



**MTN Group Limited**  
(Incorporated in the Republic of South Africa)  
Registration number 1994/009584/06  
Share code: MTN ISIN: ZAE000042164  
("MTN")

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**ANNOUNCEMENT RELATING TO MTN'S PROPOSED R8.1 BILLION BROAD-BASED BLACK ECONOMIC EMPOWERMENT TRANSACTION AND ESOP SCHEME**

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## **Highlights**

- Execution of MTN's continued commitment to BEE in South Africa through its local listing
- R8.1 billion BEE transaction consisting of up to 4% equity ownership in MTN – the largest empowerment transaction in the telecommunications sector in South Africa to date
- Translates to an additional effective indirect black ownership of up to 29.1% of MTN's South African operations
- Broadening MTN's South African effective BEE ownership through a black public offer to black individuals and groups
- An ESOP, excluding management and directors, requiring no equity contribution from eligible participants to augment MTN's South African BEE initiatives
- Provides exposure to MTN's diversified operations and growth markets
- Facilitation that is in line with precedent transactions
- MTN to provide additional equity for the MTN BEE Transaction equal to 80% of the equity raised from the black public
- Transaction leveraged through vendor and third party funding

## **1. Introduction**

Since its incorporation in South Africa in 1994, MTN has been at the forefront of empowerment and remains fully committed to the principles of broad-based black economic empowerment ("BEE"). MTN also embraces the principles of BEE enshrined in the Codes of Good Practice on Broad-Based Black Economic Empowerment ("Codes").

A key pillar of BEE is black equity ownership. Through a comprehensive strategy, MTN intends to maintain core BEE targets set out in the Codes in relation to its South African businesses. The proposed MTN BEE transaction ("MTN BEE Transaction") is designed to provide long-term, sustainable benefits to participants in the MTN BEE Transaction ("BEE Participants") and is envisaged to run for a duration of six years from the date of implementation of the MTN BEE Transaction ("Empowerment Period"). The MTN BEE Transaction is anticipated to equate to 4% of MTN's issued ordinary share capital on a fully diluted basis, but may be scaled down depending on the level of equity raised from the BEE Participants. MTN's South African operations comprise 22.9% of the value of MTN (based on MTN's South African operations relative contribution to MTN's earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year ended

31 December 2009). Therefore, on an illustrative basis, using EBITDA contribution as a simple proxy for value, a BEE transaction in respect of 4% of MTN's issued ordinary share capital will effectively equate to 29.1% of MTN's South African operations (after adjusting for 40% mandated investments in MTN in terms of the Codes and assuming 100% flow-through black ownership in the MTN BEE Transaction). When combined with previous BEE initiatives the effective indirect ownership in MTN's South African operations would be beyond 30%.

In addition to the MTN BEE Transaction, MTN will also issue approximately 0.1% of its issued ordinary share capital on a fully diluted basis to an employee share ownership plan ("ESOP"), for the benefit of eligible MTN employees. Management and directors of MTN will not participate in this scheme.

## **2. Rationale for and principles of the MTN BEE Transaction**

BEE is integral to the ethos of MTN and MTN believes that broad-based BEE participation is important to its future success as a Group.

MTN has been guided primarily by the following principles in structuring the MTN BEE Transaction:

- the vesting of full voting and economic rights to the BEE Participants from inception;
- achieving a sustainable and robust BEE transaction at a realistic economic cost (inclusive of any dilution) to MTN's shareholders;
- broadening MTN's South African BEE ownership by structuring the MTN BEE Transaction through an offer to the Black Public (as defined in paragraph 3.2 below). This initiative will augment the many initiatives to date including most recently, the Asonge scheme facilitated by the National Empowerment Fund in 2007; and
- acting as far as possible within the letter and spirit of the Codes and their requirements for the empowerment of South African businesses.

## **3. Salient details of the MTN BEE Transaction**

### **3.1. Background**

Until December 2008, MTN in South Africa obtained the majority of its equity ownership points in terms of the Codes through the approximately 13% shareholding which the Alpine Trust, through Newshelf 664 (Proprietary) Limited ("Newshelf"), held in MTN ("Newshelf Structure"). The Newshelf Structure was established independently of MTN and was always scheduled to unwind in December 2008. In May 2009, MTN shareholders approved a transaction whereby MTN acquired Newshelf from the Alpine Trust, settled all outstanding obligations in Newshelf to the Public Investment Corporation Limited ("PIC"), acting as the authorised representative of the Government Employees Pension Fund, and repurchased and cancelled the MTN ordinary shares ("MTN Shares") owned by Newshelf ("Newshelf Unwind"), the purpose of which was to:

- facilitate the orderly unwind of the Newshelf Structure; and
- reduce the total number of MTN Shares in issue in anticipation of the MTN BEE Transaction.

The net effect of the Newshelf Unwind was a reduction in the number of MTN Shares in issue of approximately 1.6%.

The MTN BEE Transaction was not implemented immediately following the Newshelf Unwind due to the severe constraints in the financial markets at that time. The board of directors of MTN ("MTN Board") is now of the view that market conditions have improved sufficiently in order to implement the MTN BEE Transaction.

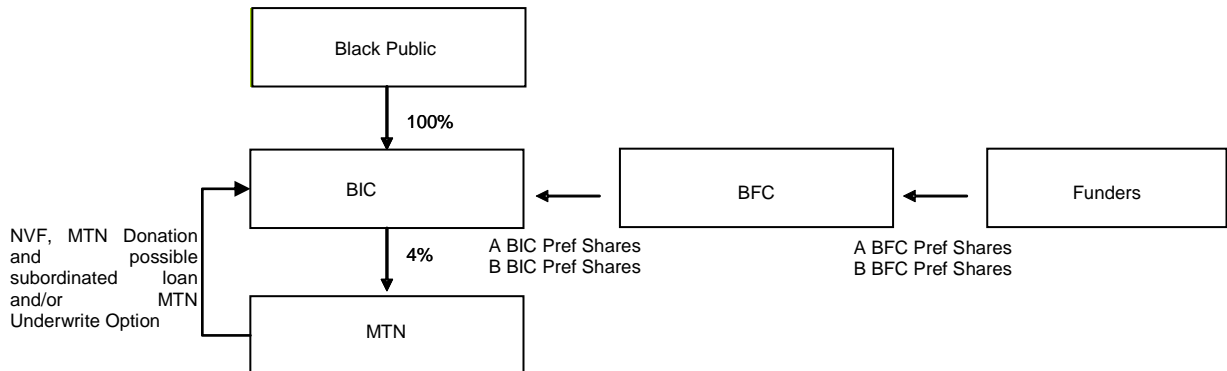
### 3.2. BEE Participants

The aim of the MTN BEE Transaction is to provide as many members of the Black Public (as defined below), as possible with the opportunity to acquire MTN Shares. The participants that will be eligible to make offers to subscribe for shares in the special purpose vehicle created to effect the MTN BEE Transaction, Aralia Investments Limited to be re-named MTN Zakhele Limited, ("Black Investment Company" or "BIC"), will be:

- natural persons who are members of the black South African public (being African, Coloured (including Chinese) and Indian people who meet specified criteria) ("Black People"); and
- companies and close corporations that meet the specified BEE qualifying criteria ("Black Companies") and, collectively, vesting trusts, broad-based ownership schemes and unincorporated entities or associations, including partnerships, joint ventures, syndicates or stokvels that meet specified BEE qualifying criteria ("Black Entities") (collectively, "Black Groups").

Black Groups and Black People are, collectively, referred to as the "Black Public" or "BEE Participants".

### 3.3. MTN BEE Transaction structure



MTN intends to implement the proposed MTN BEE Transaction by means of: (i) a public offering in terms of which the Black Public will be invited to subscribe for and beneficially own ordinary shares in the share capital of BIC ("BIC Ordinary Shares"), subject to the qualification criteria of such offer to be set out in the prospectus to be published ("Prospectus") in respect of the offer ("the BIC Public Offer") and (ii) the acquisition of and subscription for MTN Shares by BIC. BIC will apply the preference share funding raised by it in terms of the issue of A preference shares ("A BIC Pref Shares") and B preference shares ("B BIC Pref Shares") in the issued share capital of BIC (collectively, "BIC Pref Shares"), the equity raised in the BIC Public Offer, any equity raised by it from MTN in respect of the MTN Underwrite Option (see paragraph 4.3 below), the cash donation up to a maximum of R1.294 billion by MTN ("MTN Donation") to BIC and the notional vendor finance ("Notional Vendor Finance" or "NVF") from MTN to: (i) acquire up to a maximum of 35,155,609 MTN Shares from PIC ("PIC Sale Shares") and (ii) subscribe for new MTN Shares to be issued by MTN. The MTN BEE Transaction size is anticipated to be 4% of MTN's issued ordinary share capital on a fully diluted basis (calculated as at 9 July 2010 ("Calculation Date")), but may be scaled down should public subscriptions under the BIC Public Offer not be sufficient to allow for this. To the extent that the equity raised from the Black Public in terms of the BIC Public Offer does not exceed R833.1 million, the MTN BEE Transaction will at MTN's election not be implemented.

The MTN Share price at which the MTN BEE Transaction will be implemented is R107.46, equal to the 20-trading day volume weighted average price ("VWAP") of an MTN Share, to the Calculation Date ("Transaction Share Price"). The MTN BEE Transaction will be implemented following the

fulfilment or waiver, as the case may be, of the suspensive conditions in the transaction agreements concluded regarding each element of the MTN BEE Transaction ("the Transaction Agreements") via a series of interlinked steps outlined below:

- Step 1* BIC undertakes the BIC Public Offer in respect of BIC Ordinary Shares to raise up to R1.618 billion of equity capital. The capital raising exercise is anticipated to be concluded by BIC within the next three months;
- Step 2* MTN makes the MTN Donation to BIC;
- Step 3* BIC subscribes for a maximum of 29,912,900 MTN Shares at par value ("MTN Tranche 1 Subscription Shares"), pursuant to an agreement between it and MTN ("the MTN Tranche 1 Subscription and Call Option Agreement");
- Step 4* BIC subscribes for a maximum of 12,045,412 MTN Shares at the Transaction Share Price ("MTN Tranche 2 Subscription Shares"), pursuant to an agreement between it and MTN ("the MTN Tranche 2 Subscription Agreement");
- Step 5* Newshelf 1041 (Proprietary) Limited, the special purpose vehicle created to facilitate the third party preference share funding for the MTN BEE Transaction ("Black Funding Company" or "BFC"), raises preference share funding of up to R2.16 billion from the Funders (as defined in paragraph 3.5.1 below) in the form of A preference shares ("A BFC Pref Shares") and B preference shares ("B BFC Pref Shares") in the issued share capital of BFC (collectively, "BFC Pref Shares");
- Step 6* BIC raises preference share funding of up to R2.16 billion from BFC via the BIC Pref Shares; and
- Step 7* BIC purchases the PIC Sale Shares from PIC at the aggregate purchase price for the PIC Sale Shares, being the sum of: (a) the Transaction Share Price multiplied by the number of PIC Sale Shares (the "Base Purchase Price") plus (b) interest on the Base Purchase Price calculated daily at 7.39% nominal annual compounded annually ("NACA") as from 10 July 2010 to the date on which the MTN BEE Transaction is implemented ("Closing Date") (including the first date but excluding the last date) pursuant to an agreement between it and PIC ("PIC Sale Agreement") ("PIC Sale Shares Purchase Price") (see paragraph 3.7 below).

**(Note:** These steps are summarised on the basis that the BIC Public Offer is fully subscribed, and that no adjustments are made as contemplated in paragraphs 3.5.2, 3.5.3 and 4.3 below. Step 1 occurs prior to the Closing Date.)

The issue of the MTN Tranche 1 Subscription Shares at par value represents a discount of approximately 100% to the 30-day VWAP of an MTN Share to the Calculation Date, being the date the Transaction Share Price was finalised, and the issue of the MTN Tranche 2 Subscription Shares at the Transaction Share Price represents a premium of 1.1% to the 30-day VWAP of an MTN Share to the Calculation Date.

At the end of the Empowerment Period, BIC will be obliged to settle all funding outstanding under the BIC Pref Shares at that date and, subject to such amounts being duly paid and following the exercise by MTN of the NVF Call Option (as described in paragraph 3.6 below) and full discharge by BIC of its obligations to MTN thereunder, the remaining MTN Shares held by BIC will be unencumbered and available for distribution to the registered holders of BIC Ordinary Shares ("BIC Ordinary Shareholders") if so elected by BIC.

### 3.4. MTN BEE Transaction funding

<b>Sources of funds<sup>1</sup></b>	<b>R'm</b>
Equity from BIC Public Offer	1,618
A BIC Pref Shares	1,440
B BIC Pref Shares	720
MTN Donation	1,294
Notional Vendor Finance	3,214
<b>Total</b>	<b>8,286</b>

<b>Uses of funds</b>	<b>R'm</b>
Upfront costs and overraise <sup>2</sup>	189
PIC Sale Shares at the Transaction Share Price	3,589
MTN Tranche 1 Subscription Shares (reflecting the Initial NVF Balance as described below) <sup>3</sup>	3,214
MTN Tranche 2 Subscription Shares at the Transaction Share Price	1,294
<b>Total</b>	<b>8,286</b>

**Notes:**

1. Excludes the possible MTN Subordinated Loan and/or other funding adjustments as detailed in paragraph 3.5.2 below, and assumes that the BIC Public Offer is fully subscribed and no such funding adjustments are made.
2. An overraise of R50 million will be held in a BIC cash float account in accordance with the Transaction Agreements.
3. MTN Tranche 1 Subscription Shares are issued at par value but the Initial NVF Balance will be the difference between: (i) the Transaction Share Price multiplied by the MTN Tranche 1 Subscription Shares and (ii) the subscription price paid by BIC in respect of the MTN Tranche 1 Subscription Shares ("Initial NVF Balance").

### 3.5. Salient details of the funding terms

#### 3.5.1. A BFC Pref Shares and B BFC Pref Shares

The BFC Pref Shares have been raised in the market from Rand Merchant Bank, a division of FirstRand Bank Limited, Absa Capital, a division of ABSA Bank Limited and Nedbank Limited, acting through its Capital and Corporate Banking Divisions (the "Funders"), through a competitive bidding process. The proceeds of the BFC Pref Shares will be applied by BFC in subscribing for the A BIC Pref Shares and the B BIC Pref Shares in BIC. The salient terms of the BIC Pref Shares mirror those of the BFC Pref Shares. The A BFC Pref Shares (maximum R1,440 million) will be redeemed six years after issue and earn a fixed dividend equal to 110% of the interpolated swap curve on the day before the Closing Date until 30 April 2013 and thereafter a floating dividend rate of 77% of Prime NACA. The B BFC Pref Shares (maximum R720 million) will be redeemed six years after issue and earn a floating dividend rate of 88% of Prime NACA. As a condition precedent to advancing the preference share funding, the total share cover at inception ("Inception Total Share Cover Ratio") of the subscription for the preference shares is required to be at least 2.9 times. The Inception Total Share Cover Ratio is measured as the market value of MTN Shares held by BIC at the 5-day VWAP measured 3 business days prior to the Closing Date ("Measurement Date") plus the overraise, divided by the difference in value between the BFC Pref Shares and the MTN Subordinated Loan (as described below, if any).

### **3.5.2. Subordinated loans and/or funding scaling**

As stated in paragraph 3.5.1 above, if at the Measurement Date the Inception Total Share Cover Ratio falls below 2.9 times cover, then the Funders will not advance the required third party preference share funding to BIC. To ensure that the Inception Total Share Cover Ratio exceeds 2.9 times, MTN is entitled, but not obliged, to: (i) advance a subordinated loan to BIC ("MTN Subordinated Loan") at a market-related interest rate and on such further terms as are to the satisfaction of the MTN Board; and/or (ii) increase the Notional Vendor Finance (by electing to include all or some of a maximum of 1,803,433 MTN Shares to be issued to BIC in terms of the MTN Tranche 1 Subscription and Call Option Agreement at their par value ("the NVF Top-up Shares") as part of the MTN Tranche 1 Subscription Shares; and/or (iii) increase the Notional Vendor Finance (as described) and decrease the amount of the third party preference share funding and/or (iv) to elect that the MTN BEE Transaction will not proceed; in each case under (i) to (iii) in an amount or amounts (as the case may be) at least sufficient to enable BIC to meet the Inception Total Share Cover Ratio. During the term of the MTN BEE Transaction, if the relevant total share cover ratio falls below certain levels then MTN is entitled, but not obliged, to advance a subordinated loan to BIC at a market-related interest rate and on such further terms as are to the satisfaction of the MTN Board to restore such total share cover ratio to the required minimum levels. This top-up option is permitted no more than twice over the term of the MTN BEE Transaction and no more than once in any 12-month period, unless otherwise agreed with the Funders.

### **3.5.3. MTN subordination**

In terms of the agreement titled "Subordination and Undertaking Agreement" entered into between the Funders, BIC, BFC and MTN, MTN has agreed to subordinate its claims against BIC and BFC in favour of the claims against such companies by BFC and the Funders. MTN's claims against BIC under the various Transaction Agreements (including under any subordinated loan agreement and under the MTN Tranche 1 Subscription and Call Option Agreement) are therefore limited by the subordination provisions for so long as there remain amounts outstanding to BFC and/or the Funders.

These subordination provisions impact, among others, the nature and timing of MTN's ability to exercise the NVF Call Option and the amounts in respect of which such option can be exercised, including as described in paragraph 3.6 below.

## **3.6. NVF Call Option**

Indivisibly with and as a condition for the subscription by BIC for the MTN Tranche 1 Subscription Shares, BIC irrevocably grants to MTN, call options to purchase from it (and to require BIC to sell and deliver to MTN) at a price of R0.0001 per share (being the par value of an MTN Share) a variable number of MTN Shares (fractions rounded down) ("NVF Call Option"). The total number of MTN Shares as are subject from time to time to the NVF Call Option is defined as the "Maximum NVF Call Option Shares".

Except in the limited circumstances described in paragraphs 3.6.2 and 3.6.3 below, the NVF Call Option is exercisable by MTN on or after the NVF Call Option Trigger Date, as described in paragraph 3.6.1 below. MTN shall be entitled to: (i) exercise its rights under the NVF Call Option through one or more nominees and/or (ii) cede and/or delegate to any person all or any part of its rights and/or obligations to a third party thereunder.

### **3.6.1. Repurchases of MTN Shares after the NVF Call Option Trigger Date**

MTN shall be entitled to exercise the NVF Call Option (or part thereof) on the later of: (A) the first Business Day on or after the sixth anniversary of the Closing Date or such later date and/or dates as: (a) MTN may from time to time notify BIC in writing prior to such sixth anniversary (or then current NVF Call Option Trigger Date, if later than the sixth anniversary), such date notified by MTN, however not being later than the later of: (i) six months from the end of the sixth anniversary of the Closing Date; and (ii) 6 months after the date on which all the BIC Pref Shares have been redeemed in full and all post-redemption contingent indemnity amounts, if any, have been paid into the relevant BIC bank accounts over which the Funders have a security interest ("BIC Discharge Date"); and/or (b) MTN and BIC may agree in writing; and (B) the BIC Discharge Date (or such earlier date as MTN and the agent of the holders of the BIC Pref Shares and the Funders, and MTN may agree in writing) ("NVF Call Option Trigger Date"). MTN may also exercise the NVF Call Option at such time or times prior to the NVF Call Option Trigger Date as may be permitted pursuant to paragraphs 3.6.2 and 3.6.3 below.

Where MTN exercises the NVF Call Option in respect of fewer shares than the Maximum NVF Call Option Shares, the NVF Balance will be reduced by an amount equal to the number of NVF Call Option shares so acquired by MTN multiplied by the 20-day VWAP on the date of exercise of the NVF Call Option, and the NVF Call Option (correspondingly resized with a reduced NVF Balance and reduced Maximum NVF Call Option Shares) will continue to be exercisable by MTN. The MTN Shares repurchased by MTN will be cancelled as required under the Companies Act, 1973 (Act 61 of 1973) ("the Companies Act"), and delisted.

### **3.6.2. Early exercise of the NVF Call Option**

BIC shall be entitled, and in certain circumstances required, from time to time prior to the NVF Call Option Trigger Date to offer MTN an early exercise of all or part of the NVF Call Option. Following receipt of a notice from BIC, offering to MTN the opportunity to exercise the NVF Call Option prior to the NVF Call Option Trigger Date, MTN shall have the right (but no obligation) to exercise all (or, as applicable, part) of the NVF Call Option, subject to the limits offered by BIC.

In this event, MTN may also require BIC to rebalance the number of MTN Shares held by it by either acquiring MTN Shares in the open market or by subscribing for cash for an equal number of MTN Shares as were acquired by MTN pursuant to its exercise of the NVF Call Option. In the latter instance, the additional shares will be issued by MTN at the same reference market price for a MTN Share as was used in calculating the amount by which the NVF Balance was decreased (i.e. the then 20-day VWAP of the MTN Shares).

### **3.6.3. Acceleration of the right to exercise the NVF Call Option**

MTN shall have the right (but no obligation), on written notice to BIC, to exercise the NVF Call Option (or any part thereof) at any time while there exists an unremedied acceleration event (which events include: (i) an unremedied breach by BIC of any of the undertakings and warranties in the MTN Tranche 1 Subscription and Call Option Agreement; (ii) any other unremedied material breach of any of the terms, conditions, warranties or representations of undertakings contained in the MTN Tranche 1 Subscription and Call Option Agreement and (iii) any acceleration of the funding owing by BIC following an event of default). The representations and warranties provided by BIC in terms of the MTN Tranche 1 Subscription and Call Option Agreement are given with a key purpose of preserving the ringfenced status and balance sheet of BIC for the period during which the NVF Call Option remains exercisable.

### **3.7. Acquisition by BIC of PIC Sale Shares from PIC**

In terms of the implementation agreement entered into between MTN, Newshelf, PIC and the Trustees of the Alpine Trust on or about 26 March 2009 as part of the Newshelf Unwind, MTN and PIC agreed to discuss in good faith the potential participation by PIC in the MTN BEE Transaction, including, *inter alia*, the possibility of PIC undertaking to make available for sale, MTN Shares owned by PIC to facilitate the MTN BEE Transaction.

Subsequently, BIC and PIC have entered into the PIC Sale Agreement. In terms of the PIC Sale Agreement, PIC undertakes to make available for sale and to sell the PIC Sale Shares at the PIC Sale Shares Purchase Price. The actual number of MTN Shares acquired by BIC from PIC will ultimately be determined with reference to the equity capital raised during the BIC Public Offer (including, if applicable, the MTN Underwrite Option (as described in paragraph 4.3 below), the preference share funding raised by BIC and an allocation to the transaction and related costs payable by BIC.

The sale will be implemented on the Closing Date following *inter alia* the closing of the BIC Public Offer and the allocation of shares subscribed for thereunder, and the series of prior steps described in paragraph 3.3 above.

### **3.8. ESOP**

The ESOP has been structured in terms of section 8B of the Income Tax Act, 1962 (Act 58 of 1962), as amended. MTN is establishing the ESOP for the benefit of South African employees of MTN's South African operations that do not participate in an existing MTN share scheme, i.e. level 1 and 2 employees, and have been employed by MTN or one of its South African subsidiaries for a continuous period of at least one year at the effective date of the scheme ("Eligible MTN ESOP Employees"). The ESOP will be effective from a date to be set by the MTN Board, but which is intended to coincide with the Closing Date. Participation in the ESOP is being facilitated by MTN and Eligible MTN ESOP Employees will not be required to contribute any equity to participate. Eligible MTN ESOP Employees will be entitled to full voting and dividend rights and will be granted an allocation of 400 MTN Shares each ("ESOP Shares") (scaled back if the value, at implementation, exceeds R50 000 per Eligible MTN ESOP Employee). With limited exceptions (e.g. death), participants in the ESOP will be required to hold the MTN Shares awarded to them under the ESOP scheme for a period of at least five years. The implementation of the ESOP will not be conditional upon the implementation of the MTN BEE Transaction and Eligible MTN ESOP Employees will be issued the ESOP Shares, directly, and not through BIC.

Based on current employee figures available, the indicative number of MTN Shares that will be issued pursuant to the ESOP is 1,417,600 MTN Shares, which equates to a value of R152 million based on the Transaction Share Price.

### **3.9. Estimated economic cost**

The economic cost of implementing the MTN BEE Transaction for MTN and its shareholders is estimated to be approximately R2,277 million. This represents approximately 1.1% of the market capitalisation of MTN as at Tuesday, 13 July 2010, being the last practicable date prior to finalisation of this announcement (c. R204 billion). This figure was calculated with reference to the requirements of IFRS, including IFRS 2 – Share-Based Payments and AC 503 – Accounting for Black Economic Empowerment (BEE) Transactions.

Of the R2,277 million, approximately R983 million (0.5%) arises from the provision of Notional Vendor Finance by MTN to BIC and the balance of approximately R1,294 million (0.6%) represents the facilitation cost associated with the MTN Donation.

These estimates assume that no additional amounts or additional Notional Vendor Finance are made available under paragraph 3.5.2 above or paragraph 4.3 below.

In addition, the economic cost to shareholders of implementing the ESOP is R152 million, or approximately 0.1% of the market capitalisation of MTN.

Transaction costs of approximately R126 million, as a result of the MTN BEE Transaction and ESOP, will also be incurred.

#### **4. MTN Black Public Invitations**

##### **4.1. Introduction**

The Black Public could ultimately hold an equity interest of up to 4% of MTN's issued ordinary share capital on a fully diluted basis (measured as at the Calculation Date) through their holding of BIC Ordinary Shares through the BIC Public Offer. It is anticipated that the BIC Public Offer will be launched on or about Monday, 30 August 2010. Prospectuses containing the details of the BIC Public Offer will be made available at post office branches and MTN outlets around South Africa to members of the Black Public who wish to participate. Presently, the BIC Public Offer is expected to close on or about Thursday, 14 October 2010, with a period of approximately six weeks thereafter to finalise the allocations. Any material changes to the proposed dates will be announced on Securities Exchange News Service ("SENS") of the JSE Limited ("JSE") and in the South African press.

##### **4.2. Terms for participation by the Black Public**

BEE Participants will be invited to subscribe for BIC Ordinary Shares at a price of R20 per BIC Ordinary Share. The minimum subscription required for participation in the BIC Public Offer is R2,000 (i.e. 100 BIC Ordinary Shares), with no maximum on subscriptions. The basis of allocation of BIC Ordinary Shares by BIC to the Black Public is required to be satisfactory to MTN having regard to the allocation methodology and/or guidelines established by the MTN Board, any allocation methodology and/or guidelines set out in the Prospectus and MTN's interest in being able to optimise its BEE rating under the Codes in respect of BIC's shareholding in MTN. It is presently envisaged that, as no maximum has been set per BEE Participant investing in the BIC Public Offer, and in order to ensure the broadest possible base of BEE Participants, the allocation of BIC Ordinary Shares to the Black Public will be made from the bottom up, starting with applications for the least number of BIC Ordinary Shares and with a priority for Black People (i.e. individuals). Should the BIC Public Offer be oversubscribed and applications for BIC Ordinary Shares in the BIC Public Offer accordingly exceed 80.9 million BIC Ordinary Shares, BIC will use its discretion in allocating BIC Ordinary Shares to applicants. Applicants who are allocated fewer shares than the number they applied for, will be refunded the excess amount of the payment made at the time of their applications (together with interest thereon). Black employees and directors of MTN will be eligible to participate in the BIC Public Offer; however no preferential treatment will be given to employees or directors of MTN. Black individuals who are customers of MTN and have complied with the Regulation of Interception of Communications and Provision of Communication-Related Information Act, No 70 of 2002, as amended ("RICA"), requirements will receive preferential allocation in the allocation process in the event of oversubscription.

With limited exceptions in the event of death, insolvency or liquidation (as applicable), BEE Participants will be required to hold their shares in BIC for a period of three years commencing on the date on which the BIC Ordinary Shares are allotted to the BEE Participants under the BIC Public Offer, whereafter they will be entitled to trade with other members of the Black Public until the end of the Empowerment Period. After the Empowerment Period, there will be no restrictions on the trading of BIC Ordinary Shares.

Participants that are found to have misrepresented their BEE credentials or otherwise fail to qualify as part of the Black Public (or commit other material defaults during the Empowerment Period) will be forced to sell their BIC Ordinary Shares to MTN or persons identified by it, at a discounted price as will be further described in the Prospectus.

### 4.3. MTN Underwrite Option

In the event that the capital raised from the Black Public pursuant to the BIC Public Offer is less than R424.9 million then the MTN BEE Transaction will not be implemented. In the event that the capital raised from the Black Public pursuant to the BIC Public Offer is greater than R424.9 million but less than R833.1 million and if so directed by the MTN Board, in order to facilitate the MTN BEE Transaction, MTN (or its nominee) through the MTN Underwrite Option (as defined below) has the right, but no obligation, in terms of a subscription agreement between it and BIC to subscribe for such number of BIC Ordinary Shares that would enable BIC to raise the shortfall up to R408.2 million, or such lesser number as it may elect (the "MTN Underwrite Option"). The intention is that MTN will thereafter sell or place these shares with qualifying BEE Participants in due course.

The MTN Underwrite Option therefore provides MTN with the flexibility to manage the outcome of the MTN BEE Transaction in the event that the required equity cannot be raised immediately.

## 5. Financial effects of the MTN BEE Transaction and ESOP

The table below sets out the unaudited *pro forma* financial effects of the MTN BEE Transaction and ESOP on, *inter alia*, MTN's net asset value per share, net tangible asset value per share, audited basic earnings per share, fully diluted basic earnings per share, headline earnings per share and adjusted headline earnings per share based on the most recently published audited results of MTN for the year ended 31 December 2009.

The unaudited *pro forma* financial information is the responsibility of the directors of MTN and was prepared for illustrative purposes only and may not, because of its nature, fairly present MTN's financial position, changes in equity and results of its operations or cash flows for the period then ended. It does not purport to be indicative of what the financial results would have been, had the MTN BEE Transaction and ESOP been implemented on a different date.

The MTN BEE Transaction and ESOP will result in an increase in the weighted average number of shares in issue which has a direct impact on the marginal decrease in net asset value per share. The impact on earnings is largely attributable to the once-off, non-cash IFRS 2 Share-based payment charges in respect of the MTN BEE Transaction and ESOP as explained in the notes below. The financial effects have been calculated using the Transaction Share Price and are based on the Calculation Date.

For the period ended 31 December 2009		Before	After <sup>7</sup>	Change (%)
Net asset value per share <sup>1</sup>	SA cents	3,797.9	3,763.7	(0.9)
Tangible net asset value per share <sup>1</sup>	SA cents	1,770.8	1,751.3	(1.1)
Basic earnings per share <sup>2,3</sup>	SA cents	791.4	649.1	(18.0)
Diluted earnings per share <sup>2,4</sup>	SA cents	781.5	633.0	(19.0)
Headline earnings per share <sup>2,5</sup>	SA cents	803.2	660.9	(17.7)
Adjusted headline earnings per share <sup>2,6</sup>	SA cents	754.3	612.3	(18.8)
Weighted average number of shares in issue	millions	1,851.3	1,864.7	0.7
Weighted average diluted number of shares in issue	millions	1,860.3	1,894.5	1.8
Number of shares in issue	millions	1,840.5	1,854.0	0.7

#### Notes:

1. Net asset value per share is computed by dividing total equity attributable to ordinary shareholders by the weighted average number of shares in issue. Tangible net asset value per share is equal to the total equity attributable to ordinary shareholders minus the sum of Goodwill and Other intangible assets divided by the weighted average number of shares in issue.
2. Earnings are reduced by the estimated transaction costs of R126 million and the impact of the IFRS 2 charges (Share-based payment - BEE expense) of R2,429 million in respect of:
  - the MTN Donation of R1,294 million and the Notional Vendor Finance of R983 million provided to BIC. This arose as a result of the discount on the MTN Shares provided by MTN to BIC, and is non-recurring; and
  - the MTN Shares, valued at R152 million, issued to Eligible MTN ESOP Employees in terms of the ESOP.
3. Basic earnings per share is computed by dividing net earnings attributable to ordinary shareholders by the weighted average number of shares in issue.
4. Diluted earnings per share is computed by dividing net earnings attributable to ordinary shareholders by the weighted average diluted number of shares in issue.

5. Headline earnings is calculated in terms of Circular 3/2009 on Headline Earnings issued by The South African Institute of Chartered Accountants. Headline earnings per share is computed by dividing headline earnings attributable to ordinary shareholders by the weighted average number of shares in issue.
6. Adjusted headline earnings, as published in MTN's most recently published annual results for the year ended 31 December 2009, is calculated based on headline earnings adjusted for the effects of the reversal of the impact of the Put option in respect of a subsidiary (R905 million). Adjusted headline earnings per share is computed by dividing adjusted headline earnings attributable to ordinary shareholders by the weighted average number of shares in issue.
7. The financial effects assume that the MTN BEE Transaction took place to its full extent on 1 January 2009 for the purposes of the earnings effects and as at 31 December 2009 for the purposes of the Balance Sheet effects.
8. The net effect of the MTN BEE Transaction on MTN is the IFRS 2 charge (Share-based payment - BEE expense) of R2,429 million in respect of the issue of new MTN Shares at a discounted value to BIC, as well as the issue of new MTN Shares to Eligible MTN ESOP Employees. In addition transactions costs of approximately R126 million will be incurred.

## 6. Conditions precedent

The implementation of the proposed MTN BEE Transaction is subject to the fulfilment or (where permitted) waiver of the following conditions precedent:

- subscriptions in terms of the BIC Public Offer are at least R424.9 million;
- the opening of bank accounts into and out of which the initial MTN BEE Transaction proceeds will flow on and immediately prior to the Closing Date;
- BIC opening a securities account with a Central Securities Depository Participant acceptable to the Funders, in which the dematerialised MTN Shares held by BIC will be recorded;
- signing of the Transaction Agreements on behalf of each of the parties thereto;
- fulfilment or waiver of all the suspensive conditions to the Transaction Agreements, as provided for in the relevant Transaction Agreements;
- MTN being satisfied that the conditions precedent to subscriptions under the preference share funding agreements have been met or waived (other than any condition precedent relating to mechanical implementation steps which are required to be effected prior to implementation of the preference share funding agreements in accordance with the agreement entitled "Implementation Agreement" entered into between, *inter alia*, MTN, BIC, BFC, and the Funders, which agreement provides, *inter alia*, for the implementation before and on the Closing Date of the Implementation Agreement and certain of the other Transaction Agreements ("Implementation Agreement"));
- BIC having adopted a new memorandum and articles of association in a form and substance satisfactory to MTN;
- BIC approving by special resolution the entry into and due performance by it of its obligations under the relevant Transaction Agreements;
- the board of directors of each of BIC and BFC approving the signature and implementation of the Transaction Agreements to which they are a party;
- the requisite majority of MTN shareholders approving all the resolutions required to effect the MTN BEE Transaction and the ESOP;
- the special resolutions having been duly registered by the Registrar of Companies;
- the MTN Board having passed a resolution in which it furnishes the confirmations contemplated in section 38(2A)(a) of the Companies Act as well as those contemplated in section 44(3)(b) of the Companies Act, 2008 (Act 71 of 2008) ("the New Companies Act");
- the MTN Board obtaining a fairness opinion from an independent expert;
- the JSE having consented to the admission to listing of the MTN Tranche 1 Subscription Shares and the MTN Tranche 2 Subscription Shares;
- BIC not being in unremedied breach of any of the warranties or undertakings given by BIC to MTN in terms of the Transaction Agreements or its undertakings in the Implementation Agreement; and
- if the New Companies Act comes into operation or will come into operation as contemplated in section 225 of the New Companies Act at any time prior to the Closing Date, MTN not having delivered a notice

recording that it is of the view that the BIC Public Offer is or may be adversely affected by the coming into operation of the New Companies Act.

## 7. Fairness opinion

A fairness opinion on the terms and conditions of the MTN BEE Transaction may be required in terms of the Listings Requirements of the JSE as the directors of MTN, who may participate in the BIC Public Offer, may - through BIC - be issued MTN Shares which equate to an effective interest in MTN exceeding 0.25%. MTN has appointed KPMG Services (Proprietary) Limited as the independent expert to provide such opinion, which will be included in the circular to the MTN shareholders.

## 8. Circular and general meeting

The circular to MTN shareholders pertaining to the MTN BEE Transaction will be posted to MTN shareholders on or about Wednesday, 28 July 2010. A notice convening a general meeting of MTN shareholders ("Notice") to be held in the Auditorium, Phase II, 216, 14th Avenue, Fairland, Roodepoort, 2195, South Africa at 14:00 on Friday, 20 August 2010, will form part of the circular. The resolutions required to be approved by MTN shareholders at the general meeting will be set out in the Notice. Dates and times mentioned in this announcement are subject to change, and will be released on SENS and published in the South African press. The circular will also be available on MTN's website ([www.mtn.com](http://www.mtn.com)).

Fairland

15 July 2010

### Merchant bank and transaction sponsor



### Legal and tax adviser



### Independent lead sponsor



### Independent expert



### Joint reporting accountants

