

**MTN Group Limited**

**DATE: 12/03/2009**

**MTN Annual Results Conference Call**



**MTN Group Limited**

Final audited results  
For the year ended 31 December 2008





Speaker	Narrative
Operator	<p>Good afternoon and welcome to the MTN results presentation. All participants are now in listen-only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to turn the conference over to Phuthuma Nhleko. Please go ahead.</p>
Debbie Miller	<p>Hi, it is not Phuthuma. It is Debbie Miller, Head of Investor Relations for the MTN Group. Thank you for joining us here today to discuss MTN's results for the year end of 31 December 2008. With me here are Phuthuma Nhleko, our Group President and CEO, Rob Nisbet, who is CFO, Sifiso Dabengwa, group COO and Tim Lowry, VP for the SEA region and Christian de Faria, VP for the WECA region and Jamal Ramadan, VP for the MENA region, are also dialled in by teleconference onto this call. In terms of the process Phuthuma and Rob will give a brief overview of the group results highlighting the key operational and financial information and a bit of an outlook and thereafter we will move onto a Q&amp;A session which I understand the conference call operator will facilitate. So I will hand over now to Phuthuma.</p>
Phuthuma Nhleko	<p>Thank you very much, Debbie, and afternoon everybody. I believe our presentation obviously is out there now and I know some of the people on the call in terms of the presentation this morning. So I will tend to run through some of the key highlights and then we can take some highlights on the financial section as well from Rob and then we can take some questions.</p> <p>I think essentially, as I indicated this morning, we do have a good results that were achieved under some fairly difficult conditions, by and large the global backdrop in the recession which obviously kicked in last year, followed by the banking crisis, or the other way around, actually, and of course I think the knock-on effect on that is to find in some areas we will be challenged and people are more risk averse than what they may have been 12 months ago.</p> <p>Having said that, I think MTN does have a very strong balance sheet relatively speaking and we have also undertaken a very big infrastructure rollout in 2008 which has enabled us to report some of the numbers we are going to report now. Subs were up, of course, 38% to just over 90 million subscribers and revenue up 30% to R102 billion and EBITDA up 36% to R43.2 billion and notwithstanding the high effect of tax rates as a result of the end of the Nigerian pioneer tax holiday we still achieved a PAT of R17 billion which is 44% up from the previous year. The adjusted headline earnings per share is 904c, which is 33% up on last year and I think Rob in the financial section will take you through what the adjustments are to arrive at that adjusted headline earnings per share, and of course I think the big number on capex is the R28 billion which is 84% up on 2007.</p> <p>It is important to point out that we did have a trade wind in 2008 through the currency. You know, the Rand has weakened against quite a number of currencies including the Dollar, of course, but the currencies of the countries in which we operate have by and large strengthened against the Rand.</p> <p>The gearing is low. We have achieved the guidance that we gave you or I think when we did the Investcom deal we said that by December 2008. We hope to be at 0.4 as net debt to EBITDA and I think we're at 0.3 and in fact we got there much earlier. That has allowed us to maintain the dividend policy on the cover of five. Therefore we have declared a dividend of 181c per share.</p>



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Key development, I do not want to go into a lot of detail again. Suffice to say that on the economic front we have had quite a varied picture or a mixed picture in the sense that Nigeria, Ghana, as an example, have held up very, very well in terms of consumer spend. As you shall see later on we've given the subs take up, up until the end of February 2009.

Rollout very big. We got very close to the number that we said we will put into the ground, and of course that's done a number of other things operationally that have enabled us to continue to evolve the business and position it competitively very well. Examples of that are, of course, the internet service providers that we have purchased, Verizon in South Africa, Afrinet in Cameroon, VGC, which of course we did much earlier, which is almost a PGO as well in Nigeria. We have also invested heavily in 3G. I must say sooner than we may have wished in certain countries, but I think the plan [unclear] 3G speeds and remain competitive was fairly important.

We've also invested considerably in the submarine network cables, they key one being EasyCable, which is on the East Coast of Africa and then of course the West African cable as well and that does enable us to obviously service our own traffic and become more competitive. BEE, just to say that of course the Newshelf structure got unwound in December and a large number of staff participated in that and the company now wants to put in a new scheme. Of course, Newshelf had nothing to do with the company. It was a completely independent arm's length scheme put in by management, so the shareholders did not subsidise that in any form, but the second BEE scheme will, of course, be by the company and when the market conditions are far more conducive and less volatility. We believe that will be a right time to actually put that scheme in place and move on.

So far the growth, again, hopefully everybody got a presentation, it is very strong at 90 million subs. Suffice to say that we have now got a much wider spread. Initially got all South Africa and then Nigeria, but if you look at the three regions now we are having significant growth in the Middle East which is driven primarily by Iran. The earnings are not as diversified, unfortunately, but definitely we are hoping that in the medium term we will be able to achieve that as well. ARPU, the ARPU is very resilient in most of the countries with the exception of Sudan which have, as I mentioned this morning, does have its own set of challenges, but we have seen fairly strong ARPU. Nigeria, as an example, is still at \$16. I think what that indicates is that the spending power is there, but it also indicates that there was quite a lot of pent up demand that we were able to address once we have significantly increased capacity and spent more money on infrastructure. The other countries are also fairly strong in local currency. Some of them may be a bit weaker because of their own currencies weakening against the Dollar, but by and large I believe that we have had a very pleasing, sustainable ARPU in most countries and I think that does talk to the potential of some of the countries.

On the EBITDA basis, I think I spoke about contribution where the WECA region is obviously the largest contributor now followed by the Southern African region and then Middle East takes it up to 11% of EBITDA now. We would like to see more. We would like to see it being the trend and so on, but of course notwithstanding the high increase in subs in Iran the tariffs are relatively low. The EBITDA margin of the group by and large has held up. It has come down 1.5 points and the key reason for that is quite varied and multi-fold. Clearly you do have high revenue share in Syria and Iran and that does have an impact on the EBITDA margin.



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We have also seen some expenses in fuel, site maintenance and leases in some of these countries. We have seen some escalation in that and that has made it that pressure on margin and then of course in South Africa we have quite a number of initiatives on distribution, buying up on a distribution network that have had somewhat of an impact on margin, but nevertheless Iran margin is pleasing at 30%. I think we have given you guidance of latest 20, but 30% at this stage is quite good and given the new entrance we still think the margin of 42.1% all over the group is still acceptable, given all the things that we had to deal with last year.

I won't go into the detail of the SEA countries. Suffice to say that most probably Uganda faces the largest competition with five operators in there. It has managed to increase its market share back to 52% and MTN Zone has helped quite a lot. And South Africa again on the prepaid side has done exceptionally well. MTN Zone and the low denomination vouchers have helped a lot. Post paid has been acceptable. We would want to see an even bigger performance on post paid but we did launch a new tariff plan, MTN Anytime, which conceptually gives people far more flexibility and we have seen almost 250,000 subscribers on that.

Regulatory issues in South Africa have by and large been sorted out. The biggest one has been obviously the new licences which were issued on 15 January. There are still some issues to be resolved there that we are engaged with but we have moved on in terms of the licence that has been issued and so on. Things like [unclear] are still outstanding and we think that the amendment to [unclear] ought to be published very soon. Sorry, it was published on 9 January. So I think that is South Africa in terms of the big issues. MTN Zone, the big issue there is the minutes of use have gone up. We have also acquired the Verizon business in South Africa. What that does is of course give us a much larger market share in the data space in South Africa, somewhere in the order of 23% if you combine that with the other smaller operation which we had, which was MTN Network Solution.

Infrastructure and rollouts, big year South Africa last year, spent almost R4 billion. Of course, that took up our capex to sales to a much higher number, interest 15%, at the end of December, from let's say around 8% or 10% that we had previously. But we just felt that it was time now to reinvest in the South Africa network and I think we have done that. And even though we went through a bad patch we believe the quality has improved significantly.

3G network, 400 new sites in 2008, and so that was [unclear]. Data, we are still on the increase, it is now 12% of revenue, excluding handsets. It is progress but we again would like to reach 15% more as guidance that we have given previously. West Africa, by and large Cameroon, Cote d'Ivoire have all shown very good performance. They have both increased the market share and of course in the case of Cote d'Ivoire we have also increased our holding to 65%.

And Nigeria, I think, had a very good year. The call to put huge capex into Nigeria in 2008 was a very good call on our part. We have increased market share. We have gained significant momentum and we have increased our edge as the leading player in the sense that we do now have the capacity to take on far more subscribers than our competitor and I think more importantly the quality is there and then I mentioned earlier the ARPU has remained fairly resilient. Of course, the big issue in Nigeria is now the devaluation. It is in many respects very much linked to the price of oil. If the price of oil remains at \$42 or around these levels we would expect that it could be further devaluation but nothing more significant. If of course the price of oil had to start going up then there could be an upward



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kick. But as I said this morning, it is a stretch for us to try and predict where the currency is going to go. Suffice to say that I think in respect of Nigeria it is very much linked to the price of oil.

But these countries do have very large informal economies and I think Nigeria is one of those and therefore even though we are expecting a slowdown we still think very strong growth as indicated by the subscribers that we have put up this morning for January and February. And again in Nigeria huge investment in transmission, over 1,000 km in the metro areas, and of course having acquired VGC we have now integrated that into MTN Nigeria and I think working with the BG people onward we think it will position us to be a major ICT player and more importantly be able to service the SMEs and the corporates of Nigeria effectively. Ghana, I think no different from Nigeria in terms of huge rollouts there as well. You know, put on an extra 2,400 sites in Ghana for 2008 which has enabled us to increase our market share to 55%. A slight drop in output from \$14 to \$12 but again I think the Ghana CD has weakened against the Dollar. I think it is fairly stable on the local currency basis.

If we look at the MENA region, the countries there, Yemen, Afghanistan, have done fairly well. Afghanistan in particular given security challenges there. They have put in fairly significant growth, but driving engine there has been Iran which is now at 16 million subscribers and essentially the same size as South Africa. Of course, I think one key feature of the Iranian market is that the tariff is very, very low and that is reflected in the ARPU at 9,000. Nevertheless it is really relatively flat. It went from \$9 to \$10 to \$9. Iran, as we all know, does have a very strong and good quality fixed line network, so I guess that has an impact as well. Market share in Iran has increased to 37% from 23%. So I think in the two years starting from zero we do believe that it has been a fairly satisfactory performance.

There is a third operator that has been named as a preferred bidder in Iran and we are not too sure when they will launch, but suffice to say that we do believe that there will be sort of less time before that happens. Coverage in Iran now over 465 cities and over 3,000 km of road coverage has happened and we are starting to see rapid growth of data. We are at almost 14% of revenue in Iran and of course 92% of that is FMS. So I think it does reflect how much potential is there on the data side as time goes on.

The disappointment of the year has been Sudan. Sudan has been a very big challenge for us. There are a number of factors that have caused that problem. I think government has put out or supported this CDMA player and that is highly subsidised and that CDMA players had very low tariffs, very low and high subsidies of handsets. But to exacerbate that challenge the regulator put us in a situation here. We had to disconnect subscribers that were not fully registered. As I said this morning I think we fully complied [unclear]. Suffice to say that it did have an impact on our market share in Sudan which dropped, but I am glad to say it is now back to 28. We are working very actively to try and see what we can do in Sudan in resolving issues. We have also launched now in the south of Sudan and our market share there, I think, will be most probably equal to the number one player there and the intention is to obviously ensure that we sustain that by rolling out rapidly and so on.

I think Syria essentially is very much a managed market in the sense that by law we cannot do promotions and move far more rapidly than our competitor and that does hold us back in Syria. The second thing that holds us back in Syria is the fact that it is a BOT. Therefore we have to be extremely perceptive, not that we are not elsewhere, but in Syria 10 times more than we are anywhere else of the amount of capex that we are putting on the ground



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Rob Nisbet	<p>because it is a BOT. We are fairly hopeful that we will get into more engagement with a regulator. In fact, those discussions started to try and see if the BOT can be converted into a normal licence. If we were to succeed in that then on reasonable terms, and I'm saying if, then clearly Syria will become a far more valuable market for penetration fairly substantially and fairly quickly.</p> <p>So I think that is really the brief overview on the strategical operational issues that we've dealt with. As mentioned this morning there are some sort of [unclear] with regards the currency but by and large the fundamental performance is very, very strong and we have seen strong performance or take-up of subs in the last two months. We are not by any indication saying that the run rate will have to continue for the rest of the year and so on, but we are saying that everything indicates to skilled, meaningful potential for us to still invest in capex in a meaningful way. I will ask Rob now to just give the highlights of the financial view. I will then close very quickly with just one or two things on the way forward again. We can take questions.</p> <p>Thanks, Phuthuma. I will be pretty brief and I will just call out the page numbers as I go because I am sure you have all gone through the numbers already and there are two accounting considerations. Respectively the disposals that took place during the year, just to note that, as well as the acquisitions that took place from a foreign exchange perspective. If you look at the net gain that came through overall on the interest line, it was about R1 billion, depending how you wish to transact that. The put option obviously is still with us and will be with us for a while or unless the shareholder exercises it earlier and that is in place since the 2013. From the group tax rate perspective, and I will go through that a bit later as well, it is higher than what we anticipated up in the very high 30s and I will try and enlighten you to that.</p> <p>The EPS slide at 53, I don't think it needs any talking to other than obviously finally the impact of the pioneer status and the increase related to that on the adjusted headline earnings, won't be coming through in the future years because this is the last year that will be reflected as a comparative analysis. On the exchange rate, and as Phuthuma mentioned, I mean we did get that tailwind of some 15% on both revenue and EBITDA lines and likewise the expenses go by a similar sort of amount and then from a closing rate perspective obviously the balance sheet assets and liabilities also go up. So it is just to bear that in mind.</p> <p>I think one item just on the exchange rate side, just to bear in mind that obviously from a Rand perspective the Naira has devalued and so has the Rand relative to the Dollar. So if you look at the average for last year where the Rand/Naira was at about 14.54 NGN. If you look at the current exchange rate where the Naira is about 145 NGN to the Dollar and the current Rand exchange rate of about 10, once again that is pretty similar to where it was last year. So obviously both those weakened from a Rand perspective, just to say still pretty even.</p> <p>On the interim statement side, slide 55, the revenue has gone through on the EBITDA margin, obviously that slight slippages on 1.4% amounts to like R1.4 billion. I will go through that a bit later. Obviously your depreciation and amortisation that comes through both impacted by the forex issues and amortisation specifically, about R600 million of that movement was forex related. I will just go straight on to the slide 57 which is a revenue analysis slide and just to state there that obviously Interconnect from a group perspective as a percentage of revenue, has gone from about 4.8% up to 5%. RSA dropped off slightly whereas Iran with the increase [unclear] and they have a fairly high percentage in any case.</p>



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That contributed to the positive movement on that side.

With regards to slide 59... I will just spend one second on 58. Obviously if you look at Syrian and Phuthuma mentioned it, but if you look at Syria's performance on slide 58 from EBITDA perspective and then slide 59 and if you look at the EBITDA margin decline from 2007, obviously the step-up in revenue share from 40% to 50% took place from effectively 1 July. So you would have expected a decrease to come through year on year of about 5% and your reason for the lower decline which is really due to expenditure control on the second half, specifically in sales, marketing and distribution, so next year you would expect that margin to come down within that.

Sudan Phuthuma has gone through. Obviously the extremely low margin that came through there. Questions were asked this morning whether can you drop off in the second half of the year with one-off expenses and I think the way you should look at Sudan for last year is effectively the EBITDA margin in total for the year is what you should look at. So there were some expenses that came through in the second half of the year that should have been processed in the first half of the year, so rather just view it as an average for the year from that perspective.

If you look at the operating expense analysis and just to try and get some colour to the decline in the EBITDA percentage, the direct network operating cost, that increased at 64% or some R5 billion. The factor that really made up the three items, the rent and utility, those went up by about 36% and which equates to about R1.4 billion. The major item that came through there was Nigeria, which was at R1 billion and the reason for that, if you look at the site increase in Nigeria for the year it was at about 54%. So obviously that is one of the major contributing factors. On top of that a lot of the leases within Nigeria had come to an end and those were renewed and let's call it the renewal cost site lease has escalated quite substantially in that environment.

The other item and Phuthuma mentioned it, is the revenue shared payments or regulatory payments. Those went at about 73% year on year. The major one being Syria at R1 billion and Iran with the higher revenue share and the higher revenue coming through. That was an increase of R750 million. So those were the two items and the final one was maintenance and that went up at about 62% which is a R1 billion increase year on year and that was last year across all operations. So I won't pull out any one specifically.

On the other slide, 61, just on the billing distribution and marketing expenses, the increase of 45% and R4 billion. Two major contributors there in Nigeria. Those expenses went up 70% relative to their revenue increase of about 55% and accounted for R1.2 billion of that and it really was, let's call it revamped the proposition into the channels. They were not competitive so they did aptly commission it and that did have the impact of the increase coming through and then the other was South Africa where the increases on those lines came through at about 20% relative to their revenue increase of 16 and the 16% is 1% higher than what is on the slide. It is just excluding the handset revenue and that again was, as mentioned, in June as well as the March result last year, South Africa focusing on the distribution side. On the other, that really is made up of many items such as security, insurance, professional fees and various other items.

Finance costs, the only quick items I mention on that side, if you look at the forex losses, it does appear fairly large at 2.8. That really is the Dollar loan that we had at group level. That was fully hedged out. As you are aware, the effect of hedge cost comes through in the forex



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Phuthuma Nhleko	<p>loss as opposed to coming through in the interest line. That was R1.5 billion. Mauritius was at R300 million, and Nigeria at 20% of the \$2 billion is Dollar-based and that created a loss of some 400,000.</p> <p>On the tax considerations, I think just to have a picture to come up to the 39.9%, Nigerian commencement provisions 4.3%. Obviously from next year that falls away. The STC and holding taxes at 1.9% plus the withholding tax of MTN Nigeria. That's affecting its holding tax at 1.5% so the STC, although in South Africa, that is going to fall away into the future when one comes through the charge. The withholding taxes that come from or are charged from the difference coming up from the operating subsidiaries that would continue into the future and that will also obviously unpack the tax rate a bit. The impact of that on the tax rate going forward is obviously questionable because it does end on the exchange rate and that, so we will have to see where that ends up. And then various other items that will effectively increase the site tax charge or decrease the PCC slightly that is effected on that side.</p> <p>If we look forward, we expect going forward the tax rate to be high to mid-30s next year compared to the 35% this year. Nigeria, I won't go through those slides. I think everyone is aware of it. On the balance sheet, once again just to mention the exchange rate items that came through so I won't go through that. Interest bearing liabilities on page 67, other than to say, I mean, you can see that we have local currency borrowing in the countries that we are in and this has always been our intention to maximise that and that's, let's just say paid off well where those currencies had been valued against the Dollar as such, which has been good for us.</p> <p>The other item, just to mention, is your own production interest. You can see that has been reduced to R2.5 billion. If you remember when we started off a little while ago in June 2006 with the Investcom acquisition, that was closer to R30 billion. So, I mean, that has reduced dramatically which has been very good for us. And net debt to EBITDA at 0.3, obviously very, very strong from a balance sheet perspective for going forward. Cash flow statement on page 68, net cash generation for the year plus capex is about R7 billion. So notwithstanding the R28 billion of capex is a very good cash generation.</p> <p>Slide 69, just on the capex slide, I think if you look at the R28.2 billion, if you remember in June we said that we would expect that number to be roundabout R25 billion. We are actually quite pleased that we managed to get more in the ground but some of that is forex-related. So you will most probably find relative to the R25 million we have got about R26 million in the ground. So I think that is good performance. If you recall the June numbers, we had approved additional capex for the year. I mean, the initial amount approved for 2008 was 30 billion and we did approve additional capex. That has not obviously been skimmed through the 2008 year and has been carried over to 2009 year and the R37 billion or 37.5 billion for 2009, again you would not expect the full amount to be spent during the 2009 year. You will most probably expect to carry over somewhere in the region of R4 billion for the year. Tim, I think that is it from my side.</p> <p>Okay, thanks, Rob. I think in closing we have given some indication of what has happened in the last two months in South Africa, Nigeria, Iran, Ghana, Cameroon and Cote d'Ivoire. I think suffice to say that I think it's still a meaningful uptake of subs. As I mentioned this morning we all accept that the big question that people are asking is really on the capex and we are saying that looking at traffic, looking at the subs take-up up and looking at the advantage the capacity we put in large year has given us, we feel comfortable to look at the</p>



Speaker	Narrative
	<p>kind of capex numbers we are looking at this year.</p> <p>Having said that, I mean, you know, one does have to mitigate it by saying and comparing those number 2008 to 2009 on capex. One has to realise that these numbers are in Rands and obviously there has been a significant weakening of the Rand. So you just start off with quite a big number relative to last year just where you are currently. The second issue is traffic. We said that there is strong traffic growth but it is something that we obviously are monitoring very, very closely to ensure that the take-up and the quality of subs is consistent with the capex that we are putting down. Site sharing and infrastructure sharing obviously will be a big feature of our strategy going forward to again make sure that we optimise on capex.</p> <p>Really I think the issue of cash and gain and so on Rob has already talked on that. I won't go into that, and issues of forex risk are nothing new. We said consistently that we try and maximise borrowing in local currency as well just to make sure that we have got, if you like, an inherent currency hedge where we are setting out loans. Extension opportunity, as indicated this morning, it is the same thing every year. We just have not found something that makes sense. We do engage. We do look and of course with the current prevailing market condition we think that we are even better positioned relative to others maybe, given the low gearing and the high cash generation, but ultimately it has to be the right opportunity to come along for us to continue our expansion.</p> <p>Maybe I think the last point really is just on the subs, we have indicated that we would expect to add on another 22.6 million subs or thereabout by the end of December this year and the split is in the pack, but I will read them out, we are expecting 2 million from South Africa, 6 million from Nigeria, 1 million from Ghana, 1.1, 6 million from Iran, 400,000 from Syria, 1.1 from Sudan and then the rest of the smaller countries another 6 million. So that gives us an indication of where we expect to be. So thank you very much. I think we can take questions.</p>
Operator	<p>Thank you very much, sir. Ladies and gentlemen, just to let you know we have been joined by Christian de Faria, and if you would like to ask a question now, you can join the queue by pressing star and then one. If you then decide to withdraw your question please press star and then two. Our first question comes from Herve Drouet of the HSBC. Please go ahead.</p>
Herve Drouet	<p>Good afternoon. My first question is regarding capex. Can you tell us what capex assumption you have taken for the guidance in 2009 in terms of Rand versus US Dollar, and if you can tell us roughly out of the capex how much percentage are in US Dollar? The second question is in term of bad debt. Can you give us any setting where currently bad debt is, where you stand, if you see any deteriorations in the last two or three months, and if it is the case, which country may be affected by that? And finally, for technical reason I think I could not connect, you know, for the beginning of the year of the conference call. I just want if you can repeat what guidance is given specific of South Africa and Nigeria for the first two month in terms of trend. Thank you.</p>
Phuthuma Nhleko	<p>Okay, all right. I think let me give you the numbers for South Africa and I think Nigeria in general. I will also give you the number where we expect to end up at the end of the year. I will ask Rob to respond on the capex thing and I think you answer as much of the capex as you can. On the two months January and February in the case of Nigeria we take 2.2 million subscribers and then in South Africa it is 80,000. In terms of where we need to end up at the end of the year, we are saying that South Africa should get 2 million in addition to what we</p>



Speaker	Narrative
	<p>have got now. South Africa, 2 million, Nigeria, 6 million, Ghana, 1.1 million, Iran, 6 million, Syria, 400,000, Sudan, 1.1 million and then the rest of the other countries 6 million. So that should add up to 22.6 million additions up to December 2009.</p>
<p>Rob Nisbet</p>	<p>With regards to your issue on the exchange rate, if you look at the average Rand for the year we are sitting at R9.09 which is the number we used in the package. If you look at the Naira to the Dollar the average rate was 122 NGN on that side. So that is the key exchange rate you will most probably be interested in. If you look at the amount of capex that is Dollar related, somewhere in the region of 40% to 50% is Dollar related on that side. If you then, bad debt side, I mean, the real where you have bad debt in South Africa because of the retail book that we run relative to obviously the other markets where just say 100%, I mean it is 99% prepaid. If you look at the South African environment, that did pick up last year and the overall bad debt ratio for last year in South Africa was about 1.4% on that side. If you look at what it was the year before it was just under 1%, so there was an uptick on the bad debt side. If you look at where we are at the moment in South Africa and it does not mean that they are going to go bad, we have up to our provision slightly so at the moment we are providing at just over 2% our post-post debtors.</p>
<p>Herve Drouet</p>	<p>All right, thank you very much.</p>
<p>Operator</p>	<p>Our next question comes from Nick Kershaw of Macquarie. Please go ahead.</p>
<p>Nick Kershaw</p>	<p>Hi. Just a quick question. Can you give us an indication of what the fuel bill was in Nigeria last year and the second question would just be on the Verizon business, will that now be included in the South African business going forward and are you able to give us some indication of what sort of margin of that business is that?</p>
<p>Rob Nisbet</p>	<p>Nick, are you trying to catch us out as usual? The fuel bill in Nigeria last year I think was about \$130 million. If you look at where we had ended up this year obviously you have got a hell of a lot more sites and we budgeted on a fuel rate of about \$75 per barrel and obviously to that a lot of landing costs and all the rest of it in Nigeria and effectively if it ends up at that rate we would end up spending basically about the same amount in 2009 compared to 2008.</p>
<p>Nick Kershaw</p>	<p>Okay. And then just on the Verizon business?</p>
<p>Tim Lowry</p>	<p>Verizon and MTNS will be a separate division of MTN South Africa, so I presume they will put those figures out separately in the mobile business for competition reason. The EBITDA margin at the moment on those businesses is in the mid-twenties.</p>
<p>Nick Kershaw</p>	<p>Right, thank you very much.</p>
<p>Operator</p>	<p>Our next question comes from Brad Radulvacki of Oaktree Capital. Please go ahead.</p>
<p>Brad Radulvacki</p>	<p>Thank you. Could you just please discuss the ARPU and margin dynamics in Nigeria. You, I think, exceeded your expectations with margins there. ARPU held stable and you spent considerably in the market. You look to be spending a similar amount for 2009 and so maybe could we just talk to those profitability and the revenue dynamics there? And just secondly, again in Nigeria is if you can tell us about in your capex numbers what was – or expansion in 2008, what was the capacity in 2008, what is going to be expansion for 2009, what percent will be capacity for 2009?</p>



Speaker	Narrative
Sifiso Dabengwa	<p>Okay, I will answer it. Let me start with the last question. Probably between expansion and coverage it was about 55%. On capacity expansion it is about 45% coverage. In terms of the ARPU dynamics, the ARPU levels have held up very well. I guess the expansion on the network and the increase in capacity has enabled people to be able to make calls, and the call failure rate has obviously decreased quite a lot. And the fact that the network or the MTN network has generally improved quite significantly relative to the other operators has also subscriber numbers has also increased relative to the other operators. There is no indication that there should be any significant decline in ARPU other than the normal decline that we have been seeing in relation to the increase in penetration. And obviously we can get the Naira exchange rate at decreasing impact</p>
Brad Radulvacki	<p>[Unclear] at what level and what level are incremental ARPUs in Nigeria?</p>
Sifiso Dabengwa	<p>In the region of about \$9.</p>
Brad Radulvacki	<p>Okay. And have those changed during the year? Did those change?</p>
Sifiso Dabengwa	<p>We've gone from about \$10 to about \$9.</p>
Brad Radulvacki	<p>And could you just comment on the margin? You have a very high margin and you kept it up. What is your thinking for 2009?</p>
Sifiso Dabengwa	<p>Yes, I mean, that is one of the tough ones. The point is we have given guidance on margin a few times and I think people are starting to not believe us, but the point is we cannot always predict precisely what would happen there. We accept that the sustainable margin in Nigeria is in the late 50s, okay? We are not therefore suggesting we are going lose whatever in a year, but what we are saying is there is yet another new entrant in Nigeria. It is still early days. If they start, you know, reducing tariffs or doing all sorts of things it may come under pressure if we start seeing more levies being applied. It may come under pressure. So all we are saying is the sustainable margin in our view is in the lower 50s but obviously we do everything possible to try and maintain that margin, but if there is new promotions that somebody undertakes and we have to follow or we have to do it ourselves, then we may see pressure on those tariffs.</p>
Brad Radulvacki	<p>Okay, thank you.</p>
Operator	<p>Our next question comes from Alastair Jones of New Street Research. Please go ahead.</p>
Alastair Jones	<p>Yes, good afternoon. I am just wondering if you could comment on your margins in Ghana. I think at the H1 results you mentioned that the margins were lower but they were supposed to be recovering a little bit in H2, and we didn't really see that. I am just wondering if you can give some sort of outlook for the margins going into 2009? And then I was just wondering if you can also comment, I might have missed it in the call, but just on the repatriation of cash from other of your businesses and in particular Nigeria, I guess given the currency devaluation, if you are having any difficulties with that and if you see that as a problem going forward.</p>
Phuthuma Nhleko	<p>Okay, let me ask Rob to comment on the repatriation of cash, and then Sifiso, do you want to do the Ghana margins?</p>



Speaker	Narrative
Rob Nisbet	On the repatriation funds to date and touch wood, I mean, we have not had any issues with regard to repatriations whatsoever other than in those two countries where, as you are well aware, we are not preparing dividends out right now, which is gone in Syria and we do believe that in those two within the next year that should definitely be resolved, whereas before we have always said I think we're a bit more positive on those issues right now. So we are saying by the end of the year that should be resolved, but other than that there are no issues.
Alastair Jones	Just very quickly, in Nigeria, do you actually need to get approval from the Central Bank to take cash out?
Rob Nisbet	The answer is you always, the process that you do and with commercial banks, I mean effectively whether you are spending capex or whatever, you effectively buy Dollars by the central bank methodology and [inaudible segment]. I mean, if you go back to when we first went into Nigeria the system that is in operation now was in operation then. So again sort of we started going via the commercial banks and it has just reverted to where it was before.
Alastair Jones	Okay. And then on the margins in Ghana?
Phuthuma Nhleko	Oh, the main issues in Ghana was that it was the introduction of the tax which we were not able to pass on completely to subscribers and then also in terms of our distribution there was quite a significant increase in our distribution footprint and then there was the review on how we recognise our cost of sales in such a manner that what was previously recorded in the revenue line, that has changed to be included in the cost line and that had an impact on the whole margin, but going forward we believe that we will be able to sustain or slightly increase as we improve on the other cost structures.
Alastair Jones	Great, thank you.
Operator	Our next question comes from Rusty Johnson of Harding Lubner. Please go ahead.
Rusty Johnson	Ah, yes, my question relates to the 3G strategy and if you could talk to whether that would really give you capacity in your voice traffic where some cellular carriers have suggested has increased capacity substantially, very low capex, whether that is really going to be in effect going ahead or whether it is really just premium services like mobile broadband and how you see this really having an impact on the group as you go ahead in 3G?
Phuthuma Nhleko	Yes, I think the reality is a combination of both. We do hope that it does give us additional capacity, and obviously we would like to see that as the higher-end customers migrate up onto the 3G network, both to voice and data. So it is really a combination of the two.
Rusty Johnson	Okay, will that affect your capex going ahead? I mean if it can materially bring down or increase capacity on voice would you expect capex to show a meaningful decline for 2010 or is that too premature?
Phuthuma Nhleko	I mean, at this stage we are not really focusing on the 3G network from a point of view of taking up more capacity. I think we are really still at a stage where we are just rolling out specifically to be able to provide additional services, but over time we should benefit from the existence of the 3G capacity.
Rusty Johnson	Okay, thank you.



Speaker	Narrative
Operator	Our next question comes from Craig Hackney of BJM. Please go ahead.
Craig Hackney	Hi, good afternoon. I have four questions, if I may. Firstly, if you look at a country like Nigeria, how much of a perfect match is there between revenues in Naira and costs in Naira or is there a percentage of your cost based as effectively driven by the US Dollar which would create a mismatch? That is the first question. Secondly, in your presentation you talk in the Nigerian ARPU being off 6% year on year in Naira. If I calculate it using your average rates and the Dollar output that you have given I get a 12% year on year decline. If you could just comment on that. Thirdly, if you look at contract ARPUs in South Africa, they are ticked up, which I think is quite surprising given the economic situation in South Africa. Could you just comment on the driver of that and where you see that going forward into the new financial year? And then lastly, the Iran EBITDA margin at 30%, in the light of the revenue share do you think that that is pretty much where you would expect it to stay or do you think there is scope for an improvement? Thank you.
Phuthuma Nhleko	Okay, all right. I think on Iran and on the margin I'll ask Sifiso to talk about that. And Tim, you want to comment about the pick-up in ARPU in South Africa after Sifiso? And then Rob will deal with the matching of the cost and revenues in Nigeria.
Sifiso Dabengwa	Look, the guidance that we have always given in terms of the Iran EBITDA margin is still in the upper 20s. There has been very good, let us say cost savings and management focus on costs in Iran in order to get us to that 30% [unclear]. I mean, with the revenue share that we have we don't expect that it will be any higher than it is now. Looking back at the kind of levels that are at the upper end of our expectations on EBITDA in Iran.
Craig Hackney	Thank you.
Tim Lowry	On the ARPU in South Africa on post-dated [unclear] effects, the percentage of top-up customers, hybrid customers, has fallen from about a third to about a fifth, so you get a basis of [unclear]. Secondly, on our long-term customers, we have been upsetting them when their contracts come to an end, so they are on the whole moving to higher value contracts. And then on the MTN Anytime product, people, I think as a part of the economic impact are opting into lower value packages but then spending more outside the bundle which is giving us a possible effect. I think going forward we are going to be more competitive in the lower end product area so I still expect it to hold up to it, but I think I don't see it kind of picking up. The on-biller one is the hybrid product, yes.
Rob Nisbet	Okay, with regard to those other easy questions, I mean, I think from a cost based perspective, I mean, there are definitely certain costs that are linked to the Dollar. I mean, if you look at the fuel, number one, so that would be effectively linked to the Dollar. If you look at some of the [inaudible segment] like Ericsson and that and some licensee payments, those would be linked to the Dollar. [inaudible segment]] obviously were to be into the Dollar, Interconnect with international partners would be linked to the Dollar. Apart from that, okay, I can't think of anything right now, but I will have to check on it. Ja, as you know, previously, I am just thinking back in time like in South Africa, I mean, obviously it is far greater impact to the handset type that came through, on the cost of sales line. So I would have thought that those items that I'm talking about link to the Dollar in Nigeria would definitely be less than 5% of your cost base. With regards to the ARPU issue that you are talking about, the 12% relative to the 6%, I must be quite honest, I don't do [unclear] those calculation. I mean, those calculations have been done on a weight leverage basis, okay, and



Speaker	Narrative
	all the rest of it. So, you know, I can come back to you on that.
Craig Hackney	Okay, thanks, ja. All I did was use the average exchange rate that you gave and then the Dollar ARPU together.
Rob Nisbet	I tell you, the average exchange rate should apply, okay, because obviously that comes on your revenue line. I mean, that is done on a weighted average basis for the full year and this is the way we do it, okay, which is the way you have to go. So I mean, that should work as such, but the problem is you don't have the revenue weighted. So what I'm saying is your exchange rate is right but you don't have the revenue weighted. But I will come back to you on that.
Craig Hackney	Okay, thanks very much.
Operator	Our next question comes from Mr Masendra Singh of Morgan Stanley. Please go ahead.
Masendra Singh	Hi, I have one question on the head office EBITDA. I have [unclear] this year. In fact, in first half it was R407 million. It is going to [unclear] and what are the components went into it?
Nozipho Bardill	Sorry, which line are you talking about?
Rob Nisbet	It is very bad line.
Masendra Singh	I am talking about the head office EBITDA. It has gone down from R1385 million last year to R316 million this year. In fact, in first half it was R407 million.
Rob Nisbet	No, that is fine. I got the question. It just came through very badly. There are basically just a few cost and provision issues that you put through and then we just call it various head office levels and that is what impacted us.
Masendra Singh	So if you remove those one-off items, what would have been the amount and what is the provision amount?
Rob Nisbet	I am afraid I am not prepared to give that out. All I'm saying is we applied certain provision on various lines and that came through that line.
Masendra Singh	Okay.
Phuthuma Nhleko	Can I suggest we take two more questions, please?
Operator	Of course, yes. Our next question comes from William Kirby of Nevsky Capital. Please go ahead.
William Kirby	Thank you. I have two questions. My first question is on how you are thinking about capex in 2010? I mean, could this decline at double digit rates from 2009 levels or are we likely to see the level you have guided for 2009 in future years? And then secondly, following the last question, should we be expecting head office EBITDA in future years to be more like what it was in 2007 or were these provisions you mentioned in 2008 exceptional?
Phuthuma Nhleko	I think we will probably just start with capex on 2010 and then Rob will talk about the head office number. Look, I think as I mentioned, somebody asked exactly the same question this



Speaker	Narrative
	<p>morning in the presentation and the history has been a bit difficult. I mean, we were very, very cautious initially in putting limited capex in the ground. We suffered high congestion; the quality of service became problematic. We got problems with the regulator and of course I think the investors were all saying well, why don't you guys put more capex and get ahead of the kill. Well, that is what we started doing in 2008 and everybody is saying now why are you putting all this capex, etcetera, and the reason is because it has been very, very difficult for a number of reasons but one of them being the absence of very good quality sites in Nigeria to always plan as perfectly as we would want. So the best I can say to you is, you know, we still think that there is still very significant growth, hence the numbers you are seeing for 2009. We are going to monitor it very, very closely and we are all very sensitive to putting more capex than we really need to on the ground. So it has to be justified by the traffic and all the other things that I mentioned as various reality checkpoints for us, and I would expect it in 2010 to be significantly less. I mean, that is what I would expect. Even Nigeria has got a limit as to what we can afford and what the demand is. But I would be extremely hesitant to say it is just going to fall off the cliff because it really depends what is going to happen. We will have to look by June, take a view and so on. I know that it might not be as helpful an answer as you wish to hear but that is really the situation. It is monitoring it very closely. Bottom line is the demand is still very strong. The ARPU is still relatively high and the penetration is still only 36%.</p>
William Kirby	Okay, thank you.
Phuthuma Nhleko	Rob, you want to answer the question?
Rob Nisbet	Ja, no, it would trend back up.
William Kirby	Okay, great. Thank you.
Phuthuma Nhleko	Can we have the last question?
Operator	Certainly. Our final question comes from Johan Snyman of JP Morgan. Please go ahead.
Johan Snyman	<p>Thank you. I have just got three quick ones. Just the capex guidance for 2009. I just want to make sure that it includes the fibre roll-outs both under sea as well as land. My second question just around the turn rate in Nigeria, maybe an abstract number for 2008 and whether it has gone up or down compared to 2007? And then my last one, just to head count for the total business. Thank you.</p>
Phuthuma Nhleko	<p>Sorry, I think the head count for the total business is – you know, sometimes there are some people that are partly temporary workers and some Labour Law and so on, but I think a good figure is around 18,000. That is for the 21 countries. Around 18,000 people. And then the capex including the submarine number, so those capex numbers do include the submarine numbers. [Overtalking] Sorry, I think just to reconfirm; we are saying that the capex number does include. That is for this year. I mean the cable projects are over a number of years as you may be aware.</p>
Johan Snyman	Okay. And then just on the turn rate in Nigeria, please?
Tim Lowry	I mean, the turn rate has been recently accepted in the region of about 30% which has sort of been quite reasonable.



Speaker	Narrative
Johan Snyman	Thank you.
Phuthuma Nhleko	Thank you very much.
Operator	Ladies and gentlemen, that was our final question. Would you like to make some closing comments?
Phuthuma Nhleko	Well, thank you very much and we would just like to say we appreciate people taking the interest and coming to the presentation and coming to the call and we will talk to you in September, I think. We have a trading update but we will see you in September. The trading update is in April, beginning of May. Thank you very much.
Operator	On behalf of MTN that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT