95 have been audited.

Directors' emoluments and related payments

For the year ended 31 December 2012

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Subtotal	Share gains** R000	Total R000
Executive directors								
RS Dabengwa	1/10/01	8 405	1 078	600	13 456	23 539	–	23 539
NI Patel	27/11/09	5 030	645	1 742	6 431	13 848	–	13 848
Total		13 435	1 723	2 342	19 887	37 387	–	37 387

**Includes medical aid and unemployment insurance fund.*
***Pre-tax gains and post brokerage cost on share appreciation rights scheme and share rights plan.*

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Special projects R000	*Ad hoc* work R000	Total R000
Non-executive directors							
MC Ramaphosa	1/10/01	973	550	400	–	–	1 923
KP Kalyan	13/6/06	270	418	209	–	–	897
AT Mikati*†	18/7/06	839	585	402	–	–	1 826
MJN Njeke	13/6/06	279	316	192	–	–	787
JHN Strydom	11/3/04	319	508	210	109	10	1 156
AF van Biljon	1/11/02	280	402	210	145	–	1 037
J van Rooyen	18/7/06	333	498	250	91	58	1 230
MLD Marole	1/1/10	252	411	210	55	–	928
NP Mageza	1/1/10	304	492	210	109	58	1 173
A Harper*	1/1/10	854	593	403	35	–	1 885
F Titi	1/7/12	96	174	87	18	–	375
Sub-total non-executive directors		4 799	4 947	2 783	562	126	13 217

**The fees have been paid in euro but have been converted to rand for the sake of consistency.*
†Fees are paid to M1 Limited.
#Retainer and attendance fees include fees for board and committees.

Our people and their remuneration *continued*

Directors' emoluments and related payments

For the year ended 31 December 2011

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits** R000	Bonuses R000	Subtotal	Share gains*** R000	Total R000
Executive directors								
RS Dabengwa	01/10/01	7 133	903	485	14 007	22 528	–	22 528
NI Patel	27/11/09	4 719	600	1 945	7 478	14 742	2 435	17 177
PF Nhleko*	Resigned	2 421	306	35 095	10 000	47 822	997	48 819
Total		14 273	1 809	37 525	31 485	85 092	3 432	88 524

**Resigned on 31 March 2011. Other benefits include the shareholder approved restraint of trade.*
***Includes medical aid and unemployment insurance fund.*
****Pre-tax gains and post brokerage cost on share appreciation rights scheme and share rights plan.*

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Special projects R000	*Ad hoc* work R000	Total R000
Non-executive directors							
MC Ramaphosa	1/10/01	901	371	533	–	–	1 805
DDB Band*	1/10/01	57	61	61	–	283	462
KP Kalyan	13/6/06	249	284	315	54	70	972
AT Mikati **†	17/7/06	799	438	585	–	–	1 822
MJN Njeke	13/6/06	260	286	137	17	52	752
JHN Strydom	11/3/04	260	286	297	125	70	1 038
AF van Biljon	1/11/02	260	267	280	143	52	1 002
J van Rooyen	17/7/06	287	306	262	89	–	944
MLD Marole	1/1/10	211	212	256	36	70	785
NP Mageza	1/1/10	222	231	280	143	52	928
A Harper**	1/1/10	799	438	371	–	–	1 608
Total		4 305	3 180	3 377	607	649	12 118

**Resigned 11 March 2011.*
***Fees that have been paid in euro have been converted to rand.*
†Fees are paid to M1 Limited.
#Retainer and attendance fees include fees for board and committees.

Prescribed officers' emoluments and related payments

For the year ended 31 December 2012

	Salaries R000	Post-employment benefits R000	Other benefits R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
JA Desai	5 634	853	1 149	6 256	13 892	–	13 892
I Sehoole†	930	119	68	–	1 117	–	1 117
PD Norman	3 809	488	426	4 201	8 924	1 804	10 728
C de Faria	5 633	563	16	5 712	11 924	–	11 924
J Ramadan#	1 156	–	31 744	–	32 900	–	32 900
A Farroukh	6 104	–	142	6 788	13 034	–	13 034
KL Shuenyane	3 722	477	261	3 555	8 015	–	8 015
S Fakie	2 834	377	338	3 200	6 749	–	6 749
K Pienaar	4 104	526	284	4 377	9 291	5 147	14 438
B Goschen	5 045	546	124	3 095	8 810	–	8 810
Total	38 971	3 949	34 552	37 184	114 656	6 951	121 607

†Withdrawn 31 March 2012.
#Retired 31 March 2012 .

Prescribed officers' emoluments and related payments

For the year ended 31 December 2011

	Salaries R000	Post-employment benefits R000	Other benefits R000	Bonuses R000	Sub-total R000	Share gains* R000	Total R000
Prescribed officers							
JA Desai	4 746	635	136	6 110	11 627	2 188	13 815
I Sehoole	3 720	477	60	4 067	8 324	–	8 324
PD Norman	3 647	464	66	4 740	8 917	11 435	20 352
C de Faria	4 753	475	–	5 781	11 009	7 266	18 275
J Ramadan	4 136	514	155	5 453	10 258	7 266	17 524
A Farroukh	4 666	466	1 363	3 732	10 227	5 517	15 744
KL Shuenyane	3 505	449	48 396	4 245	56 595	–	56 595
S Fakie	2 638	350	305	3 209	6 502	1 446	7 948
Total	31 811	3 830	50 481	37 337	123 459	35 118	158 577

**Pre-tax gains and post brokerage cost on share appreciation rights scheme and share rights plan.*

Our people and their remuneration *continued*

Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share option scheme

Offer date	Strike price R	Vesting date	Number outstanding at 31 December 2011	Exercised 2012	Exercise date	Exercise price R	Number outstanding at 31 December 2012
RS Dabengwa							
1/12/2003	R27,00	1/12/2007	43 770	–	–	–	43 770
1/12/2003	R27,00	1/12/2008	87 330	–	–	–	87 330
Total			131 100	–			131 100
Z Bulbulia							
2/9/2002	R9,31	2/9/2007	27 720	(27 720)	8/5/2012	R135,17	–
1/12/2003	R27,00	1/12/2005	4 940	–	–	–	4 940
1/12/2003	R27,00	1/12/2006	4 940	–	–	–	4 940
1/12/2003	R27,00	1/12/2007	7 410	–	–	–	7 410
1/12/2003	R27,00	1/12/2008	7 410	–	–	–	7 410
Total			52 420	(27 720)			24 700

Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes

Offer date	Strike price R	Vesting date	Number outstanding at 31 December 2011	Exercised 2012	Exercise date	Exercise price R	Number outstanding at 31 December 2012
Z Bulbulia							
31/5/2006	R56,83	30/11/2007	12 920	(12 920)	23/8/2012	R156,80	–
31/5/2006	R56,83	30/11/2008	12 920	(12 920)	23/8/2012	R156,80	–
31/5/2006	R56,83	30/11/2009	19 380	(19 380)	23/8/2012	R156,80	–
31/5/2006	R56,83	30/11/2010	19 380	(19 380)	23/8/2012	R156,80	–
19/3/2008	R126,99	19/3/2010	4 920	–	–	–	4 920
19/3/2008	R126,99	19/3/2011	4 920	–	–	–	4 920
19/3/2008	R126,99	19/3/2012	7 380	–	–	–	7 380
19/3/2008	R126,99	19/3/2013	7 380	–	–	–	7 380
Total			89 200	(64 600)			24 600
RS Dabengwa							
31/5/2006	R56,83	30/11/2008	13 920	–	–	–	13 920
31/5/2006	R56,83	30/11/2009	26 440	–	–	–	26 440
31/5/2006	R56,83	30/11/2010	40 440	–	–	–	40 440
21/11/2006	R71,00	21/11/2008	8 680	–	–	–	8 680
21/11/2006	R71,00	21/11/2009	8 680	–	–	–	8 680
21/11/2006	R71,00	21/11/2010	13 020	–	–	–	13 020
21/11/2006	R71,00	21/11/2011	13 020	–	–	–	13 020
19/3/2008	R126,99	19/3/2010	14 440	–	–	–	14 440
19/3/2008	R126,99	19/3/2011	14 440	–	–	–	14 440
19/3/2008	R126,99	19/3/2012	21 660	–	–	–	21 660
19/3/2008	R126,99	19/3/2013	21 660	–	–	–	21 660
Total			196 400	–			196 400
PD Norman							
21/11/2006	R71,00	21/11/2011	21 630	(21 630)	8/8/2012	R154,97	–
Total			21 630	(21 630)			–
KW Pienaar							
21/11/2006	R71,00	21/11/2010	31 140	(31 140)	8/8/2012	R154,97	–
21/11/2006	R71,00	21/11/2011	31 140	(31 140)	8/8/2012	R154,97	–
Total			62 280	(62 280)			–

***Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes** continued*

Offer date	Strike price R	Vesting date	Number outstanding at 31 December 2011	Exercised 2012	Exercise date	Exercise price R	Number outstanding at 31 December 2012
AR Bing							
31/5/2006	R56,83	30/11/2010	4 860	–	–	–	4 860
21/11/2006	R71,00	21/11/2010	960	–	–	–	960
21/11/2006	R71,00	21/11/2011	960	–	–	–	960
22/6/2007	R96,00	22/6/2011	6 330	–	–	–	6 330
22/6/2007	R96,00	22/6/2012	6 330	–	–	–	6 330
Total			19 440	–			19 440
NI Patel							
22/6/2007	R96,00	22/6/2009	2 420	–	–	–	2 420
22/6/2007	R96,00	22/6/2010	2 420	–	–	–	2 420
22/6/2007	R96,00	22/6/2011	3 630	–	–	–	3 630
22/6/2007	R96,00	22/6/2012	3 630	–	–	–	3 630
Total			12 100	–			12 100
S Fakie							
1/1/2007	R85,30	1/1/2012	31 380	–	–	–	31 380
Total			31 380	–			31 380
B Goschen							
19/3/2008	R126,99	19/3/2010	12 260	–	–	–	12 260
19/3/2008	R126,99	19/3/2011	12 260	–	–	–	12 260
19/3/2008	R126,99	19/3/2012	18 390	–	–	–	18 390
19/3/2008	R126,99	19/3/2013	18 390	–	–	–	18 390
Total			61 300	–			61 300

Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan

Offer date	Vesting date	Offered	Forfeited	Number outstanding at 31 December 2012
PD Norman				
29/6/2011	31/12/2013	36 500	–	36 500
29/12/2011	29/12/2014	36 100	–	36 100
28/12/2012	28/12/2015	30 600	–	30 600
Total		103 200		103 200
Z Bulbulia				
29/6/2011	31/12/2013	18 500	–	18 500
29/12/2011	29/12/2014	15 300	–	15 300
28/12/2012	28/12/2015	15 500	–	15 500
Total		49 300		49 300
RS Dabengwa				
29/6/2011	31/12/2013	107 800	–	107 800
29/12/2011	29/12/2014	111 600	–	111 600
28/12/2012	28/12/2015	94 600	–	94 600
Total		314 000		314 000
KW Pienaar				
29/6/2011	31/12/2013	31 500	–	31 500
29/12/2011	29/12/2014	24 200	–	24 200
28/12/2012	28/12/2015	33 000	–	33 000
Total		88 700		88 700
AR Bing				
29/6/2011	31/12/2013	20 600	–	20 600
29/12/2011	29/12/2014	15 600	–	15 600
28/12/2012	28/12/2015	14 900	–	14 900
Total		51 100		51 100
NI Patel				
29/6/2011	31/12/2013	57 700	–	57 700
29/12/2011	29/12/2014	57 000	–	57 000
28/12/2012	28/12/2015	48 500	–	48 500
Total		163 200		163 200
S Fakie				
29/6/2011	31/12/2013	28 200	–	28 200
29/12/2011	29/12/2014	18 609	–	18 609
Total		46 809		46 809
B Goschen				
29/12/2011	29/12/2014	22 300	–	22 300
28/12/2012	28/12/2015	26 500	–	26 500
Total		48 800		48 800

Our people and their remuneration *continued*

Equity compensation benefits for executive directors, prescribed officers and directors of major subsidiaries in respect of the performance share plan *continued*

Offer date	Vesting date	Offered	Forfeited	Number outstanding at 31 December 2012
I Sehoole				
29/6/2011	31/12/2013	37 300	–	37 300
29/12/2011	29/12/2014	36 900	–	36 900
28/12/2012	28/12/2015	29 500	–	29 500
Total		103 700	–	103 700
KL Shuenyane				
29/12/2011	29/12/2014	35 300	–	35 300
28/12/2012	28/12/2015	29 900	–	29 900
Total		65 200	–	65 200
C de Faria				
29/6/2011	31/12/2013	45 200	–	45 200
Total		45 200	–	45 200
A Farroukh				
29/6/2011	31/12/2013	44 600	–	44 600
29/12/2011	29/12/2014	42 900	–	42 900
28/12/2012	28/12/2015	40 800	–	40 800
Total		128 300	–	128 300
JA Desai				
29/6/2011	31/12/2013	45 200	–	45 200
29/12/2011	29/12/2014	43 600	–	43 600
28/12/2012	28/12/2015	41 400	–	41 400
Total		130 200	–	130 200
SB Mtshali*				
29/6/2011	31/12/2013	6 500	–	6 500
29/12/2011	29/12/2014	9 005	–	9 005
28/12/2012	28/12/2015	6 400	–	6 400
Total		21 905	–	21 905
MML Mokoka**				
29/6/2011	31/12/2013	5 300	–	5 300
29/12/2011	29/12/2014	6 400	–	6 400
28/12/2012	28/12/2015	5 800	–	5 800
Total		17 500	–	17 500
J Ramadan				
29/6/2011	31/12/2013	40 500	(40 500)	–
29/12/2011	29/12/2014	39 000	(39 000)	–
Total		79 500	(79 500)	–

**Company secretary of MTN Group Limited.*
***Company secretary of Mobile Telephone Networks Proprietary Limited.*

Directors', prescribed officers', company secretary of the MTN Group and directors' and company secretaries' of major subsidiaries shareholding and dealings in ordinary shares.

	December 2012	December 2011	Beneficial
DDB Band•	–	14 023	Direct
RS Dabengwa	1 473 552	1 473 552	Direct
NP Mageza	400	400	Indirect
SB Mtshali**	–	–	
NI Patel	–	–	
PD Norman#*	266 002	306 002	Direct
	–	10 000	Indirect
JA Desai#*	–	–	
KL Shuenyane#*	1 640	1 640	Direct
MJN Njeke	10	10	Direct
A Farroukh*	–	–	
C de Faria*	–	–	
S Fakie	–	–	
I Sehoole*	–	–	
J Ramadan*	–	–	
B Goschen#	40 000	40 000	Direct
KW Pienaar#	498 522	487 796	Direct
AR Bing#	136 836	136 836	Direct
Z Bulbulia#	40 000	40 000	Direct
Total	2 456 962	2 510 259	

**Prescribed officer.*
#Major subsidiary director.
•Since resigned.
***Company secretary.*

Directors', prescribed officers', company secretary of the MTN Group and directors' and company secretaries' of major subsidiaries shareholding and dealings in ordinary shares.

The following persons, being directors of MTN Group Limited and its major subsidiaries and the company secretary were allocated the following number of MTN Zakhele shares which has a shareholding in MTN Group Limited shares.

Beneficiary	Nature of interest	Shares
MC Ramaphosa	Indirect beneficial	9 367 465
KP Kalyan	Direct beneficial	27 700
MLD Marole	Direct beneficial	15 700
MJN Njeke	Direct beneficial	6 700
NP Mageza	Indirect beneficial	51 420
SB Mtshali	Indirect beneficial	6 500
F Jakoet	Direct beneficial	30 700
CWN Molope	Direct beneficial	1 000
IN Mkhize	Direct beneficial	2 000
F Titi	Indirect beneficial	15 500
Total		9 524 685

Social and ethics report

Social and ethics committee

The committee is constituted as a statutory committee of the Company in respect of its statutory duties in terms of sections 72(4) and (5) of the Companies Act, 2008, read with regulation 43 of the Companies Regulations, 2011, which states that all listed public companies must establish a social and ethics committee. The committee, despite being a statutory committee, is constituted by the board and fulfils the required functions on behalf of all subsidiaries.

King III stipulates that the board is responsible for corporate citizenship and governance of ethics and requires that a report on how the board has discharged these duties be included in the integrated report.

Terms of reference

The committee has adopted comprehensive and formal terms of reference which have been approved by the board and will be reviewed on an annual basis.

Committee members and attendance at meetings

The committee comprises five members, the majority of whom are independent non-executive directors. The composition of the committee and the members' attendance at meetings are set out below:

Members	Attendance
KP Kalyan (chairman)	3/3
NP Mageza	3/3
MLD Marole	3/3
JHN Strydom (withdrawn 5 March 2013)	3/3
J van Rooyen	3/3

The remuneration paid to members for 2012 is set out on page 87 of the remuneration report and the proposed remuneration for 2013 is disclosed in the notice to the annual general meeting.

Role of the social and ethics committee and execution of its mandate

The committee performs an oversight and monitoring role in partnership with the risk management, compliance and corporate governance committee to ensure that MTN business is conducted in an ethical and properly governed manner and to develop or review policies, governance structures, and existing practices which guide the Company's approach to new and emerging challenges.

The committee is responsible for:

- Monitoring activities with respect to legislation, other legal requirements and codes of best practice;
- Drawing relevant matters to the attention of the board on social and ethics; and
- Reporting to shareholders at the AGM.
- In particular, the committee focuses on the Group's strategy and performance with regard to:
  - Social and economic development;
  - Good corporate citizenship;
  - Environment, health and public safety;
  - Promotion of equality, prevention of unfair discrimination;
  - Prevention of fraud, bribery and corrupt practices;
  - Deterrence of human rights violations;
  - Contribution to development of the communities in which the Group's activities are predominantly conducted or within which its products or services are predominantly marketed;
  - Consumer relations;
  - Ethics and values; and
  - Labour and employment.

The social and ethics committee had its inaugural meeting in February 2012.

Ethics framework	The committee endorsed an ethics framework which encompasses a systemic approach to strengthening the Company's ethics culture, and which was approved by the board. The ethics framework focuses of the following four domains which will ultimately ensure the creation and sustenance of an ethical business culture: • Strategy and ethics positioning • Legal compliance, policies and rules • Governance infrastructure • People commitment and competence The elements within each of these systemic capabilities interact to direct MTN's business practices and to enhance and sustain the Group's ethical business culture.
Ethics governance infrastructure	In order to assist in implementing the systemic approach to governance of ethics, the committee constituted an ethics task team made up of individuals from different departments within the Group. Furthermore, 37 ethics champions representing all operations were identified. The main mandate of the ethics task team and the ethics champions is to embed the ethical values contained in the ethics framework and drive employees to practise more ethical behaviours in order to strengthen our operational processes and reduce risk not only to the business, but also to our customers, communities, investors and other shareholders.

Social and ethics statement	The committee agreed on the ethical foundation of the Group which resulted in the endorsement of a social and ethics statement which embodies the Group's ethical values and practices and shall serve as a guide on which the Group's revised code of ethics will be based. The following social and ethics statement was subsequently approved by the board: "Wherever we operate in the world MTN adheres to a culture of sound ethical business conduct that generates economic value for the greater benefit of our communities and stakeholders and in a manner that is eco-responsible and sustainable. MTN acts on its social statement through: • Integrating and aligning local and international ethics practice; • Constantly improving the quality of its services, products and operations; • Maintaining a reputation of honesty, fairness, respect, responsibility, integrity, trust and sound business judgement; and • Not tolerating any form of illegal or unethical conduct on the part of all MTN's employees, leadership and directors and suppliers. MTN's ethics culture is a direct result of the conduct and decisions of employees. All MTN employees adhere to MTN's ethical standards as expressed through the MTN values of integrity, leadership and relationships. The Company values of innovation and 'can do' are achieved with due regard for people and planet while profits are a result of consciously understanding, aligning and integrating the various stakeholders' needs within the diverse markets and geographies we operate in."
Code of ethics	The committee considered a revised Group code of ethics and further work is being done. The code affirms the Group's commitment to conducting MTN's business activities in full compliance with the applicable laws of South Africa and all the countries in which MTN carries on business, including international laws and agreed principles on human rights. The code sets out MTN's governing principles and is underpinned by specific detailed policies to ensure internal accountability. All MTN officers and employees will be required to comply with the code, and all MTN suppliers, contractors and business partners will be expected to do so as well. The committee has given some pertinent comments on the draft code of ethics and emphasised the relative urgency with which the code should be completed.
Global responsibility protocols	The committee reaffirmed the Group's key global responsibility protocols, among them, the King III Report on Corporate Governance, the United Nations Global Reporting Initiative (including Telecommunications Sector Supplement), the International Labour Organisation, the United Kingdom Anti-Corruption and Organisation for Economic Development Guidelines, and the United Nations Global Compact, among others. By affirming our support for the objectives of these instruments, which are designed to guide transnational businesses to operate responsibly, we hold ourselves publicly accountable to our stakeholders and are working to improve transparency in our business practices.
Ethical issues and challenges	The committee deliberated on ethical issues and challenges which could affect the Group, including possible human rights violations, anti-bribery and corruption, gifts policy, and other sustainability risks and improvements. The Group has also obtained international legal counsel to provide guidance on the path to international best practice on ethics and values. The Ethics Institute of South Africa is also providing assistance in studying the often complex matter of ethical decision making, improving our internal skills and ensuring this dimension is integrated more effectively in business decision making. This includes a review of existing and required policies such as the human rights policy, the anti-bribery and corruption policy and other governance structures and processes. These matters are ongoing.

MTN Group's position on ethical business

Wherever we operate in the world, MTN Group adheres to a culture of sound ethical business conduct (defined within our Group code of ethics) that generates economic value for the greater benefit of our communities and stakeholders and in a manner that is eco-responsible and sustainable. While we acknowledge that we will always experience challenges given our operations across diverse geographical, political, legislative, regulatory, cultural and social contexts, our intention is to always conduct our business responsibly, ethically and legally, ensuring that in all instances we have acted to the best of our ability.

About freedom of expression and human rights in MTN

The use of information and communication services has been fundamental to creating national citizen awareness and alerting the international community to people's concerns. The innovation revolution taking place in the information and communication technology sector is helping break down social, economic and community barriers, and is a catalyst for positive socio-economic development. However, technology can and may also be used by authorities in all countries of the world to restrict basic rights. We are working hard to understand how best to balance the United Nations declarations of rights and freedoms in the use of ICT services, with the realities and requirements of legal and social operating conditions, by updating our human rights, freedom of expression, privacy and security policies. This complements our other ethical codes and responsible business governance practices.

Every telecommunications operator globally exists by virtue of regulatory terms and conditions of mobile licences granted by telecommunication regulators. These terms and conditions provide for the ability of governments to request information from the licence holder. Where requests for information are made to MTN, we assess the legality and appropriateness of such requests. We have, at all times, acted in accordance with our code of ethics and the requirements of our telecommunications licences and legal obligations. For example, we require all those seeking access to private subscriber information, including government authorities and subscribers themselves, to follow local laws and legal processes. We also seek to follow those laws and legal processes in our responses to those requests. We would never willingly take any action that would infringe Article 19 of the Universal Declaration of Human Rights with respect to freedom of opinion and expression, or Article 3 on personal security.

Our stakeholders are keen to understand our role in possibly providing or using surveillance equipment. As is true for mobile network operators across the world, governments generally do not wish to share their interception activities or capabilities with private companies, so MTN companies are not involved in procuring, setting up or operating equipment used for these purposes. Our stakeholders are also keen to understand possible risks to public safety from the use of location-based services. Location-based services are online applications developed by companies and the public, available via any mobile and internet network, that allow users to access information about facilities and services available locally such as banks, clinics and recreation facilities. Location-based services are therefore a valuable choice for consumer decision making globally, but like all online products, consumers are also expected to exercise due judgement and discretion to maintain the safety of their personal information.

Our business is to facilitate communications in the digital age. Any activity by any party that challenges this position is a challenge to our very existence. We will act to our utmost capacity and scope of influence to continue to achieve our vision of leading the delivery of a bold new Digital World to our markets in a way that is responsible, ethical and sustainable.

For further reading, please visit http://www.mtn.com

KP Kalyan
Chairman
28 March 2013

Our environmental performance

The MTN Group has identified the three most material areas of environmental impact where our efforts can have a less harmful impact on the environment, and where we can help our customers and communities to also reduce their impact. These include:

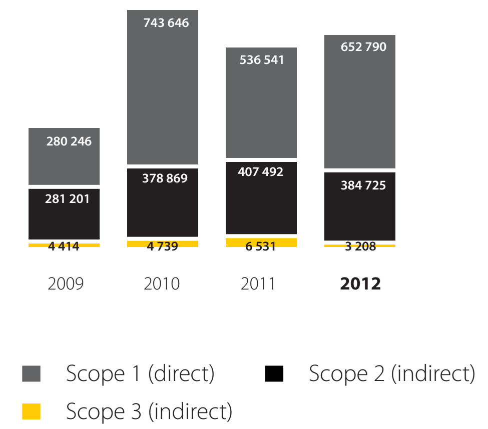
- MTN's use of energy and the associated carbon impact;
- The global proliferation of electronic and electrical waste and our response to this issue; and
- How we ensure that the implementation of our networks takes environmental impacts into account.

In this integrated report we present an overview of our energy use, and carbon and climate-related impact, risks and opportunities. For more detail on this, as well as the remaining focus areas (e-waste and network impact) we refer readers to our website www.mtn.com/sustainability/eco-responsibility.

Energy, carbon and climate

In 2012, we improved our internal skills base and reporting processes in all our operations to more effectively understand our use of energy and its environmental impact. As a result, 54% of our operations have now submitted Carbon Disclosure Project reports (up 21% from 2011). We also improved our reporting and review of financial, physical and regulatory risks and opportunities posed to our business as a result of our use of energy.

Carbon footprint by scope (tonnes CO_2e)



Although the number of reporting operations increased, material under-reporting by some of the largest MTN operations and non-reporting by others, have led us to determine that our 2012 reported carbon emissions from energy use across all scopes is under-reported by approximately 40%. As a result, we have not met our objective of setting the energy costs and greenhouse gas emissions of our 2012 business operations as the baseline by which to measure reduction efforts. Although we are actively using a number of solutions to reduce our use of energy and our greenhouse gas impact, we are unable to measure the results and direct financial and greenhouse gas reduction benefits. We are actively working to rectify this situation in 2013. We are still clear though, that the largest areas of our energy consumption and greenhouse gas reductions remain our network and base stations sites, switches and data centres, and therefore continue to focus our efforts to reduce energy consumption and improve efficiencies here (in addition to technology and facility services which are also material energy consumers).

The top climate-related risks to our business are being detailed as part of risk mitigation planning by our operations, and include increasing costs, increased flooding and higher temperatures in some countries, resulting in more costly and difficult maintenance cycles and fuel management, and increasing regulatory motions or activity in a number of countries with respect to overall climate change.

We continue to investigate and implement mechanical, electrical and architectural solutions to our largest impact areas (network sites, switches and data centres), to improve energy efficiency, manage costs, and reduce overall greenhouse gas impact. These range from free cooling, improved efficiency of radio and data centre equipment, network upgrades, increased use of deep cycle batteries, and implementing hybrid diesel generator and battery solutions to reduce the use of diesel. Infrastructure consolidation, virtualisation and upgrades also ensure a greater degree of energy efficiency.

We continue to also increase our use of predominantly solar power for our network sites. Wind and – to a lesser degree – hydro power also remain other sources of direct and indirect energy for our sites. More details on our latest activities can be located in the MTN Group 2012 Carbon Disclosure Report to be published on our website towards the end of May 2013.

We are also making strides on helping other industries manage or reduce their environmental impact. MTN's telemetry, smart and machine-to-machine solutions that improve corporate and industrial efficiency range from water and vehicle fuel use, automated energy metering, and air quality management. More information about these solutions is available on www.mtn.com (offerings and innovation) and www.mtnbusiness.com.

Independent assurance report to the directors of MTN Group Limited

We have been engaged by the directors of MTN Group Limited (MTN) to perform an independent assurance engagement in respect of selected identified sustainable development information included in MTN's 2012 integrated annual report for the year ended 31 December 2012 (the report). This report is produced in accordance with the terms of our contract with MTN dated 5 December 2012.

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a team of environmental and assurance specialists with experience in sustainability reporting.

Scope and subject matter

The subject matter of our engagement is the Group level data, and the related level of assurance that we are required to provide are as follows:

Limited assurance

The following identified sustainable development information in the report was selected for an expression of limited assurance:

1. Quality of service
   (a) call setup success rate – % (page 1);
   (b) dropped call rate – % (page 1); and
   (c) network availability – % (page 1).
2. MTN CSI spend (ZAR) (page 1).
3. Employee culture survey result – overall performance (%) (page 1).
4. MTN fraud management framework implementation – number of countries that have fully implemented selected proactive and reactive fraud risk reporting items in their audit committee packs (page 1).
5. MTN whistle-blower hotline data
   (a) number of incidents reported (page 1); and
   (b) number cases reviewed) (page 1).

We refer to this information as the "subject matter selected for limited assurance".

We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the subject matter selected for limited assurance.

Respective responsibilities of the directors and PricewaterhouseCoopers Inc.

MTN's directors are responsible for the selection, preparation and presentation of the subject matter selected for limited assurance in accordance with MTN's internally defined procedures set out in the definitions for assured sustainability key performance indicators on page 102 (the "reporting criteria") and for the development of the reporting criteria. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the subject matter selected for limited assurance that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the subject matter selected for limited assurance is not stated, in all material respects, in accordance with the reporting criteria.

This report, including the conclusions, has been prepared solely for the directors of MTN as a body, to assist the directors in reporting on MTN's sustainable development performance and activities. We permit the disclosure of this report within the report for the year ended 31 December 2012, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and MTN for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 *Assurance Engagements* *other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (ISAE 3000). This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance on the subject matter selected for limited assurance as per the terms of our engagement.

Our procedures relating to the subject matter selected for limited assurance primarily comprised:

- reviewing the processes that MTN has in place for determining the subject matter selected for limited assurance included in the report;
- obtaining an understanding of the systems used to generate, aggregate and report the subject matter selected for limited assurance;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis at two operating companies (OPCOs) material to Group reported data for the subject matter selected for limited assurance; and
- reviewing the consistency between the subject matter selected for limited assurance and related statements in MTN's report.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the subject matter selected for limited assurance, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to MTN's preparation of the subject matter selected for limited assurance in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the report in the context of the reporting criteria.

In particular, where the information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusion

Based on the results of our procedures, nothing has come to our attention that causes us to believe that the subject matter selected for limited assurance for the year ended 31 December 2012, has not been prepared, in all material respects, in accordance with the reporting criteria.

Other matter

The maintenance and integrity of MTN's website is the responsibility of MTN's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of presentation on the MTN website.

PricewaterhouseCoopers Inc.
Director: Herman Zulch
Registered Auditor

Johannesburg
28 March 2013

MTN Group sustainability assurance 2012

Description of KPIs for reporting purposes.

Reporting period: 1 January – 31 December 2012

KPI	Description of KPI
Quality of service	Quality of service is a technical measure used to judge 2G and 3G network performance regarding the end-user customer experience. As revenue and customer satisfaction is related to network performance and quality, the following aspects will be used to determine if MTN is meeting end-user demands: • Network up time as measure by traffic channel availability (TCH availability all hours (%)). • Call services measured with call setup success rate (CSSR) all hours. • Calls dropped using the definition for dropped call rate (DCR) all hours. The rates reported are for the Group level, and for the reporting period 1 January – 31 December 2012.
Employee culture survey result	The MTN Group employee culture survey is conducted annually across each of the MTN Group's 21 operating countries (referred to as OPCOs), and within the MTN Group Head Office (management company referred to as MANCO). The survey is conducted at a business unit level and at a team level within the business unit. The survey reviews 14 dimensions that assess the extent to which MTN's SFTE (Standard Full Time Equivalent) employees are a fit for the Company's operational and competitive requirements as defined by the Group's vision and strategy: • Employee engagement • Leadership • Employee development • Performance management • Employee diversity • Pay and benefits • Company image • Competitive position • Innovation • Work organisation and efficiency • Direct supervisor • Communication • Goals and objectives • Values
MTN fraud management framework implementation	The MTN fraud risk management framework (FRM) outlines the minimum requirements for proactive and reactive fraud risk management across the MTN Group. Implementation of the FRM guideline is considered in place should the following proactive and reactive actions be reported in the operating company's (OPCO's) quarterly audit reporting committee packs: *Proactive reporting requirements:* Top fraud risks identified and rated (mandatory) and awareness raising, training activities undertaken (other best practice). *Reactive reporting requirements:* Fraud investigation is taking place (mandatory) and feedback on whistle-blowing/tip-offs is recorded (other best practice).
MTN whistle-blower hotline data	The anonymous tip-offs line is managed by a third party, who collects the tip-offs and reports to MTN. MTN is responsible for the investigation of the tip-off. The tip-off items include fraudulent tip-offs and other administrative matters. A matter is regarded as received when the call is logged on the anonymous tip-off line and MTN informed of such matter reported. It is regarded as reviewed when MTN has the information of the tip-off available to investigate the matter. A matter will be regarded as reviewed, as information to investigate the matter is available, but the issue may not yet be resolved.

KPI	Description of KPI
MTN CSI spend	MTN Group's corporate social investment (CSI) activities are implemented through two vehicles: MTN foundations in some of the countries in which MTN operates, and 21 Days of Y'ello Care (an employee volunteering initiative undertaken over a set period of 21 days annually). MTN CSI comprises of financial, in-kind and employee volunteering initiatives undertaken by the MTN Group and its operations for the benefit of communities and other stakeholders in the countries in which MTN operates. The following areas of spend are recognised for the purposes of CSI reporting: • All direct financial and in-kind contributions (financially quantifiable) to initiatives in the following sectors: – Education, including non-commercial sponsorships and bursaries – Health, including non-commercial sponsorships and bursaries – National priority foundation investment, which should ideally be aligned to the millennium development goals. • Economic Empowerment initiatives • All employee volunteering initiatives authorised and approved annually by the Group stakeholder relations CSI function, in terms of the 21 Days of Y'ello Care programme. Employee volunteering time is calculated by reports from employees, who are required to provide average times allocated to project support during the 21 days. • CSI spending excludes investment with a direct marketing revenue benefit, commercial and political sponsorships • CSI spend includes operating expenses and management fees associated with the running of foundation and volunteering activities, where these are included in the foundation's trial balance and general ledger account.

Annual financial statements in accordance with International Financial Reporting Standards (IFRS)

The Group and Company annual financial statements were audited in terms of the Companies Act 71 of 2008.

The preparation of the Group and Company annual financial statements was supervised by the Group chief financial officer, NI Patel, BCom, BCompt (Hons), CA(SA).

These annual financial statements were authorised on 5 March 2013 by the board of directors.

05

Annual financial statements

MTN Group Limited and its subsidiaries
(Registration number: 1994/009584/06)

Contents

05 Annual financial statements

Statement of directors' responsibility

for the year ended 31 December 2012

The directors are responsible for the integrity of the integrated report as a whole, as well as for the preparation and fair presentation of the annual consolidated financial statements of MTN Group Limited (the Company), its subsidiaries, joint ventures, associates and special purpose entities (together the Group) in accordance with International Financial Reporting Standards (IFRS), and the South African Companies Act, No 71 of 2008 (the Companies Act), which form an integral part of the integrated report.

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the information contained in the annual financial statements fairly presents the financial position at year end and the financial performance and cash flows of the Group and Company.

The directors have responsibility for ensuring that accurate and complete accounting records are kept to enable the Group and Company to satisfy their obligation with respect to the preparation of financial statements.

The Group operates in an established controlled environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Group audit committee plays an integral role in risk management as well as in overseeing the Group's integrated reporting and internal audit function.

The Group's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Group's audit committee, assesses and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The going concern basis has been adopted in preparing the Group and Company annual financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the year ahead based on forecasts and available cash resources. These annual financial statements support the viability of the Group and the Company.

The Group's external auditors, PricewaterhouseCoopers Incorporated and SizweNtsalubaGobodo Incorporated, jointly audited the Group and Company annual financial statements and their unqualified audit report is presented on page 113.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The Group annual financial statements and Company annual financial statements which appear on pages 114 to 211 were approved for issue by the board of directors on 5 March 2013 and are signed on its behalf by:

MC Ramaphosa
Chairman

RS Dabengwa
Group president and chief executive officer
Fairland
5 March 2013

Certificate by the company secretary

for the year ended 31 December 2012

I certify that MTN Group Limited has filed all its returns and notices for the year ended 31 December 2012, as are required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are, to the best of my knowledge and belief, true, correct and up to date.

SB Mtshali
Company secretary

Fairland
5 March 2013

Report of the audit committee

The MTN Group audit committee (the committee) presents its report in terms of section 94(7)(f) of the Companies Act and as recommended by King III for the financial year ended 31 December 2012.

Terms of reference

The committee has adopted comprehensive and formal terms of reference which have been approved by the board and which are reviewed on an annual basis.

Membership, meeting attendance and evaluation

Members of the committee are formally nominated by the board for re-election by shareholders. The committee meets at least four times a year. The composition of the committee and the attendance at meetings by its members are set out below:

Members	Attendance
AF van Biljon	4/4
NP Mageza	4/4
J van Rooyen	4/4
MJN Njeke	4/4
JHN Strydom*	2/4

**Withdrawn on 29 May 2012.*

The biographical details of members are set out on pages 22 to 25. The committee members' fees are included in the table of directors' emoluments and related payments on page 87.

The Group president and CEO, Group chief financial officer, Group chief business risk officer, joint external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the joint external auditors, internal auditors and senior management before or after every meeting.

The effectiveness of the audit committee as a whole and its individual members are assessed on an annual basis.

Execution of functions of the audit committee

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Companies Act and King III. To the extent that King III recommendations have not been applied, an explanation is given in the schedule of the 75 King III principles in the Corporate Governance report on our website.

The committee is therefore pleased to report that it discharged the following responsibilities during the year under review:

External auditors

- Considered the independence and objectivity of the joint external auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year under review in accordance with the policy established and approved by the board.
- Determined the joint external auditors' terms of engagement and fees for 2012.
- Satisfied itself that the joint external auditors and the designated auditors are accredited on the JSE list of auditors and advisers. The committee therefore recommends the reappointment of the joint external auditors and the appointment of the designated auditors at the next annual general meeting (AGM).

Financial statements and accounting practices

- Reviewed the accounting policies and the annual financial statements of MTN Group for the year ended 31 December 2012 and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the JSE Listings Requirements.
- Reviewed the processes in place for the reporting of concerns and complaints relating to reporting and accounting practices, internal audit, contents of the Group's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.

Internal financial controls

- Oversaw the project established by the Group for the formalisation of the annual review of the design, implementation and effectiveness of internal financial controls, most notably in the South African and Nigerian operations. It is the intention of the Group that all material operations are incorporated into the formal annual review of internal financial control by the end of 2013.

- Oversaw the process in terms of which internal audit performed a written assessment of the effectiveness of the Group's system of internal control (including internal financial controls). This written assessment by internal audit formed the basis of the committee's recommendation in this regard to the board in order for the board to report thereon. The board report on the effectiveness of the system of internal controls which the committee fully supports is included in the directors' report on page 112.
- Reviewed the reports of both internal and external auditors detailing their concerns arising from their audits and requested appropriate responses from management.

Integrated reporting and combined assurance
- Considered the Group's sustainability information as disclosed in the integrated report and has assessed its accuracy against all the information available to the committee and the annual financial statements.
- Discussed the sustainability information with the chairman of the Group risk management, compliance and corporate governance committee. The committee is satisfied that the Group has optimised the assurance coverage obtained from management, external and internal assurance providers in accordance with an appropriate combined assurance model.
- At its meeting held on 1 March 2013, considered and recommended the integrated report for approval by the board.

Going concern status
- Considered the going concern status of the Company and the Group on the basis of review of the annual financial statements and the information available to the committee and recommended such going concern status for adoption by the board. The board statement on the going concern status of the Group and Company is contained on page 110 in the directors' report.

Internal audit
- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the performance, appropriateness and effectiveness of the chief business risk officer, S Fakie and was satisfied with his effectiveness.

Finance director and finance function
- Reviewed the performance of the Group chief financial officer, Mr NI Patel, and was satisfied that he has the necessary expertise and experience to fulfil this role and has performed appropriately during the year under review.
- Considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of senior members of the finance function.

Solvency and liquidity review
- The committee is satisfied that the board has performed a solvency and liquidity test on the Company in terms of sections 4 and 46 of the Companies Act and has concluded that the Company will satisfy the test after payment of the final dividend.

In addition, the majority of members of the committee attended the Group risk management and compliance and corporate governance committee meetings held during the year under review.

The Group's joint external auditors are Pricewaterhouse-Coopers Inc. and SizweNtsalubaGobodo Inc. Fees paid to the auditors for the year under review are disclosed in note 6 of the annual financial statements on page 134.

AF van Biljon
Chairman

5 March 2013

Directors' report

for the year ended 31 December 2012

Nature of business

MTN Group Limited (the Company) incorporated in the Republic of South Africa on 23 November 1994 carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The Group is listed on the JSE Limited. The Company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng 2195.

Integrated report

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by King III have been adopted in preparation of this integrated report.

Accounting practices

The Group and Company annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the Companies Act.

Financial results

The Group recorded a profit after tax for the year ended 31 December 2012 of R24 068 million (2011: R23 787 million).

Full details of the financial results of the Group and Company are set out on pages 114 to 211 of these annual financial statements and accompanying notes for the year ended 31 December 2012.

Capital expenditure

Capital expenditure for the year ended 31 December 2012 totalled R30 101 million (2011: R17 717 million) which comprised the following:

	2012 Rm	2011 Rm
Property, plant and equipment	27 024	16 258
Land and buildings	**311**	722
Leasehold improvements	**243**	315
Network infrastructure	**14 862**	11 154
Information systems, furniture and office equipment	**1 552**	811
Capital work in progress/ other	**9 820**	3 173
Vehicles	**236**	83
Intangible assets		
Software	3 077	1 459
	30 101	17 717

Related party transactions

Details of related party transactions are set out on pages 178 and 179 of these annual financial statements.

Year under review

The detailed reviews and the activities of the Group are contained in the reports of the Group president and chief executive officer, and the Group chief financial officer as set out on pages 32 to 39 of the integrated report.

Borrowing powers

In terms of the memorandum of incorporation, the borrowing powers of the Company are unlimited, however all borrowings by the MTN Group are subject to limitations set out in the treasury policy of the Group. The details of borrowings are disclosed in note 25.

Going concern

The directors have reviewed the Group's budget and cash flow forecast for the year to 31 December 2013. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the Group and Company have access to adequate resources to continue in operational existence for the foreseeable future and are going concerns and have continued to adopt the going concern basis in preparing the annual financial statements.

Subsidiary companies and joint ventures

Details of entities in which MTN Group has a direct or indirect interest are set out in Annexure 1 of the integrated report on pages 212 and 213.

All Group subsidiaries have a year end consistent with that of the Company with the exception of Irancell Telecommunication Company Services (PJSC) (MTN Irancell), a joint venture of the Group that has a year end of 20 December, in line with statutory requirements in Iran.

Distribution to shareholders

Final dividend

Notice is hereby given that a gross final dividend of 503 cents per share for the period to 31 December 2012 has been declared payable to MTN shareholders. The number of ordinary shares in issue at the date of this declaration is 1 883 484 324 (including 22 337 752 treasury shares).

The dividend will be subject to a maximum local dividend tax rate of 15% which will result in a net dividend of 427,55 cents per share to those shareholders that bear the maximum rate of dividend withholding tax of 75,45 cents per share.

MTN Group Limited's tax reference number is 9692/942/71/8. In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE Limited, the salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Wednesday, 20 March 2013
First trading day ex dividend on the JSE	Friday, 22 March 2013
Record date	Thursday, 28 March 2013
Payment date	Tuesday, 2 April 2013

No share certificates may be dematerialised or rematerialised between Friday, 22 March 2013 and Thursday, 28 March 2013, both days inclusive. On Tuesday, 2 April 2013, 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 Tuesday, 2 April 2013 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 Tuesday, 2 April 2013.

The MTN Board confirms that the Group will satisfy the solvency and liquidity test immediately after completion of the dividend distribution.

Interim dividend

A gross interim dividend of 321 cents per share (2011: 273 cents per share) amounting to R5 979 million (2011: R5 145 million) in respect of the half year period ended 30 June 2012 was declared on 7 August 2012 and paid to shareholders on 3 September 2012.

Before declaring the interim dividend, the board:

- applied the solvency and liquidity test on the Company; and
- reasonably concluded that the Company would satisfy the solvency and liquidity test immediately after payment of the interim dividend.

The payments of future dividends will depend on the board's ongoing assessment of MTN Group's earnings, financial position, cash needs, future earnings prospects and other factors.

Shareholders on the South African register who dematerialised their ordinary shares receive payment of their dividends electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the Company in certificated form, the Company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends, by approaching the Company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are set out on page 224 of the notice of the AGM.

Share capital

Authorised share capital

There was no change in the authorised share capital of the Company during the year under review. The authorised ordinary share capital of MTN Group is 2,5 billion shares of 0,01 cent each.

Issued share capital

The issued share capital of the Company is R188 348 (2011: R188 481) comprising 1 883 484 324 (2011: 1 884 811 569) ordinary shares of 0,01 cent each.

The issued share capital of the Company was decreased during the year by the cancellation of shares issued to MTN Zakhele, offset by the allotment and issue of shares to employees who exercised share options in terms of the MTN Group Limited share option scheme. Details of these allotments are set out on page 159 of the annual financial statements.

MTN Zakhele Scheme

Details of the MTN Zakhele Scheme are set out in note 23.

Details of participation in the MTN Zakhele Scheme by directors of the Company, directors of major subsidiaries and the company secretary are set out on page 95 of the integrated report.

Control of unissued share capital

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next AGM, shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, up to a maximum of 10% of the Company's issued share capital, under the control of the directors until the next AGM.

Acquisition of the Company's own shares

At the last AGM held on 29 May 2012, shareholders gave the Company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM is held on 28 May 2013, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

During the year under review a subsidiary of the Group acquired 15 573 340 (2011: 6 764 412) shares in the Company at an average share price of R134,07 (2011: R137,50), including costs.

Further details of the authorised and issued shares are set out in note 23.

Shareholders' interest

Details of shareholders' interest and a shareholder spread analysis are set out on page 211 of the integrated report.

Directors' report *continued*

for the year ended 31 December 2012

Share price performance
Details of the share price performance of the Company are set out on page 235 of the integrated report.

Directorate
The composition and profiles of the board of directors of the Company are set out on page 22 and the information on the board and board committees, its activities, appointment policy, meetings and attendance are set out in the corporate governance statement appearing on page 73 of the integrated report.

Details of directors' remuneration and shareholding are set out in the remuneration report on pages 87 to 95 of the integrated report.

Retirement by rotation of directors
In accordance with the Company's memorandum of incorporation (MOI) MC Ramaphosa (chairman), RS Dabengwa, NI Patel and AT Mikati retire by rotation at the forthcoming AGM. The retiring directors, being eligible, offer themselves for re-election with the exception of MC Ramaphosa, who will be retiring at the next AGM. Following a review of his business related commitments, MC Ramaphosa has informed the Company that he wishes to relinquish his position as non-executive director and chairman of the Company.

In accordance with the policy adopted by the board and the MOI of the Company, directors who have been in office for an aggregate period in excess of nine years, are required to retire at the next AGM and at each GM thereafter. Accordingly, AF van Biljon and JHN Strydom (non-executive directors), who have served on the board for an aggregate period of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election are set out on page 217 of the integrated report.

Resignations and appointments
During the year under review, F Titi was appointed to the board as an independent non-executive director, with effect from 1 July 2012. His appointment is subject to shareholder approval at the next AGM to be held on 28 May 2013.

There were no resignations other than those mentioned above.

Interests of directors and prescribed officers
Details of the interests of directors and prescribed officers are provided in the remuneration report on page 95 of the integrated report.

Directors' and prescribed officers' shareholdings and dealings
Details of the directors' and prescribed officers' shareholdings and dealings are provided in the remuneration report on page 95 of the integrated report.

Employee share schemes
Details of the Group's share schemes are provided on pages 84 and 85 of the remuneration report and in note 44.

Material resolutions
There were no material resolutions passed in the Company or its subsidiaries during the year under review.

Mergers and acquisitions
Details of the Group's acquisitions and disposals are disclosed in note 42.

Events after the reporting period
Details of events after the reporting period are set out in note 40 of these annual financial statements.

American depository receipt facility
A sponsored American depository receipt facility has been established. This facility is sponsored by the Bank of New York and details of the administrators are reflected on page 238 of the integrated report.

AGM
The AGM will be held at 14:30 on 28 May 2013. Refer to page 216 of the integrated report for further details of the ordinary and special business for consideration at the meeting.

Internal financial controls
During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although the audit identified certain weaknesses in financial controls, whether in design, implementation or execution, the board does not consider these control weaknesses (individually or in combination with other weaknesses) to have resulted in actual material financial loss, fraud or material errors. Based on the above results nothing has come to the attention of the board that caused it to believe that the Company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the audit committee.

Audit committee
The report of the audit committee appears on page 108 of the integrated report.

Auditors
PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. will continue in office as joint auditors in accordance with section 90 of the Companies Act. Suren Sooklal will be the registered audit partner who will be undertaking the audit for PricewaterhouseCoopers Inc. Suleman Lockhat will be the registered audit partner who will be undertaking the audit for SizweNtsalubaGobodo Inc. The audit committee reviewed the independence of the auditors during the period under review and satisfied itself that the auditors were independent of the Group.

Independent auditors' report to the shareholders of MTN Group Limited

for the year ended 31 December 2012

We have audited the consolidated and separate annual financial statements of MTN Group Limited, which comprise the statements of financial position as at 31 December 2012 and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes comprising significant accounting policies and explanatory information, as set out in pages 114 to 211 and specified sections of the remuneration report contained within pages 87 to 95.

Directors' responsibility for the annual financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate annual financial statements for the year ended 31 December 2012, we have read the directors' report, the report of the audit committee and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: S Sooklal
Registered auditor

Sunninghill
5 March 2013

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.
Director: SY Lockhat
Registered auditor

Woodmead
5 March 2013

Group income statement

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
Revenue	4	135 112	121 884
Other income	5	894	1 458
Direct network operating costs		(20 464)	(18 782)
Costs of handsets and other accessories		(9 789)	(8 160)
Interconnect and roaming		(15 041)	(13 395)
Employee benefits	6	(7 775)	(6 754)
Selling, distribution and marketing expenses		(16 052)	(14 805)
Other operating expenses		(8 359)	(6 793)
Reversal of impairment of property, plant and equipment	11	59	97
Impairment of property, plant and equipment	11	(21)	–
EBITDA		58 564	54 750
Depreciation of property, plant and equipment	11	(14 860)	(13 296)
Amortisation of intangible assets	12	(2 386)	(2 163)
Impairment of goodwill	12	–	(31)
Operating profit	6	41 318	39 260
Finance income	7	5 966	5 028
Finance costs	7	(10 123)	(6 610)
Share of results of associates after tax	13	(180)	(38)
Profit before tax		36 981	37 640
Income tax expense	8	(12 913)	(13 853)
Profit after tax		24 068	23 787
Attributable to:			
Equity holders of the Company		20 704	20 754
Non-controlling interests		3 364	3 033
		24 068	23 787
Basic earnings per share (cents)	9	1 126,4	1 119,5
Diluted earnings per share (cents)	9	1 119,5	1 110,8

Group statement of comprehensive income

for the year ended 31 December 2012

	2012 Rm	2011 Rm
Profit after tax	24 068	23 787
Other comprehensive income after tax:		
Exchange differences on translating foreign operations[1]	(3 507)	10 796
Attributable to equity holders of the Company	(3 498)	10 415
Attributable to non-controlling interests	(9)	381
Total comprehensive income for the year	20 561	34 583
Attributable to:		
Equity holders of the Company	17 206	31 169
Non-controlling interests	3 355	3 414
	20 561	34 583

[1]This component of other comprehensive income does not attract any tax.

Group statement of financial position

at 31 December 2012

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets		121 097	113 787
Property, plant and equipment	11	77 485	71 610
Intangible assets and goodwill	12	33 935	34 540
Investment in associates	13	1 765	2 681
Loans and other non-current receivables	14	6 475	3 672
Deferred tax assets	15	1 437	1 284
Current assets		60 287	67 621
Non-current assets held for sale	16	1 373	820
		58 914	66 801
Inventories	17	2 593	2 629
Trade and other receivables	18	17 523	17 916
Taxation prepaid	31	556	415
Current investments	19	7 074	9 480
Derivative assets	20	191	9
Restricted cash	21	5 277	546
Cash and cash equivalents	22	25 700	35 806
Total assets		181 384	181 408
EQUITY			
Ordinary share capital and share premium	23	42 593	44 678
Retained earnings		62 247	56 567
Other reserves	24	(15 834)	(12 348)
Attributable to equity holders of the Company		89 006	88 897
Non-controlling interests		3 881	3 802
Total equity		92 887	92 699
LIABILITIES			
Non-current liabilities		33 307	33 392
Borrowings	25	21 742	23 554
Deferred tax liabilities	15	8 782	8 036
Other non-current liabilities	26	2 320	1 802
Provisions	27	461	–
Derivative liabilities	20	2	–
Current liabilities		55 190	55 317
Trade and other payables	29	25 915	25 054
Unearned income		7 011	7 330
Provisions	27	4 017	3 252
Taxation liabilities	31	7 227	9 037
Borrowings	25	10 621	9 869
Derivative liabilities	20	14	4
Put option liability	28	216	178
Bank overdrafts	22	169	593
Total liabilities		88 497	88 709
Total equity and liabilities		181 384	181 408

Group statement of changes in equity

for the year ended 31 December 2012

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Attributable to equity holders of the Company Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2011		*	45 602	48 977	(22 724)	71 855	2 219	74 074
Share buy-back		*	(930)	–	–	(930)	–	(930)
Shares issued during the year		*	6	–	–	6	–	6
Transfer between reserves		–	–	37	(37)	–	–	–
Settlement of put option		–	–	(1 603)	(59)	(1 662)	1 662	–
Transactions with non-controlling interests		–	–	–	(30)	(30)	(224)	(254)
Share-based payment reserve		–	–	–	74	74	–	74
Total comprehensive income		–	–	20 754	10 415	31 169	3 414	34 583
Profit after tax		–	–	20 754	–	20 754	3 033	23 787
Other comprehensive income		–	–	–	10 415	10 415	381	10 796
Dividends paid	10	–	–	(11 722)	–	(11 722)	(2 954)	(14 676)
Other movements		–	–	124	13	137	(315)	(178)
Balance at 31 December 2011		*	44 678	56 567	(12 348)	88 897	3 802	92 699
Balance at 1 January 2012		*	44 678	56 567	(12 348)	88 897	3 802	92 699
Share buy-back		*	(2 088)	–	–	(2 088)	–	(2 088)
Shares issued during the year		*	3	–	–	3	–	3
Shares cancelled		*	–	–	–	*	–	*
Transfer between reserves		–	–	22	(22)	–	–	–
Transactions with non-controlling interests		–	–	–	(122)	(122)	(55)	(177)
Share-based payment reserve		–	–	–	147	147	–	147
Total comprehensive income		–	–	20 704	(3 498)	17 206	3 355	20 561
Profit after tax		–	–	20 704	–	20 704	3 364	24 068
Other comprehensive income		–	–	–	(3 498)	(3 498)	(9)	(3 507)
Dividends paid	10	–	–	(14 919)	–	(14 919)	(3 255)	(18 174)
Other movements		–	–	(127)	9	(118)	34	(84)
Balance at 31 December 2012		*	42 593	62 247	(15 834)	89 006	3 881	92 887
Note		23	23		24			

**Amounts less than R1 million.*

Group statement of cash flows

for the year ended 31 December 2012

	Note	2012 Rm	2011[1] Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	57 856	50 277
Finance income received		3 075	1 982
Finance costs paid		(3 768)	(3 341)
Dividends paid to equity holders of the Company		(14 919)	(11 722)
Dividends paid to non-controlling interests		(3 018)	(2 647)
Income tax paid	31	(14 303)	(9 414)
Dividends received from associates	13	155	92
Net cash generated from operating activities		25 078	25 227
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(22 572)	(14 103)
– to maintain operations		(203)	(1 024)
– to expand operations		(22 369)	(13 079)
Proceeds from sale of property, plant and equipment and intangible assets		235	36
Acquisition of intangible assets		(3 250)	(1 488)
Loans receivable repaid		–	2 271
Loans receivable granted		(515)	(126)
Increase in investment in associates		(360)	(1 915)
Proceeds from/(investment in) bonds, treasury bills and foreign deposits		1 968	(8 508)
Proceeds on disposal of non-current assets held for sale	5	1 405	3 217
Advance received on non-current assets held for sale	40	158	–
Increase in restricted cash		(4 128)	–
Net cash used in investing activities		(27 059)	(20 616)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares	23	3	6
Acquisition of treasury shares	23	(2 088)	(930)
Net cash outflows from changes in shareholding	42	(177)	(254)
Proceeds from borrowings		11 108	4 848
Repayment of borrowings		(14 552)	(10 007)
Increase in restricted cash		–	(182)
Settlement of Nigeria put option		–	(2 817)
Other financing activities		(53)	(50)
Net cash used in financing activities		(5 759)	(9 386)
Net decrease in cash and cash equivalents		(7 740)	(4 775)
Net cash and cash equivalents at beginning of the year		35 213	35 907
Exchange (losses)/gains on cash and cash equivalents		(1 942)	4 081
Net cash and cash equivalents at end of the year	22	25 531	35 213

The cash flows shown above are presented net of VAT.

[1] 2011 amounts reclassified, refer to note 45.

1. Basis of preparation and principal accounting policies

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008. The Group and the Company have adopted all new accounting pronouncements that became effective in the current reporting period, none of which had a material impact on the Group or the Company.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value. The methods used to measure fair value are discussed further in the accounting policies in the respective notes.

Amounts are rounded to the nearest million with the exception of earnings per share and the related shares (note 9), ordinary share capital and share premium (note 23) and share-based payments (note 44).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated annual financial statements are included in note 2.

1.2 Going concern

The Group's and Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group and Company should be able to operate within their current funding levels.

After making enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The Group and Company therefore continue to adopt the going concern basis in preparing the annual financial statements.

1.3 Principal accounting policies[1]

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below and in the related notes and are consistent with those adopted in the prior year, unless otherwise stated.

1.3.1 Consolidation of subsidiaries

The Group annual financial statements incorporate the annual financial statements of MTN Group Limited and all its subsidiaries, joint ventures, associates and special purpose entities (SPEs) for the reporting date 31 December 2012 on the basis outlined below.

Subsidiaries are all entities (including SPEs) controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or currently convertible are considered when assessing whether the Group has the power to control another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of *de facto* control. *De facto* control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

[1] *The principal accounting policies applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.*

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.1 Consolidation of subsidiaries *(continued)*

SPEs (including insurance cell captives and the various MTN Group share schemes) are consolidated when the substance of the relationship indicates that the SPE is controlled by the Group. The following indicators are considered:

- in substance, the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- in substance, the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an "autopilot" mechanism, the Group has delegated these decision-making powers;
- in substance, the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE; or
- in substance, the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

All intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated and are considered an impairment indicator of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The acquisition method is used to account for the acquisition of subsidiaries by the Group. The consideration transferred is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), such excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.1 Consolidation of subsidiaries *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from an interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income, are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Non-controlling interests in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis.

Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

The Company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

1. Basis of preparation and principal accounting policies *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.2 Foreign currency

Functional and presentation currency

Items included in the annual financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which the entity operates (the functional currency). The Group annual financial statements are presented in South African rand, which is the functional and presentation currency of the parent company and the presentation currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation of foreign operations

The results, cash flows and financial position of all Group entities (none of which have been accounted for as entities operating in hyperinflationary economies) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities are translated at rates of exchange ruling at the reporting date;
- specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- income and expenditure and cash flow items are translated at weighted average exchange rates for the period; and
- foreign exchange translation differences are recognised as other comprehensive income.

An entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate ruling at the reporting date. Exchange differences arising are recognised in other comprehensive income.

The exchange rates relevant to the Group are disclosed in note 39.

Disposal of foreign operations

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

1. **Basis of preparation and principal accounting policies** *(continued)*

1.3 Principal accounting policies *(continued)*

1.3.3 Measurement principles

Key assets and liabilities shown in the consolidated statement of financial position are measured as follows:

Items included in the statement of financial position	Measurement principle	Items included in the statement of financial position	Measurement principle
Assets		***Liabilities***	
Non-current assets		Non-current liabilities	
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	Borrowings	Amortised cost
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	Deferred tax liabilities	Undiscounted amount measured at the tax rates that are expected to apply to the period when the liability is settled
Goodwill	Historical cost, less impairment losses	Finance lease obligations	Amortised cost
Investment in associates	Pro-rata value of investment's equity carried forward plus goodwill	Provisions	Present value of settlement amount
Loans receivable	Amortised cost	Other	Cost
Prepayments	Cost	Derivative liabilities	Fair value
Deferred tax assets	Undiscounted amount measured at the tax rates that are expected to apply to the period when the asset is realised		
Current assets		Current liabilities	
Non-current assets held for sale	Lower of carrying amount and fair value less costs to sell	Trade and other payables	Amortised cost
Inventories	Lower of cost and net realisable value	Unearned income	Cost
Trade receivables	Amortised cost	Provisions	Present value of settlement amount
Prepayments	Cost	Taxation liabilities	Amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date
Sundry debtors and advances	Amortised cost	Borrowings	Amortised cost
Taxation prepaid	Amount expected to be recovered from the tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	Derivative liabilities	Fair value
Current investments	Amortised cost	Put option liabilities	Amortised cost
Derivative assets	Fair value	Bank overdrafts	Amortised cost
Restricted cash	Amortised cost		
Cash and cash equivalents	Amortised cost		

1. Basis of preparation and principal accounting policies *(continued)*

1.4 New accounting pronouncements

The Group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the Group from 1 January 2012. None of the adopted pronouncements had a material impact on the Group's results for the year ended 31 December 2012.

The pronouncements listed below will be effective in future reporting periods and are considered significant to the Group. The Group has elected not to early adopt the new pronouncements. It is expected that the Group will adopt the new pronouncements on their effective dates in accordance with the requirements of the pronouncements.

Topic	Key requirement	Effective date
IFRS 9 *Financial Instruments*	IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The adoption of IFRS 9 is not expected to change the measurement of the Group's financial assets and liabilities significantly, but will require a review of the current classification of financial assets and liabilities.	1 January 2015
IFRS 10 *Consolidated Financial Statements*	The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes it as the basis for consolidation. It further sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It further sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 is not expected to result in a significant change in the financial results of the Group but will require a detailed analysis of existing control relationships.	1 January 2013
IFRS 11 *Joint Arrangements*	IFRS 11 places a focus on rights and obligations of joint arrangements rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest.	1 January 2013

1. Basis of preparation and principal accounting policies *(continued)*

1.4 New accounting pronouncements *(continued)*

Topic	Key requirement	Effective date
IFRS 11 *Joint Arrangements (continued)*	IFRS 11 introduces new requirements for the accounting of joint ventures as it requires equity accounting and eliminates the proportional consolidation option of accounting. The Group currently proportionately consolidates all joint ventures. This method of accounting entails that the Group includes its share of the assets, liabilities, income and expenses of the jointly controlled entity on a line-by-line basis in its financial statements. Under the equity method, the investment in the joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. The Group's share of the profit or loss of the joint venture is recognised in a single line item in profit or loss under the equity method. The change from proportional consolidation to equity accounting will result in a reduction in individual asset, liability, income and expense line items with no impact on equity or profit attributable to equity holders. The impact of the application of IFRS 11 on the Group's income statement is disclosed on page 126. For more information of the joint arrangements in which the Group is involved, refer to note 38.	
IFRS 12 *Disclosures of Interests in Other Entities*	IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off balance-sheet vehicles. IFRS 12 will only result in additional disclosures where required.	1 January 2013
IFRS 13 *Fair Value Measurement*	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. IFRS 13 will be applied prospectively and is not expected to have a significant impact on the financial results of the Group.	1 January 2013
Amendment to IFRS 10, 11 and 12 on transition guidance	These amendments provide additional transition relief to IFRS 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.	1 January 2013

1. Basis of preparation and principal accounting policies *(continued)*

1.4 New accounting pronouncements *(continued)*

Impact of the application of IFRS 11

The application of IFRS 11 will change the subsequent accounting of the Group's investment in joint ventures, which are currently accounted for using the proportionate consolidation method under IAS 31 *Interests in Joint Ventures*. Under IFRS 11, the Group's joint ventures will subsequently be accounted for using the equity method.

The change in accounting for the Group's investments in joint ventures will be applied in accordance with the relevant transitional provisions. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.

Such a change in accounting will affect the amounts reported in the Group's consolidated financial statements. The impact on the Group's income statement is presented below.

	Currently reported Rm	Adjustments required in accordance with IFRS 11 Rm	Reported in accordance with IFRS 11[1] Rm
2012			
Revenue	135 112	(13 247)	121 865
EBITDA	58 564	(5 929)	52 635
Operating profit	41 318	(4 636)	36 682
Share of results of joint ventures	–	848	848
Profit for the year	24 068	–	24 068

[1] *Effective 1 January 2013.*

2. Critical accounting estimates and assumptions[2]

The Group makes estimates and assumptions concerning the future when preparing the consolidated annual financial statements. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The "Critical accounting estimates and assumptions" note should be read in conjunction with the "Principal accounting policies" disclosed in note 1.

2.1 Impairment of goodwill

The Group tests goodwill for impairment on an annual basis, in accordance with the accounting policy disclosed in note 12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are performed internally by the Group and require the use of estimates and assumptions.

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates and discount rates. Further detail on these assumptions has been disclosed in note 12. The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to appropriate cash-generating units being impaired. Goodwill impairment in the current year amounted to Rnil (2011: R31 million), refer to note 12.

[2] *The critical accounting estimates and assumptions applied in the Company annual financial statements are consistent with those applied in the Group annual financial statements.*

2. Critical accounting estimates and assumptions *(continued)*

2.2 Impairment of trade receivables

The Group determines impairment of trade receivables when objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the trade receivables. Management exercises significant judgement in assessing the impact of adverse indicators and events on the recoverability of trade receivables using the indicators disclosed in the accounting policy in note 43.

The impairment loss is determined as the difference between the carrying amount of the trade receivables and the present value of their estimated future cash flows. In the current year, an impairment loss of R263 million (2011: R455 million) was recognised (note 6).

2.3 Connection incentives and subscriber acquisition costs

Connection incentives paid to service providers are expensed by the Group in the period incurred. Service providers utilise the incentives received from the Group to fund a variety of administrative costs and/or to provide incentives to maintain/sign up customers on behalf of the Group, at their own discretion. The portion of the incentive used by the respective service providers as an incentive to retain/acquire existing/new subscribers on behalf of the Group is capitalised only to the extent that it is reliably measurable (prepaid discount). In accordance with the Conceptual Framework under IFRS, the Group has resolved not to capitalise these fees due to the portion of incentives utilised to retain/acquire subscribers on behalf of the Group by the respective independent service providers not being reliably measurable.

In accordance with the recognition criteria in IAS 38 *Intangible Assets*, the Group has also resolved not to capitalise commissions paid to dealers, utilised to acquire new subscribers, as intangible assets (subscriber acquisition cost), due to the portion utilised to acquire subscribers on behalf of the Group not being reliably measurable.

2.4 Interconnect revenue recognition

Due to the receipt of interconnect revenue in certain operations not being certain at transaction date, the Group has resolved only to recognise interconnect revenue relating to these operations as the cash is received.

2.5 Income taxes

The Group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the Group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. When recognising deferred tax assets, the Group exercises judgement in determining whether sufficient taxable profits will be available; this is done by assessing the future financial performance of the underlying Group entities to which the deferred tax assets relate. The Group's deferred tax assets for the current year amounted to R1 437 million (2011: R1 284 million), refer to note 15.

2.6 Property, plant and equipment

Property, plant and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

2. Critical accounting estimates and assumptions *(continued)*

2.6 Property, plant and equipment *(continued)*

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

The estimated useful lives of property, plant and equipment are as follows:

	2012 Years	2011 Years
Buildings – owned	10 – 60	3 – 60
Buildings – leased[1]	15 – 25	3 – 25
Network infrastructure	3 – 20	2 – 20
Information systems equipment	3 – 10	2 – 10
Furniture and fittings	3 – 15	3 – 10
Leasehold improvements[1]	3 – 11	2 – 11
Office equipment	3 – 12	2 – 10
Motor vehicles	3 – 10	3 – 10

[1] *Shorter of lease term and useful life.*

2.7 Intangible assets with finite useful lives

The relative size of the Group's intangible assets with finite useful lives makes the judgements surrounding the estimated useful lives and residual values critical to the Group's financial position and performance. Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

The basis for determining the useful lives for the various categories of intangible assets is as follows:

Licences

The useful lives of licences are determined primarily with reference to the unexpired licence period.

Customer relationships

The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.

Software

The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the Group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.

Other intangible assets

Useful lives of other intangible assets are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.

The estimated useful lives of intangible assets with finite useful lives are as follows:

	2012 Years	2011 Years
Licences	1 – 20	1 – 20
Customer relationships	2 – 10	2 – 5
Software	3 – 5	3 – 5
Other intangible assets	3 – 20	3 – 20

2. Critical accounting estimates and assumptions *(continued)*

2.8 Provisions

The Group exercises judgement in determining the expected cash outflows related to its provisions. Judgement is necessary in determining the timing of outflow as well as quantifying the possible range of the financial settlements that may occur.

The present value of the Group's provisions is based on management's best estimate of the future cash outflows expected to be required to settle the obligations, discounted using appropriate pre-tax discount rates that reflect current market assessment of the time value of money and the risks specific to each provision. Additional information on provisions is disclosed in note 27.

2.9 Restricted cash

The Group exercises judgement in determining the appropriate treatment of restricted cash. The judgement exercised takes into account the severity of exchange control regulations, the availability of foreign currency in the operations affected and the purpose for which the funds will be used. The Group has determined that an amount of R2 869 million (2011: Rnil) relating to its Syrian operation should be treated as restricted cash, refer to note 21. The cash and cash equivalents relating to the Group's Iranian operation is deemed to be available for use by the operation, refer to note 22.

2.10 Exchange rates for consolidation

The assets and liabilities of foreign operations (including entities that are subsidiaries, associates and joint ventures of the Group) are translated into the presentation currency of the Group using the spot exchange rates prevailing at the reporting date. Irancell Telecommunication Company Services (PJSC) is a joint venture of the Group which is accounted for on a proportionate consolidation basis. Multiple exchange rates existed in the Iranian economy at the reporting date and therefore, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates,* management assessed which rate most appropriately reflects the rate at which the future cash flows represented by the transactions and balances of the entity could have been settled if those cash flows had occurred at the reporting date.

Management has determined that if any loan or dividend payments were to be made at the reporting date, any such payments would be effected at the trade rate (R1 = IRR2 905) and consequently the trade rate has been used for purposes of translating the transactions and balances of Irancell Telecommunication Company Services (PJSC) for purposes of preparing the consolidated annual financial statements. The other rates that were in existence at the reporting date are the Central Bank of Iran rate (R1 = IRR1 448) and the market rate (R1 = IRR3 774).

3. Operating segments

The Group has four reportable segments that are used by the Group executive committee (chief operating decision maker) to make key operating decisions, allocate resources and assess performance. The reportable segments are geographically differentiated and grouped by their relative size, namely South Africa, Nigeria, large opco cluster and small opco cluster.

Large opco cluster comprises the Group's operations in Iran, Ghana, Ivory Coast, Syria, Cameroon, Uganda and Sudan. Small opco cluster consists of the Group's operations in Cyprus, Guinea, Guinea-Bissau, Botswana, Rwanda, Benin, Congo, Liberia, Afghanistan, Swaziland, Yemen, Zambia and South Sudan.

The Group's principal activities include the provision of network IT services, local, national and international telecommunications services; broadband and internet products and services; and converged fixed/mobile products and services.

Operating results are reported and reviewed regularly by the Group executive committee and include items directly attributable to a segment as well as those that can be attributed on a reasonable basis, whether from external transactions or from transactions with other Group segments.

Unallocated items mainly comprise corporate expenses which do not directly relate to the operating activities of the segments or which cannot be re-allocated on a reasonable basis. Segment results are determined before any adjustment for non-controlling interests.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

EBITDA is used as a measure of reporting profit or loss of each segment.

3. Operating segments *(continued)*

The Group changed the composition and presentation of its segment analysis following the announcement of a change in its operating structure and reporting responsibilities in March 2012. In terms of the implemented changes, the Group replaced the previous segments (SEA, WECA and MENA) with the segments as reflected in the table below. In addition, the Group redefined the composition of its executive committee and its executive organisational structure which is deemed to be the chief operating decision maker (CODM) of the Group. The comparative numbers have been restated accordingly.

	South Africa Rm	Nigeria Rm	Iran Rm	Ghana Rm
2012				
Revenue	41 350	38 697	12 175	6 862
EBITDA	14 476	22 544	5 388	2 537
Depreciation, amortisation and impairment of assets				
Net finance costs				
Share of results of associates after tax				
Profit before tax				
Segment assets				
Non-current assets	24 210	33 653	3 490	13 587
Current assets	13 809	8 533	4 636	1 853
Total assets	38 019	42 186	8 126	15 440
Segment liabilities				
Non-current liabilities	13 755	13 536	63	616
Current liabilities	14 410	19 527	6 818	2 696
Total liabilities	28 165	33 063	6 881	3 312
EBITDA margin (%)	35,0	58,3	44,3	37,0
Capital expenditure[3]	6 416	13 733	1 122	1 091
Capex/revenue (%)	15,5	35,5	9,2	15,9
2011				
Revenue	38 597	34 879	11 050	5 941
EBITDA	13 591	21 514	4 697	4 129
Depreciation, amortisation and impairment of assets				
Net finance costs				
Share of results of associates after tax				
Profit before tax				
Segment assets				
Non-current assets	20 142	24 675	6 998	13 374
Current assets	13 207	16 639	3 673	1 560
Total assets	33 349	41 314	10 671	14 934
Segment liabilities				
Non-current liabilities	16 035	14 103	1 676	679
Current liabilities	9 898	18 012	6 883	2 374
Total liabilities	25 933	32 115	8 559	3 053
EBITDA margin (%)	35,2	61,7	42,5	69,5[2]
Capital expenditure[3]	4 105	6 331	1 168	845
Capex/revenue (%)	10,6	18,2	10,6	14,2

[1] *Head office and eliminations consist mainly of the Group's central financing activities, management fees and dividends received from segments as well as intersegment eliminations.*
[2] *Including profit on tower sales.*
[3] *Capital expenditure comprises additions to property, plant and equipment and software.*

The Group is domiciled in South Africa.

	Large opco cluster							
	Syria Rm	Cameroon Rm	Ivory Coast Rm	Uganda Rm	Sudan Rm	Small opco cluster Rm	Head office companies and eliminations[1] Rm	Con-solidated Rm
	5 391	**3 812**	**4 124**	**3 296**	**2 158**	**17 761**	**(514)**	**135 112**
	1 238	**1 750**	**1 662**	**1 762**	**598**	**6 129**	**480**	**58 564**
								(17 246)
								(4 157)
								(180)
								36 981
	1 245	**1 820**	**5 648**	**2 903**	**5 480**	**21 591**	**7 470**	**121 097**
	4 459	**2 580**	**1 876**	**1 187**	**1 464**	**7 396**	**12 494**	**60 287**
	5 704	**4 400**	**7 524**	**4 090**	**6 944**	**28 987**	**19 964**	**181 384**
	92	**360**	**435**	**609**	**3 722**	**6 420**	**(6 301)**	**33 307**
	4 873	**2 049**	**2 455**	**1 263**	**2 767**	**7 914**	**(9 582)**	**55 190**
	4 965	**2 409**	**2 890**	**1 872**	**6 489**	**14 334**	**(15 883)**	**88 497**
	23,0	**45,9**	**40,3**	**53,5**[2]	**27,7**	**34,5**		**43,3**[2]
	577	**724**	**903**	**435**	**1 336**	**3 052**	**712**	**30 101**
	10,7	**19,0**	**21,9**	**13,2**	**61,9**	**17,2**		**22,3**
	6 463	3 331	3 351	2 481	1 946	14 144	(299)	121 884
	1 690	1 454	1 395	856	435	4 299	690	54 750
								(15 490)
								(1 582)
								(38)
								37 640
	1 900	2 350	5 533	2 780	7 156	21 468	7 411	113 787
	5 776	1 280	929	1 511	1 371	6 219	15 456	67 621
	7 676	3 630	6 462	4 291	8 527	27 687	22 867	181 408
	109	524	713	723	3 412	5 659	(10 241)	33 392
	5 954	1 529	1 917	929	2 025	7 518	(1 722)	55 317
	6 063	2 053	2 630	1 652	5 437	13 177	(11 963)	88 709
	26,1	43,7	41,6	34,5	22,4	30,4		44,9[2]
	442	326	406	651	952	2 333	158	17 717
	6,8	9,8	12,1	26,2	48,9	16,5		14,5

4. Revenue

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of indirect taxes, estimated returns and trade discounts and after eliminating sales within the Group.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Postpaid and prepaid products with multiple deliverables are defined as multiple element arrangements. Postpaid products typically include the sale of a handset, activation fee and a service contract; and prepaid products include a subscriber identification module (SIM) card and airtime. These arrangements are divided into separate units of accounting, and revenue is recognised through application of the residual value method. In applying the residual value method, fair value is allocated to each of the undelivered elements in the transaction, and any consideration remaining (the residual value) is allocated to the delivered elements.

The Group operates loyalty programmes in certain subsidiaries where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage (forfeiture of points) is recognised when redemption becomes remote.

The main categories of revenue and the bases of recognition are as follows:

Airtime and subscription, data and SMS
- airtime, data and SMS: revenue is recognised on the usage basis commencing on the date of activation;
- connection fees: revenue is recognised on the date of activation of a new SIM card; and
- SIM kits: revenue is recognised on the date of sale.

The terms and conditions of postpaid bundled airtime products may allow for the carryover of unused value or minutes. The revenue related to the unused value or minutes is deferred and recognised when utilised by the customer or on termination of the contract.

Revenue received on prepaid contracts is deferred and recognised when services are utilised by the customer or on termination of the customer relationship.

Interconnect/roaming
Interconnect/roaming revenue is recognised on a usage basis, unless it is not probable on the transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received.

Mobile telephones and accessories
Revenue on the sale of mobile telephones and accessories to third parties is recognised only when risks and rewards of ownership are transferred to the buyer.

	2012 Rm	2011 Rm
Airtime and subscription	83 363	79 854
Data	14 574	8 096
SMS	8 167	7 501
Interconnect and roaming	18 567	18 530
Mobile telephones and accessories	6 177	5 030
Other	4 264	2 873
	135 112	121 884

5. Other income

Other income is recognised when the risks and rewards of ownership of the assets are transferred to the buyer.

	2012 Rm	2011 Rm
Profit on tower sales	547	1 185
Profit on disposal	547	1 957
Sale proceeds	1 405	3 217
Carrying amount of assets disposed	(803)	(1 133)
Effects of exchange rate differences	–	48
Warranty provision and consultancy cost	(55)	(175)
Elimination[1]	–	(772)
Realisation of deferred gain on Ghana tower sale[1]	39	–
Realisation of deferred gain on asset swap for investment in BICS[2]	308	273
	894	1 458

[1] Profit is eliminated to the extent of the Group's interest in the associate. Such unrealised profit is realised by the Group as the underlying assets are depreciated by the associate.

[2] The deferred gain arose on the contribution of various assets from MTN Dubai, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services SA (BICS) (note 13). This gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of BICS.

MTN Uganda Limited concluded a transaction with American Tower Company (ATC) in 2012, which involved the sale of 962 of MTN Uganda's existing base transceiver stations (BTS) sites to TowerCo Uganda for an agreed purchase price of US$175 million. ATC holds a 51% stake in TowerCo Uganda's holding company, with the remaining 49% stake held by the Group. MTN Uganda will be the anchor tenant on commercial terms on each of the towers being sold. The transaction resulted in a sale and lease back transaction classified as an operating lease.

In 2011, Scancom Limited (MTN Ghana) concluded a transaction with ATC which involved the sale of 1 856 of MTN Ghana's existing BTS sites to TowerCo Ghana for an amount of US$498 million. ATC holds a 51% stake in TowerCo Ghana's holding company, with the remaining 49% stake held by the Group. The transaction resulted in a sale and lease back transaction classified as an operating lease.

6. Operating profit

Employee benefits

Short-term employee benefits

Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period. A liability is recognised for accumulated leave when there is a present legal or constructive obligation as a result of past service rendered by employees.

A liability for unvested short-term benefits is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid are determined before the time of issuing the annual financial statements; or
- achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the annual financial statements.

Post-employment benefits – defined contribution plans

Group companies operate various defined contribution plans. A defined contribution plan is a post-employment benefit plan (such as a pension plan) under which the Group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense when they are due.

6. Operating profit *(continued)*

Employee benefits *(continued)*

Share-based payment transactions

The Group operates a number of share incentive schemes. For further details refer to note 44.

Termination benefits

Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised when the Group is demonstrably committed to any such plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy and it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the reporting date are discounted to their present value. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

	2012 Rm	2011 Rm
Employee benefits	(7 775)	(6 754)
Salaries and wages	(6 227)	(5 441)
Post-employment benefits	(305)	(256)
Share options granted to directors and employees (note 44)	(147)	(74)
Training	(263)	(261)
Other	(833)	(722)

The following disclosable items have been included in arriving at operating profit:

	2012 Rm	2011 Rm
Auditors' remuneration	(127)	(109)
Audit fees	(91)	(82)
Fees for other services	(26)	(19)
Expenses	(10)	(8)
Emoluments to directors and prescribed officers (note 41)	(165)	(220)
Operating lease rentals	(2 161)	(1 676)
Property	(1 898)	(1 454)
Equipment and vehicles	(263)	(222)
Research costs	(10)	(2)
(Loss)/profit on disposal of property, plant and equipment (note 30)	(58)	6
Loss on disposal of intangible assets (note 30)	(10)	(29)
Write-down of inventories (note 17)	(101)	(67)
Impairment of trade receivables (note 18)	(263)	(455)

7. Finance income and finance costs

Finance income

Finance income comprises interest income on funds invested, increases in the fair value of dated financial assets at fair value through profit or loss, foreign exchange gains and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, reductions in the fair value of dated financial assets at fair value through profit or loss, foreign exchange losses and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2012 Rm	2011 Rm
Interest income on loans and receivables	1 729	79
Interest income on bank deposits	1 611	2 233
Foreign exchange gains	2 626	1 641
Functional currency gains[1]	–	778
Put options	–	297
Finance income	5 966	5 028
Interest expense on financial liabilities measured at amortised cost	(4 165)	(3 766)
Foreign exchange losses	(5 002)	(2 385)
Functional currency losses[1]	(926)	–
Put options	(30)	(459)
Finance costs	(10 123)	(6 610)
Net finance costs recognised in profit or loss	(4 157)	(1 582)

[1] The functional currency of the Group's operation in Mauritius is considered to be South African rand for accounting purposes and the foreign exchange gains and losses for this entity are disclosed separately as functional currency gains or losses.

8. Income tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

8. Income tax expense *(continued)*

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses or deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Secondary taxation on companies (STC)

In the prior year, STC was provided for at a rate of 10% on the amount by which dividends declared by the Group exceeded dividends received. Effective 1 April 2012, the change in the tax treatment of dividends in South Africa resulted in the withdrawal of STC and the introduction of dividend withholding tax.

Dividend withholding tax is payable at a rate of 15% on dividends distributed to shareholders. This tax is not attributable to the Company but is collected and paid to the tax authorities on behalf of the shareholders. The Company makes use of regulatory intermediaries to withhold and pay dividend tax to the tax authorities.

	2012 Rm	2011 Rm
Analysis of income tax expense for the year		
Normal tax	(11 265)	(10 184)
Current year	(11 406)	(10 255)
Adjustments in respect of the prior year	141	71
Deferred tax (note 15)	506	(1 089)
Current year	599	(1 123)
Adjustments in respect of the prior year	(93)	34
Capital gains tax	–	(73)
Foreign income and withholding taxes	(1 256)	(1 335)
Secondary tax on companies	(898)	(1 172)
	(12 913)	(13 853)
Secondary tax on companies[1]		
STC relating to post year-end dividends	–	894

[1] *Effective 1 April 2012, STC was replaced by dividends tax. This is a tax on dividends in the hands of the shareholder, levied at a rate of 15% in terms of the Income Tax Act.*

8. Income tax expense *(continued)*

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the Group's total tax expense for each year.

The Group's effective tax rate is reconciled to the South African statutory rate as follows:

	2012 %	2011 %
Tax rate reconciliation		
Statutory tax rate	28,00	28,00
Expenses not allowed	1,42	1,61
Effect of different tax rates in other countries	(0,57)	(0,20)
Income not subject to tax	(2,20)	(0,24)
Nigeria put option revaluation	–	0,12
Foreign income and withholding taxes	3,40	3,55
Effect of STC	2,43	3,11
Capital gains tax	–	0,21
Foreign exchange loss – MTN Sudan Company Limited and Investcom Mobile Communications Limited	1,42	–
Other	1,02	0,64
Effective tax rate	34,92	36,80

The Group holds investments in Afghanistan, Belgium, Benin, Botswana, Cameroon, Congo-Brazzaville, Ivory Coast, Cyprus, Ghana, Guinea-Bissau, Guinea-Conakry, Iran, Kenya, Liberia, Monaco, Namibia, Nigeria, Rwanda, South Africa, Sudan, South Sudan, Swaziland, Syria, Uganda, Yemen, Netherlands and Zambia. Taxation for foreign jurisdictions is calculated at the rates that have been enacted or substantively enacted in the respective jurisdictions.

9. Earnings per ordinary share

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. The Company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the Group's share schemes, performance share plan and the MTN Zakhele transaction.

For the share options and share rights, a calculation is done to determine the number of the Company's shares that would be required at fair value to settle the monetary value of the rights, after deducting the unamortised share-based payment value. For the purposes of this calculation the average annual market share price of the Company is used.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 3/2012 issued by the South African Institute of Chartered Accountants (SAICA).

9. Earnings per ordinary share *(continued)*

In terms of the MTN Zakhele broad-based black economic empowerment (B-BBEE) transaction, the Group issued notional vendor financing shares to MTN Zakhele at par value. The Group has a call option over these shares. As these shares are potentially dilutive shares, these are included in the diluted earnings per share calculation. A calculation is done at each reporting period to determine the number of shares that could have been acquired at fair value.

	2012 '000	2011 '000
Weighted average number of shares (excluding treasury shares)	1 837 992	1 853 922
Adjusted for:		
– Share options – MTN Zakhele	9 836	12 328
– Share options	194	377
– Share appreciation rights	894	897
– Performance share plan	487	799
Weighted average number of shares for diluted earnings per share calculation	1 849 403	1 868 323

Refer to note 23 for a reconciliation of total shares in issue.

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

	2012		2011	
	Rm Gross	Rm Net[1]	Rm Gross	Rm Net[1]
Profit after tax		20 704		20 754
Adjusted for:				
Loss on disposal of property, plant and equipment and intangible assets (IAS 16 and IAS 38)	68	49	23	21
Realisation of deferred gain (IAS 28)	(308)	(308)	(273)	(273)
Net reversal of impairment of property, plant and equipment (IAS 36)	(38)	(26)	(97)	(74)
Impairment of associate (IAS 36)	6	6	–	–
Impairment of goodwill (IAS 36)	–	–	31	31
Profit on disposal of non-current assets held for sale (IFRS 5)	(547)	(368)	(1 185)	(648)
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	(39)	(39)	–	–
Headline earnings		20 018		19 811

[1] Amounts are measured after taking into account non-controlling interests and tax. Headline earnings is calculated in accordance with Circular 3/2012 Headline Earnings as issued by the South African Institute of Chartered Accountants at the request of the JSE Limited.

9. Earnings per ordinary share *(continued)*

	2012	2011
Earnings per ordinary share (cents)		
– Basic earnings	1 126,4	1 119,5
– Basic headline earnings	1 089,1	1 068,6
– Diluted earnings	1 119,5	1 110,8
– Diluted headline earnings	1 082,4	1 060,4

10. Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors.

	2012 Cents per share	2012 Rm	2011 Cents per share	2011 Rm
Dividends paid				
Final dividend paid in respect of the prior year	476	8 940[2]	349	6 577[2]
Interim dividend paid in respect of the current year	321	5 979[2]	273	5 145[2]
		14 919		11 722
Dividends declared				
Approved after the reporting date and not recognised as a liability	503[1]	9 362[2]	476	8 940[2]

[1] *Declared at the board meeting on 5 March 2013.*
[2] *Excluding dividends on treasury shares (note 23).*

11. Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition or construction of the assets, any other costs directly attributable to bringing the assets to the location and condition for their intended use and the present value of estimated decommissioning costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

Property, plant and equipment under construction are measured at initial cost and depreciated from the date the assets are available for use in the manner intended by management over their estimated useful lives. Assets are transferred from capital work-in-progress to an appropriate category of property, plant and equipment when commissioned and ready for their intended use.

The Group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset is deemed to be an asset which takes more than 12 months to acquire, construct or produce. Borrowing costs include general and specific borrowings directly attributable to the acquisition, construction or production of qualifying assets. Other borrowing costs are expensed in profit or loss.

Asset exchange transactions are transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets. In circumstances whereby the Group enters into an asset exchange transaction, the Group determines whether such an exchange has commercial substance. Commercial substance depends on the extent to which the Group's future cash flows are expected to change as a result of the transaction. A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged:

- the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or
- the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.

Property, plant and equipment acquired in an exchange transaction is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received.

In instances whereby the Group receives assets for no consideration, the Group accounts for these at cost in accordance with IAS 16 *Property, Plant and Equipment*, being zero value.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. For a summary of useful lives, refer to note 2.

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

11. Property, plant and equipment *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the proceeds from the disposal and the carrying amount of the asset, and is included in profit or loss.

Determination of fair values

The fair value of property, plant and equipment recognised as a result of a business combination is based on depreciated replacement cost.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Property, plant and equipment with finite useful lives

The Group annually reviews the carrying amounts of its property, plant and equipment with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

11. Property, plant and equipment *(continued)*

	Land and buildings[1] Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2011	4 241	757	48 331	2 884	6 742	406	63 361
Additions	722	315	11 154	811	3 173	83	16 258
Disposals	(8)	(11)	(117)	(22)	(277)	(8)	(443)
Reallocations[3]	597	189	68	187	(2 033)	9	(983)
Depreciation for the year	(284)	(208)	(11 688)	(884)	(49)	(183)	(13 296)
Reversal of impairment loss	–	–	97	–	–	–	97
Other movements	(12)	(13)	82	(32)	(381)	2	(354)
Effect of movements in exchange rates	293	46	5 253	318	1 011	49	6 970
Carrying amount at 31 December 2011	5 549	1 075	53 180	3 262	8 186	358	71 610
Comprising:							
Cost	6 528	2 156	104 178	8 004	8 322	993	130 181
Accumulated depreciation and impairment losses	(979)	(1 081)	(50 998)	(4 742)	(136)	(635)	(58 571)
	5 549	1 075	53 180	3 262	8 186	358	71 610
Carrying amount at 1 January 2012	**5 549**	**1 075**	**53 180**	**3 262**	**8 186**	**358**	**71 610**
Additions	**311**	**243**	**14 862**	**1 552**	**9 820**	**236**	**27 024**
Disposals	**(41)**	**(16)**	**(1 474)**	**(92)**	**(324)**	**(10)**	**(1 957)**
Reallocations[3]	**725**	**105**	**4 282**	**196**	**(7 110)**	**13**	**(1 789)**
Depreciation for the year	**(380)**	**(203)**	**(12 733)**	**(1 277)**	**(95)**	**(172)**	**(14 860)**
Impairment loss	**–**	**–**	**(18)**	**(2)**	**(1)**	**–**	**(21)**
Reversal of impairment loss	**–**	**–**	**–**	**–**	**59**	**–**	**59**
Other movements	**(40)**	**(149)**	**(313)**	**(125)**	**260**	**(1)**	**(368)**
Effect of movements in exchange rates	**(209)**	**12**	**(1 862)**	**(62)**	**(105)**	**13**	**(2 213)**
Carrying amount at 31 December 2012	**5 915**	**1 067**	**55 924**	**3 452**	**10 690**	**437**	**77 485**
Comprising:							
Cost	**7 256**	**2 231**	**109 338**	**8 247**	**10 867**	**1 132**	**139 071**
Accumulated depreciation and impairment losses	**(1 341)**	**(1 164)**	**(53 414)**	**(4 795)**	**(177)**	**(695)**	**(61 586)**
	5 915	**1 067**	**55 924**	**3 452**	**10 690**	**437**	**77 485**

[1] Included in land and buildings are leased assets with a carrying amount of R197 million (2011: R230 million).

[2] Included in vehicles are leased assets with a carrying amount of R68 million (2011: R58 million).

[3] Reallocations include an amount of R1 373 million (2011: R820 million) relating to network infrastructure reallocated to non-current assets held for sale (note 16).

11. Property, plant and equipment *(continued)*

11.1 Register of land and buildings

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company and its respective subsidiaries.

11.2 Impairment loss

MTN Nigeria reversed a portion of the previously recognised impairment losses amounting to R59 million (2011: R85 million). Côte d'Ivoire had an impairment loss reversal of R12 million in the prior year and none in the current year.

11.3 Leased property, plant and equipment

The Group leases various premises and sites which have varying terms, escalation clauses and renewal rights.

Finance lease commitments are disclosed in note 37.

11.4 Capital work-in-progress

There are various capital work-in-progress projects underway within the Group, a summary thereof can be found below:

	2012 Rm	2011 Rm
Mobile Telephone Network Proprietary Limited (South Africa) (MTN RSA)	1 099	1 865
Scancom Limited (Ghana)	849	769
MTN Sudan Company Limited	1 028	819
MTN Nigeria Communications Limited	1 186	480
MTN Afghanistan Limited	166	160
Mascom Wireless Botswana Proprietary Limited	129	57
Areeba Guinea S.A.	176	212
MTN Côte d'Ivoire S.A.	92	136
Irancell Telecommunication Company Services (PJSC)	184	216
MTN Uganda Limited	200	446
MTN (Dubai) Limited	68	470
Other	950	571
	6 127	6 201

11.5 Changes in estimates

During the year, Scancom Limited (Ghana) revised the useful life of its network equipment from seven to 10 years. This resulted in a decrease of R134 million in the annual depreciation charge.

11.6 Encumbrances

Borrowings are secured by various categories of property, plant and equipment with the following carrying amounts:

	2012 Rm	2011 Rm
MTN Côte d'Ivoire S.A.	870	1 356
MTN Uganda Limited	1 956	1 868
MTN Sudan Company Limited	2 566	2 752
MTN Congo S.A.	40	46
Mascom Wireless Botswana Proprietary Limited	115	426
Mobile Telephone Network Proprietary Limited (South Africa)	–	230
Scancom Limited (Ghana)	579	–
MTN Rwandacell S.A.R.L.	1 228	–
	7 354	6 678

12. Intangible assets and goodwill

Intangible assets with an indefinite useful life

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

Goodwill arising on the acquisition of subsidiaries and joint ventures is included in intangible assets.

Goodwill arising on the acquisition of an associate is included in "investment in associates" and is tested for impairment as part of the overall balance.

Gains or losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

Intangible assets with finite useful lives

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and accumulated impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. For a summary of useful lives, refer to note 2.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds from the disposal and the carrying amount of the asset, and is included in profit or loss.

The Group's intangible assets with finite useful lives are as follows:

- licences;
- customer relationships;
- software; and
- other intangible assets.

Costs associated with maintaining intangible assets are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable intangible assets controlled by the Group, and that will probably generate economic benefits, are capitalised when all the criteria for capitalisation are met.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original cost of the assets.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

12. Intangible assets and goodwill *(continued)*

Determination of fair values

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair values of all other intangible assets acquired in a business combination applicable to the Group are based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment

The accounting policy on impairment testing and the recognition of an impairment loss is disclosed in note 11.

Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination. An impairment loss in respect of goodwill is not reversed.

Intangible assets with an indefinite useful life or not yet available for use

Goodwill and intangible assets with an indefinite useful life or not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Intangible assets with finite useful lives

The Group annually reviews the carrying amounts of its intangible assets with finite useful lives in order to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

12. Intangible assets and goodwill *(continued)*

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[1] Rm	Other intangible assets Rm	Total Rm
Carrying amount at 1 January 2011	20 797	5 636	469	3 332	32	30 266
Additions	–	294	–	1 459	10	1 763
Disposals	–	(28)	–	(3)	(2)	(33)
Reallocations	–	–	–	169	(6)	163
Amortisation for the year	–	(788)	(97)	(1 140)	(138)	(2 163)
Impairment loss	(31)	–	–	–	–	(31)
Other movements	–	92	(247)	(52)	565	358
Effect of movements in exchange rates	3 264	727	24	194	8	4 217
Carrying amount at 31 December 2011	24 030	5 933	149	3 959	469	34 540
Comprising:						
Cost	24 030	11 891	4 501	7 645	1 018	49 085
Accumulated amortisation and impairment losses	–	(5 958)	(4 352)	(3 686)	(549)	(14 545)
	24 030	5 933	149	3 959	469	34 540
Carrying amount at 1 January 2012	24 030	5 933	149	3 959	469	34 540
Additions	–	1 033	–	3 077	19	4 129
Disposals	–	–	–	(7)	–	(7)
Reallocations	–	134	–	278	9	421
Amortisation for the year	–	(820)	(11)	(1 435)	(120)	(2 386)
Other movements	–	(77)	1	13	(3)	(66)
Effect of movements in exchange rates	(2 007)	(497)	(124)	(64)	(4)	(2 696)
Carrying amount at 31 December 2012	22 023	5 706	15	5 821	370	33 935
Comprising:						
Cost	22 023	12 102	4 472	10 714	1 006	50 317
Accumulated amortisation and impairment losses	–	(6 396)	(4 457)	(4 893)	(636)	(16 382)
	22 023	5 706	15	5 821	370	33 935

[1] Included in software are leased assets with a carrying amount of R726 million.

12. Intangible assets and goodwill *(continued)*

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes are presented below.

	2012			2011		
	Growth rate %	Discount rate %	Rm	Growth rate %	Discount rate %	Rm
MTN Côte d'Ivoire S.A.	3,0	11,6	2 078	2,0	16,2	1 945
Scancom Limited (Ghana)	5,0	16,4	8 560	3,0	11,9	8 295
MTN Sudan Company Limited	3,0	18,3	2 477	3,0	14,3	3 398
MTN Yemen	3,0	36,1	2 448	3,0	19,9	2 012
MTN Afghanistan Limited	5,0	16,4	1 350	3,0	13,7	1 189
MTN Uganda Limited	4,0	14,9	518	3,0	13,1	527
MTN Congo S.A.	3,0	10,6	688	3,0	12,4	644
MTN Syria (JSC)	5,0	20,6	245	2,0	14,6	326
MTN Cyprus Limited	1,0	8,3	676	3,0	8,7	551
Spacetel Benin SA	3,0	10,2	1 064	2,0	13,4	871
Areeba Guinea S.A.	5,0	20,9	695	1,0	15,8	566
MTN Business Solutions Limited	–	–	–	4,5	12,3	1 472
Mascom Wireless Botswana Proprietary Limited	3,0	12,6	692	3,0	9,3	687
Other			532			1 547
Total			22 023			24 030

Goodwill is tested annually for impairment. There was no impairment of any of the cash-generating units (CGUs) above to which goodwill had been allocated, apart from an impairment charge of R31 million in respect of the investment in Cell Place Proprietary Limited held by the Mobile Telephone Networks Proprietary Limited (South Africa) CGU in 2011.

The recoverable amounts of CGUs were determined based on value-in-use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to ten year period. Management is confident that projections covering periods longer than five years are appropriate based on the long-term nature of the Group's infrastructure and operating model. Cash flows beyond the above period were extrapolated using the estimated growth rates measured below. The following key assumptions were used for the value-in-use calculations:

- growth rates: the Group used constant growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 1% to 5% (2011: 1% to 4,5% as set out per operation in the table above); and
- discount rates: discount rates range from 8,3% to 36,1% (2011: 7,8% to 19,9%). Discount rates used reflect specific risks relating to the relevant CGU.

Goodwill impairment sensitivity

For MTN Business Solutions Limited, the discount rate had a significant influence on the sensitivity of the impairment test for 2011. For the detailed five year forecast period, a discount rate of 11,2% was projected, growth rate of 4,5%, capex to revenue ratio in terminal year of 5% and EBITDA margin in terminal year of 14,99%. If the discount rate had to increase by 0,25% the recoverable amount would have been equal to its carrying amount. The operation has been restructured in 2012 and forms part of Mobile Telephone Networks Proprietary Limited (South Africa).

Individually material intangible assets

Other than goodwill and network licences, there were no items of intangible assets that were individually material at the end of the current or prior year.

Notes to the Group annual financial statements *continued*

for the year ended 31 December 2012

12. Intangible assets and goodwill *(continued)*

Licence agreements	Type	Date granted/ renewed	Term
Mobile Telephone Networks Proprietary Limited (South Africa)	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz	1/01/2010	renewable annually
	1 800MHz		
	3G		
MTN Uganda Limited	900MHz	15/04/1998	20 years
	1 800MHz		
MTN Rwandacell S.A.R.L.	GSM	1/07/2008	13 years
	SNO	30/06/2006	15 years
Mascom Wireless Botswana Proprietary Limited	900MHz	13/06/2007	15 years
	1 800MHz		
	2 100MHz		
MTN Zambia Limited	1 800MHz	23/09/2010	15 years
Swazi MTN Limited	900MHz	28/11/2008	10 years
	1 800MHz		
	2 100MHz	26/09/2011	7 years
MTN Nigeria Communications Limited	900MHz	9/02/2001	15 years
	1 800MHz		
	3G spectrum licence	1/05/2007	15 years
	Unified access licence (including International gateway)	1/09/2006	15 years
	WACS	1/01/2010	20 years
	Wimax 3,5GHz spectrum	2007	renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	renewable annually
Scancom Limited (Ghana)	900MHz	2/12/2004	15 years
	1 800MHz		
	3G	23/01/2009	15 years
Mobile Telephone Network Cameroon Limited	900MHz	15/02/2000	15 years
	1st category network for internet access and VPN	31/03/2006	10 years
MTN Côte d'Ivoire S.A.	900MHz/1 800MHz	2/04/1996	20 years
	Wimax 2,5 – 3,5GHz	31/07/2002	20 years
	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
Spacetel Benin SA	900MHz	19/10/2007	25 years
	1 800MHz		
	Universal licence	19/03/2012	20 years

12. Intangible assets and goodwill *(continued)*

Licence agreements	Type	Date granted/ renewed	Term
Areeba Guinea S.A.	900MHz	31/08/2005	18 years
	1 800MHz		
	WiMax	4/06/2009	5 years
MTN Congo S.A.	900MHz	15/10/1999	15 years
	1 800MHz	21/08/2002	15 years
	International gateway	5/02/2002	15 years
	Optical fibre licence	2/04/2010	15 years
	3G licence	25/11/2011	17 years
	2G licence	25/11/2011	15 years
Lonestar Communications Corporation LLC (Liberia)	900MHz	24/03/2009	15 years
	1 800MHz		
	WiMax		
Spacetel Guinea-Bissau S.A.	1 800MHz	1/03/2004	10 years
	900MHz	1/03/2004	10 years
Irancell Telecommunication Company Services (PJSC)	GSM	9/7/2006	15 years
	WiMAX	28/02/2009	6 years
MTN Syria (JSC)	900MHz	29/06/2002	15 years
	1 800MHz	22/03/2007	10 years
	3G	29/04/2009	8 years
	ISP[1]	31/05/2009	3 years
MTN Sudan Company Limited	Frequency 2G + 3G	25/10/2003	20 years
	Transmission		
	VSAT gateway		
	VSAT hub		
	VSAT terminal		
MTN Afghanistan Limited	3G unified licence	1/07/2012	15 years
MTN Yemen	900MHz	31/07/2000	15 years
	1 800MHz	17/02/2008	
MTN Cyprus Limited	900MHz	1/12/2003	20 years
	1 800MHz		
	3G		

[1] *Renewal application lodged.*

13. Investment in associates

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method and are recognised initially at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses. The consolidated annual financial statements include the Group's share of post-acquisition accumulated profits or losses of associated companies in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the annual profit attributable to the Group is recognised in profit or loss. The Group's share of post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The carrying amount of such interests is reduced to recognise any potential impairment in the value of individual investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has an obligation, issued guarantees or made payments on behalf of the associate.

Dilution gains or losses arising on investments in associates are recognised in profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Profits or losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's annual financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to align them with the policies of the Group.

Unless otherwise stated, the Group's associates' countries of incorporation are also their principal place of operation.

The Group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	2012 Effective % interest in issued ordinary share capital	2011 Effective % interest in issued ordinary share capital
Number Portability Proprietary Limited	Number porting	South Africa	20	20
Leaf Wireless Proprietary Limited	Cellular dealership	South Africa	44	44
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	20	20
Ghana Tower InterCo BV[1]	Management of telecommunication infrastructure	Netherlands	49	49
Uganda Tower InterCo BV[1]	Management of telecommunication infrastructure	Netherlands	49	49

[1]The Group acquired a 49% stake in both Ghana Tower InterCo BV and Uganda Tower InterCo BV in 2011.

13. Investment in associates *(continued)*

	2012 Rm	2011 Rm
Balance at beginning of the year	2 681	1 302
Additions	360	1 109
Reclassification to loans and other non-current receivables	(1 059)	–
Other income (refer note 5)	39	–
Share of results after tax including amortisation of customer relationships	(111)	(38)
Dividend income	(155)	(92)
Impairment of associate	(6)	–
Effect of movements in exchange rates	16	400
Balance at end of the year	1 765	2 681
Share of results after tax comprises		
Share of results of associates after tax	(96)	38
– recognised in investments in associates	12	38
– recognised loss against loans and other non-current receivables	(108)	–
Amortisation of customer relationships – BICS	(123)	(115)
	(219)	(77)
Unwind of deferred tax on customer relationships – BICS	39	39
	(180)	(38)

The Group's share of the results of its associates, which are unlisted, and their aggregated assets (including goodwill) and liabilities, are as follows:

Summary financial information[1]

	Effective interest Rm	Number Portability Proprietary Limited Rm	Leaf Wireless Proprietary Limited Rm	Belgacom International Carrier Services SA (BICS) Rm	Ghana Tower InterCo BV Rm	Uganda Tower InterCo BV Rm
2012						
Revenue	3 890	24	11	17 278	670	196
Share of results after tax	(96)	5	(16)	711	(336)	(140)
Total assets	8 260	13	18	9 677	9 186	3 700
Total liabilities	(5 372)	(9)	(6)	(6 968)	(5 630)	(2 481)
2011						
Revenue	3 534	18	111	16 259	468	*
Share of results after tax	(38)	2	3	287	(198)	*
Total assets	7 209	51	46	8 597	11 141	*
Total liabilities	(4 216)	(2)	(12)	(5 993)	(6 146)	*

There are no significant contingent liabilities relating to the Group's interests in these associates at the end of the current or prior year.

[1] *The information presented is before any eliminations.*
** Amounts less than R1 million.*

14. Loans and other non-current receivables

Loans and other non-current receivables are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Loan to Irancell Telecommunication Company Services (PJSC)[1]	1 755	1 596
Loan to Uganda Tower InterCo BV[2]	534	–
Loan to Ghana Tower InterCo BV[3]	1 131	–
Non-current prepayments and advances	3 055	2 076
	6 475	3 672

[1] *The loan to Irancell Telecommunication Company Services (PJSC) attracts interest at LIBOR +4% per annum which is capitalised against the loan. The loan and capitalised interest are payable in 2014. The loan is registered with the Organisation for Investments Economic and Technical Assistance of Iran (OIETAI) under the foreign investment licence obtained by the Company and which is covered by the Foreign Investment Promotion and Protection Act (FIPPA).*
[2] *The loan to Uganda Tower InterCo BV attracts interest at LIBOR +5,3% per annum. The loan is repayable in 2019.*
[3] *The loan to Ghana Tower InterCo BV attracts interest at a fixed rate of 9,0% per annum. The loan is repayable in 2016.*

The recoverability of the loans was assessed at the reporting date and was found not to be impaired.

15. Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 8.

	1 January 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2012 Rm
Deferred tax assets							
Provisions and other temporary differences	1 066	(9)	(124)	933	355	(190)	1 098
Depreciation in excess of tax allowances	249	–	34	283	–	5	288
Tax loss carried forward	89	(361)	322	50	(16)	(4)	30
Arising due to fair value adjustments on business combinations	3	16	(1)	18	4	21	43
Working capital allowances	–	–	–	–	(22)	–	(22)
	1 407	(354)	231	1 284	321	(168)	1 437

15. Deferred taxes *(continued)*

	1 January 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2011 Rm	Recognised in profit or loss Rm	Exchange and other movements Rm	31 December 2012 Rm
Deferred tax liabilities							
Tax allowances in excess of depreciation	(6 927)	(964)	(732)	(8 623)	91	(357)	(8 889)
Other temporary differences	(638)	(48)	505	(181)	331	(569)	(419)
Revaluations	(289)	43	(33)	(279)	(33)	(7)	(319)
Working capital allowances	814	234	(1)	1 047	(204)	2	845
	(7 040)	(735)	(261)	(8 036)	185	(931)	(8 782)
Net deferred tax liability	(5 633)	(1 089)	(30)	(6 752)	506	(1 099)	(7 345)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	2012 Rm	2011 Rm
Deductible temporary differences	359	–
Unused tax losses[1]	1 361	1 239
Unused tax credits	–	1
	1 720	1 240

[1] *The unused tax losses have expiry dates between 2015 and 2018.*

16. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less costs to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable.

	2012 Rm	2011 Rm
Property, plant and equipment – network assets	1 373	820

The Group entered into a transaction with IHS Holding Limited (IHS) in which IHS will acquire 931 mobile network towers from MTN Côte d'Ivoire S.A. for US$141 million and 827 towers from Mobile Telephone Networks Cameroon Limited for US$143 million. Under the agreements, IHS will be a 100% shareholder of the tower companies set up in each country to manage the towers and other passive infrastructure. MTN Côte d'Ivoire S.A. and Mobile Telephone Networks Cameroon Limited will, on commercial terms, become the anchor tenants on the towers being sold for an initial term of ten years.

Formal notice regarding the close of the Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions has been issued. The Mobile Telephone Networks Cameroon Limited transaction closed on 28 February 2013, refer to note 40.

In 2012, MTN Uganda Limited concluded a transaction with American Tower Company (ATC) which involved the sale of 962 of MTN Uganda's existing BTS sites to TowerCo Uganda for an agreed purchase price of US$175 million. ATC holds a 51% stake in TowerCo Uganda's holding company, with the remaining 49% stake held by the Group. MTN Uganda will be the anchor tenant on commercial terms on each of the towers being sold.

17. Inventories

Inventory mainly comprises handsets, SIM cards, accessories held for sale and consumable items.

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

	2012 Rm	2011 Rm
Finished goods (handsets, SIM cards and accessories) – at cost	2 901	2 883
Consumable stores and maintenance spares – at cost	166	141
Less: Write-down to net realisable value	(474)	(395)
	2 593	2 629

MTN Uganda Limited (2012: R38 million; 2011: R47 million) and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R5 million) have secured facilities through the pledge of their inventories.

Reconciliation of write-down of inventory

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange differences Rm	At end of the year Rm
2012						
Movement in write-down	(395)	(124)	23	20	2	(474)
2011						
Movement in write-down	(326)	(67)	–	9	(11)	(395)

[1] *A net write-down of R101 million (2011: R67 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 6).*

18. Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business; they are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

Prepayments and other receivables are stated at their nominal values.

	2012 Rm	2011 Rm
Trade receivables	14 960	14 159
Less: Allowance for impairment of trade receivables (note 43.3)	(2 098)	(1 900)
Net trade receivables	12 862	12 259
Prepayments and other receivables[1]	3 246	2 595
Sundry debtors and advances[2]	1 415	3 062
	17 523	17 916

[1] Prepayments and other receivables include prepayments for BTS and other property leases.
[2] Sundry debtors and advances include advances to suppliers.

An impairment loss of R263 million (2011: R455 million) was incurred in the current year, and this amount is included in other operating expenses in profit or loss (note 6).

MTN Uganda Limited (2012: Rnil; 2011: R370 million), and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R95 million) have secured facilities through the pledge of their trade and other receivables.

The Group does not hold any collateral for trade and other receivables.

The Group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 43.

19. Current investments

Current investments consist of loans and receivables and held-to-maturity financial assets that are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Loans and receivables		
Government bonds with fixed interest rates of 18% – 20% (2011: 16,5% – 17%)[1]	489	215
Foreign currency fixed deposits with fixed interest rates of 1,5% – 2,5% (2011: 0,2% – 2,75%)[2]	1 234	1 462
Foreign currency fixed deposits with fixed interest rates of 2,24% – 2,54%[2]	3 620	–
	5 343	1 677
Held-to-maturity financial assets		
Government bonds with interest rates of 5,5% – 9,45% (2011: 9,5% – 9,92%) and maturity dates between January and February 2013 (2011: January and February 2012)	484[2]	698[3]
Treasury bills with interest rates of 14,1% – 15,6% (2011: 7,7% – 16,8%) and maturity dates between January and August 2013 (2011: January and November 2012)[3]	1 247	7 105
	1 731	7 803
Total current investments	7 074	9 480

[1] *Denominated in Iranian rial.*
[2] *Denominated in United States dollar.*
[3] *Denominated in Nigeria naira.*

No provision for impairment has been raised as at the reporting date as the loans and receivables and held-to-maturity assets are considered to be fully performing.

There were no disposals of held-to-maturity financial assets in 2012 or in 2011.

20. Derivatives

Derivatives are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	191	9
Non-current liabilities		
Interest rate swap	(2)	–
Current liabilities		
Forward exchange contracts	(14)	(4)
	175	5
Gains/(losses) accounted for directly in profit or loss	179	(12)
Notional principal amount (US$ forward exchange contracts)	4 783	470
Notional principal amount (EUR forward exchange contracts)	20	9
Notional principal amount (US$ interest rate swap)	2 117	–

21. Restricted cash

Restricted cash comprises short-term deposits that are not highly liquid and are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Restricted cash deposits	5 277	546

Restricted cash deposits include an amount of R2 869 million (2011: Rnil) relating to the Syrian operation, which is not available for use by the Group due to exchange control regulations largely prohibiting the repatriation of foreign currency, the current sanction environment and a lack of foreign currency in Syria. The majority of the cash balance is considered to represent excess cash not required for payment of SYP denominated liabilities.

Other restricted cash deposits consist of monies placed on deposit with banks mainly in Nigeria and Sudan to secure letters of credit, which were undrawn and not freely available at the reporting date.

22. Net cash and cash equivalents

Cash and cash equivalents are accounted for as loans and receivables in accordance with the accounting policy disclosed in note 43.

Bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the Group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the Group has a legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following:

	2012 Rm	2011 Rm
Cash at bank and on hand	25 700	35 806
Bank overdrafts	(169)	(593)
	25 531	35 213

Cash and cash equivalents include an amount of R2 680 million relating to Iran Telecommunication Company Services (PJSC), which is subject to sanctions, but is available for use within the Iranian operation. The Group continues to explore acceptable channels that are compliant with ongoing sanctions for repatriation of these funds.

MTN Uganda Limited (2012: R709 million; 2011: R195 million) and Mascom Wireless Botswana Proprietary Limited (2012: Rnil; 2011: R126 million) have secured facilities through the pledge of their cash and cash equivalents.

23. Ordinary share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new ordinary shares or share options are recognised in equity as a deduction (net of tax) from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the Company's equity holders. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

	2012	2011
	Number of shares	
Ordinary share capital (par value of 0,01 cents)		
Authorised	2 500 000 000	2 500 000 000
Issued *(fully paid up)*	1 883 484 324	1 884 811 569
In issue at beginning of the year	1 884 811 569	1 884 510 117
Options exercised and allotted	193 780	301 452
Strike price		
R9.31	161 360	88 330
R13.53	–	107 734
R27.00	21 600	12 240
R40.50	10 820	93 148
Shares cancelled	(1 521 025)	–
In issue at end of the year	1 883 484 324	1 884 811 569
Options – MTN Zakhele transaction[1]	(28 473 927)	(29 994 952)
Treasury shares[2]	(22 337 752)	(6 764 412)
In issue at end of the year – excluding MTN Zakhele transaction and treasury shares[3]	1 832 672 645	1 848 052 205

[1] Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

[2] Treasury shares held by MTN Holdings Proprietary Limited.

[3] There are no restrictions, rights and preferences including restrictions on dividend distributions attached to these shares.

23. Ordinary share capital and share premium *(continued)*

	2012 Rm	2011 Rm
Share capital		
Balance at beginning of the year	*	*
Additions	*	*
Shares cancelled	*	–
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	44 678	45 602
Options exercised	3	6
Share buy-back	(2 088)	(930)
Balance at end of the year	42 593	44 678

**Amounts less than R1 million.*

MTN Zakhele transaction

The Group concluded its broad-based black economic empowerment (B-BBEE) transaction "MTN Zakhele" during October 2010. The transaction is designed to provide long-term, sustainable benefits to all B-BBEE participants and will run for a period of six years. Over 122 552 applicants subscribed for shares and were successful.

The total cost of this transaction was R2 973 million which was recognised as a once-off charge in profit or loss in 2010. This charge included the once-off share-based payment transaction charges for notional vendor finance of R1 382 million, the employee share option plan of R171 million and a donation of R1 294 million. Transaction costs amounted to R126 million.

The donation was used to subscribe for 12 045 412 shares at a price of R107,46 per share. Through the notional vendor finance, the Company issued 29 994 952 shares (NVF shares) to MTN Zakhele at par value. In the current year 1 521 025 shares (2011: nil shares) were cancelled. The Group has a call option over these shares. The value of the call option is R1 747 million (2011: R1 772 million) and was determined using a Monte Carlo valuation model. The significant inputs into the model were the market share price of the Company's shares of R128,85 at the grant date, being 14 October 2010, volatility of 28,7% (2011: 39,9%), dividend yield of 6,1% (2011: 7,6%), expected option life of five years (2011: six years) and an annual risk free rate of 5,5% (2011: 6,8%).

Share buy-back

MTN Holdings Proprietary Limited acquired 15 573 340 (2011: 6 764 412) shares at an average price of R134,07 (2011: R137,50) per share, inclusive of transaction costs, in the Company on the JSE Limited during the period of April – June 2012. The total amount paid to acquire the shares, inclusive of transaction costs, was R2 088 million (2011: R930 million). The shares are fully paid shares and are held as treasury shares.

The Group's objective in terms of the buy-back is to create shareholder value over time and improve the structure of the statement of financial position.

24. Other reserves

	2012 Rm	2011 Rm
Balance at beginning of the year	(12 348)	(22 724)
Transactions with non-controlling interests	(122)	(89)
Transfer to retained earnings	(22)	(37)
Share-based payment reserve	147	74
Exchange differences on translating foreign operations	(3 498)	10 415
Other	9	13
Balance at end of the year	(15 834)	(12 348)
Consisting of:		
Contingency reserve (as required by insurance regulations)[1]	4	28
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)[2]	211	209
Transactions with non-controlling interests[3]	(10 901)	(10 779)
Share-based payment reserve[4]	2 189	2 042
Foreign currency translation reserve[5]	(7 348)	(3 850)
Other	11	2
	(15 834)	(12 348)

[1] A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the special purpose entities to which these reserves relate, they will become available for distribution.

[2] A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

[3] Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the Group of its interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity.

[4] Refer to the accounting policy in note 44 with regards to equity-settled share-based payments.

[5] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 Foreign currency.

25. Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Details of the Group's significant unsecured borrowings are provided below:

	2012 Rm	2011 Rm	Denominated currency	Nominal interest* %	Repayment details
Unsecured					
MTN Holdings Proprietary Limited	12 439	13 042			
	7 192	5 300	ZAR[1, 2]	5,2 – 10,2	Maturity: January 2013 – July 2017
	2 992	–	ZAR[3, 4]	6,5	Maturity: December 2015
	1 005	742	ZAR[2, 5]	5,5	Capital repayment – January 2013 2011 loan repaid during the year
	1 000	1 000	ZAR[4, 6]	6,6	Interest paid quarterly. Bullet capital repayment – March 2014
	250	–	ZAR[4, 7]	6,6	Maturity: June 2016
	–	6 000	ZAR[3, 4]	8,0	Loan repaid during the year
MTN Nigeria Communications Limited	12 613	13 065			
	10 134	10 222	NGN[3, 4]	16,0	Annual. Final repayment – December 2015
	1 251	893	US$[4, 8]	3,2	Semi-annual. Final repayment – June 2015
	1 228	1 155	US$[4, 8]	1,3	Semi-annual. Final repayment – June and December 2015
	–	795	US$[3, 4]	2,0	Loan repaid during the year
MTN Zambia Limited	1 248	951			
	975	951	ZMK[3, 4]	11,0	Interest semi-annual. Bullet capital repayment – January 2014
	273	–	US$[4, 6]	4,0	Interest semi-annual. Final repayment – June 2019
Spacetel Benin SA	1 083	478			
	341	478	XOF[2, 3]	8,3	Semi-annual. Final repayment – August 2014
	742	–	XOF[2, 3]	7,8	Semi-annual. Final repayment – March 2017
Mobile Telephone Networks Cameroon Limited	537	704	XAF[2, 3]	6,0	Semi-annual. Final repayment – May 2015
MTN Congo S.A.	474	510	XAF[2, 3]	7,0	Monthly. Final repayment – November 2016
Other unsecured borrowings	706	1 588			
Total unsecured borrowings	29 100	30 338			

[1] Domestic medium-term notes *[2] Fixed interest rate* *[3] Syndicated term loan facility* *[4] Variable interest rate*
[5] Commercial paper *[6] Bilateral term loan facility* *[7] Revolving credit facility* *[8] Export credit facility*
[9] Vendor finance facility *[10] Bank borrowings*
** Nominal interest rates are the contractual interest rates on loans as at 31 December 2012.*

25. Borrowings *(continued)*

Details of the Group's significant secured borrowings are provided below:

	2012 Rm	2011 Rm	Denominated currency	Nominal interest %	Repayment details	Security/collateral
Secured						
MTN Sudan Company Limited	1 573	1 016				
	573	446	EUR[4, 9]	8,0	Quarterly. Final repayment – June 2020	Pledge of network and capital work-in-progress assets
	604	504	US$[2, 9]	10,0	Quarterly. Final repayment – December 2016	Pledge of network and capital work-in-progress assets
	380	66	EUR[4, 9]	5,0	Semi-annual. Final repayment – December 2019	Pledge of network and capital work-in-progress assets
	16	–	US$[2,10]	10,0	Repayment – July 2014	Deposit equivalent to140% of the loan
MTN Côte d'Ivoire S.A.	561	868				
	486	758	XOF[2, 3]	8,0	Semi-annual. Final repayment – March 2014	Pledge of certain property, plant and equipment
	75	110	XOF[2, 6]	8,0	Quarterly. Final repayment – July 2014	Pledge of certain property, plant and equipment
MTN Uganda Limited	408	557				
	192	300	UGX[3, 4]	13,7	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
	86	122	US$[3, 4]	4,4	Quarterly. Final repayment – October 2014	Floating charge over current and future assets
	130	135	UGX[4, 7]	13,0	Bullet repayment with option to roll-over – Final repayment October 2014	Floating charge over current and future assets
MTN Afghanistan Limited	372	484				
	87	114	US$[4, 6]	5,5	Quarterly. Final repayment – September 2015	Pledge of shares
	285	370	US$[4, 6]	5,5	Quarterly. Final repayment – September 2015	Pledge of shares
Other secured borrowings	349	160				
Total secured borrowings	3 263	3 085				
Total unsecured borrowings	29 100	30 338				
Total borrowings	32 363	33 423				

25. Borrowings *(continued)*

	2012 Rm	2011 Rm
The classification of the Group's borrowings is as follows:		
Current	10 621	9 869
Non-current	21 742	23 554
	32 363	33 423
The carrying amounts of the Group's borrowings are denominated in the following currencies:		
South African rand	12 712	13 300
Nigerian naira	10 134	10 222
United States dollar	3 983	4 188
Euro	1 209	1 234
Benin Communaute Financiere Africaine franc	1 083	478
Zambian kwacha	975	951
Côte d'Ivoire Communaute Financiere Africaine franc	632	1 129
Cameroon Communaute Financiere Africaine franc	537	704
Congo-Brazzaville Communaute Financiere Africaine franc	515	556
Uganda shilling	322	435
Various other currencies	261	226
	32 363	33 423
Undrawn facilities		
Floating rate	21 627	14 806
Fixed rate	16 419	17 593
	38 046	32 399

MTN Sudan – Breach of loan agreement

During 2012, MTN Sudan Company Limited breached the required EBITDA to Financial Net Payable covenant on one of its borrowing facilities with a carrying amount of R573 million. The breach is primarily attributable to significant realised foreign exchange losses incurred in the current year. Management has notified the affected lender and is currently in the process of finalising a waiver of the breach. The lender has not requested accelerated repayment of the loan. The loan has, however, been reflected as current at 31 December 2012.

26. Other non-current liabilities

Finance leases are accounted for in accordance with the accounting policy disclosed in note 37 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Finance lease obligations (note 37)	858	189
Other non-current provisions	–	457
Deferred gain on asset swap[1]	599	870
Other	1 176	585
	2 633	2 101
Less: current portion of deferred gain on asset swap (note 29)	(313)	(299)
	2 320	1 802

[1] *The deferred gain arose on the contribution of various assets from MTN (Dubai) Limited, MTN International Carrier Services and Uniglobe in exchange for a 20% investment in the associate, Belgacom International Carrier Services SA (BICS) (note 13). This gain was deferred and is being amortised over a five-year period, which is the period of the commitment to use the international gateway of Belgacom SA (note 5).*

27. Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expected outflow of resources required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

27. Provisions *(continued)*

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange differences Rm	At end of the year Rm
2012						
Non-current						
Decommissioning provision	160	89	–	(25)	(31)	193
Other provisions	297	39	–	(15)	(53)	268
	457	128	–	(40)	(84)	461
Current						
Bonus provision	578	898	(73)	(606)	(21)	776
Decommissioning provision	99	–	(8)	(10)	–	81
Licence obligations	338	–	–	(81)	–	257
Other provisions	2 237	1 280	(445)	(206)	37	2 903
	3 252	2 178	(526)	(903)	16	4 017
2011						
Current						
Bonus provision	453	933	(74)	(769)	35	578
Decommissioning provision	94	7	–	(6)	4	99
Licence obligations	52	286	–	–	–	338
Other provisions	2 503	768	(179)	(1 022)	167	2 237
	3 102	1 994	(253)	(1 797)	206	3 252

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall respective company performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the Group annual results have been approved.

Decommissioning provision

This provision relates to the estimated cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment that are erected on leased land.

The Group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Licence obligations

The licence obligation provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO). USO's are governed by the Electronic Communications Act.

Other provisions

The Group is involved in various regulatory and tax matters specific to the respective jurisdictions in which the Group operates. These matters may not necessarily be resolved in a manner that is favourable to the Group. The Group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits.

28. Put option liability

The put option liability is accounted for as a financial liability in accordance with the accounting policy disclosed in note 43.

	2012 Rm	2011 Rm
Put option in respect of subsidiary	216	178

The put option in respect of the subsidiary arises from an arrangement whereby certain of the non-controlling shareholders of MTN Afghanistan Limited have the right to put their shareholding to MTN (Dubai) Limited.

The fair value of the MTN Afghanistan put option, in terms of which the IFC has the right to put 9,1% of their shareholding to MTN (Dubai) Limited, is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. This put option is currently exercisable.

29. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers; they are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 43.

Other payables are stated at their nominal values.

	2012 Rm	2011 Rm
Trade payables	6 508	7 615
Sundry creditors	1 711	858
Accrued expenses	13 988	12 203
Current portion of deferred gain on asset swap (note 26)	313	299
Other payables	3 395	4 079
	25 915	25 054

30. Cash generated from operations

	2012 Rm	2011 Rm
Profit before tax	36 981	37 640
Adjusted for:		
Finance costs (note 7)	10 123	6 610
Finance income (note 7)	(5 966)	(5 028)
Depreciation of property, plant and equipment (note 11)	14 860	13 296
Amortisation of intangible assets (note 12)	2 386	2 163
Loss/(profit) on disposal of property, plant and equipment (note 6)	58	(6)
Loss on disposal of intangible assets (note 6)	10	29
Share of results of associates after tax (note 13)	180	38
Increase in provisions	1 416	773
Impairment loss on goodwill (note 12)	–	31
Impairment loss on property, plant and equipment (note 11)	21	–
Reversal of impairment loss on property, plant and equipment (note 11)	(59)	(97)
Impairment of trade receivables (note 18)	263	455
Profit on disposal of non-current assets held for sale (note 5)	(547)	(1 185)
Realisation of deferred gain on Ghana tower sale (note 5)	(39)	–
Other	(12)	393
	59 675	55 112
Changes in working capital	(1 819)	(4 835)
Increase in inventories	(77)	(1 025)
Increase in trade and other receivables	(1 361)	(2 586)
Decrease in trade and other payables	(451)	(2 387)
Increase in unearned income	70	1 163
Cash generated from operations	57 856	50 277

31. Income tax paid

	2012 Rm	2011 Rm
At beginning of the year	(8 622)	(3 738)
Amounts recognised in profit or loss (note 8)	(12 913)	(13 853)
Deferred tax charge (note 15)	(506)	1 089
Effect of movements in exchange rates	599	(1 634)
Other	468	100
At end of the year	6 671	8 622
Taxation prepaid	(556)	(415)
Taxation liabilities	7 227	9 037
Total tax paid	(14 303)	(9 414)

32. Underwriting activities

Underwriting results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against earned premiums, net of reinsurance, as follows:

- premiums written relate to business incepted during the period and exclude value added tax;
- unearned premiums represent the portion of premiums written during the period that relate to unexpired terms of policies in force at the reporting date, generally calculated on a time-apportionment basis;
- claims incurred comprise claims and related expenses paid in the period and changes in the provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from prior years. Where applicable, deductions are made for salvage and other recoveries; and
- claims outstanding represent the ultimate cost of settling all claims (including direct and indirect settlement costs) arising from events that have occurred up to the reporting date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market prices.

	2012 Rm	2011 Rm
Income statement effect		
Gross premiums written	661	335
Outwards reinsurance premiums	(296)	(124)
Other[1]	(219)	(229)
	146	(18)
Balance sheet effect		
Share of technical provision:		
Outstanding claims	30	55
Unearned premiums	(16)	1
	14	56
Receivables	145	99
Payables	(214)	(174)

[1] *Includes claims incurred, net of reinsurance, commissions paid, net operating costs, net investment income and taxation.*

33. Contingent liabilities

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made. The Group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised.

	2012 Rm	2011 Rm
Contingent liabilities	1 224	838
Incentives for handset upgrades[1]	751	838
Licence fee and regulatory matters	298	–
Litigation and other matters	158	–
Other	17	–

[1] The Group's present policy is to pay incentives to Service Providers (SP) for handset upgrades. These upgrades are only payable once the subscribers have completed a 21-month period with the SP since the initial commencement of their contract or previous upgrade and the eligible subscribers have exercised their right to receive upgrades for new post-paid contracts with minimum terms. The value of the obligation may vary depending on the prevailing business rules at the time of the upgrade. The total number of eligible subscribers who had not yet exercised their right to upgrade at 31 December 2012 was 960 325 (2011: 892 328). The Group has, however, provided for those upgrades which have been made but which have not been presented for payment.

34. Commercial commitments

Irancell Telecommunication Company Services (PJSC)

The investment in Irancell is subject to a number of sovereign, regulatory and commercial risks, which could result in the Group failing to realise full market value of its investment should it be required to dispose of any portion thereof. In this regard, 21% of Irancell is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutory effect on the Group's 49% shareholding, effectively reducing its shareholding by 10,3% to 38,7%. The substantial terms and conditions of this commitment are yet to be finalised.

Cable systems and gateways

The Group, together with various other parties, has entered into construction and maintenance agreements for the Eastern Africa Submarine Cable System (EASSy), Europe India Gateway (EIG), West Africa Cable System (WACS) and The East African Marine System (TEAMS) to address the growing demand for international bandwidth in Africa.

34. Commercial commitments *(continued)*

Eastern African Submarine Cable System (EASSy)

The Group's operational and maintenance commitments in respect of the contract amount to US$27,1 million as at 31 December 2012 (2011: US$27,5 million).

Europe India Gateway (EIG)

The Group's commitment in respect of the contract amounts to US$50,4 million (2011: US$50,4 million), which has been settled in full at 31 December 2012 (2011: US$49,8 million).

The Group's operational and maintenance commitments in respect of the contract amount to US$33,1 million as at 31 December 2012 (2011: US$35,7 million).

West Africa Cable System (WACS)

The Group's commitment in respect of the contract amounts to US$96,5 million (2011: US$90 million), of which US$75,8 million has been paid at 31 December 2012 (2011: US$54,5 million).

The Group's operational and maintenance commitments in respect of the contract amount to US$69,2 million as at 31 December 2012 (2011: US$67,5 million).

The East African Marine System (TEAMS)

The Group's commitment in respect of the contract amounted to US$4,8 million at 31 December 2011, of which US$1,9 million had been paid.

The Group's operational and maintenance commitments in respect of the contract amounted to US$3,1 million as at 31 December 2011.

In 2012, the Group decided not to invest in the TEAMS cable and entered into a capacity lease agreement. The amount of US$1,9 million paid up to December 2011 and an additional amount of US$2,9 million paid in 2012, were recognised as a prepayment.

35. Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2012 Rm	2011 Rm
Capital expenditure not yet incurred at the reporting date is as follows:		
– Contracted	13 325	8 626
– Authorised but not contracted	13 832	13 913
Share of capital commitments of joint ventures:		
– Contracted	691	691
– Authorised but not contracted	369	1 170
Total commitments for property, plant and equipment and software	28 217	24 400

Capital expenditure will be funded from operating cash flows, existing borrowing facilities and where necessary by raising additional facilities.

36. Operating lease commitments

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

In all significant operating lease arrangements in place during the year, the Group acted as the lessee.

Sale and leaseback

In sale and leaseback transactions that result in operating leases, where it is clear that the transaction is priced at fair value, any profit or loss is recognised on the effective date of the sale transaction. If the sale price is below fair value, any profit or loss is recognised on the effective date of the sale transaction except that, if a loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period during which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognised immediately.

The Group leases various premises and sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Penalties are chargeable on certain leases should they be cancelled before the end of the agreement.

	2012 Rm	2011 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	285	190
Later than one year and no later than five years	359	478
Later than five years	37	–
	681	668
The future aggregate minimum lease payments under cancellable operating lease arrangements are as follows:		
Not later than one year	1 579	1 161
Later than one year and no later than five years	4 667	4 614
Later than five years	8 861	7 599
	15 107	13 374

37. Finance lease commitments

Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and finance charges. Finance charges, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

In all significant finance lease arrangements in place during the period, the Group acted as the lessee.

Sale and leaseback

In sale and leaseback transactions that result in finance leases, any excess of sale proceeds over the carrying amount is deferred and amortised over the lease term.

	2012 Rm	2011 Rm
At the reporting date, the Group had outstanding commitments under non-cancellable finance leases which fall due as follows:		
Minimum lease payments:		
Not later than one year	189	123
Later than one year and no later than five years	482	212
Later than five years	843	–
	1 514	335
Less: Future finance charges on finance leases	(537)	(56)
Present value of finance lease obligations	977	279
Present value of finance lease obligations are as follows:		
Current		
Not later than one year	119	90
	858	189
Non-current (note 26)		
Later than one year and no later than five years	273	189
Later than five years	585	–
	977	279

38. Investment in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the proportionate consolidation method. The Group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the Group financial statements on a line-by-line basis.

Goodwill arising on the acquisition of jointly controlled entities is included in intangible assets.

Where the Group transacts with its jointly controlled entities, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

Accounting policies of joint ventures have been changed where necessary to align them with the policies adopted by the Group.

The Company accounts for investments in joint ventures at cost, which includes transaction costs, less accumulated impairment losses.

Jointly controlled assets

Jointly controlled assets are joint ventures where the venturers jointly control one or more assets constructed or acquired for the purpose of its joint venture and dedicated to its purposes. The assets are used to obtain benefits for the venturers. Each venturer takes a share of the output from the assets and each bears an agreed share of the expenses incurred.

In respect of its interest in jointly controlled assets the Group recognises in its financial statements its share of the jointly controlled assets, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other venturers in relation to the joint venture, any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture and any expenses that it has incurred in respect of its interest in the joint venture.

38. Investment in joint ventures *(continued)*

The Group's effective percentage interests in its joint ventures are disclosed below.

Unless otherwise mentioned, the Group's joint ventures' countries of incorporation are also their principal place of operation.

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2012	2011
Swazi MTN Limited	Network operator	Swaziland	30	30
Oltio Proprietary Limited (MTN Mobile Money Holdings Proprietary Limited)	Wireless banking services	South Africa	50	50
Deci Investments	Investment holding company	Botswana	33	33
Mascom Wireless Botswana Proprietary Limited	Network operator	Botswana	53	53
Irancell Telecommunication Company Services (PJSC)	Network operator	Iran	49	49
Satellite Data Networks Mauritius Proprietary Limited	Internet service provider	Mauritius	60	60

Summary of financial information

The following table presents, on a condensed basis, the Group's share of assets and liabilities, revenue and expenses of the joint ventures which are included in the consolidated statement of financial position and income statement.

	2012 Rm	2011 Rm
Revenue	13 247	12 019
Expenses	(7 318)	(6 859)
Total assets	9 302	12 176
Total liabilities	(7 761)	(9 382)

There are no significant contingent liabilities relating to the Group's interests in these joint ventures at the end of the current or prior year.

Refer to note 1.4 for the impact of the adoption of IFRS 11 which will change the subsequent accounting of the Group's investment in its joint ventures, which are currently accounted for using the proportionate consolidation method under IAS 31 *Interests in Joint Ventures*. Under IFRS 11, the Group's joint ventures will subsequently be accounted for using the equity method.

Jointly controlled assets

The Group's jointly controlled assets are high capacity fibre optic submarine cable systems, which have been recorded in property, plant and equipment.

The following table presents, on a condensed basis, the Group's share of assets and liabilities, revenue and expenses of the jointly controlled assets which are included in the consolidated statement of financial position and income statement.

	2012 Rm	2011 Rm
Revenue	98	167
Expenses	(139)	(203)
Total assets	1 439	1 237
Total liabilities	(220)	(213)

39. Exchange rates to South African rand used for the purposes of foreign currency translations

		Closing rates		Average rates	
		2012	2011	2012	2011
United States dollar	US$	0,12	0,12	0,12	0,14
Uganda shilling	UGX	312,26	306,73	303,08	347,60
Rwanda franc	RWF	73,99	74,76	74,46	81,97
Cameroon Communaute Financière Africaine franc	XAF	58,70	62,73	62,20	65,67
Nigerian naira	NGN	18,47	20,10	19,50	21,76
Iranian rial	IRR	2 905,20	1 378,10	1 685,67	1 474,34
Botswana pula	BWP	0,92	0,93	0,93	0,95
Côte d'Ivoire Communaute Financière Africaine franc	CFA	58,70	62,73	62,31	64,81
Congo-Brazzaville Communaute Financière Africaine franc	XAF	58,70	62,73	62,20	66,09
Zambian kwacha	ZMK	610,66	633,91	631,93	665,22
Swaziland lilangeni	E	1,00	1,00	1,00	1,00
Lebanese pound	LBP	177,18	186,14	183,55	203,88
Afghanistan afghani	AFN	6,16	6,11	6,23	6,24
Euro	EUR	0,09	0,10	0,10	0,10
Ghanaian cedi	GHS	0,22	0,20	0,23	0,21
Benin Communaute Financière Africaine franc	XOF	58,70	62,73	62,28	63,67
Guinean franc	GNF	810,04	869,14	841,45	956,91
Sudanese pound	SDG	0,52	0,33	0,43	0,36
Syrian pound	SYP	10,22	6,71	8,34	6,54
Guinea-Bissau Communaute Financière Africaine franc	XOF	58,70	62,73	62,12	63,10
Yemen rial	YER	25,39	27,02	26,35	30,73

40. Events after the reporting period

Potential litigation by Turkcell Iletism Hizmetlera AS (Turkcell)

In 2012, Turkcell, the largest mobile phone operator in Turkey, brought a legal claim against MTN Group Limited and MTN International (Mauritius) Limited before a United States (US) court, which is based on allegations that the Group violated certain US laws in its effort to obtain Iran's second GSM licence.

The MTN Group board established a special committee (Hoffmann Committee) consisting of an external chairman and non-executive directors to take all actions the committee deemed appropriate to investigate the Turkcell allegations. To ensure the integrity and independence of the investigation, the MTN Group board appointed Lord Leonard Hoffmann, an internationally renowned jurist and former UK House of Lords judge, as the chairman.

On 1 February 2013, following a critical examination of the evidence, the Hoffmann Committee found that Turkcell's allegations are "a fabric of lies, distortions and inventions".

The MTN Group board is satisfied that Turkcell's allegations have been the subject of a thorough, comprehensive and independent investigation and is satisfied with the findings presented to it.

In addition, the Group has noted a US federal court ruling to put on hold the lawsuit by Turkcell pending a US Supreme Court ruling whether the case can be heard in a US court. The Group had asked Judge Walton of the Washington District Court to either dismiss the Turkcell case outright, or wait until after the Supreme Court renders its decision on what has become known as the Kiobel case.

Using the Kiobel case, the judge will then decide whether Turkcell's case against the Group can be heard in a US court when neither is a US company, and the alleged conduct happened on foreign territory. Legal experts predict the Supreme Court will use the Kiobel case to restrict such cases. The Group continues to believe that there is no legal merit to Turkcell's claim and no basis for such claim to be brought before a US court. The Group expects the Turkcell claim to be disposed of after the Supreme Court issues its decision in the Kiobel case. That is expected to happen by the end of June 2013.

The Group will accordingly continue to oppose the claim.

Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions

Formal notice regarding the close of the Mobile Telephone Networks Cameroon Limited and MTN Côte d'Ivoire S.A. tower sale transactions has been issued. The MTN Cameroon Limited transaction closed on 28 February 2013.

An advance payment of R158 million was received in October 2012.

Acquisition of additional interest in MTN Cyprus Limited

The Group has agreed to acquire the remaining 50% equity interest in MTN Cyprus Limited from its local partner, Amaracos Holdings for an amount of approximately EUR73 million, including the acquisition of a shareholder's loan to the amount of EUR15 million. The purchase price in respect of the shares to the amount of EUR58 million will bear interest at a rate of EURIBOR plus three percent per annum from 1 April 2013 if the transaction closes after that date.

The transaction will increase the Group's ownership interest to 100%.

The acquisition is subject to approval by the Commission for Protection of Competition of the Republic of Cyprus.

41. Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the Group and a party related to the Group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and prescribed officers of the Group and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2012 Rm	2011 Rm
Key management compensation		
Salaries and other short-term employee benefits	66	58
Post-employment benefits	5	6
Other benefits	37	53
Bonuses	57	70
Termination benefits	–	33
Total	165	220

Details of the directors' remuneration are disclosed in note 6 as well as in the remuneration report on pages 87 to 95 of the integrated report.

Loan to shareholder
Previously, certain legal claims were made against MTN (Dubai) Limited and Scancom Limited (Ghana) by two previous MTN Ghana shareholders; claiming beneficial title to a portion of the shares in MTN Ghana. As a result of this, an agreement was reached between M1 Limited (M1) and MTN (Dubai) Limited that they will share the cost of settlement of these claims. During 2009 a loan was granted to M1 in respect of their share of these costs which was paid by the Group on their behalf.

This loan has fixed repayments and is interest free. The balance of this loan as at year-end is as follows:

	2012 Rm	2011 Rm
Balance at beginning of the year	53	89
Payments received for the year	(58)	(46)
Effect of movement in exchange rates	5	10
Balance at end of the year	–	53

Subsidiaries and joint ventures
Details of investments in subsidiaries and joint ventures are disclosed in Annexure 1 of the annual financial statements.

For details on the put option refer to note 28.

Outstanding loans with Irancell Telecommunication Company Services (PJSC) are disclosed in note 14.

41. Related party transactions *(continued)*

Details of transactions and balances with joint ventures:

	Net income for the year 2012 Rm	Net income for the year 2011 Rm	Balance receivable 2012 Rm	Balance receivable 2011 Rm
Swazi MTN Limited	**42**	61	**25**	34
Mascom Wireless Botswana Proprietary Limited	**83**	235	**2**	5
Irancell Telecommunication Company Services (PJSC)	**79**	31	**2 356**	95
Satellite Data Networks Mauritius Proprietary Limited	**1**	1	**3**	1

Associates

Details of investments in associates are disclosed in note 13.

Details of transactions and balances with associates:

	Net income for the year 2012 Rm	Net income for the year 2011 Rm	Balance receivable 2012 Rm	Balance receivable 2011 Rm
Belgacom International Carrier Services SA	**245**	145	**3**	26
Ghana Tower InterCo BV	**97**	–	**1 230**	–
Uganda Tower InterCo BV	**17**	–	**534**	–

In 2011, Scancom Limited (Ghana) entered into an operating lease agreement with Ghana Tower InterCo BV. The operating lease commitment amounts to R8 200 million at 31 December 2012 (2011: R7 906 million). The rental amount escalates every year by inflation and the initial term is 10 years, followed by four times five-year automatic renewals.

MTN Uganda entered into an operating lease agreement with Uganda Tower InterCo BV in 2012. The operating lease commitment amounts to R1 739 million at 31 December 2012 (2011: Rnil). The rental amount escalates every year by inflation and the initial term is 10 years, followed by four times five-year automatic renewals.

Shareholders

The principal shareholders of the Company are disclosed on page 211 of the integrated report.

Directors

Cyril Ramaphosa, the chairman of the Company, has an effective shareholding of 29,63% in Shanduka which acquired a non-controlling interest in MTN Nigeria Communications Limited, a subsidiary of the Group, for US$335 million in November 2012.

42. Changes in shareholding

Changes in shareholding of subsidiaries are transactions that result in increases or reductions in the interest held in a subsidiary of the Group and are accounted for as transactions with non-controlling shareholders as disclosed in note 1.3.1.

None of the transactions outlined below resulted in a change in control.

42.1 Current year changes in shareholding

42.1.1 MTN Côte d'Ivoire S.A.

During the year, the Group increased its shareholding in MTN Cote d'Ivoire S.A. by 3% to 67,7% for R177 million.

The impact on equity arising from the acquisition is as follows:

	Carrying amount on acquisition date Rm
Purchase consideration	(177)
Net asset value acquired	55
Difference included in equity on consolidation	(122)

42.2 Prior year changes in shareholding

42.2.1 MTN Nigeria Communications Limited

During 2011, the Group sold 0,25% of the shareholding in MTN Nigeria Communications Limited to a minority shareholder of the Company for an amount of R228 million.

The impact on equity arising from the disposal was as follows:

	Carrying amount on disposal date Rm
Consideration received	228
Net assets disposed of	(30)
Difference included in equity on consolidation	198

42.2.2 MTN Rwandacell S.A.R.L.

During 2011, the Group increased its shareholding in MTN Rwandacell S.A.R.L. from 55% to 80% for R487 million.

The impact on equity arising from the acquisition was as follows:

	Carrying amount on acquisition date Rm
Purchase consideration	(487)
Net asset value acquired	254
Difference included in equity on consolidation	(233)

42.2.3 MTN Zambia Limited

During 2011, the Group sold 4% of its shareholding in MTN Zambia for an amount of R50 million. The sale was partly funded through a loan provided by MTN (Dubai) Limited to the value of R45 million to the acquirer and partly from the acquirer's own financial resources (R5 million).

Due to the risks and rewards not being transferred at a Group level, the percentage consolidated (98,7%) remains unchanged.

The impact on equity arising from the disposal was as follows:

	Carrying amount on disposal date Rm
Consideration received	5
Net assets disposed of	–
Difference included in equity on consolidation	5

42. Changes in shareholding *(continued)*

42.3 Net cash flows relating to business combinations and changes in shareholdings

	2012 Rm	2011 Rm
Consideration for acquisition from non-controlling interests		
– MTN Côte d'Ivoire S.A.	(177)	–
– MTN Rwandacell S.A.R.L.	–	(487)
Proceeds from the issue of shares to non-controlling interests		
– MTN Nigeria Communications Limited	–	228
– MTN Zambia Limited	–	5
	(177)	(254)

43. Financial risk management and financial instruments

Accounting for financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

All financial assets and liabilities are initially measured at fair value, including transaction costs, except for those classified as at fair value through profit or loss which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are recognised (derecognised) on the date the Group commits to purchase (sell) the instruments (trade date accounting).

Financial assets and liabilities are classified as current if expected to be realised or settled within 12 months; if not, they are classified as non-current.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Financial instrument classification

The Group classifies its financial instruments into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition.

Financial instruments comprise investments, loans receivable, trade and other receivables, restricted cash, cash and cash equivalents, borrowings, other non-current liabilities, put option liabilities, bank overdrafts, derivatives and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, financial instruments are measured as described below and on the following page.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading, i.e. acquired principally for the purpose of selling the item in the short term. Financial instruments at fair value through profit or loss are subsequently measured at fair value and changes therein are recognised in profit or loss. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

43. Financial risk management and financial instruments _(continued)_

Subsequent measurement _(continued)_

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise loans and other non-current receivables, certain of its investments, trade and other receivables (excluding prepayments), restricted cash and cash and cash equivalents. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity other than those that the Group upon initial recognition designates as at fair value through profit or loss and those that are loans and receivables.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Financial liabilities comprise trade and other payables, a put option liability, bank overdrafts, borrowings, derivative liabilities and other non-current liabilities (excluding provisions).

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method.

Derivative liabilities are subsequently measured at fair value and changes therein are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expires.

Impairment

The Group assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset or group of financial assets is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Impairment of trade receivables

An impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the trade receivable is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

43. Financial risk management and financial instruments *(continued)*

Risk management

Introduction

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange and interest rate risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated annual financial statements.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge certain exposures, but as a matter of principle, the Group does not enter into derivative contracts for speculative purposes.

Risk management is carried out under policies approved by the board of directors of the Group and of relevant subsidiaries. The MTN Group executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing excess liquidity.

43.1 Categories of financial instruments

	Assets			Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount[2] Rm
2012						
Non-current financial assets						
Loans and other non-current receivables	3 823	–	–	–	–	3 823
Current financial assets						
Trade and other receivables	13 952	–	–	–	–	13 952
Current investments	5 343	–	1 731	–	–	7 074
Derivative assets	–	191	–	–	–	191
Restricted cash	5 277	–	–	–	–	5 277
Cash and cash equivalents	25 700	–	–	–	–	25 700
	54 095	191	1 731	–	–	56 017
Non-current financial liabilities						
Borrowings	–	–	–	21 742	–	21 742
Other non-current liabilities	–	–	–	1 044	–	1 044
Derivative liabilities	–	–	–	–	2	2
Current financial liabilities						
Trade and other payables	–	–	–	24 520	–	24 520
Borrowings	–	–	–	10 621	–	10 621
Derivative liabilities	–	–	–	–	14	14
Put option liability	–	–	–	216	–	216
Bank overdrafts	–	–	–	169	–	169
	–	–	–	58 312	16	58 328

[1] All financial instruments at fair value through profit or loss are held for trading.

[2] The carrying amounts of all financial instruments not measured at fair value closely approximate fair value.

Notes to the Group annual financial statements continued

for the year ended 31 December 2012

43. Financial risk management and financial instruments *(continued)*

43.1 Categories of financial instruments *(continued)*

	Assets			Liabilities		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount[2] Rm
2011						
Non-current financial assets						
Loans and other non-current receivables	1 596	–	–	–	–	1 596
Current financial assets						
Trade and other receivables	15 321	–	–	–	–	15 321
Current investments	1 677	–	7 803	–	–	9 480
Derivative assets	–	9	–	–	–	9
Restricted cash	546	–	–	–	–	546
Cash and cash equivalents	35 806	–	–	–	–	35 806
	54 946	9	7 803	–	–	62 758
Non-current financial liabilities						
Borrowings	–	–	–	23 554	–	23 554
Other non-current liabilities	–	–	–	439	–	439
Current financial liabilities						
Trade and other payables	–	–	–	24 755	–	24 755
Borrowings	–	–	–	9 869	–	9 869
Derivative liabilities	–	–	–	–	4	4
Put option liability	–	–	–	178	–	178
Bank overdrafts	–	–	–	593	–	593
	–	–	–	59 388	4	59 392

[1] *All financial instruments at fair value through profit or loss are held for trading.*

[2] *The carrying amounts of all financial instruments not measured at fair value closely approximate fair value.*

43. Financial risk management and financial instruments *(continued)*

43.2 Fair value estimation

The table below presents the Group's assets and liabilities that are measured at fair value. The different levels are based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2012				
Current financial assets				
Derivative assets	–	191	–	191
Non-current financial liabilities				
Derivative liabilities	–	2	–	2
Current financial liabilities				
Derivative liabilities	–	14	–	14
2011				
Current financial assets				
Derivative assets	–	9	–	9
Current financial liabilities				
Derivative liabilities	–	4	–	4

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to determine the fair value of financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; and
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.

43. Financial risk management and financial instruments *(continued)*

43.3 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures.

The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

The Group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2012 Rm	2011 Rm
Loans and other non-current receivables	3 823	1 596
Trade and other receivables	13 952	15 321
Current investments	7 074	9 480
Derivative assets	191	9
Restricted cash	5 277	546
Cash and cash equivalents	25 700	35 806
	56 017	62 758

Cash and cash equivalents and current investments

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded is spread among approved financial institutions. The Group actively seeks to limit the amount of credit exposure to any one financial institution and credit exposure is controlled by counterparty limits that are reviewed and approved by the credit risk department.

The operations in Nigeria, Dubai and South Africa (including head office entities) hold their cash balances in financial institutions with a rating range from BBB– to AA.

Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

43. Financial risk management and financial instruments *(continued)*

43.3 Credit risk *(continued)*

Trade receivables

The Group has no significant concentrations of credit risk, due to its wide spread of customers across various operations and dispersion across geographical locations. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history.

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 4) and the impairment of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to assist in settling outstanding amounts.

Ageing and impairment analysis

	2012			2011		
	Gross Rm	Impaired Rm	Net Rm	Gross Rm	Impaired Rm	Net Rm
Fully performing trade receivables	9 832	–	9 832	8 892	–	8 892
Interconnect receivables	2 440	–	2 440	2 499	–	2 499
Contract receivables	6 182	–	6 182	5 273	–	5 273
Other receivables	1 210	–	1 210	1 120	–	1 120
Past due trade receivables	5 128	(2 098)	3 030	5 267	(1 900)	3 367
Interconnect receivables	2 090	(889)	1 201	2 811	(788)	2 023
0 to 3 months	607	(126)	481	756	(65)	691
3 to 6 months	339	(45)	294	447	(60)	387
6 to 9 months	296	(45)	251	365	(74)	291
9 to 12 months	848	(673)	175	1 243	(589)	654
Contract receivables	1 531	(1 046)	485	1 982	(1 084)	898
0 to 3 months	245	(97)	148	488	(111)	377
3 to 6 months	152	(32)	120	385	(151)	234
6 to 9 months	526	(392)	134	416	(203)	213
9 to 12 months	608	(525)	83	693	(619)	74
Other receivables	1 507	(163)	1 344	474	(28)	446
0 to 3 months	1 093	(6)	1 087	302	(28)	274
3 to 6 months	150	(46)	104	75	–	75
6 to 9 months	92	(11)	81	20	–	20
9 to 12 months	172	(100)	72	77	–	77
Total	14 960	(2 098)	12 862	14 159	(1 900)	12 259

43. Financial risk management and financial instruments *(continued)*

43.3 Credit risk *(continued)*

Trade receivables *(continued)*

Total past due per significant operation

	Inter-connect receivables Rm	Contract receivables Rm	Other receivables Rm	Total Rm
2012				
MTN RSA	29	533	68	630
MTN Nigeria Communications Limited	416	252	26	694
Irancell Telecommunication Company Services (PJSC)	929	24	35	988
Other operations	716	722	1 378	2 816
	2 090	1 531	1 507	5 128
2011				
MTN RSA	147	733	–	880
MTN Nigeria Communications Limited	376	21	51	448
Irancell Telecommunication Company Services (PJSC)	1 207	51	45	1 303
Other operations	1 081	1 177	378	2 636
	2 811	1 982	474	5 267

Provision for impairment of trade receivables

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange differences and other movements Rm	At end of the year Rm
2012						
Movement in provision for impairment of trade receivables	(1 900)	(346)	83	26	39	(2 098)
2011						
Movement in provision for impairment of trade receivables	(1 571)	(500)	45	316	(190)	(1 900)

[1] *A net impairment loss of R263 million (2011: R455 million) was incurred in the current year. This amount is included in other operating expenses in profit or loss (note 6).*

The Group does not hold any collateral for trade receivables.

43. Financial risk management and financial instruments *(continued)*

43.4 Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures it has sufficient cash on demand (currently the Group is maintaining a positive cash position) or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following liquid resources are available:

	2012 Rm	2011 Rm
Trade and other receivables	13 952	15 321
Current investments	5 343	1 677
Derivative assets	191	–
Cash and cash equivalents, net of overdrafts	25 531	35 213
	45 017	52 211

The Group's undrawn borrowing facilities are disclosed in note 25.

The following are the contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
Non-current financial liabilities					
2012					
Borrowings	21 742	26 302	11 308	14 713	281
Other non-current liabilities	1 044	1 517	295	379	843
Derivative liabilities	2	2	2	–	–
	22 788	27 821	11 605	15 092	1 124
2011					
Borrowings	23 554	28 319	8 492	17 249	2 578
Other non-current liabilities	439	461	213	248	–
	23 993	28 780	8 705	17 497	2 578

43. Financial risk management and financial instruments *(continued)*

43.4 Liquidity risk *(continued)*

	Carrying amount Rm	Total Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm
Current financial liabilities					
2012					
Trade and other payables	24 520	24 760	13 180	4 755	6 825
Borrowings	10 621	11 363	5 559	97	5 707
Derivative liabilities	14	14	9	5	–
Put option liability	216	216	216	–	–
Bank overdrafts	169	169	164	5	–
	35 540	36 522	19 128	4 862	12 532
2011					
Trade and other payables	24 755	24 823	9 090	9 608	6 125
Borrowings	9 869	11 782	3 829	2 972	4 981
Put option liability	178	178	178	–	–
Bank overdrafts	593	593	593	–	–
	35 395	37 376	13 690	12 580	11 106

43.5 Market risk

Market risk is the risk that changes in market prices (interest rate and currency risk) will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

43.5.1 Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, current investments, trade and other receivables/payables, loans receivable/payable and bank overdrafts. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

The Group's interest rate risk arises from the repricing of the Group's forward cover and floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the significant cash balances which exist.

Debt in the South African entities and all holding companies (including MTN (Dubai) Limited and MTN International (Mauritius) Limited) is managed on an optimal fixed versus floating interest rate basis, in line with the approved Group Treasury Policy. Significant cash balances are also considered in the fixed versus floating interest rate exposure mix.

Debt in the majority of the Group's non-South African operations is at floating interest rates. This is due to the underdeveloped and expensive nature of derivative products in these financial markets. The Group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the Group Treasury Policy.

The Group makes use of various products including interest rate derivatives and other appropriate hedging tools as a way to manage these risks; however, derivative instruments may only be used to hedge existing exposures.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.1 Interest rate risk *(continued)*

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 Fixed rate instruments Rm	2012 Variable rate instruments Rm	2011 Fixed rate instruments Rm	2011 Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	1 683	1 861	–	1 596
Current financial assets				
Trade and other receivables	667	38	261	15
Current investments	7 074	–	9 480	–
Restricted cash	109	4 726	114	330
Cash and cash equivalents	8 217	14 836	6 295	26 570
	17 750	21 461	16 150	28 511
Non-current financial liabilities				
Borrowings	6 191	15 283	8 545	23 097
Other non-current liabilities	849	166	54	610
Current financial liabilities				
Trade and other payables	1 149	654	52	155
Borrowings	5 506	5 115	–	–
Bank overdrafts	5	164	–	593
	13 700	21 382	8 651	24 455

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR and EURIBOR, money market rates and prime rate. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown on the next page.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2011.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.1 Interest rate risk *(continued)*

Sensitivity analysis *(continued)*

	2012 (Decrease)/increase in profit before tax			2011 (Decrease)/increase in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	(42,4)	42,4	1	(65,5)	65,5
LIBOR	1	7,0	(7,0)	1	(15,0)	15,0
3-month LIBOR	1	(9,9)	9,9	1	(4,7)	4,7
NIBOR	1	(82,2)	82,2	1	(44,7)	44,7
EURIBOR	1	(7,1)	7,1	1	(3,3)	3,3
Money market	1	65,0	(65,0)	1	90,2	(90,2)
Prime	1	(2,5)	2,5	1	16,9	(16,9)
Other	1	72,6	(72,6)	1	66,7	(66,7)

43.5.2 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

The Group operates internationally and is exposed to currency risk arising from various currency exposures. Refer to the table on the next page for the Group's exposure to foreign currency risk based on notional amounts. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is also exposed to translation risk as holding companies do not report in the same currencies as operating entities.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 20 for the Group's outstanding foreign exchange contracts. The Group's Nigerian subsidiary manages foreign currency risk on major foreign purchases by placing foreign currency on deposit as security against letters of credit (LCs) when each order is placed.

The Group has foreign subsidiaries whose assets are exposed to foreign currency translation risk, which is managed primarily through borrowings denominated in the relevant foreign currencies to the extent that such funding is available on reasonable terms in the local capital markets.

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.2 Currency risk *(continued)*

Foreign currency exposure

Included in the Group statement of financial position are the following amounts denominated in currencies other than the functional currency of the reporting entities:

	2012 Rm	2011 Rm
Assets		
Non-current		
– United States dollar	–	11
	–	11
Current		
– United States dollar	12 247	3 695
– Euro	1 347	2 304
– South African rand	54	–
– British pound sterling	5	5
	13 653	6 004
Total assets	13 653	6 015
Liabilities		
Non-current		
– United States dollar	2 953	2 416
– Euro	368	511
	3 321	2 927
Current		
– United States dollar	4 191	4 913
– Euro	1 122	728
– South African rand	40	65
– British pound sterling	48	10
	5 401	5 716
Total liabilities	8 722	8 643

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.2 Currency risk *(continued)*

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates against functional currencies in respect of the South African rand, US dollar, Euro and Syrian pound. This analysis considers the impact of changes in foreign exchange rates on profit, excluding foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remains constant. The analysis is performed on the same basis as applied in 2011.

		Increase/(decrease) in profit before tax	
Denominated: functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2012			
US$:ZAR	10	699,5	(699,5)
US$:IRR	10	(22,4)	22,4
US$:SDG	10	(225,2)	225,2
US$:SSP	10	(81,2)	81,2
US$:NGN	10	(195,3)	195,3
EUR:SDG	10	(322,9)	322,9
EUR:US$	10	330,0	(330,0)
US$:GNF	10	(97,2)	97,2
SYP:US$	10	285,6	(285,6)
US$:ZMK	10	(119,8)	119,8
IRR:ZAR	10	118,1	(118,1)
2011			
US$:ZAR	10	247,6	(247,6)
US$:IRR	10	(163,7)	163,7
US$:SDG	10	(230,0)	230,0
US$:NGN	10	(326,3)	326,3
EUR:SDG	10	(239,1)	239,1
EUR:US$	10	268,8	(268,8)
US$:GNF	10	(93,0)	93,0
SYP:US$	10	325,1	(325,1)

43. Financial risk management and financial instruments *(continued)*

43.5 Market risk *(continued)*

43.5.3 Price risk

The Group is not directly exposed to commodity price risk or material equity securities price risk.

43.6 Capital risk management

The Group's policy is to maximise borrowings at an operating company level, on a non-recourse basis, within an acceptable level of debt for the maturity of the local company.

Equity funding for existing operations or new acquisitions is raised centrally, first from excess cash and then from new borrowings while retaining an acceptable level of debt for the consolidated Group. Where funding is not available to the operation locally or in specific circumstances where it is more efficient to do so, funding is sourced centrally and on-lent. The Group's policy is to borrow using a mixture of long-term and short-term capital market issues and borrowing facilities from the local and international capital markets as well as multilateral organisations together with cash generated to meet anticipated funding requirements.

The board of directors has approved three key debt protection ratios at a consolidated level being net debt:EBITDA, net debt:equity and net interest:EBITDA. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents.

These internal ratios establish levels of debt that the Group should not exceed other than for relatively short periods of time and are shared with the Group's debt rating agencies, being Moody's and Fitch.

The Group's net debt:EBITDA, net debt:equity and net interest:EBITDA at the end of the year are set out below.

	2012	2011
Net debt:EBITDA		
Borrowings and bank overdrafts (Rm)	32 532	34 016
Less: Bank balances, deposits and cash (Rm)	(38 051)	(45 832)
Net debt (Rm)	(5 519)	(11 816)
EBITDA (Rm)	58 564	54 750
Net debt/EBITDA	(0,1)	(0,2)
Net debt:total equity		
Net debt (Rm)	(5 519)	(11 816)
Total equity (Rm)	92 887	92 699
Net debt/total equity (%)	(5,9)	(12,7)
Net interest:EBITDA		
Net finance costs (Rm)	(4 157)	(1 582)
EBITDA (Rm)	58 564	54 750
Net interest/EBITDA (%)	7,1	2,9

44. Share-based payments

Equity-settled share-based payments

The schemes described below are accounted for as equity-settled share-based payments to employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value is measured using a stochastic model. The expected life used in the model is based on management's best estimate, after considering the effects of non-transferability, exercise restrictions and behavioural considerations where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the schemes, treasury shares, if available within the MTN Group Share Trust, are allocated, or alternatively new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited, the securities exchange on which the Company's shares are listed. In terms of the share option scheme, participants with vested share options pay a consideration equal to the option price when the options are exercised. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium.

The MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The Group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the Group's continued growth.

The performance share plan is the active scheme which superseded the share option scheme, the share appreciation rights and share rights schemes. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining courses.

The vesting periods under the share rights scheme, share option scheme and share appreciation rights scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years respectively, after the grant date. The strike price for these schemes is determined as the closing market price for MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the Group before they vest.

The vesting period for the performance share plan is three years and the awards vest in full based on set performance targets.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the Company, being 91 633 632 (2011: 92 402 610 shares), excluding Zakhele transactions and treasury shares, as approved by shareholders in 2001.

44. Share-based payments *(continued)*

MTN Group share options

Details of the outstanding share options are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
2 September 2002	9,31	166 550	(5 190)	(161 360)	–
1 December 2003	27,00	205 700	(5 910)	(21 600)	178 190
1 December 2004	40,50	81 300	(3 340)	(10 820)	67 140
Total		453 550	(14 440)	(193 780)	245 330

The options outstanding at the end of the year under review have a weighted average remaining contractual life of one year (2011: two years). No new options were granted in the current or prior year and no expense was recognised as the above options vested in prior periods.

The share option scheme has been superseded by the introduction of the Group share appreciation rights scheme described below.

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The share appreciation rights scheme was implemented on 31 May 2006, and superseded the share option scheme.

On 26 August 2008, the board approved the share rights scheme, which superseded the share appreciation rights scheme. Both the rights schemes operate under the same provisions with the exception that the share rights scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company.

Exercised rights are equity-settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Details of the outstanding share appreciation rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
31 May 2006	56,83	506 475	(9 000)	(225 815)	271 660
21 November 2006	71,00	395 070	(5 970)	(234 200)	154 900
1 January 2007	85,30	31 380	–	–	31 380
22 June 2007	96,00	248 420	(57 280)	(84 860)	106 280
19 March 2008	126,99	408 860	(67 910)	(42 270)	298 680
Total		1 590 205	(140 160)	(587 145)	862 900

44. Share-based payments *(continued)*

Details of the outstanding share rights are as follows:

Offer date	Strike price R	Number outstanding at 31 December 2011	Forfeited during 2012	Exercised during 2012	Number outstanding at 31 December 2012
1 September 2008	118,64	1 547 880	(160 390)	(440 490)	947 000
28 June 2010	107,49	2 916 315	(296 820)	(440 838)	2 178 657
Total		4 464 195	(457 210)	(881 328)	3 125 657

The share rights and share appreciation rights outstanding at the end of the year under review have a weighted average remaining contractual life of six years (2011: eight years).

There were no new grants during the 2012 or 2011 financial year.

MTN performance share plan (PSP)

During the 2012 and 2011 financial years the Group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on level 3 – 4, and 5 – 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement, thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the Group in general.

The share rights vest after three years from date of grant. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

Vesting conditions for shares granted	Proportion of grant Employee level 3 – 4 %	Employee level 5 – 6 %
Total shareholder return	37,5	50,0
Adjusted free cash flow	37,5	50,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	–

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75% percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 11% – 19% growth on the adjusted free cash flow. The individual retention vesting condition is guaranteed subject to the employee remaining employed by the Group for the duration of the vesting period.

44. Share-based payments *(continued)*

MTN performance share plan (PSP) *(continued)*

Details of the outstanding equity-settled performance share plan rights are as follows:

Offer date	Number outstanding at 31 December 2011	Offered during 2012	Forfeited during 2012	Number outstanding at 31 December 2012
29 June 2011	1 584 800	–	(87 500)	1 497 300
29 December 2011	1 491 714	–	(103 000)	1 388 714
28 December 2012	–	1 960 540	–	1 960 540
Total	3 076 514	1 960 540	(190 500)	4 846 554

A valuation has been prepared using a stochastic model to determine the fair value of the obligation under the performance share plan and the expense to be recognised during the year.

The range of inputs into the stochastic model used for rights granted during the year were as follows:

	2012	2011
Share price	R178,28	R142,80 – R143,00
Expected life	3 years	3 years
Risk-free rate	4,97% – 5,35%	6,84% – 6,18%
Expected volatility	21,00% – 22,54%	32,19% – 26,49%
Dividend yield	5,08%	2,22% – 2,92%

The risk-free rate was estimated using the implied yield on SA zero-coupon government bonds.

Volatility was estimated using the weekly closing share price and the dividend yield was estimated by using a one year (2011: two year) moving average of the dividend yield at valuation date.

	2012 Rm	2011 Rm
Expense arising from equity-settled share-based payment transactions (note 6)	147	74

45. Reclassification

Group statement of cash flows

	2011		
	As previously reported Rm	Reclassification[1] Rm	Reclassified Rm
Net cash generated from operating activities	27 874	(2 647)	25 227
Net cash used in investing activities	(20 616)	–	(20 616)
Net cash used in financing activities	(12 033)	2 647	(9 386)
Cash and cash equivalents at end of the year	35 213	–	35 213

[1] ***Dividends paid to non-controlling interests***

Dividends paid to non-controlling interests were reclassified from financing activities to operating activities to include all dividends paid to equity holders in operating activities.

Company statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
Finance income	1	11 456	17 688
Finance costs	1	(5)	(4)
Management fees received		68	72
Operating expenses	2	(129)	(140)
Profit before tax		11 390	17 616
Income tax expense	3	(897)	(1 177)
Total comprehensive income after tax attributable to the equity holders of the Company		10 493	16 439

Company statement of financial position

at 31 December 2012

	Note	2012 Rm	2011 Rm
ASSETS			
Non-current assets			
Investment in subsidiaries	4	23 708	23 708
Current assets		270	4 784
Trade and other receivables	5	136	60
Cash and cash equivalents	6	134	4 724
Total assets		23 978	28 492
SHAREHOLDERS' EQUITY			
Ordinary share capital and share premium	7	45 611	45 608
Retained earnings		(23 451)	(18 921)
Reserves		1 662	1 662
Total equity		23 822	28 349
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		1	1
Current liabilities		155	142
Taxation liabilities		21	31
Trade and other payables	8	134	111
Total liabilities		156	143
Total equity and liabilities		23 978	28 492

Company statement of changes in equity

for the year ended 31 December 2012

	Share capital Rm	Share premium Rm	Retained earnings Rm	Reserves[1] Rm	Total equity Rm
Balance at 1 January 2011	*	45 602	(23 638)	1 662	23 626
Shares issued during the year	*	6	–	–	6
Total comprehensive income	–	–	16 439	–	16 439
Dividends paid	–	–	(11 722)	–	(11 722)
Balance at 31 December 2011	*	45 608	(18 921)	1 662	28 349
Balance at 1 January 2012	*	45 608	(18 921)	1 662	28 349
Shares issued during the year	*	3	–	–	3
Shares cancelled	*	–	–	–	*
Total comprehensive income	–	–	10 493	–	10 493
Dividends paid	–	–	(15 023)	–	(15 023)
Balance at 31 December 2012	*	45 611	(23 451)	1 662	23 822
Note	7	7			

[1] Share-based payment reserve.
**Amounts less than R1 million.*

Company statement of cash flows

for the year ended 31 December 2012

	Note	2012 Rm	2011 Rm
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES			
Cash utilised in operations	9	(116)	(72)
Finance costs paid		–	(1)
Finance income received		93	24
Income tax paid	10	(907)	(1 175)
Dividends paid		(15 023)	(11 722)
Dividends received		11 360	17 660
Net cash (utilised in)/generated from operating activities		(4 593)	4 714
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of ordinary shares		3	6
Net cash generated from financing activities		3	6
Net (decrease)/increase in cash and cash equivalents		(4 590)	4 720
Cash and cash equivalents at beginning of the year		4 724	4
Cash and cash equivalents at end of the year	6	134	4 724

Notes to the Company annual financial statements

for the year ended 31 December 2012

1. Finance income and finance costs

Finance income
Finance income comprises interest income on funds invested, dividend income and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Finance costs
Refer to note 7 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Interest income	93	24
Foreign exchange gains	3	4
Dividend income	11 360	17 660
Finance income	11 456	17 688
Interest on borrowings	(1)	(4)
Foreign exchange losses	(4)	–
Finance costs	(5)	(4)
Net finance income recognised in profit or loss	11 451	17 684

2. Operating expenses

	2012 Rm	2011 Rm
The following disclosable items have been included in operating expenses:		
Directors' emoluments	(13)	(12)
Fees paid for services	(87)	(93)
Professional fees	(25)	(27)
Management fees (note 11)	(62)	(66)
Auditors' remuneration	(5)	(7)
Audit fees	(3)	(3)
Fees for other services	(2)	(4)

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

3. Income tax expense

Refer to note 8 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Secondary tax on companies (STC)	(898)	(1 172)
Normal tax	1	(6)
Current year	(18)	(6)
Adjustments in respect of the prior year	19	–
Deferred tax charge	–	1
	(897)	(1 177)

South African normal taxation is calculated at 28% (2011: 28%) of the estimated taxable income for the year.

	2012 %	2011 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Statutory tax rate	28,0	28,0
Income not subject to tax	(27,9)	(28,1)
Effect of STC	7,9	6,7
Expenses not allowed	–	0,1
Effect of normal tax adjustment in respect of the prior year	(0,1)	–
Effective tax rate	7,9	6,7

4. Investment in subsidiaries

Refer to note 1.3.1 of the Group annual financial statements for applicable accounting policy.

	2012 Rm	2011 Rm
Total interest in subsidiary Mobile Telephone Networks Holdings Proprietary Limited	23 651	23 651
Total interest in MTN Group Management Services Proprietary Limited	57	57
MTN Group Management Services Proprietary Limited	*	*
Loan owing by subsidiary	57	57
Total interest in subsidiary companies	23 708	23 708

**Amounts less than R1 million.*

5. Trade and other receivables

Refer to note 18 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Trade receivables due from related parties	134	57
Prepayments and other receivables	2	–
Sundry debtors and advances	–	3
	136	60

6. Cash and cash equivalents

Refer to note 22 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Cash at bank and on hand	134	4 724

7. Ordinary share capital and share premium

Refer to note 23 of the Group annual financial statements for the applicable accounting policy.

	2012 Number of shares	2011 Number of shares
Authorised	2 500 000 000	2 500 000 000
Issued	1 883 484 324	1 884 811 569
In issue at beginning of the year	1 884 811 569	1 884 510 117
Options exercised	193 780	301 452
Shares cancelled	(1 521 025)	–
In issue at end of the year	1 883 484 324	1 884 811 569
Options – MTN Zakhele transaction[1]	(28 473 927)	(29 994 952)
In issue at end of the year– excluding MTN Zakhele transaction[2]	1 855 010 397	1 854 816 617

[1] Due to the call option over the notional vendor finance shares, these shares, although legally issued to MTN Zakhele, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

[2] Treasury shares are held by MTN Holdings Proprietary Limited and are therefore excluded from this reconciliation. Refer to note 23 of the Group annual financial statements.

	2012 Rm	2011 Rm
Share capital		
Balance at beginning of the year	*	*
Additions	*	*
Shares cancelled	*	–
Balance at end of the year	*	*
Share premium		
Balance at beginning of the year	45 608	45 602
Options exercised	3	6
Balance at end of the year	45 611	45 608

**Amounts less than R1 million.*

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

8. Trade and other payables

Refer to note 29 of the Group annual financial statements for the applicable accounting policy.

	2012 Rm	2011 Rm
Payables due to related parties	12	15
Accrued expenses and other payables	122	96
	134	111

9. Cash utilised in operations

	2012 Rm	2011 Rm
Profit before tax	11 390	17 616
Adjusted for:		
Finance income (note 1)	(11 456)	(17 688)
Finance costs (note 1)	5	4
Other	(1)	(29)
	(62)	(97)
Changes in working capital	(54)	25
(Increase)/decrease in trade and other receivables	(73)	75
Increase/(decrease) in trade and other payables	19	(50)
	(116)	(72)

10. Income tax paid

	2012 Rm	2011 Rm
Balance at beginning of the year	(31)	(24)
Amounts recognised in profit or loss (note 3)	(897)	(1 177)
Other	–	(5)
Balance at end of the year	21	31
Total tax paid	(907)	(1 175)

11. Related party transactions

Refer to note 41 of the Group annual financial statements for the applicable accounting policy.

Various transactions were entered into by the Company during the period with related parties.

The following is a summary of significant transactions with related parties during the period and significant balances receivable at the reporting date:

	2012 Rm	2011 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Proprietary Limited	(104)	–
Dividends received		
– Mobile Telephone Networks Holdings Proprietary Limited	11 360	17 660
Management fees paid		
– MTN Group Management Services Proprietary Limited	(62)	(66)
Management fees received		
– MTN International Proprietary Limited	68	72
Professional fees paid		
– MTN Group Management Services Proprietary Limited	(11)	–
Receivables		
– Mobile Telephone Networks Holdings Proprietary Limited	121	1

Directors

Details of directors' remuneration are disclosed in note 2 of the Company annual financial statements.

Shareholders

The principal shareholders of the Company are disclosed in the integrated report on page 211.

12. Contingent liabilities and commitments

Refer to note 33 of the Group annual financial statements for the applicable accounting policy.

The Company does not have any contingent liabilities or commitments at year-end.

13. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Company are initially measured at fair value and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation, recognised in accordance with IAS 18 *Revenue*.

Where financial guarantees are issued by a wholly owned subsidiary to its parent company in respect of debt incurred by the parent company, these are deemed to be liquidity instruments only as opposed to financial guarantee contracts per IFRS.

The Company along with certain of its subsidiaries has guaranteed the bonds, revolving credit facilities and general banking facilities of Mobile Telephone Networks Holdings Proprietary Limited. The Company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	2012 Rm	2011 Rm
Terms and drawn down balances of the guarantees at the end of the year are as follows:		
Bond guarantees		
Bonds and commercial paper	7 192	6 050
These bonds are listed on the Bond Exchange of South Africa		
Syndicated and other loan facilities		
ZAR long-term loan	4 254	7 096
General banking facility		
ZAR facility	502	–
	11 948	13 146

In addition, the Company has provided unrestricted suretyship with regards to the cash management facility of Mobile Telephone Networks Holdings Proprietary Limited and suretyship to the amount of R5 850 million with regards to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited.

14. Financial risk management and financial instruments

Refer to note 43 of the Group annual financial statements for the applicable accounting policy.

14.1 *Categories of financial instruments*

	Loans and receivables Rm	Amortised cost Rm	Total[1] carrying amount Rm
2012			
Trade and other receivables	136	–	136
Cash and cash equivalents	134	–	134
	270	–	270
Trade and other payables	–	134	134
2011			
Trade and other receivables	60	–	60
Cash and cash equivalents	4 724	–	4 724
	4 784	–	4 784
Trade and other payables	–	111	111

[1] *The carrying value of all financial instruments not measured at fair value closely approximates fair value.*

14.2 *Credit risk*

Refer to note 43.3 of the Group annual financial statements for an explanation on credit risk and how it is managed.

The Company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2012 Rm	2011 Rm
Cash and cash equivalents	134	4 724
Trade and other receivables	136	60
	270	4 784

14.3 *Liquidity risk*

Refer to note 43.4 of the Group annual financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2012 Rm	2011 Rm
Cash and cash equivalents	134	4 724
Trade and other receivables	136	60
	270	4 784

Notes to the Company financial statements *continued*

for the year ended 31 December 2012

14. Financial risk management and financial instruments *(continued)*

14.3 Liquidity risk *(continued)*

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm	Payable more than 1 month but not exceeding 3 months Rm
2012				
Trade and other payables				
– Accrued expenses and other payables	122	122	122	–
– Payables due to related parties	12	12	12	–
	134	134	134	–
2011				
Trade and other payables				
– Accrued expenses and other payables	96	96	51	45
– Payables due to related parties	15	15	15	–
	111	111	66	45

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 43.5.1 of the Group annual financial statements for an explanation on interest rate risk and how it is managed.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Variable rate instruments Rm
2012	
Financial assets	
Cash and cash equivalents	134
2011	
Financial assets	
Cash and cash equivalents	4 724

14.4.2 Currency risk

Refer to note 43.5.2 of the Group annual financial statements for an explanation on currency risk and how it is managed.

The Company is not exposed to significant currency risk.

15. Events after the reporting period

Refer to note 40 of the Group annual financial statements with regards to the potential litigation by Turkcell Iletism Hizmetlera AS (Turkcell).

16. Shareholders' information

Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	125 170	88,17	27 820 025	1,48
1 001 – 10 000 shares	14 347	10,11	39 171 099	2,08
10 001 – 100 000 shares	1 640	1,16	52 258 674	2,77
100 001 – 1 000 000 shares	632	0,44	195 846 776	10,40
1 000 001 shares and over	170	0,12	1 568 387 750	83,27
Total	141 959	100,00	1 883 484 324	100,00

Nominees holding shares in excess of 5% of the issued ordinary share capital of the Company

	2012 Number of shares	2012 % of issued share capital	2011 Number of shares	2011 % of issued share capital
Nedcor Bank Nominees Limited	397 863 194	21,12	454 420 485	24,11
Standard Bank Nominees (Tvl) Proprietary Limited	626 718 889	33,27	582 963 175	30,93
First National Nominees Proprietary Limited	296 249 416	15,73	302 536 665	16,05
Absa Nominees Proprietary Limited	157 902 523	8,38	158 215 872	8,39

Spread of ordinary shareholders

	2012 Number of shareholdings	2012 Number of shares	2012 % of issued share capital	2011 Number of shares	2011 % of issued share capital
Public	141 919	1 280 878 892	68,01	1 282 083 602	68,02
Non-public	40	602 605 432	31,99	602 727 967	31,98
Directors and associates of the Company	13	1 958 440	0,10	2 456 067	0,13
Empowerment	2	76 748 338	4,07	85 509 785	4,54
Lombard Odier Darier Hentsch & Cie (M1 Limited)	8	183 152 564	9,72	183 152 564	9,72
Government Employees Pension Fund	16	318 408 338	16,91	324 845 139	17,23
Mobile Telephone Networks Holdings	1	22 337 752	1,19	6 764 412	0,36
Total	141 959	1 883 484 324	100,00	1 884 811 569	100,00

Beneficial shareholders holding 5% or more

	2012 Number of shares	2012 % of issued share capital	2011 Number of shares	2011 % of issued share capital
Government Employees Pension Fund	318 408 338	16,91	324 845 139	17,23
Lombard Odier Darier Hentsch & Cie (M1 Limited)	183 152 564	9,72	183 152 564	9,72

17. Resolutions

During the year there were no material special resolutions passed in the Company or its subsidiary companies.

Annexure 1

Interests in subsidiary companies and joint ventures at 31 December 2012

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	2012 Effective % interest in issued ordinary share capital	2011 Effective % interest in issued ordinary share capital
MTN Afghanistan Limited	Telecommunications	Afghanistan	90,9	90,9
Spacetel Benin SA	Telecommunications	Benin	75	75
Deci Investments Proprietary Limited[1]	Investment holding company	Botswana	33,3	33,3
Econet Wireless Citizens Limited	Investment holding company	Botswana	82,8	82,8
Mascom Wireless Botswana Proprietary Limited[1]	Network operator	Botswana	53,1	53,1
MTN Business Solutions Botswana Proprietary Limited	Internet service provider	Botswana	80	80
Easydial International Limited	Holding company	British Virgin Islands	99	99
Interserve Overseas Limited	International business	British Virgin Islands	99	99
Investcom Consortium Holding S.A.	Holding company	British Virgin Islands	99	99
Investcom Global Limited	Managing and holding company	British Virgin Islands	99	99
Investcom International Limited	Dormant company	British Virgin Islands	99	99
Investcom Mobile Benin Limited	Holding company	British Virgin Islands	99	99
Investcom Mobile Communications Limited	Holding company	British Virgin Islands	100	100
Investcom Telecommunications Afghanistan Limited	Holding company	British Virgin Islands	100	100
Investcom Telecommunications Guinea (Conakry) Limited	Holding company	British Virgin Islands	99	99
Investcom Telecommunications Yemen Limited	Telecommunications	British Virgin Islands	100	100
MTN Yemen	Telecommunications	British Virgin Islands	82,8	82,8
Spacetel Africa Limited	Telecommunications	British Virgin Islands	100	100
Starcom Global Limited	Holding company	British Virgin Islands	89	89
Mobile Telephone Networks Cameroon Limited	Network operator	Cameroon	70	70
MTN Network Solutions Limited	Internet service provider	Cameroon	70	70
Afnet	Internet service provider	Côte d'Ivoire	67,7	64,7
Arobase	Fixed line operator	Côte d'Ivoire	67,7	64,7
MTN Côte d'Ivoire S.A.	Network operator	Côte d'Ivoire	67,7	64,7
Infotel Limited	Telecommunications and consumer products	Cyprus	50	50
MTN Cyprus Limited	Telecommunications	Cyprus	50	50
OTEnet Cyprus Limited	Telecommunications	Cyprus	50	50
Fourteenth Avenue Investment Holding Limited	Holding company	Dubai	100	100
MTN ICT Services PLC	ICT service provider	Ethiopia	99,9	–
Uniglobe SA[2]	Management company	France	–	99,8
Easynet Search Limited	Internet service provider	Ghana	99,6	99,6
Scancom Limited	Telecommunications	Ghana	97,7	97,7
Areeba Guinea S.A.	Telecommunications	Guinea	75	75
Spacetel Guinea-Bissau S.A.	Telecommunications	Guinea-Bissau	100	100
Irancell Telecommunication Company Services (PJSC)[1]	Network operator	Iran	49	49
MTN Business Limited (Kenya)	Internet service provider	Kenya	42	42
MTN Business Kenya Limited	Internet service provider	Kenya	42	42
Inteltec Offshore SAL	Maintenance and engineering services	Lebanon	99,8	99,8
MTN (Dubai) Limited	Holding company	UAE	100	100
Servico SAL	Services and transportation of goods	Lebanon	99,97	99,97
Lonestar Communications Corporation LLC	Telecommunications	Liberia	60	60

[1] *Joint venture.*

[2] *Company dissolved in 2012.*

Subsidiaries and joint ventures in which MTN Group Limited has a direct and indirect interest	Principal activity	Place of incorporation	2012 Effective % interest in issued ordinary share capital	2011
Guardrisk International Limited PCC	Insurance company	Mauritius	100	100
Mobile Botswana Limited	Investment holding company	Mauritius	100	100
MTN International (Mauritius) Limited	Investment holding company	Mauritius	100	100
Satellite Data Networks Mauritius Proprietary Limited[1]	Internet service provider	Mauritius	60	60
MTN Business Solutions Namibia Proprietary Limited	Internet service provider	Namibia	100	100
MTN (Netherlands) Co-Op UA	Holding company	Netherlands	100	100
MTN (Netherlands) BV	Holding company	Netherlands	100	100
MTN NIC BV	Holding company	Netherlands	100	100
Electronic Funds Transfer Operations Nigeria Limited	Virtual airtime	Nigeria	50	50
MTN Nigeria Communications Limited	Network operator	Nigeria	78,83	78,83
XS Broadband Limited	Telecommunications	Nigeria	78,83	78,83
Galactic Engineering Projects SA	Holding company	Panama	78	78
Vernis Associates SA	Holding company	Panama	100	100
MTN Congo S.A.	Network operator	Republic of the Congo	100	100
MTN Rwandacell S.A.R.L	Network operator	Rwanda	80	80
Village Phone Rwanda[2]	Airtime sales	Rwanda	–	100
Aconcagua 11 Proprietary Limited	Property holding	South Africa	100	100
Cell Place Proprietary Limited	Cellular dealership	South Africa	100	100
iTalk Cellular Proprietary Limited	Service provider	South Africa	100	100
Mobile Telephone Networks Proprietary Limited	Network operator	South Africa	100	100
Mobile Telephone Networks Holdings Proprietary Limited	Investment holding company	South Africa	100	100
MTN Business Solutions Proprietary Limited	Internet service provider	South Africa	100	100
MTN Group Management Services Proprietary Limited	Management services	South Africa	100	100
MTN International Proprietary Limited	Investment holding company	South Africa	100	100
Oltio Proprietary Limited (MTN Mobile Money Holdings Proprietary Limited)[1]	Wireless banking services	South Africa	50	50
MTN Network Solutions Proprietary Limited	Internet service provider	South Africa	100	100
MTN Propco Proprietary Limited	Property holding	South Africa	100	100
MTN Service Provider Proprietary Limited	Service provider	South Africa	100	100
Satellite Data Networks Proprietary Limited	Dormant company	South Africa	100	100
Inteltec Macroc SA	Maintenance and engineering services	Monaco	99,83	99,83
MTN Sudan Company Limited	Network operator	Sudan	85	85
Swazi MTN Limited[1]	Network operator	Swaziland	30	30
MTN Syria (JSC)	Telecommunications	Syria	75	75
MTN Publicom Limited	Payphone services	Uganda	96	96
MTN Uganda Limited	Network operator	Uganda	96	96
MTN SEA Shared Services Limited	Shared services hub	Uganda	100	–
Spacetel International Limited	Dormant company	United Kingdom	100	100
Cotel Holdings Limited	Investment holding company	Zambia	100	100
MTN (Zambia) Limited	Network operator	Zambia	86	86
MTN Business Solutions Limited (Zambia)	Internet service provider	Zambia	48	48
MTN Mobile Money Limited	Wireless banking services	Zambia	86	–

[1] *Joint venture.*
[2] *Company dissolved in 2012.*

A focus on our CSI

06

Shareholder information

Notice of the eighteenth annual general meeting

MTN Group Limited
Incorporated in the Republic of South Africa
(Registration number 1994/009584/06)
(MTN Group or the Company)
JSE code: MTN
ISIN: ZAE000042164

This document is important and requires your immediate attention
If you are in any doubt about what action you should take, consult your broker, Central Securities Depository Participant (**CSDP**), legal adviser, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in MTN Group, please forward this document, together with the enclosed form of proxy, to the purchaser of such shares or the broker, banker or other agent through whom you disposed of such shares.

Included in this document are:
- the notice of meeting, setting out the resolutions to be proposed thereat, together with explanatory notes. There are also guidance notes if you wish to attend the meeting (for which purpose the meeting location map is included) or to vote by proxy;
- a proxy form for use by shareholders holding MTN Group ordinary shares in certificated form or recorded in sub -registered electronic form in "own name".

Shareholders on the MTN Group share register who have dematerialised their ordinary shares through STRATE, other than those whose shareholding is recorded in their "own name" in the sub-register maintained by their CSDP, and who wish to attend the meeting in person, will need to request their CSDP or broker to provide them with the necessary authority to do so in terms of the custody agreement entered into between the dematerialised shareholders and their CSDP or broker.

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate in and vote at the meeting in his/her/its stead. A proxy does not have to be a shareholder of the Company but must be an individual.

The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

Notice to shareholders: Annual general meeting
Notice is hereby given to shareholders, as at the record date of Friday, 12 April 2013, that the eighteenth annual general meeting of shareholders of MTN Group will be held in the Auditorium, Phase II, Level 0, 216 – 14th Avenue, Fairland, Gauteng, on Tuesday, 28 May 2013 at 14:30 (South African time), to (i) consider and, if deemed fit, pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, 71 of 2008, as amended (**Companies Act**), as read with the JSE Limited Listings Requirements (**JSE Listings Requirements**), and (ii) deal with such other business as may lawfully be dealt with at the meeting, which meeting is to be participated in and voted at by shareholders as at the record date of Friday, 17 May 2013 (as contemplated in section 62(3)(a), read with section 59, of the Companies Act). The last date to trade to be entitled to participate in and vote at the meeting is Friday, 10 May 2013.

NB: Section 63(1) of the Companies Act – Identification of meeting participants
Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification and evidence of authority (where applicable) before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, drivers' licences and passports.

When reading the resolutions that follow, please refer to the explanatory notes for annual general meeting resolutions on pages 225 to 228.

For the purposes hereof "Group" shall bear the meaning assigned to it by the JSE Listings Requirements, which defines "Group" as a holding company, not itself being a wholly-owned subsidiary, together with all companies/entities which are its subsidiaries, if any.

Presentation of annual financial statements

The consolidated audited annual financial statements of the Company and its subsidiaries (as approved by the board of directors of the Company), including the directors' report, the audit committee report and the external auditors' report for the year ended 31 December 2012, have been distributed as required and will be presented to shareholders.

The complete annual financial statements are set out on pages 114 to 211 of the integrated business report.

1. Ordinary resolution numbers 1.1 to 1.6:
Re-election of directors

To re-elect, by separate resolutions, directors of the Company in accordance with the Companies Act and the Company's memorandum of incorporation, which provides that at least one-third of the directors, being those longest in office at the date of the annual general meeting, should retire, but that such directors may offer themselves for re-election.

Status of the Chairman

"MC Ramaphosa (Chairman) who retires and is eligible for re-election has given notice of his intention to retire as a director and chairman of the Company at this meeting."

1.1 Ordinary resolution number 1.1

"Resolved that AT Mikati, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company";

1.2 Ordinary resolution number 1.2

"Resolved that RS Dabengwa, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company";

1.3 Ordinary resolution number 1.3

"Resolved that NI Patel, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company";

1.4 Ordinary resolution number 1.4

"Resolved that AF van Biljon, who has served on the board as an independent non-executive director for an aggregate period in excess of nine years, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company";

1.5 Ordinary resolution number 1.5

"Resolved that JHN Strydom, who has served on the board as an independent non-executive director for an aggregate period in excess of nine years, who retires by rotation in terms of the memorandum of incorporation of the Company and who is eligible and available for re-election, is re-elected as a director of the Company"; and

1.6 Ordinary resolution number 1.6

"Resolved that F Titi, who retires by virtue of his appointment to fill a casual vacancy subsequent to the preceding annual general meeting in terms of the memorandum of incorporation of the Company and who is eligible and available for election, is elected as a director of the Company."

Biographical details in respect of each director standing for re-election appear on pages 22 to 25 of the integrated report.

2. Ordinary resolution numbers 2.1 to 2.4:
Election of audit committee

2.1 Ordinary resolution number 2.1
"Resolved that AF van Biljon is elected as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act, subject to his re-election as a director pursuant to ordinary resolution number 1.4"; and

2.2 Ordinary resolution number 2.2
"Resolved that NP Mageza is elected as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act"; and

2.3 Ordinary resolution number 2.3
"Resolved that J van Rooyen is elected as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act"; and

2.4 Ordinary resolution number 2.4
"Resolved that MJN Njeke is elected as a member of the audit committee, with effect from the end of this meeting, in terms of section 94(2) of the Companies Act."

Biographical details in respect of each director standing for election to the audit committee appear on pages 22 to 25 of the integrated report.

3. Ordinary resolution number 3:
Re-appointment of joint independent auditors

"Resolved that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. are re-appointed as joint auditors of the Company (for the financial year ending 31 December 2013) until the conclusion of the next annual general meeting."

4. Ordinary resolution number 4:
General authority to directors to allot and issue ordinary shares

"Resolved that, as required by and subject to the Company's memorandum of incorporation, and subject to the provisions of the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the directors are authorised, as they in their discretion think fit, to allot and issue shares and grant options over shares and to undertake to allot and issue shares and grant options over shares:

- representing not more than 10% of the number of ordinary shares in issue as at 31 December 2012 (i.e. 188 348 432 ordinary shares);
- separately, such shares as have been reserved to be allotted and issued by the Company in terms of its share and other employee incentive schemes (i.e. 5% of the unissued ordinary shares),

from the authorised but unissued ordinary shares of 0,01 cent each in the share capital of the Company, such authority to endure until the next annual general meeting of the Company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 months of the date of this meeting."

Advisory endorsement
Endorsement of the remuneration philosophy (policy)

To endorse, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board and statutory committees for their services as directors and members of committees), as set out in the Remuneration Report contained in the integrated report on pages 87 to 89.

Special resolutions

1. Special resolution number 1:
Proposed increase of remuneration payable to non-executive directors

"Resolved, in terms of article 73(b) of the memorandum of incorporation of the Company and subject to the terms thereof, that the non-executive directors' remuneration, payable quarterly in arrears, be increased with immediate effect as set out below:"

	Annual retainer fee			Meeting attendance fee		
	Current	Proposed	Increase %	Current	Proposed	Increase %
MTN Group board						
Chairperson	R954 900	R1 012 194	6,0	R82 765	R87 731	6,0
Member	R190 996	R202 456	6,0	R43 408	R46 012	6,0
International member	€75 420	€76 928	2,0	€7 542	€7 693	2,0
Local non-executive directors on special assignments or projects per day	–	–	–	R19 318	R20 477	6,0
International non-executive director on special assignment or projects per day	–	–	–	€3 307	€3 373	2,0
Ad hoc work performed by non-executive directors for special projects (hourly rate)	–	–	–	R3 400	R3 604	6,0
Audit committee						
Chairman	R96 339	R102 119	6,0	R29 719	R31 502	6,0
Member	R52 633	R55 791	6,0	R20 477	R21 706	6,0
Remuneration and human resources committee						
Chairman	R71 936	R76 252	6,0	R27 098	R28 724	6,0
International chairman	€5 515	€5 625	2,0	€3 520	€3 590	2,0
Member	R42 154	R44 683	6,0	R19 873	R21 065	6,0
International member	€3 232	€3 297	2,0	€3 232	€3 297	2,0
Risk management, compliance and corporate governance						
Chairman	R71 936	R76 252	6,0	R27 098	R28 724	6,0
Member	R42 154	R44 683	6,0	R19 873	R21 065	6,0
Social and ethics committee						
Chairman	R71 936	R76 252	6,0	R27 098	R28 724	6,0
Member	R42 154	R44 683	6,0	R19 873	R21 065	6,0
MTN Group Share Trust (trustees)						
Chairman	R63 937	R67 773	6,0	R24 085	R25 530	6,0
Trustee	R28 110	R29 797	6,0	R13 252	R14 047	6,0
Tender committee						
Chairman	R63 937	R67 773	6,0	R24 085	R25 530	6,0
Member	R37 360	R39 602	6,0	R17 613	R18 670	6,0

Special resolution number 1 is proposed in order to comply with the requirements of the Companies Act and the Company's memorandum of incorporation. The above rates have been determined to ensure that the remuneration of non-executive directors remains competitive in order to enable the Company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the Company, given its global footprint and growth rate.

In arriving at the proposal set out in special resolution number 1, the Group president and CEO, in consultation with the Group chief human resources and corporate affairs officer, conducted a review of the remuneration paid to non-executive directors and other non-executive office bearers, based on data provided by independent remuneration specialists and benchmarked against comparable South African companies with international operations. The remuneration and human resources committee considered the remuneration proposal in detail and, after consensus, recommended the remuneration proposal to the board, which sanctioned the proposal for recommendation to shareholders.

The proposed remuneration is considered to be fair and reasonable and in the best interests of the Company.

2. Special resolution number 2:
Adoption of new memorandum of incorporation

"Resolved that the Company adopt a new memorandum of incorporation which memorandum of incorporation has been initialled by the Group secretary for purposes of identification. The adoption of the memorandum of incorporation shall not affect the force or effect of any ordinary or special resolution passed at the meeting, and all such resolutions shall have full continuing force and effect pursuant to and under the memorandum of incorporation adopted hereunder, as if specifically passed pursuant to the relevant provisions thereof."

3. Special resolution number 3:
Repurchase of the Company's shares

Preamble

The board of directors of the Company has considered the impact of a repurchase or purchase, as the case may be, of up to 10% of the Company's shares, which falls within the amount permissible under a general authority in terms of the JSE Listings Requirements and, in respect of acquisitions by subsidiaries of the Company, the Companies Act.

Should the opportunity arise and should the directors deem it to be advantageous to the Company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the Company's shares.

"Resolved that the Company and/or a subsidiary of the Company, is authorised to repurchase or purchase, as the case may be, shares issued by the Company, from any person, upon such terms and conditions and in such number as the directors of the Company or the subsidiary may from time to time determine, including that such shares be repurchased or purchased from the capital redemption reserve fund, but subject to the applicable requirements of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time; and subject further to the restriction that the repurchase or purchase, as the case may be, by the Company and/or any of its subsidiaries, of shares in the Company of any class under this authority shall not, in aggregate in any one financial year, exceed 10% of the shares in issue in such class as at the commencement of such financial year";

It is recorded that, as at the last practicable date the JSE Listings Requirements provide, *inter alia*, that the Company or any subsidiary of the Company may only make a general repurchase of the shares in the Company if:

1. any such repurchase of shares is effected through the order book operated by the trading system of the JSE Limited (**JSE**) and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);

2. authorisation thereto is given by the Company's memorandum of incorporation;

3. at any point in time, the Company may only appoint one agent to effect any repurchase(s) on its behalf;

4. the general authority shall be valid only until the Company's next annual general meeting or 15 months from the date of passing of this special resolution, whichever is earlier;

5. a resolution by the board of directors that it authorises the repurchase, that the Company and its subsidiaries have passed the solvency and liquidity test and that from the time that the test was performed there have been no material changes to the financial position of the Group;

6. when the Company or a subsidiary of the Company has cumulatively repurchased 3% of any class of the Company's shares in issue on the date of passing of this special resolution (the initial number), and for each 3% in aggregate of that class of shares acquired thereafter, in each case in terms of this resolution, an announcement shall be published on SENS and in the press as soon as possible and not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;

7. the Company or its subsidiaries may not repurchase any of the Company's shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

8. no repurchases may be made at a price which is greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction is effected (the maximum price). The JSE will be consulted for a ruling if the Company's securities have not traded in such a five-day period; and

9. if the Company enters into derivative transactions that may or will result in the repurchase of shares in terms of this general authority, such transactions will be subject to the requirements in paragraphs 2, 3, 4, 7 and 8 (**subject to certain exceptions**) above, and the following requirements:

   (a) the strike price of any put option written by the Company less the value of the premium received by the Company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in paragraph 8 above;

   (b) the strike price and any call option may be greater than the maximum price in paragraph 8 at the time of entering into the derivative agreement, but the Company may not exercise the call option if it is more than 10% "out the money"; and

   (c) the strike price of the forward agreement may be greater than the maximum price in paragraph 8 but limited to the fair value of a forward agreement calculated from a spot price not greater than such maximum price.

After considering the effects of such maximum repurchase:

- the Company and the Group will be able in the ordinary course of business to pay its debts for a period of 8 months after the date of the notice of the annual general meeting;
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the general meeting.

For the purpose of considering special resolution number 3 and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated report, in which this notice of the annual general meeting is incorporated, at the places indicated:
- directors and management – refer to pages 22 to 25 and pages 26 to 29 of this integrated report;
- major shareholders – refer to page 211 of this report;
- directors' interests in securities – refer to page 95 of this report;
- share capital of the Company – refer to page 159 of this report.

The directors, whose names are set out on pages 22 to 25 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in this special resolution and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatening of which the Company is aware) which may have or have had a material effect on the Company's financial position over the last 12 months.

At the date of completing this notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred since December 2012.

The directors intend, should the proposed authority be granted to them under this resolution, to use such authority to continue, at appropriate times, to repurchase shares on the open market and thereby to more efficiently utilise cash on hand.

A general repurchase or purchase, as the case may be, of the Company's shares shall only take place after the JSE has received written confirmation from the Company's sponsor in respect of the directors' working capital statement.

This authority includes an authority, by special resolution, to repurchase, through the JSE's order book, as contemplated in section 48(8)(a) of the Companies Act, shares disposed of by a director or prescribed officer of the Company or a person related to a director or prescribed officer of the Company.

4. Special resolution number 4:
Financial assistance to subsidiaries and other related and inter-related entities and to directors, prescribed officers and other persons participating in share or other employee incentive schemes

"Resolved that, to the extent required by the Companies Act, the board of directors of the Company may, subject to compliance with the requirements of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to –

1. any of its present or future subsidiaries and/or any other company or entity that is or becomes related or inter-related to the Company or any of its subsidiaries, and/or to any member of such subsidiary or related or inter-related company or entity, for any purpose or in connection with any matter, including, but not limited to, the subscription for any option, or any securities issued or to be issued by the Company or a related or inter-related company or entity, or for the purchase of any securities of the Company or a related or inter-related company or entity; and/or

2. any of the present or future directors or prescribed officers of the Company or of a related or inter-related company or entity (or any person related to any of them or to any company or entity related or inter-related to any of them), or to any other person who is a participant in any of the Company's or Group's share or other employee incentive schemes, for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company or entity, or for the purchase of any securities of the Company or a related or inter-related company or entity, where such financial assistance is provided in terms of any such scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Companies Act, such authority to endure until the forthcoming annual general meeting of the Company."

5. **Special resolution number 5:**
Financial assistance in relation to the MTN Zakhele (RF) Limited transaction

"Resolved that, to the extent required by the Companies Act, the board of directors of the Company may, subject to compliance with the requirements of the Company's memorandum of incorporation, the Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security, subordination of rights, securing of any debt obligation, or otherwise, to any person –

1. **in relation to** the refinancing of a portion of the existing funding in MTN Zakhele (RF) Limited (**MTN Zakhele**), a company established for the purposes of implementing a black economic empowerment transaction pursuant to which, *inter alia*, MTN Zakhele issued ordinary shares in MTN Zakhele to qualifying members of the black public to enable it to acquire up to a maximum of 4% of the issued share capital of the Company (the **MTN Zakhele Transaction**), and in terms of which MTN Zakhele and Newshelf 1041 (Pty) Ltd (**Newshelf**), being the holder of preference shares issued by MTN Zakhele, will each issue further redeemable preference shares for an aggregate subscription price of up to R2,2 billion and pursuant to which such financial assistance to be provided by the Company will include, among other things, the Company subordinating all present and future amounts, claims, liabilities and obligations, of whatsoever nature and howsoever arising, which are owed or may be owing by MTN Zakhele to the Company from time to time in favour of (i) all claims of whatsoever nature of Newshelf against MTN Zakhele under the finance documents giving effect to the MTN Zakhele Transaction (the **Finance Documents**) to which MTN Zakhele and Newshelf are a party and (ii) the claims of whatsoever nature of the holders of the preference shares in Newshelf (the **Newshelf Preference Shareholders**) against MTN Zakhele under the finance documents to which the Newshelf Preference Shareholders and MTN Zakhele are a party; and

2. **for the purpose of, or in connection with,** the subscription of any option, or any securities, issued or to be issued by the Company or by a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Act, such authority to endure for the maximum period permitted under the Act."

Voting

All ordinary resolutions will, in terms of the Companies Act, require the support of more than 50% of the voting rights of shareholders exercised thereon to be approved.

All the special resolutions will, in terms of the Companies Act, require the support of at least 75% of the total voting rights exercised thereon at the meeting, to be approved.

The directors of the Company decided in 2006 that in order to reflect more accurately the views of all shareholders and best practice, all resolutions and substantive decisions at the annual general meeting were to be put to a vote on a poll, rather than being determined simply on a show of hands. MTN Group has a large number of shareholders and it is not possible for all of them to attend the meeting. In view of this fact and because voting on resolutions at annual general meetings of MTN Group is regarded as of high importance, putting all resolutions to a vote on a poll takes account of the wishes of those shareholders who are unable to attend the meeting in person, but who have completed a form of proxy. A vote on a poll also takes into account the number of shares held by each shareholder, which the board believes is a more democratic procedure. This year, all resolutions will again be proposed to be put to vote on a poll.

Notice of the eighteenth annual general meeting *continued*

Voting at the annual general meeting will be undertaken electronically. An electronic voting handset will be distributed before the start of the meeting to all shareholders who attend in person and are eligible to vote. The registrars will identify each shareholder's individual shareholding so that the number of votes that each shareholder has at the meeting will be linked to the number of votes which each shareholder will be able to exercise via the electronic handset. Shareholders who have completed and returned forms of proxy will not need to vote using a handset at the meeting unless they wish to change their vote.

Proxies

A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not also be a shareholder of the Company.

A form of proxy which sets out the relevant instructions for its completion, is attached for use by certificated shareholders and dematerialised shareholders with "own name" registration who wish to appoint a proxy. The instrument appointing a proxy and the authority, if any, under which it is signed must be received by the Company or its South African transfer secretaries at the addresses given below by not later than 14:30 (South African time) on Friday, 24 May 2013.

All beneficial owners of shares who have dematerialised their shares through a CSDP or broker, other than those shareholders who have dematerialised their shares in "own name" registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time and in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee, as the case may be, to allow the CSDP, broker or nominee to carry out the instructions and lodge the requisite authority by 14:30 (South African time) on Friday, 24 May 2013.

Should such beneficial owners, however, wish to attend the meeting in person, they may do so by requesting their CSDP, broker or nominee to issue them with appropriate authority in terms of the agreement entered into between the beneficial owner and the CSDP, broker or nominee, as the case may be.

By order of the board

SB Mtshali
Group secretary
19 April 2013

Business address and registered office

216 – 14th Avenue
Fairland, 2195
Private Bag X9955, Cresta, 2118

South African transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Fax number: +27 11 688 5238

Shareholder communication

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Explanatory notes to resolutions proposed at the eighteenth annual general meeting of the Company

For any assistance or information, please phone the MTN Group ShareCare Line on 0800 202 360 or on +27 11 870 8206 if you are phoning from outside South Africa.

Re-election of directors retiring by rotation at the annual general meeting – ordinary resolutions numbers 1.1 to 1.6

The reason for the proposed ordinary resolutions numbers 1.1, 1.2 and 1.3 is to re-elect, in accordance with articles 84 and 85 of the memorandum of incorporation of the Company and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, RS Dabengwa, NI Patel, and AT Mikati, as directors of the Company, they having retired by rotation in terms of the Company's memorandum of incorporation and offer themselves for re-election with the exception of MC Ramaphosa.

The reason for the proposed ordinary resolution numbers 1.4 and 1.5 is to re-elect in accordance with the board policy and memorandum of incorporation (which states that directors who have been in office for an aggregate period in excess of nine years are required to retire at the next annual general meeting and at each annual general meeting thereafter, but are eligible for re-election) and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, AF van Biljon and JHN Strydom as directors of the Company. In accordance with the said board policy, and the MOI which will be presented for shareholder approval at this meeting, AF van Biljon (independent non-executive director) and JHN Strydom (non-executive director), who have each served on the board of the Company for an aggregate period in excess of nine years, retire at the annual general meeting, and are eligible and offer themselves for re-election following an evaluation by the chairman and the board of their performance and all relevant factors that may impair their independence, as assessed at the present time. To the best of the directors' knowledge and belief, based on the aforesaid assessment, there are no relationships or circumstances likely to affect, or appearing to affect, the judgement of AF van Biljon or JHN Strydom. In the opinion of the directors, the assessment shows that the independence of character and judgement of AF van Biljon and JHN Strydom is not in any way affected or impaired by their length of service.

The reason for the proposed ordinary resolution number 1.6 is to elect, in accordance with article 92 of the memorandum of incorporation of the Company and by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act, F Titi who was appointed as a director of the Company during the year under review by the board, he having retired in terms of the Company's memorandum of incorporation and being eligible for election.

Biographical details of the retiring directors offering themselves for re-election are set out on pages 22 to 25.

Election of the audit committee – ordinary resolutions numbers 2.1 to 2.4

In terms of the Companies Act, the audit committee is not a committee of the board appointed by the board but is rather a committee of the board appointed by the shareholders at each annual general meeting.

In terms of the Companies Regulations, 2011, at least one-third of the members of the Company's audit committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

Mindful of the foregoing, the nominations committee recommended to the board that the current members of the audit committee continue in such roles to fulfil the duties prescribed in section 94(7) of the Companies Act and the board has approved such recommendations, subject to the re-elections being made by the shareholders, as proposed in ordinary resolutions numbers 2.1 to 2.4.

Approval of re-appointment of joint external auditors – ordinary resolution number 3

In compliance with section 90 of the Companies Act, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. are proposed to be re-appointed as joint auditors for the financial year ending 31 December 2013 and until the conclusion of the next annual general meeting.

Authorising the directors to deal, as they in their discretion think fit, with the unissued ordinary shares, limited to 10% of shares in issue as at 31 December 2012, and the shares reserved for the Company's share or other employee incentive schemes – ordinary resolution number 4

In terms of article 7 of the Company's memorandum of incorporation, read with the JSE Listings Requirements, the members (shareholders) of the Company may authorise the directors to, *inter alia,* issue any unissued ordinary shares and/or grant options over them, as the directors in their discretion think fit.

Explanatory notes to resolutions proposed at the eighteenth annual general meeting of the Company *continued*

The existing authority granted by the shareholders at the previous annual general meeting on 29 May 2012 is proposed to be renewed at this annual general meeting. The authority will be subject to the Companies Act and the JSE Listings Requirements, respectively. The aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, other than in terms of the Company's share or other employee incentive schemes, shall be limited to 10% of the number of ordinary shares in issue as at 31 December 2012.

Endorsement of remuneration philosophy (policy) – advisory vote
In terms of King Report and Code on Governance 2009 (**King III**) recommendations, the Company's remuneration policy should be tabled for a non-binding advisory vote at the annual general meeting every year. This vote enables the shareholders to express their views on the remuneration policies adopted and on their implementation.

Accordingly, the shareholders are requested to endorse the Company's remuneration policy as recommended by King III on page 78.

Remuneration payable to non-executive directors – special resolution number 1
The board will determine the level of remuneration paid to members of the board within any limitations imposed by shareholders. Levels and make-up of remuneration should be sufficient to attract and retain the right calibre of members needed to direct the Company successfully, but the Company should avoid paying more than is necessary for this purpose. The board will review remuneration annually after taking independent advice and no director will be involved in deciding his own remuneration.

In terms of sections 66(8) and (9) of the Companies Act, which took effect on 1 May 2011, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation.

The last increase was approved on 29 May 2012. Full particulars of remuneration paid to non-executive directors for the financial year ended 31 December 2012 are set out on page 87 and the proposed revised fees to be effective from 29 May 2013 being tabled for approval are set out in special resolution number 1.

Adoption of the new memorandum of incorporation of the Company – special resolution number 2
The Company wishes to adopt a new memorandum of incorporation. The new memorandum of incorporation is an entirely new document which results in the harmonisation of the current memorandum of incorporation with the requirements of the Companies Act and the JSE Listings Requirements (particularly schedule 10). The proposed new memorandum of incorporation has been approved by the board and the JSE, and the board recommends that shareholders vote in favour of the resolution for the adoption of the new memorandum of incorporation.

The salient features of the new memorandum of incorporation are attached to the notice of the eighteenth annual general meeting.

General authority for the Company and/or a subsidiary of the Company to repurchase or purchase, as the case may be, shares in the Company – special resolution number 3
The existing general authority for the Company and/or a subsidiary thereof to repurchase or purchase, as the case may be, shares in the Company, granted by shareholders at the previous annual general meeting on 29 May 2012, is due to expire at this annual general meeting, unless renewed.

The directors are of the opinion that it would be in the best interests of the Company to extend such general authority and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the shares issued by the Company through the order book of the JSE, should the market conditions and price justify such action.

Repurchases or purchases, as the case may be, will be made only after careful consideration, where the directors believe that an increase in earnings per share will result and where repurchases or purchases, as the case may be, are, in the opinion of the directors, in the best interests of the Company and its shareholders.

This general approval shall be valid until the earlier of the next annual general meeting of the Company, or the variation or revocation of such general authority by a special resolution passed at any subsequent general meeting of the Company, provided that the general authority shall not be extended beyond 15 months from the date of passing the special resolution.

General authority for the Company to provide financial assistance to its subsidiaries and other related and inter-related companies and entities and to directors, prescribed officers and other persons participating in share or other employee incentive schemes – special resolution number 4

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and entities, and members thereof, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies or entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the Company or a related or inter-related company or entity, or for the purchase of any securities of the Company or a related or inter-related company or entity.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that –

(a) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
(b) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

MTN Group, when the need previously arose, had to provide loans to, and guarantee loans or other obligations of, subsidiaries and was not precluded from doing so in terms of its current memorandum of incorporation or in terms of the Companies Act, 61 of 1973, as amended. MTN Group would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirable for MTN Group to provide financial assistance to related or inter-related companies and entities to subscribe for options or securities or purchase securities of MTN Group or another company or entity related or inter-related to it. Under the Companies Act, MTN Group will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that MTN Group's subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from MTN Group (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution number 4.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the Company's or the Group's share or other employee incentive schemes do not constitute employee share schemes that satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under such schemes will, *inter alia*, also require approval by special resolution. Accordingly, special resolution number 4 authorises financial assistance to any of the directors or prescribed officers of MTN Group or its related or inter-related companies (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the Company's or the Group's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not constitute employee share schemes that satisfy the requirements of section 97 of the Companies Act.

Financial assistance in relation to the MTN Zakhele (RF) Limited transaction – special resolution number 5

Special resolution number 5 is to provide the authority required under the Companies Act for the Company to provide direct or indirect financial assistance in relation to the refinancing of a portion of the existing funding in MTN Zakhele (RF) Limited (**MTN Zakhele**), a company established for the purposes of implementing a black economic empowerment transaction, which currently holds 4% of the issued share capital of the Company (the **MTN Zakhele Transaction**). In order to facilitate the implementation of the MTN Zakhele Transaction in November 2010, the Company advanced notional vendor finance to MTN Zakhele (**NVF**). Pursuant to the MTN Zakhele refinancing transaction, which is expected to reduce the overall funding costs for MTN Zakhele, MTN Zakhele and Newshelf 1041 (Pty) Ltd (**Newshelf**), being the holder of preference shares issued by MTN Zakhele, will each issue further redeemable preference shares for an aggregate subscription price of up to R2,2 billion. The net proceeds of the preference share subscriptions in MTN Zakhele will be used to settle a portion of the NVF. As part of the process of settling a portion of the NVF and in accordance with the relevant agreements which regulate the NVF arrangement, MTN Zakhele will acquire ordinary shares in the Company in the open market and deliver these to the Company. The financial assistance to be provided by the Company will include, among other things, the Company extending, in favour of the holders of the new preference shares to be issued, all its existing subordination arrangements in terms of which the Company subordinates all present and future amounts, claims, liabilities and obligations which are owed or may be owing by MTN Zakhele to the Company from time to time in favour of (i) all claims of whatsoever nature of Newshelf against MTN Zakhele under the finance documents giving effect to the

Explanatory notes to resolutions proposed at the eighteenth annual general meeting of the Company *continued*

MTN Zakhele Transaction and (ii) the claims of whatsoever nature of the holders of the preference shares in Newshelf (the **Newshelf Preference Shareholders**) against MTN Zakhele under the finance documents to which the Newshelf Preference Shareholders and MTN Zakhele are a party.

Voting and proxies

1. Every holder of shares present in person or by proxy at the meeting, or, in the case of a body corporate represented at the meeting, shall be entitled to one vote on a show of hands and on a poll shall be entitled to one vote for every share held.

2. A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the Company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the annual general meeting and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

3. The attached form of proxy is provided to shareholders for their convenience. Shareholders are not obliged to use the attached form, and may appoint a proxy in writing under section 58 of the Companies Act. A summary of the provisions of this section is included in the appendix to the notice of the annual general meeting.

4. It is requested that duly completed proxy forms or powers of attorney be lodged at the registered offices of the Company or with the Company's South African transfer secretaries, Computershare, at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), not less than 48 hours before the time appointed for holding the meeting (excluding weekends and public holidays). As the meeting is to be held at 14:30 (South African time) on Tuesday, 28 May 2013, it is requested that proxy forms or powers of attorney be lodged on or before 14:30 (South African time) on Friday, 24 May 2013. The name and address of the South African transfer secretaries are given on the back of the proxy form.

5. The attention of shareholders is directed to the additional notes relating to the form of proxy attached, which notes are set out in the proxy form.

6. Dematerialised shareholders other than dematerialised shareholders who hold their shares with "own name" registration, who wish to attend the annual general meeting must contact their CSDP or broker who will furnish them with the necessary authority to attend the annual general meeting or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between such shareholder and its CSDP or broker.

Appendix to the notice of annual general meeting

Important notes about the annual general meeting (AGM)

Date: Tuesday, 28 May 2013, at 14:30 (South African time).

Venue: The Auditorium, Phase II, Level 0, 216 – 14th Avenue, Fairland, Gauteng.

Time: The annual general meeting will start promptly at 14:30 (South African time).

Shareholders wishing to attend are advised to be in the auditorium by not later than 14:00. The meeting will commence with a short information session, informing shareholders of the electronic voting process to be utilised at the meeting. The MTN team will direct shareholders to the annual general meeting. Refreshments will be served after the meeting.

Admission: Shareholders attending the annual general meeting are asked to register at the registration desk in the auditorium reception area at the venue. Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in the meeting.

Security: Secured parking is provided at the venue at owner's own risk. Mobile telephones should be switched off for the duration of the proceedings.

Please note

1. **Certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration**
   Shareholders wishing to attend the annual general meeting have to ensure beforehand, with the transfer secretaries of the Company, that their shares are in fact registered in their names. Should this not be the case and the shares be registered in any other name or in the name of a nominee company, it is incumbent on shareholders attending the meeting to make the necessary arrangements with that party to be able to attend and vote in their personal capacity. The proxy form contains detailed instructions in this regard.

2. **Enquiries**
   Any shareholders having difficulties or queries in regard to the annual general meeting or the above are invited to contact the Group secretary, SB Mtshali, on +27 (0) 11 912 4067 or the ShareCare Line on 0800 202 360 or +27 (0) 11 870 8206 if phoning from outside of South Africa. Calls will be monitored for quality control purposes and customer safety.

3. **Results of the annual general meeting**
   The results of the annual general meeting will be posted on SENS as soon as practically possible after the annual general meeting.

Salient features of the new memorandum of incorporation

Definitions

Throughout these Salient features, unless otherwise stated or the context requires otherwise, an expression which denotes any gender includes other genders and the following terms will have the meanings set out below:

"Companies Act"	Companies Act No.71 of 2008
"JSE"	JSE Limited
"MOI"	Memorandum of Incorporation
"SENS"	Security Exchange News Services

1. **Authorised securities**

   The Company is authorised to issue no more than 2 500 000 000 ordinary shares of R0,01 each (which includes ordinary shares already issued at any time).

   The rights, privileges, conditions or interests of any class of the Company's securities may not be varied in any manner adverse to the holders of that class of securities (unless otherwise provided by the terms of issue of the securities of that class), nor may any variations be made to the rights, privileges, conditions or interests, of any class of securities, such that the interests of another class of securities is adversely affected, unless the consent in writing of the holders of not less than 75% of the issued securities of that adversely affected class has been obtained, or a special resolution sanctioning the variation has been passed by the holders of that adversely affected class of shares with the support of at least 75% of the voting rights exercised on the special resolution at a separate meeting of the holders of that class.

   The board may not authorise any financial assistance by the Company in connection with the subscription for or purchase of its securities or those of a related or inter-related company without complying with section 44(3) of the Companies Act.

2. **Holding of beneficial interests**

   The Company will permit securities to be held by one person for the beneficial interest of another but shall not permit such securities to be voted upon by the holder of the beneficial interest unless he/she holds a proxy appointment from the security holder.

3. **Amendments of the MOI**

   Subject to the provisions of the Companies Act and the Listings Requirements of the JSE, save for –
   - correcting errors (including, but without limitation *eiusdem generis,* spelling, punctuation, reference, grammar or similar defects) in the MOI and for complying with any applicable requirements of the Companies Act when debentures and other debt instruments are created and/or issued, which the board is empowered to do; and
   - amendments of the MOI effected in compliance with a court order in the manner contemplated in section 16(1) (a), read with section 16(4), of the Companies Act,

   all other amendments of the MOI shall be effected in accordance with section 16(1)(c) of the Companies Act and must be approved by a special resolution passed by the holders of the ordinary shares. The board shall publish a copy of any such correction effected by the board.

4. **Making of rules**

   The board shall not have the capacity to make, amend or repeal any rules relating to the governance of the Company, as contemplated in sections 15(3) to (5) of the Companies Act and in the Listings Requirements of the JSE.

5. General meetings of the Company

The Company shall convene an annual general meeting once in every calendar year, but no more than 15 months after the date of the previous annual general meeting, or within an extended time allowed by the Companies Tribunal, on good cause shown, which must, at a minimum, provide for the following business to be transacted –

- presentation of –
  - the directors' report;
  - audited financial statements for the immediately preceding financial year;
  - an audit committee report;
- election of directors, to the extent required by the Companies Act or the MOI;
- appointment of –
  - an auditor for the ensuing year;
  - an audit committee; and
- any matters raised by holders, with or without advance notice to the Company.

Shareholder meetings convened in terms of the Listings Requirements of the JSE must be held in person and may not be held by means of a written resolution as is contemplated in section 60 of the Companies Act.

Every shareholders' meeting shall be held where the board determines from time to time. The authority of the Company to conduct a shareholders' meeting entirely by electronic communication, or to provide for participation in a shareholders' meeting by electronic communication so long as the electronic communication employed ordinarily enables all persons participating in that shareholders' meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the shareholders' meeting, as set out in section 63(2) of the Companies Act, is not limited or restricted.

Subject to section 62(2A) of the Companies Act read with Schedule 10 to the Listings Requirements of the JSE, a shareholders' meeting shall be called by at least 15 business days' notice delivered by the Company to all holders entitled to vote or otherwise entitled to receive notice and to the JSE. An announcement shall also be made on SENS.

The quorum necessary for the commencement and continuation of a shareholders' meeting shall be sufficient persons present in person or represented by proxy at the shareholders' meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of one matter on the agenda, but a shareholders' meeting may not begin nor continue unless in addition at least three persons entitled to vote are present in person or represented by proxy at the meeting. A matter to be decided at a shareholders' meeting may not begin to be considered unless those who fulfilled such quorum requirements continue to be present.

An ordinary resolution, save to the extent expressly provided in respect of a particular matter contemplated in the MOI, shall require to be adopted with the support of more than 50% of the voting rights exercised on the resolution. A special resolution shall require to be adopted with the support of at least 75% of the voting rights exercised on the resolution. Votes shall be cast by way of a show of hands, in which case each person entitled to vote and present or represented by proxy shall have one vote, unless a poll is demanded, in which case each person shall have the number of votes determined in accordance with the voting rights associated with that person's securities. (On a vote by a poll, every person entitled to vote who is present at the meeting shall have one vote per issued ordinary share.)

Salient features of the new memorandum of incorporation

continued

6. Authority to issue and repurchase securities

The board shall not have the power to issue authorised securities without having obtained the requisite prior approval of the shareholders of the Company in terms of the Companies Act and/or the Listings Requirements of the JSE and the approval of the JSE (where necessary). The board may issue, without the aforementioned approval, debt instruments, as contemplated in section 43(1)(a) of the Companies Act and capitalisation shares or offer a cash payment in lieu of awarding a capitalisation share in accordance with section 47 of the Companies Act.

No securities of a class which is listed may be issued other than as fully paid.

The Company is authorised to repurchase its securities subject to compliance with the Companies Act and the JSE Listings Requirements (if applicable).

7. Lien

The Company is prohibited from claiming any lien over any of its issued securities.

8. Transfer of securities

There is no restriction on the transfer of the Company's securities.

9. Powers and capacity of the Company

The Company has the powers and capacity of an individual and is not subject to any special conditions.

10. Financial assistance for directors and prescribed officers and their related and inter-related parties

The board's powers to provide direct or indirect financial assistance as contemplated in section 45(2) of the Companies Act are not limited in any manner.

If the board adopts a resolution to provide such financial assistance, notice in writing of that resolution must be delivered to every shareholder and to any trade union representing its employees within the prescribed period.

11. Pre-emption on issue of shares

Where the Company intends to issue authorised but unissued equity securities of a particular class for cash, such issue shall first be offered to the existing holders of that class by way of a *pro rata* rights offer, with a reasonable time allowed to subscribe, before the offer is made to any other person, except if to be issued –

- for cash, for an acquisition of assets (including another company) or an amalgamation or merger, pursuant to the approvals contemplated in clauses 11 and 12 of the MOI having been obtained;
- in terms of option or conversion rights;
- if a capitalisation issue is to be undertaken.

After the expiration of the time within which such a rights offer may be accepted, or on the receipt of an intimation from the person to whom the offer is made that he/she/it declines to accept the equity securities offered, the directors may, subject to the aforegoing provisions, issue such equity securities in such manner as they think most beneficial to the Company.

12. Audit committee and auditor

Section 94 of the Companies Act prescribes that each year the Company must elect an audit committee at its annual general meeting. Clauses 139 to 155 of the MOI sets out, *inter alia*, the composition of the audit committee, the manner and process of election and appointment and the qualifications necessary to serve as a member of the audit committee. The clause also sets out the rights and duties of the audit committee and the auditor.

13. Record date

The board is required to determine the record date in respect of a corporate action or event, in accordance with section 59 of the Companies Act, the applicable rules of the Central Securities Depository and the Listings Requirements of the JSE, and notice of such record dates must be published by the Company.

14. Election of directors and alternate directors

The minimum number of directors shall be four. No director or alternate director shall be elected to serve as such for a life or indefinite term. Alternate directors may not be appointed from the ranks of the directors. Any shareholder shall have the right to nominate persons for election as directors.

15. Remuneration of directors, alternate directors and members of board committees

The directors or alternate directors or members of board committees or statutory committees shall be entitled to such remuneration for their services as directors or alternate directors or members of committees as may have been determined from time to time by special resolution within the previous two years. In addition, such persons shall be entitled to all reasonable expenses incurred in the course of attending meetings which shall be determined by a disinterested quorum of directors.

Any type of remuneration contemplated in sections 30(6)(b) to (g) of the Companies Act may be paid or granted to any executive directors.

A director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a major subsidiary of, the Company and in such event, his/her appointment and remuneration in respect of such other office must be determined by a disinterested quorum of directors.

16. Retirement of directors in rotation

At each annual general meeting of the Company, one-third of the directors in office are required to retire. The directors so to retire shall be those who have been longest in office since their last election. As between directors of equal seniority, the directors to retire shall, in the absence of agreement, be selected from among them by lot.

Any director holding office for an aggregate period in excess of nine years since his/her first election or appointment, shall retire from office at such annual general meeting (notwithstanding that he/she may have retired from office at the previous annual general meeting).

Retiring directors shall be eligible for re-election.

17. Board committees

The board may appoint any number of board committees and delegate to such committees any authority of the board. The MOI does not prescribe any general qualifications for a person to serve as a member of a board committee and persons who are not directors may serve as committee members (so long as such persons are not ineligible or disqualified in terms of the Companies Act), but such persons shall not be entitled to vote at board committee meetings.

Committees of the board may consult with or receive expert or professional advice from any person.

18. General powers and duties of directors

The board has full authority to manage the Company.

The directors may establish and maintain any pension, superannuation, provident and benefit funds and may give pensions, gratuities and allowances to and make payments for or towards the insurance of, any persons who are employees or former employees of the Company, or of any company which is or was a subsidiary of the Company or is or was in any way allied to or associated with it or any such subsidiary, and the wives, widows, families and dependants of such persons.

19. Personal financial interests of directors, prescribed officers and members of committees

If a director, alternate director, prescribed officer or a member of a committee has a personal financial interest in respect of a matter to be considered by the board, or knows a related person who has such an interest, that director must disclose the personal financial interest and its general nature.

Salient features of the new memorandum of incorporation
continued

The MOI sets out the circumstances under which such persons are to disclose personal financial interests, as well as the procedures to be followed when such disclosures are made, which were established in accordance with the provisions of the Companies Act.

20. Proceedings of directors

The quorum for a directors' meeting is a majority of the directors for the time being in office. The directors may elect a chairperson of their meetings and determine the period for which he/she is to hold office. Each director has one vote on a matter before the board and a majority of votes cast on a resolution is sufficient to approve that resolution. In the case of a tied vote, the chairperson may cast a deciding vote, even if the chairperson initially cast a vote, except if only two directors are present at a meeting of directors.

A round robin resolution, signed by the majority of the directors entitled to vote thereon, being not less than a quorum for meetings of directors, shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted, provided that each director has received notice of the matter to be decided.

21. Distributions

The company may make distributions from time to time, provided that –

- any such distribution (i) is pursuant to an existing legal obligation of the Company, or a court order, or (ii) has been authorised by the board, by resolution, and in certain specified instances, by ordinary resolution;
- it reasonably appears that the Company will satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) immediately after completing the proposed distribution; and
- the board, by resolution, has acknowledged that it has applied the solvency and liquidity test and is satisfied that the Company is sufficiently solvent and liquid.

The Company must hold all monies due to the shareholders in trust indefinitely, but subject to the laws of prescription.

22. Notices

The Company may give notices, documents, records or statements or notices of availability of the aforegoing by personal delivery to the holder or, if required, a holder of beneficial interests or by sending them prepaid through the post or by transmitting them by electronic communication.

The Company shall not be bound to use any method of giving notice, documents, records or statements or notices of availability of the aforegoing, contemplated in the Regulations in respect of which provision is made for deemed delivery.

23. Indemnity

The Company may not pay fines that may be imposed on a director (which includes a former director, an alternate director, a prescribed officer and a member of a committee) as a consequence of an offence committed thereby unless the conviction was based on strict liability.

The Company may advance expenses to a director to defend litigation arising out of the director's services to the Company and indemnify directors in respect of such liabilities in the circumstances set out in clause 166. The Company may purchase insurance in respect of these indemnities and may also claim restitution from a director in respect of amounts of money paid which were not consistent with section 78 of the Companies Act.

The new memorandum of incorporation of MTN Group Limited should be read in its entirety for a full appreciation of its contents.

Stock exchange performance

MTN market related metrics for the year ended 31 December	2012	2011
Closing Price (cents per share)	17 760	14 373
Highest Price (cents per share)	17 828	14 799
Lowest Price (cents per share)	12 755	11 700
Total volume of shares traded (millions)	1 720	1 627
Total value of shares traded (Rm)	250 226	220 340
Number of shares in issue (millions)	1 883	1 885
Number of shares traded as a percentage of shares in issue (%)	91,3	86,3
Number of transactions (as per JSE)	1 056 984	1 184 509
Average weighted trading price (cents per share) (1 year VWAP)	14 545	13 543
Average telecommunication index (close)	71 596	66 438
Average industrial index (close)	33 541	27 766
Average mobile index (close)	245	223
Dividend yield (%)	4,5	4,3
Earnings yield (%) (adjusted headline earnings)	6,4	6,4
Price-earnings multiple (adjusted headline earnings)	15,6	15,6
Market capitalisation (Rbn)	335	271

Shareholders' diary

Annual general meeting		***28 May 2013***
Final dividend declaration		5 March 2013
Summarised annual financial results	published	6 March 2013
Annual financial statements	posted	19 April 2013
Interim financial statements		30 June 2013
Interim financial statements	published	August 2013
Interim dividend declaration		August 2013
Financial year end		31 December 2013

Please note that these dates are subject to alteration.

Summary of applicable rights established in section 58 of the Companies Act

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at, a shareholders meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the memorandum of incorporation of a company provides otherwise –

3.1. a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and

3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

4. Irrespective of the form of instrument used to appoint a proxy –

4.1. the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

4.2. should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date –

5.1. stated in the revocation instrument, if any; or

5.2. upon which the revocation instrument is delivered to the proxy and the relevant company.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to –

6.1. the shareholder, or

6.2. the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provides otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy –

8.1. such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised and must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act;

8.2. the company must not require that the proxy appointment be made irrevocable; and

8.3. the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act (see paragraph 5 above).

Administration

Company registration number
1994/009584/06
ISIN code: ZAE 000042164
Share code: MTN

Board of directors

MC Ramaphosa***	JHN Strydom**
RS Dabengwa*	AF van Biljon***
KP Kalyan***	J van Rooyen***
F Titi***	MLD Marole***
AT Mikati†**	NP Mageza***
NI Patel*	A Harper#***
MJN Njeke***	

†Lebanese
#British
**Executive*
***Non-executive*
****Independent non-executive director*

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue
Fairland
Gauteng, 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

MTN Group ShareCare line
Toll free: 0800 202 360 or +27 11 870 8206
if phoning from outside South Africa

Office of the transfer secretaries
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
SizweNtsalubaGobodo Inc
1 Woodmead Drive, Woodmead Estate
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2196

Attorneys
Webber Wentzel
10 Fricker Road, Illovo Boulevard, Johannesburg
PO Box 61771, Marshalltown, 2107

Contact details
Telephone: National (011) 912 3000
International +27 11 912 3000
Facsimile: National (011) 912 4093
International +27 11 912 4093
E-mail: investor_relations@mtn.co.za
Internet: http://www.mtn.com

Form of proxy

To be completed by certificated shareholders and dematerialised shareholders with "own name" registration only

MTN Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1994/009584/06)
(MTN Group or the Company)
JSE code: MTN
ISIN: ZAE 000042164

For use at the annual general meeting to be held at 14:30 (South African time) on Tuesday, 28 May 2013, in the Auditorium, Phase II, Level 0, 216 – 14th Avenue, Fairland, Gauteng. For assistance in completing the proxy form, please phone the MTN Group ShareCare Line on 0800 202 360 or on +27 11 870 8206 if you are phoning from outside South Africa. A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, vote and speak in his/her/its stead at the annual general meeting. A proxy need not be a shareholder of the Company.

I/We .... (names in block letters)

Of (address) ....

being a shareholder(s) of the Company, and entitled to vote, do hereby appoint .... of

.... or failing him/her,

.... of .... or failing him/her,

the chairperson of the annual general meeting, as my/our proxy to represent me/us at the annual general meeting to be held at 14:30 (South African time) on Tuesday, 28 May 2013, in the Auditorium, Phase II, Level 0, 216 – 14th Avenue, Fairland, Gauteng, for the purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2 overleaf) as follows:

ORDINARY RESOLUTIONS		For	Against	Abstain
1	**Ordinary resolution number 1.1:** Re-election of AT Mikati as a director			
2	**Ordinary resolution number 1.2:** Re-election of RS Dabengwa as a director			
3	**Ordinary resolution number 1.3:** Re-election of NI Patel as a director			
4	**Ordinary resolution number 1.4:** Re-election of AF van Biljon as a director			
5	**Ordinary resolution number 1.5:** Re-election of JHN Strydom as a director			
6	**Ordinary resolution number 1.6:** Election of F Titi as a director			
7	**Ordinary resolution number 2.1:** To elect AF van Biljon as a member of the audit committee			
8	**Ordinary resolution number 2.2:** To elect NP Mageza as a member of the audit committee			
9	**Ordinary resolution number 2.3:** To elect J van Rooyen as a member of the audit committee			
10	**Ordinary resolution number 2.4:** To elect MJN Njeke as a member of the audit committee			
11	**Ordinary resolution number 3:** Re-appointment of joint independent auditors			
12	**Ordinary resolution number 4:** General authority for directors to allot and issue ordinary shares			
13	**Advisory endorsement:** Endorsement of the remuneration philosophy (policy)			
SPECIAL RESOLUTIONS				
14	**Special resolution number 1:** To approve the remuneration increase payable to non-executive directors			
15	**Special resolution number 2:** To adopt the new memorandum of incorporation of the Company			
16	**Special resolution number 3:** To approve an authority for the Company and/or any of its subsidiaries to repurchase or purchase, as the case may be, shares in the Company			
17	**Special resolution number 4:** To approve the granting of financial assistance by the Company to its subsidiaries and other related and inter-related companies and corporations and to directors, prescribed officers and other persons participating in share or other employee incentive schemes			
18	**Special resolution number 5:** To approve the granting of financial assistance in relation to MTN Zakhele (RF) Limited transaction			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy will be entitled to vote or abstain as he/she deems fit.

Please read the notes on the reverse side hereof.

Signed at .... on 2013

Full name(s) .... (in block letters)

Signature(s) ....

Assisted by (guardian) .... Date ....

If signing in a representative capacity, see note on next page.

Notes to proxy

1. Only shareholders who are registered in the register, or in the sub-register of the Company under their "own name", may complete a proxy or alternatively attend the meeting. Beneficial owners who are not the registered holder and who wish to attend the meeting in person may do so by requesting the registered holder, being their Central Security Depository Participant (CSDP), broker or nominee, to issue them with a letter of representation in terms of the custody agreements entered into with the registered holder. Letters of representation must be lodged with the Company's registrars by no later than 14:30 on Friday, 24 May 2013.
2. Beneficial owners who are not the registered holder and who do not wish to attend the meeting in person must provide the registered holder, being the CSDP, broker or nominee, with their voting instructions. The voting instructions must reach the registered holder in sufficient time to allow the registered holder to advise the Company or the Company's registrar of their instructions by no later than 14:30 on Friday, 24 May 2013.
3. A shareholder may insert the name of a proxy or the names of two alternative proxies of his/her/its choice in the space/s provided, with or without deleting "the chairperson of the general meeting", but any such deletion or insertion must be initialled by the shareholder. Any insertion or deletion not complying with the foregoing will be declared not to have been validly effected. The person whose name stands first on the proxy form and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairperson of the general meeting.
4. A shareholder's instructions to the proxy must be indicated by the insertion of an "X" or the relevant number of votes exercisable by that shareholder in the appropriate box provided. An "X" in the appropriate box indicates the maximum number of votes exercisable by that shareholder. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she/it deems fit in respect of the entire shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her/its proxy, but the total of the votes cast and in respect of which abstention is recorded, may not exceed the maximum number of votes exercisable by the shareholder or by his/her proxy.
5. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of any proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form is attached.
6. To be effective, completed proxy forms are requested to be lodged with the Company at its registered address or at the Company's South African transfer secretaries at the address stipulated below, not less than 48 hours before the time appointed for the holding of the meeting (excluding weekends and public holiday). As the meeting is to be held at 14:30 on Tuesday, 28 May 2013, proxy forms are requested to be lodged on or before 14:30 on Friday, 24 May 2013.
7. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat instead of any proxy appointed in terms hereof.
8. The chairperson of the general meeting may reject or accept any proxy form which is completed and/or received other than in compliance with these notes.
9. Any alteration to this proxy form, other than a deletion of alternatives, must be initialled by the signatory.
10. Documentary evidence establishing the authority of a person signing this proxy form in a representative or other legal capacity must be attached to this proxy form, unless previously recorded by the Company or the registrars or waived by the chairperson of the annual general meeting.
11. Where there are joint holders of shares:
    - 11.1 any one holder may sign the proxy form; and
    - 11.2 the vote of the senior shareholder (for which purpose seniority will be determined by the order in which the names of the shareholders appear in the Company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholders.
12. A minor must be assisted by his/her parent or legal guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
13. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

Office of the South African transfer secretaries
Computershare Investor Services (Pty) Limited
Registration number 2004/003647/07
70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, Fax number: +27 11 668 5238

Shareholders are encouraged to make use of the **toll-free ShareCare line** for assistance in completing the proxy form and any other queries.

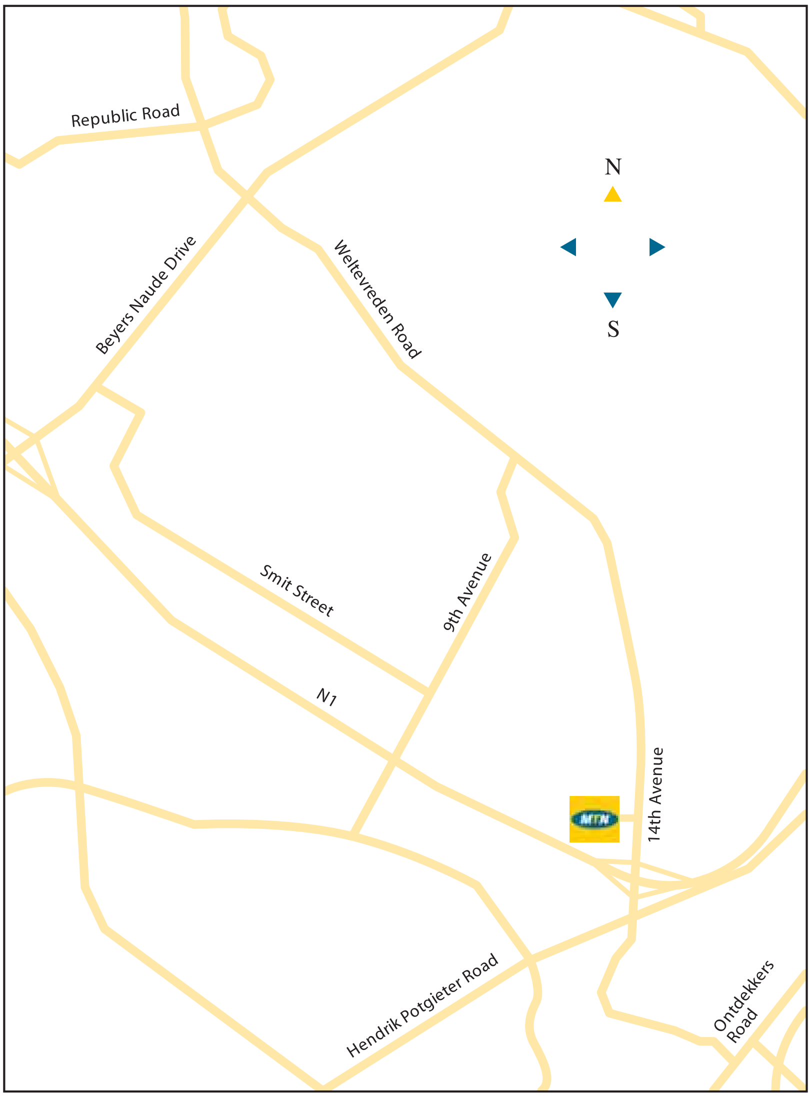
If you have any questions regarding the contents of this report,
please call the MTN Group toll-free ShareCare line on 0800 202 360
(or +27 11 870 8206 if phoning from outside South Africa)

Computershare

Please note that your call will be recorded for customer safety.

Map

MTN Innovation Centre



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