MTN Group Limited
Final Audited Results
Year Ended 31 December 2010
DATE: 09/03/2011

Speaker	Narrative
Operator	Good day and welcome to the MTN Group year end results. All participants are now in listen only mode, and there will be an opportunity for you to ask questions at the end of 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 Debbie Miller. Please go ahead.
Debbie Miller	Good afternoon. This is Debbie from MTN, and thank you for joining us today. We're here to discuss the results for the year ended 31st December, and here with me are Phuthuma Nhleko, group President and CEO, Nazir Patel, who is the group Finance Director, Sifiso Dabengwa, who is the group COO, Ignatius Sehoole, who is the VP for the SEA region. And then we have on the line Ahmed Farouk, VP for the WECA region and Jamal Ramadan, VP for the MENA region. I think the process will be that Phuthuma and Nazir will give a brief overview of the group's results highlighting the operational and financial performance and a little bit of outlook for the group, and then we will move on to a Q&A session. I'll hand over to Phuthuma.
Phuthuma Nhleko	Thank you, Debbie. Afternoon ladies and gentlemen. Once again thank you for taking the time to join us as we update you on the results to December 2010. I think by and large the results were quite satisfactory. We had fairly strong operational performance in most of the operations across our footprint. Of course we also had a year that South Africa performed fairly well, as you will see as I go through those details. Taking the group highlights first, we are up 22% on subs to 1.6 million subscribers. Group EBITDA margin is up 2.9% to 44%, and we are quite happy with that as we had a number of years ago set ourselves a target to try and reach 45%. Adjusted HEPS increased by 20.5% to 909c. And Nazir in his section will unpack that a bit more. We are also quite pleased to say that after reviewing the group's position the Board was happy to increase the dividend payout ratio to 55% on the basis that we believe it will be sustainable going forward. And a final cash dividend of course of 349c per share, and that is for the second half. You may recall for the first half we paid a dividend of 551c. Another key important feature of the group results was the free cash flow which has increased to R31 billion compared to around R15 billion in 2009.

Speaker	Narrative
	Coming back to South Africa I did say that it was also a fairly pleasing aspect of the results in the sense that notwithstanding the high penetration in South Africa the high growth of the prepaid segment enabled the subs base to grow in total up to 18.4 million total subs, which is 18% increase on the sub base. The strong product segmentation including MTN Zone did help us achieve that prepaid growth. Unfortunately we can't be as positive on the post-paid segment. We saw some significant down in growth in this segment even though we continue to see a relatively flat ARPU on post-paid. The reason for the slower growth of post-paid is really affected by a number of things including an increased evolution of some of the lower segment of post-paid into hybrid packages. The hybrid packages are packages that allow people to swing between post-paid and prepaid depending on affordability. Revenue-wise South Africa grew its revenue by 8% for the year. That came mainly from airtime and subscription revenue. Once again we're quite happy with that result given that penetration in South Africa is now effectively in excess of 100%. Prepaid ARPU increased by R12, and that increase is due to the percentage of revenue generated subscribers in the reported prepaid base. And of course also an increase in data revenue from the prepaid base, which is quite pleasing as this is something that we've looked forward to achieving in terms of prepaid people utilising more and more of the data related products. Post-paid ARPU declined to R329 a month, again due to people evolving to the lower packages and the continued spend on the lower out of bundle packages. MTN South Africa's EBITDA margin increased by 2.6 points to 34%. As I mentioned earlier we're very happy with that because we went through two years where there was re-investment in the network on capex, and obviously there was related opex to that as well as some investment in the distribution channel and so on. So to have come back to 34% EBITDA margin in South Africa is quite pleasing. We also had an increase on the on net traffic which resulted from the interconnect costs reducing more than the reduction in interconnect revenue as a result of the new arrangement on MTR that we reached with ICASA that begun affecting us as early as March 2010. We also managed to have lower distribution costs. South Africa has managed to push hard in reducing the distribution costs. And all those elements have helped contribute towards a better margin growth there. South Africa did continue to invest and upgrade the network even though we have managed to reduce capex to 11% of revenue from the prior year which was effectively 80%. So a fairly big reduction in capex in SA which is very much consistent with the trend of the overall group. If we move to Nigeria, Nigeria performed very well notwithstanding fairly stiff

Speaker	Narrative
	competition. Nigeria was for the last nine months connecting about 62% of the net adds in Nigeria and has managed to maintain a market share of 52%. We believe that is a fairly good result that was really facilitated by the availability off significant capacity within the Nigerian network as a result of the fairly significant capex investment in the network that we were undertaking primarily in the years 2007 to 2009. The subscriber base in Nigeria has increased 25% to 30.7 million subs. Hopefully we will continue to maintain significant growth in those subs. The Naira revenue as opposed to looking at Nigerian growth via the Rand if you look at it on a Naira basis that grew by 16% primarily as a result of increased airtime and subscription. And I guess that just shows that after almost ten years the Nigerian market is still fairly strong. ARPU in Nigeria declined by 10% on a local currency basis and 11% in Dollar terms, down to $11. Again this is something that is quite pleasing because for a number of years we expected to be at the low tens much earlier than now. So $11 ARPU is still fairly strong. The EBITDA margin in Nigeria increased by 3.7 percentage points to 16.9% EBITDA, and that was really due to the operation achieving better economies of scale and various other cost control initiatives. Rollout gained momentum in the second part of the year. However, notwithstanding that the capex to revenue still declined and is now at around 14% relative to the very high 30% in the year ended December 2009. As I indicated in the presentation this morning by and large we hope to maintain the trend or keep stable, but it will be very much subject to what happens competitively on the ground. So there is always a possibility that there might be a tick-up in the capex in Nigeria and elsewhere if the need arose. Moving on to Ghana, Ghana's performance was also quite encouraging in the sense that it is a five player market with fairly strong competitors. However, Ghana still managed notwithstanding that background to maintain a market share of 53%. It dropped clearly from the 55% in 2009, but we think under the circumstances Ghana has done relatively well. Ghana also reported an increase in subscribers to 8.7 million subscribers, and these were really underpinned mainly by MTN Zone which really allowed subscribers to enjoy discounts at various times and in various geographic areas. The Cedi revenue grew by 14%, so very similar to Nigeria. Ghana on a local currency basis is still showing relatively good growth relative to where much of the sector is in the world at the moment. And that revenue was also helped by the increase in airtime and subscription revenue. Although the data revenue grew quite strongly in Ghana this was off a relatively low base. And reported ARPU in Ghana also decreased by $1 to $7.

Speaker	Narrative
	Ghana's EBITDA margin decreased slightly to 43.9%. That decrease was as a result of the increase in network operating costs, specifically rent and utilities as well as the maintenance costs. I also think that we also had a slight tariff reduction in Ghana towards the end of the year. Overall let me just say that Ghana performed very well under the circumstances and we hope that their position of 43% [?] market share will allow them to hold off the competition to some reasonable extent during 2011.03.10 Moving on to MTN Iran. MTN Iran also showed a very strong performance and increased its market share to 44%. The MTN Iran performance needs to also be seen in the sense that there was a very strong incumbent, and to have reached 44% market share in literally four years we think was a fairly strong showing. The subscribers in Iran have now increased by 28% to 29.7 million subs, which again if you look at the period does show the depth of the market. In local currency, the Iranian Rial, revenue was up 42%. [Break in audio]. Sorry, if I can repeat that, in local currency, the Iranian Rial, revenue in Iran was up 42% largely due to the growth in airtime and subscription revenue and a 73% growth in SMS revenue, which was in some respects partly offset by lower connection revenue as a result of the lower prices charged on prepaid connections. The reported ARPU in Iran has remained fairly steady. As you know it has always been around $9 or so. It has remained stable at $8, although the ARPU in local currency increased marginally as a result of improved network quality. We are most happy with the EBITDA margin in Iran. As some of you may recall when we first went into Iran we gave a guidance of the EBITDA margin in Iran on a long-term sustainable basis being in the late 20s. And we're happy to report that the margin increased by 6.2% to 41.1%, notwithstanding the higher revenue share of 28%. This was mainly because of the cost efficiencies in maintenance and transmission emanating from renegotiated supplier contracts as well as a change in our transmission strategy. The capex as a percentage of revenue in Iran fell from 43% to 18%. Again I think this is quite a marker given the operation is really only four years old. Moving on to MTN Syria. I think the big paradigm shift in Syria is going to be evolution from a BOT to a freehold licence. We would expect that to have happened by at the very latest the second quarter of this year. And of course that entails the upfront payment of around $600 million for the licence, but I think as Nazir explained in the conference this morning a lot of that money would be utilising funds that are already in the country, so that does suit us. The other two key features of course is the fact that when the conversion happens the licence period will be 20 years and there will be a 25% to 27% revenue share. Syria's

Speaker	Narrative
	performance remained very stable and it maintained a market share of 45%, which is in some respects a managed market, and recorded a 15% increase in numbers to 4.9 million subscribers. That was quite a considerable amount of segmentation that really enabled us to tailor the value propositions for the various customer segments. And of course hopefully that then helps to generate more revenue. We also had loyalty programmes and the World Cup amongst other things certainly helped the brand perception in a country like Syria. On a Syrian Pound basis revenue in Syria increased by 10.4% in the year, and this was mainly attributable to increase in airtime and subscription revenue, and of course 9% growth in interconnection revenue. The reported ARPU in Syria decreased by $2. On a Syrian Pound basis that ARPU declined by 8% in line with penetration in the lower segments. Syria's EBITDA margin increased by 4.1% to 23.7% largely because of the decrease in rent and utility costs as well as a decrease in transmission and maintenance costs following the adoption of lower pricing from the regulator. The capex in Syria as a percentage of revenue is 6%. As you will recall we took a considered view not to invest too much capex in Syria until the matter of the BOT had been clarified. So the 6% of revenue for capex has to be seen in that context in Syria. That could possibly go up depending on what happens in competition and post the BOT resolution. I think in closing if I can just do the group initiatives looking forward. Firstly on revenue opportunities we want to leverage the data opportunity and facilitate increased [inaudible segment] and segment our products and services even more deeply than we have done in the past. We will look at more partnership models to significantly increase the range of value-added service offering that come out of the group. Optimising efficiencies, again Sifiso spoke about this earlier this morning. That will be one of the core areas that the group is going to focus on going forward. This really has got quite a number of elements to it. One of course is the whole evaluation of infrastructure sharing opportunities in each market, both passive [?] infrastructure and fibre. So we're looking into that more deeply. And of course continuously looking at cost effectiveness of delivering data services as well as continuing a standardisation process which has been ongoing for quite some time now, and see how that will enable the group to maintain the margin or grow the margin. The guidance that was given this morning for capex guidance is R22 billion for 2011. That is in comparison to R19 billion for 2010. I think as Nazir indicated this morning that has to be seen in the context of the strong Rand having an impact of lowering that number for 2010. So in short let me just close by saying from an operational perspective we're close to the 45% EBITDA margin which is what we set out to try and achieve. We think the capex strategy we had over the last four years has paid

Speaker	Narrative
	off, but of course we have to remain vigilant in seeing how the competition behaves and how we should react to them as and when we need to. Organic growth is very strong in underlying operations. It is quite muted in Rand terms because of the strong Rand when you translate it, but certainly on a local currency basis most of the operations performed very strongly, and more importantly the three biggest operations performed very strongly in this area. M&A, we said we are unlikely to see a transformational transaction of any sort on the horizon, but we remain quite vigilant to explore and evaluate opportunities that represent themselves that can help us become stronger and consolidate on a regional basis. Sifiso of course did explain this morning that we set up the Academy and we have got a number of programmes running to make sure that our most competitive edge, which is the people, is a resource that we continue to nurture. Finally, net additions for 2011. The update is a total of 16.9 million subscribers is what we hope to add in 2011. 4.2 million of those coming out of Nigeria, 390,000 out of Ghana. People may see these numbers as being conservative, but we think we should do that because of the SIM card registration that these countries are now asking for and secondly because of the competition. Iran, 3.4 million new subscribers this year is what we're projecting. In this particular case we are also wary of giving too high a number because we do have a third operator coming in and that may affect our take-up of subscribers. Syria, 600,000 and the rest of the countries combined, 3.4 million. That gives us a total of 16.9 million. Clearly I think in the next trade update I'm sure management will update those numbers. I'd like to now hand over to Nazir, the CFO, to go through some of the key numbers. I think a lot was presented this morning and on the web, but I am sure there are issues that he would like to highlight.
Nazir Patel	Thanks, Phuthuma. I think we have gone through quite a bit of detail this morning. In addition to that we assume that you at least have a copy of the SENS which does show some of the tables. I will try to make references to items which are listed in terms of just understanding the results. And then we can obviously move over to questions. I believe the presentation is now on the website so you will have access to that. As Phuthuma mentioned earlier we had strong underlying organic growth in most of the countries that we're operating in. Clearly one or two of the smaller countries were a bit disappointing, but largely the key countries, Nigeria, Iran and South Africa, performed extremely well, as well as Ghana and Uganda to a slightly lesser extent. The key feature of the Rand results was really the strength of the Rand, most of which came through in the second half of the year. And the average rates

Speaker	Narrative
	that we then applied in translating the local currency gains into Rand were quite negatively impacted and dampened. The overall revenue number as a result of that increased marginally from R112 billion to R114 billion. However, we were quite pleased with the fact that margins expanded quite significantly at a rate of growth higher than revenue over the 12 months. So reported EBITDA increased from R46.1 billion 2009 to R50.5 billion in 2010 without taking into account the impact of constant currency adjustments. That was primarily driven by strong control or focus on cost optimisation, outsourcing programmes and a number of other initiatives that we have embarked on over the last 12 to 18 months, some of which are now starting to gather momentum and deliver some gains as well. In addition to that we did see some quite significant improvement in on net traffic behaviour in South Africa and Nigeria which helped us drive net interconnect margins higher as well. That has a positive impact on the EBITDA margin also. Overall capex declined by about 100% compared to last year, so we effectively dropped the spend, pushing up actual free cash flow on an adjusted basis, which for the purposes of this discussion is really EBITDA minus capex, to significantly higher levels. So the final capex of roughly R20 billion expressed as a percentage of revenue in 2010 would be about 17%. In prior years it was closer to 30%. Just moving on, these results that we are talking through obviously exclude the impact of what we call the BEE share scheme. We actually rolled out another 4% of shares to members of the public in South Africa. At the end of the day these results for purposes of this presentation are excluded from the commentary. For statutory recording purposes we will need to take the adjustments into account. The total impact is about R2.9 billion and will come off the EBITDA line. So the effect of that would simply be to reduce the EBITDA margin pre the adjustments of 44%, showing a pretty healthy growth rate from the prior year of [inaudible segment] and reduce that number to 42.1%. In the last year's numbers I think most of you recall we had a fairly significant credit coming through accounting for the PUT option. At the time it was really the PUT option relating to Nigeria. In the current [unclear] we had a second PUT option generally held by the IFC on MTN. The net combined value of the fair value finance costs and forex cost adjustments in updating those particular liabilities are no more than R22 million. So a fairly significant turnaround and that obviously has quite a big impact on the net income before tax number when doing the year on year comparison. The tax rate this year went this year to 36.3%. We did see some changes, and I will

Speaker	Narrative
	talk through those in a few slides just to record what is driving the higher tax charges. I will talk briefly about the forex. If you look at the behaviour of currencies in the key operating markets against the US Dollar you will all know that the 12 months to the end of 2009 these were relatively flat against the Dollar. There was a 4% decline in the rate of the Rial to the dollar and about a 1% decline for both the Naira and Cedi to the US Dollar. At the same time it is important to keep in mind that in the same period the Rand actually depreciated by 12% against the US Dollar. Translating those numbers into what we call cross rates for translating the underlying operations' performance into ZAR reported results we find the net cross rate impact of the Rial against the Rand was a decline of about 17% and roughly similar levels of decline against the Rand for both the Naira and the Cedi over the year. Clearly this has had quite a dampening impact on the Rand recorded results. To the extent that if we had to apply constant foreign exchange rates [unclear] 2009 to the revenue line we would have reported revenues at about 14% higher than the R114.7 billion which has come through. So effectively the dampening effect of the strong Rand was about 11% negative on the Rand reported results. Importantly however as was mentioned previously we saw very strong underlying growth in Nigeria of about 16%, and that's after adjusting or taking into account the full year impact of the MTR cut that we saw in 2010. On a like for like basis local currency revenue in Nigeria would probably be about 18% higher. RSA we saw the local currency revenues increase by 8% largely driven by prepaid growth and data. We have taken the impact of the MTR cut for about ten months of the year. Without the MTR cuts local currency revenue growth would have been about 11%. Prepaid growth in total actually was up 20% year on year largely due to the addition that came through on the prepaid side where we were largely successful for most of the year, although it is fair to say Vodacom became much more active in the last quarter of the year. That was very pleasing to see coming through given the relatively poorer performance we saw from South Africa the year before. Iran, pretty strong gains on the subscriber side as well as an uplift in ARPU as we expanded capacity and provided data coverage in places like Tehran and Isfahan. We were able to lift revenue in local currency to about 42% despite all the competitive issues in the market and the pricing cuts. The full year revenues on local currency were 14% higher than the prior year. Just a very brief comment on data. Data for the group overall without the forex adjustments went from R4.2 billion to R6.2 billion, which is a jump of about 48%. A fair amount of that obviously is really South Africa and split into two portions. One is the mobile data which comes through from the traditional South African

Speaker	Narrative
	business. That showed a nice gain from R2.5 billion to R3.6 billion. And what we call the old Verizon business which we acquired the year before that pushed revenues up from R0.9 billion to R1.2 billion year on year. And interestingly this was at a time where tariffs were severely impacted by the competitive nature of the market. From the Verizon business side we saw competition really driving tariffs down by as much as 40%. Clearly the use around data tariffs will still evolve especially on the mobile side. We do understand and accept that our tariffs are still higher than other competitors in the market, and that is something we are looking at addressing as we go forward. Before we get to EBITDA just a brief note on interconnect. We mentioned the interconnect cuts in Nigeria and South Africa which most of you are familiar with. Looking at a year on year in comparison taking all interconnect for the group as a whole in 2009 we reported about R19.5 billion in revenue. In 2010 it comes to R17 billion largely driven by the fact that there is a strong Rand but mostly due to the cuts. However, due to the fact that we have pushed a lot more traffic on net in those countries where the costs took place the costs on the interconnect side effectively we're not reporting on a net margin basis almost similar levels of interconnect margin as we had in the prior year. And just for absolute numbers it's R5.4 billion to R5.5 billion. Again for both countries it has had the beneficial impact on the overall margin improvement. It's not the full story behind the margin improvement but it is an important part of that margin uptick. Overall for the group as we mentioned similar to the revenue story EBITDA was impacted quite heavily by the FX side. Restating EBITDA margins and constant currency exchange rate would have seen an increase in EBITDA margins by about 23% from R46.1 billion recorded in 2009 to about R56.7 billion in 2010. However given the dampening effects of the Rand that number is reported 13% lower at R15.5 billion. Pleasingly however the rate of margin drop was significantly higher in all the key countries than the rate of revenue growth, which explains why we have the margin expansion. Nigeria moved up about 63%. RSA got back to its traditional levels of about 34%. Iran was up to 41% and Ghana came off about half a point due to costs put into the system to improve quality of the network. Moving on to capex. There is just one number to talk about. The impact of the strong Rand literally reduced the reported capex by about R2.3 billion. So we've had the impact of the strong Rand coming through. Our guidance for next year, we have assumed about R22 billion spend, and that is based on an average exchange rate of R7.42, which is clearly higher than what we saw coming through in 2010. The biggest [inaudible segment] will come through from Nigeria where we have taken a significant share of the net adds in the market in 2010. Just in terms of percentages I believe it is around 62%. So we are clearly running out of headroom quicker than

Speaker	Narrative
	we thought we would, so we have approved late in 2010 a fairly big capex programme to deal with capacity issues and some coverage as well. The total amount of that capex is R7.7 billion. I should point out it is still significantly lower than the capex we spent in the peak years. [Inaudible segment]. Moving on to interest and tax. The total interest charge or finance cost charge basically reduced quite significantly from R5.8 billion in 2009 to about R4 billion in 2010. As you will recall a significant driver of that high charge in 2009 was the functional currency losses. We also talked about some capital restructuring we did in the group at the end of the previous year. Now we have mostly dealt with the issue. We did take a charge this year included in the R4 billion a functional currency loss of about R2 billion most of which relates to the fact that we've closed the year at a very strong Rand of about R6.61 to the Dollar and did have fairly strong build-up in a lot of the holding companies which for functional currency purposes rely upon net interest holding [unclear] in cash. Net forex losses year on year roughly equal R924 million compared to R1.1 billion in 2009. Net interest paid declined by about R275 million largely due to the fact that even though we did some more refinancing in terms of continuing our goal of deleveraging the group we did see some tracking of the exchange rates coming through. On the tax, the tax charge did spike up. The rate increased from 33.4% last year to 36.3%. Just the year on year items that have impacted that. As you all recall we had two dividends. That had an impact. We now are getting lower investment allowances in Nigeria as we decline the capex spend and that is not a surprise. And the prior year also includes the impact of the reduced PUT option [unclear] pre-tax income. If you recall last year we had close to R800 million PUT option credit. If you look at a year on year comparison you will find the deferred tax charge has spiked up quite considerably. Last year we obviously had the benefit of a big charge on functional currency which [unclear] a deferred tax credit. This year with a much lower functional currency loss we see a reversal of that. On the net debt side on a group level gross debt less cash is very positive, cash of 0.9 at the end of the year which largely talks to the confidence the Board had in terms of returning cash at a higher rate to shareholders, hence the dividend ratio of 55%. [Inaudible segment]. Gross debt pretty much mostly sits in SA and the holdco's, about 29% sits in Nigeria and the rest is spread about the group. The cash is more evenly distributed. About 49% of the cash sits in South Africa, 23% in Nigeria and we continue to upstream [?] cash quite comfortably from Nigeria. There has been no issue during the course of the year. In Iran as you recall earlier on in the year we brought through about R200 million. We have started a programme to

Speaker	Narrative
	bring [unclear] in smaller tranches and we will keep you informed as to the progress of that. Syria, as you recall we have had cash there for quite some time. We are pleased to report that we now have an agreement with the local authorities to settle the cost of [unclear] of $600 million using the local currency that we have in the country. And more importantly moving forward the new regulation that we have agreed with the local authorities would allow us to repatriate earnings from [unclear] onwards moving forward. So that's something positive to look forward to as we try to gear up the local operation. On the cash flow side we had very strong cash flow generation as you would expect with margin expansion coming through as well as some lower capex spend. Acquisition of software was about R800 million lower year on year. Other investing activities [inaudible segment]. And that compares to a net outflow of about R3.5 billion in the year before largely driven by some of the M&A activity like the acquisition of Verizon, [unclear], iTalk at probably a much higher level of prepayment, about R1.2 billion in the prior year. I think I will conclude there. There is a lot more detail you will find as you go through the slides. You can put any questions through to Debbie.
Debbie Miller	I think it's back over to the operator for questions.
Operator	Thank you very much. Ladies and gentlemen, at this time if you'd like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. Our first question comes from JP Davids of Barclays Capital. Please go ahead.
JP Davids	Hi guys. A couple of questions please. The first one on Syria. With the payment of $600 million to the government – hopefully that does go ahead – what can we expect in terms of the margin structure of this business looking out into the medium term, how that may change once you've got a new free to operate licence there? Secondly, on Ghana. Your capex guidance is clearly quite a lot lower in 2011 to 2010. I would interpret that as being a function of the power sharing deals that you have set up. Is that an accurate assumption? And also maybe you can just shed some light on what you expect from margins in Ghana given the power sharing deal. Thank you.
Phuthuma Nhleko	Okay. Shall I ask Sifiso to respond on Ghana capex? And Nazir, do you want to respond on Syria margin as well as Ghana margin?
Nazir Patel	On the Syria margin I mean the key point that I made earlier, you have total regulatory [unclear] we have finalised about 25% split into two pieces. One is a 25% revenue share which compares to the 50% we have to date, and about a 2% of net

Speaker	Narrative
	revenue related to annual licence fees and the like. It covers a whole range of items. For 2011 purposes we expect to see the arrangement finalised towards the end of April. So the benefit in terms of the up-tick in margins will take place over the balance of the year. On a blended basis we'd expect to see Syrian margins for 2011 at about the mid 30s or maybe slightly above that. In the fullness of time with these changed regulatory arrangements we'd expect Syria to be close to 40% or slightly higher thereafter. That would be quite a good news story.
	On the Ghana margins we took a view to try and maximise as much cash from the deal with ATC as we could, and that effectively talks to the lease rates that are now implicit as part of that particular arrangement as they come through. The impact of those particular lease rates for the time being, assuming there are no changes in the accounting of the operating leases that are [unclear], we would of course in the short term slightly dilute our margins as we go forward. But on a cash basis I guess we would be probably cash positive with a lower cash outlay on infrastructure as we go forward. It's difficult to pin down a number. It's something that we are still working on. But we're not talking in the order of a 5 point decline. It would be a couple of points at the most.
Sifiso Dabengwa	The capex in Ghana, there was quite a large carry-over from 2009. The 2010 capex was significantly higher because of the delayed projects from 2009. When we did the budgets for 2011 we have budgeted as if we haven't got the deal in place, so therefore we should there be a rollout by ATC an improvement actually from what we budgeted at the moment.
JP Davids	Thank you gentlemen.
Operator	Our next question comes from Nick Kershaw of Deutsche Bank. Please go ahead.
	Hi. Good afternoon. I've just got three questions. The first question is can you confirm we are not expecting any further action on MTR rates in Nigeria this year? The second question is the status on the listing of the Iranian business. And the third question is, when are we expecting the third operator in Iran?
Phuthuma Nhleko	Okay. Alright, look, I think on the MTR in Nigeria there is nothing as far as I know that would give us the impression that there is another cut impending. But regulators are what they are and nobody can give you any guarantees. But as far as we know that was the cut and that was it. As far as the Iranian business listing I think it is quite an important issue to try and clarify because I think there is quite a lot of confusion on it. First I don't think that we said that we want to list the MTN Iran business. I think what has happened here is there has been an interpretation of the licences in Iran with regards us being obliged to put 29% of the issued share

Speaker	Narrative
	capital of MTN IranCell into the Iranian [unclear]. I think there are maybe two or three points there. I think the first one is our interpretation is that is really not the case, because as you recall we came in after another operator had left the country. Number two, if that were the case we would definitely want to [unclear] on a pro rata basis if that ever happened. Thirdly, if it did happen it is not necessarily listing. It could just be private placement and so on. There are three elements there where we're not even saying that we are obliged to put 29% out. But if that ever came we would want to make sure obviously we didn't get more diluted [inaudible segment]. The third question I think is the third operator being launched. The third operator effectively has got their licence. They are starting to do a build out. When will they be operational? I mean we'd be surprised if they got operational before Q3, before the second half of this year. So we'd most probably say more realistically you're looking at the third quarter.
Nick Kershaw	Thanks. Sorry, just one follow-up question. What sort of timeframe do you think before we can see some resolution on the cash balances in Iran?
Nazir Patel	Nick, [inaudible segment] as we understand from the macro economic area that we're dealing with, but we do have some solutions in place that we're working on. We don't believe it's going to be a solution that allows us to upstream all the cash that is sitting in Iran at one pop, but it is something that will be worked out progressively. As we get to the half year results hopefully we will be able to give you some better news.
Nick Kershaw	Fantastic. Thank you very much.
Operator	Our next question comes from Craig Hackney of Religare. Please go ahead.
Craig Hackney	Thank you. Two questions. Firstly minutes of use in Nigeria. Those have come down over the last two years. Could you give some reasons behind that, whether it is a case of more multiple SIMS or an elasticity issue? And then secondly just some clarification on your Syrian capex guidance. Where there any costs around the transfer of the BOT licence built into that guidance? Thanks.
Phuthuma Nhleko	Okay. Sifiso, do you want to respond on MTN Nigeria?
Sifiso Dabengwa	There is nothing significant in relation to the MOU drop other than the fact that you're having much more subscribers at the lower end. And there hasn't really been until very recently any changes in pricing which we can say we expect any significant change in the MOU as a result of elasticity. So I would say it is a normal trend that is driven by lower usage subscribers coming onto the base.

Speaker	Narrative
Nazir Patel	In regards to the Syrian question I think the question might refer to the fact that all the [unclear] BOT remained unchanged we were required to provide some financial guarantees and turn the network over to the telecoms authority at the conclusion of the BOT in 2017. And we are busy effectively building up particular reserves of guarantee provision. As part of the negotiations one of the conditions we've negotiated and agreed to is the upfront payment which will be in the nature of $600 million which would allow us to retain all the assets in which we have invested to date. There will be no further separate payment for the assets [unclear] the balance sheet.
Craig Hackney	Just to be clear, that $600 million upfront payment is in the authorised Syrian capex for 2011 that you gave us?
Nazir Patel	No, it's not in there.
Craig Hackney	It's excluded. Okay. Thank you.
Operator	Our next question comes from David Leffel of Deutsche Bank. Please go ahead.
David Leffel	Good afternoon gentlemen. Well done on these numbers. You've started paying out what looks like just over half your earnings. I was wondering what your capital return velocity might be going forward given that modest increase in dividends might not make a substantial dent in your accumulating cash. Are there debt to equity targets that you would like to guide us to or to think about going forward?
Nazir Patel	The essence of your question, David, is there a particular gearing sort of level that we are comfortable with?
David Leffel	Or that you would like to target for the market to expect going forward.
Nazir Patel	Ja, you know I think it's a very difficult one and I don't think that we're trying to duck the question here. I mean I think that, you know in my view it's got a number of elements. I think firstly having revised the [unclear] ratio I think is one thing. Secondly I think there is general acceptance that to be lowly-geared is not most probably optimum for the group in terms of you know the value that is being created but I think we're sort of marginalised [?] here at this particular point because you know (a) we wanted to have capacity for some significant M&A going forward and so on. So I think that this is something that I'm sure management will give you more guidance on shall I say in the medium term and medium term in my mind is literally before year end as you know the board goes through another slack session and so on. But suffice to say that we fully recognise that an [unclear] gearing that is positive is not the optimum capital structure that we would want.

Speaker	Narrative
David Leffel	Okay, ja. Okay because I mean the firepower you have on the balance sheet looks larger than most anything you might be looking at.
Nazir Patel	We sort of came to recognise that but we're just saying where we've evolved to I think is the subject of discussion.
David Leffel	Okay. Thank you.
Operator	Our next question comes from Alex Balakhnin of Goldman Sachs. Please go ahead.
Alex Balakhnin	Yes, hi. I have two questions actually. The first is I just wanted to hear some management thoughts on the recent Capex [unclear segment] in Nigeria and just wanted to hear what more do you think will create the overcapacity risk [unclear] or you are more comfortable on that. And my second question is again on Nigeria, in particular on your side, distribution relationships which [unclear] now but as I recall those agreements were signed in the end of 2008 for three years so maybe you can [unclear] the relationships with distributors may change at the end of this year. Do you expect any changes here? If such, the things that will impact on the profitability, so basically your thoughts are really welcome. Thanks.
Phuthuma Nhleko	I will let Sifiso maybe talk about the distribution Nigeria agreements but mainly let me try and comment on budget Capex. Look I think we, sorry, let me explain [unclear] and I've just recalled that Ahmed is actually on the line but maybe general [unclear] here, let me just say that, I mean clearly whatever comments Bharti are making it's difficult for us to comment on the management plans and so on. I mean, I guess one rule of thumb is to look at the amount of Capex that MTN has had to put into the ground over the last three, four years to create the capacity so I'm not too sure what number they've announced but to the extent that it's nowhere close to what we've had to put in to create capacity then I think that speaks for itself. But Ahmed, are you able to comment?
Ahmed Farouk	Yes, can you hear me?
Phuthuma Nhleko	Yes.
Ahmed Farouk	For distribution basically the agreement definitely has been renewed. We have [unclear] of our major distributors in the market although the competition might pay higher commission. I'm pretty comfortable about the Alkaida [?] distribution structures and most of our top basic distributors remain basically loyal. Just a small reminder, in Nigeria as per even our licence distributors are not, basically the [unclear] are not restricted to deal with one operator. They can deal with all the

Speaker	Narrative
	operators and so far I think the distribution model in Nigeria has seemed to be going quite well.
Operator	Thank you. Our final question comes from Bibivar Khumar of Creighton Research [?] Please go ahead.
Bibivar Khumar [?]	Ja, hi and thanks for the opportunity. My question is concerned through [unclear] direct interventions in Africa. I just wanted to know like on which part of MTN's operation it has impacted, whether it fully impacts on R2 [?] or impacts on usage or it impacts on higher costs or higher marketing costs.
Phuthuma Nhleko	I think generally we're not in all the same countries. I think where Bharti has decreased its tariff the most is Kenya and we're not represented in Kenya. In Nigeria they haven't made a very, very big difference really, to date. Uganda maybe a bit more, so there hasn't been a marked difference to be quite honest in what has happened. I think it's really been competition as usual as most of these countries. Maybe [unclear segment] declined a bit steeper but – and therefore in certain cases we've had to react when it is by and large, I think as I said this morning, you know, our very significant market share in most of these countries together with I think the capacity that we have, the quality of the capacity, the [unclear] structure, I think has put us in a good position. But Sifiso, do you want to comment?
Sifiso Dabengwa	The only thing I would add to that is I think there might be an understanding out there or an assumption that Bharti have led the price tariff declines in all the key markets but in fact they've only done that in Kenya and to a lesser extent in Congo Brazzaville which is a population of three million. In all the other markets, in Uganda it was [unclear], in Ghana it was Vodaphone, in Nigeria it was [unclear]. Bharti has been a relative follower but they've pretty much pitched themselves very close in terms of pricing and also value propositions, pretty much where we are as far as anything else [unclear]
Phuthuma Nhleko	And maybe one important point to add is the one that I sort of gave this morning at the presentation is that in some countries I think the regulator has [unclear] flaws and I know it's already happened in two countries but I think that's fairly important in the sense that they're also going to make sure that all the stakeholders are well rounded and therefore will not allow tariffs to drop beyond a certain level otherwise that will become [unclear]. I think that was the last question as I understand it.
Bibivar Khumar [?]	I guess I want to follow up on Nigeria – can I go ahead?
Phuthuma Nhleko	

Speaker	Narrative
	Yes, yes, you can ask me.
Bibivar Khumar [?]	Yes it's like your MOUs, outgoing MOUs are more or less stable. Why do we see Bharti's reporting and MOUs are going up. For the whole of Africa their MOU was up 7% quarter on quarter. So I'm looking forward to like what, what's the case, why MTN's MOU more or less is stable and Bharti's MOUs are rising?
Phuthuma Nhleko	I think Bharti has not given granular information on Africa which they used to do. It's very difficult to actually figure out an apples and apples comparison. I think Sifiso answered the question earlier on. In Nigeria we are seeing some deterioration in MOUs as we go into the really low usage segments of the market. [Unclear] in figures which a total of incoming in and out, going in where you just follow the totals. It's very difficult to see the relationship between incoming, outgoing on any of the recent quarter on quarter and compare the whole of Africa just to the behaviour in Nigeria. So if you can get any more granular information we'd be happy to sit down and talk to you.
Female Speaker	Good, thanks.
Operator	Ladies and gentlemen there are no further questions. Would you like to make some closing comments?
Phuthuma Nhleko	Thank you very much everybody and thanks for your support through the years. I will miss these calls. Thank you. Have a good day.
Operator	On behalf of the MTN Group that concludes this conference. Thank you for joining us. You may now disconnect your log-ons.

END OF TRANSCRIPT