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

Speaker	Narrative

Rich Mkhondo

Good morning ladies and gentlemen. My name is Rich Mkhondo. I'm the Executive for Corporate Affairs at MTN. On behalf of MTN's 35,000 employees led by the Executive under Mr Cyril Ramaphosa and the members of Exco led by our group CEO and President, Mr Phuthuma Nhleko, shareholders and everyone here at MTN, I wish to welcome you, members of the media, analysts and all our colleagues who are watching us across the 21 operating countries. As it is customary the group President will do the presentation. He will be followed by our financial director, Mr Nazir Patel and looking forward from Sifiso Dabengwa. And I want to ask our group President and CEO, Mr Phuthuma Nhleko, to come and present our financial results for the year ending 31st December 2010. Mr Nhleko.

Phuthuma Nhleko

Thank you very much, Rich, for that introduction. Once more, welcome to everybody. I'd like to take this very special opportunity to welcome our Chairman, Mr Cyril Ramaphosa, and all the board directors that are here, Alan, Johan Strydom. And of course as Rich pointed out we have got many colleagues in many countries that are tuned into the webcast and are part of the sessions and the event. So thank you very much for making the time to make it this morning.

I'd like to commence with a slide that I presented over a number of years. This slide essentially depicts our vision from certainly where MTN management sits in terms of what we're trying to achieve. and that vision really has not changed. It is essentially to be the pre-eminent operator in the mobile space in emerging markets. But to achieve that we've always believed that we've got three fairly pertinent blocks that will actually put some substance in that vision. Firstly it's convergence and operational revolution. Once again we've seen technology or theories on technology really going ahead of the reality, but I think time has caught up and we are seeing a lot of convergence in the market, and we are consistently looking for ways to position the company to be able to compete in that space. I think the entrance of the likes of Google, Microsoft and Apple are really quite typical of that space.

Of course we can't do this without the intellectual capacity in the group, and that is something that we work very hard to preserve. We ensure that we spend a great deal of time, effort and money in ensuring that we safeguard that intellectual capacity and ensuring that it is consistently replenished. We do have a footprint, as we showed in our opening video. We obviously would have loved to have had it far

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	more contiguous in certain regions. That is not always possible, but we continue to look at ways we can get some consolidation in each region. And of course we always look at ways to diversify the source of earnings, because we are fairly concentrated in certain countries. That bottom layer or block is really all the number of areas in which we try to ensure that those three building blocks actually work and deliver the vision. Before I talk about the results let me take a few minutes to talk about the context. Of course our main sphere of operation is Africa and the Middle East. I think people do tend to forget how large the opportunity is. I think we as a company identified that many years ago, and as time has progressed it has turned out that even we in some respects underestimated the size of the opportunity. Firstly in the financial crisis from which hopefully we are beginning to emerge the emerging markets and African economies in particular were quite resilient in how they were able to not suffer as badly as most of the developed world. When certain countries were having 2.5% growth most of the African economies were actually 4% positive as opposed to contracting. Of course depending on which pundit you believe we are now slowly emerging out of that crisis. Even now you will see that global GDP growth average is around 2.5% and most African countries and emerging economies in general are over 6%. Of course we're seeing huge urbanisation which lends itself to certain sectors, telecoms, energy and so on. And finally we're seeing huge FDI increase. I think in the last eight to ten years it has moved from $15 billion to almost $80 billion. So we are really in a sphere that does present some significant opportunity. The results are in essence results that were achieved under fairly difficult circumstances, notwithstanding the size of the opportunity that I've just outlined. We've managed to increase subscribers to 142 million. EBITDA margin very pleasing, 44%. You may recall that some years back we set a target for about 45% for the EBITDA margin. I know there were a great number of sceptics in that regard, but I think we are almost there. Free cash flow, which is subtracting capex from the EBITDA, is almost R31 billion. And that is quite significant, almost R15 billion up from last year. Our adjusted earnings per share are up 20.5% to 909c. Nazir in his presentation will unpack that adjusted headline earnings in more detail. And then of course the dividend. I know this has been an issue of great contention in some people's minds. We have increased the payout ratio to 55%, so that brings us to a dividend for this half of 349c. Just to make it very clear unless there is any confusion that is a 55% payout ratio for the entire year. We paid 151c in the first half, so it is an additional 349c for this half, bringing the total dividend to 500c. Then of course the company really is effectively net debt positive. We have cash of about R36 billion and debt of about R35 billion. So that makes cash of R1 billion. And I think that is clearly a capital structure that will change over time. I think those are the

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	results in brief. The strategy that we've followed here is essentially really informed by a framework where as you recall we've invested heavily in a lot of countries. 2007 to 2009 was a very heavy capex year. We made that call because we thought that it would give us a competitive advantage. But of course we peaked in 2009 and we've since started seeing less and less capex on a global aggregated basis. I mean one or two countries may go up, but generally the capex for the group is coming down. Of course the cost efficiencies that we have is easy to talk about, but this is really the result of many policies, exercises, initiatives that try and find a way of getting better margins through economies of scale, better procurement and so on. And I think part of that result is of course the very high free cash flow that you've seen, which of course I must accept is also helped by the lower capex. And of course that all leads us to the dividend payout ratio. It is really informed by three things. I think firstly we did say around March that we thought as far as M&A opportunities are concerned the chances are very large transformational M&A is unlikely, even though we may continue to look at regional opportunities that help us to do the consolidation. Capex as I indicated earlier, 2009 was by and large peak. We may have a blip in one or two countries depending on what happens in competition. And then of course the strong free cash flow. Those three factors combined gave us the comfort to take the decision to go onto a bolder payout ratio of 55%. But it is really informed by this context. Looking at revenue, one key feature of these results is of course the Rand. As everybody knows in the past we have had some advantage of some tail winds. But in the last two years we really have struggled with a head wind in terms of the Rand being very strong. Notwithstanding the strong underlying performance of these operations on a consolidated basis reporting in Rands we obviously see the impact here. So if you look at revenue reported is R114 billion. If we had to do the same numbers on a currency constant basis it would have been R127 billion. So there is almost a R12 billion difference because of currency. The other mater that really did affect revenue is of course the termination rates. This is once of the key things that have been precipitated by the regulators where both in South Africa and Nigeria, and I think Uganda as well, we've had to decrease the interconnect rates. In South Africa we've gone down a glide path that will end in 2013 at 40c. The other key feature of revenue generation is of course data revenue which has increased quite significantly. In the case of South Africa I think it went up to 49% increase on what the data revenue was last year. Nigeria, Syria and Iran are all opportunities as far as data revenue is concerned. I mean they have also had a good uplift, but maybe not as high as South Africa.

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	And of course I must finally say on increase in revenue that huge segmentation exercises have been undertaken. That has enabled us to read the market better, provide products that are far more adaptable for that particular market, and therefore the revenue increases on a local currency basis. I think if you look at data without spending too much time on this slide let me say that you will see that we are particularly in South Africa starting to have SMS as a lower and lower percentage of data. We have also rolled out some optic fibre, spent far more on transmission, also put in quite a number of submarine cables. EASSy is obviously the largest one, but there is WACS on the west coast of Africa. And all this investment hopefully will enable us to become a much more versatile data player, having more capacity and obviously a higher product range as well. One other area which is in some respect still in its nascent stage of development is of course MobileMoney. I know people have got very long memories. They all know that we started in South Africa with MobileMoney and it was more mobile banking than mobile money. That did not work out as anticipated, so we started from scratch and really focussed more on mobile money transfer. We have got quite a number of countries now that have established the MobileMoney business. Uganda and Ghana between them have got almost 4.3 million subscribers. But of course it is still at an early development stage. It only contributed about $10 million of revenue. The intention here is to have total group revenue of around 5% in about 2015 being generated out of MobileMoney, but there is quite a lot of work to be done in developing that. I think the EBITDA drivers... as I indicated we had a group EBITDA margin of 44%, one percent lower than where we would have liked to have been. Nazir will unpack some of it, but suffice to say that there were maybe two or three big elements that contributed. Firstly, Nigeria did exceptionally well as far as cost containment and control of opex. And the same can be said of South Africa. There were some advantages that came out of lower handset costs. We did also in a country like South Africa get some margin out of interconnect in the sense that we had lower interconnect cost and lower interconnect revenue. However, the cost decreased faster than the revenue, so we did get some margin expansion there. We have had much stronger supply chain management. We have taken supply chain management far more seriously than we had done in the past. Not to say that we weren't taking it seriously, but we have now established a world-class supply chain unit to find ways of finding those efficiencies within the group, taking full advantage of scale. So I think that is going to be a fairly important feature going forward. Infrastructural sharing is something we have also done quite extensively

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	where we can to assist us on maintenance costs on base stations and so on. So there is a whole range of exercises and initiatives that have enabled us to get to this margin. A big challenge is going to be maintaining that EBITDA margin, and hopefully going upwards on it. Of course we are in a fairly regulated environment, so regulators are really part of our lives and are integral to it. First of all let me just start off with Syria. You may recall that in Syria we had a BOT licence. It was quite difficult in the sense that it was a very unusual construct for the group. It also had an impact on the kind of capex that we could invest because obviously the State ended up with the infrastructure. I'm glad to say that we have reached in principle agreement with the Syrian regulator in the sense that the BOT will now be converted and normalised hopefully by the end of May at the latest. I'm hoping we can still do that by April. The essence of the arrangement is 25 year licence. We will pay about $600 million in upfront licence fee, and then they will have revenue share of between 25 and 27. So I think it is a great outcome. As far as MTR, mobile termination rates, as I mentioned earlier in the case of South Africa we have reached agreement with ICASA on the glide path. Nigeria was really a one off but was not as impactful because almost 80% of the traffic in Nigeria is actually on-net. Another key feature of the regulatory environment in the last year was the SIM registration. As you know it took off like wildfire. In South Africa we have had to ask for an extension, and I must say government was very kind to accommodate us. So we have got until the end of June. Of course the largest challenge is always the prepaid subscribers, but I'm happy to say that we have now over 80% of prepaid subscribers registered. In Nigeria we are also undergoing registration. In Ghana we have also been given some extension. And there are various dates for Cameroon and many other countries. So this is something that actually started for us in South Africa with big challenges in Sudan where we learnt some lessons as far as being ahead of the curve as far as registration. And I'd like to believe that overall it is something that we now have in hand. I think the other key developments, the MTN Academy people are an essential part of our competitive edge in this group. I know this sounds like a cliché because every company says that, but in the case of MTN given the footprint that the company has and the challenges and geographies that we have to deal with having MTNized people is very important. So we set up an academy that is fit for purpose training for MTN for its needs. Over the last three years 25,000 of our staff have gone through it in one form or another. So I think this is quite solid for us. Of course living in a much greener world we have to comply on doing things in a manner that is

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	environmentally friendly and so on and we have quite a big unit now in business risk looking at sustainability, not just ticking the boxes but ensuring that we are doing things that are energy efficient, whether it be generators, the way we dispose of things and so on. Last but not least the MTN Zakhele scheme. This was MTN's BEE scheme. You recall that we had Newshelf 664 which ran from 2002 until 2008 and got unwound. And at the point of unwinding Newshelf obviously we were not meeting the BEE requirements as far as participation in the company. So we did undertake a very broad scheme called Zakhele. I must say it turned out even better than we anticipated. Zakhele now holds 4% of the issued share capital of MTN with almost 120,000 individuals as shareholders and over 2,200 groups or institutions. I think before I delve into one or two things on the operational side it's worth saying that we do work under a framework, and this is really our framework. The starting block would be segmentation in the sense that if we get the segmentation right and have a much deeper understanding of the people we want to be our clients I think those other blocks tend to fall into place. Just getting into the operational section of the presentation let me first of all say that South Africa did exceptionally well. You will recall that in 2009 we had quite a rough year, particularly the second half of the year. And it was really a combination of many things, re-investing in the network, investing in a new distribution chain, the RICA or SIM registration started and so on. So there were quite a number of things that lined up to make life difficult for us. But I'm happy to say that South Africa did achieve a margin of 34%. We have had significant subscriber growth, particularly on the prepaid base. We have 36% market share. Post-paid growth was not as high, and I think this is partly a reflection of what is happening in the broader economy in the sense that that higher end of the market has evolved to the hybrid products where you can switch between prepaid and post-paid. We have stabilised the network. We had issues on outsourcing the IT system, and I'm happy to say that that has been stabilised as well. And of course there are a number of things that we have done on the branding side that have helped, not least of which was the World Cup which gave MTN South Africa high visibility. So at 18.8 million subs it is much higher than the guidance that we had given you on South Africa, and I think we significantly outperformed that guidance. MTR on interconnect, we moved from R1.25 to 89c. The glide path is such that at March 2011 interconnect was at 73c. We go to 56c in March 2012 and then finally to the 40c in March 2013 Still looking at South Africa on the ARPU side, I mentioned earlier that the prepaid ARPU has gone up a little. And that is largely because we are now having a certain part of that base on prepaid that is using the phone more. We've got higher usage,

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	but more importantly I think those that churned out – you may recall we had almost like a big clean up which gave us the poor numbers in 2009. I think we've got a far more resilient and solid base on prepaid now and that is also reflecting in the ARPU that we are seeing out of that prepaid unit. Post-paid by and large we do have lower out of bundle use, and that has impacted the post-paid ARPU. Capex. This is consistent with the overall trend in the group. As you recall in 2007, 2008 and 2009 we did the catch up capex on the network. Of course that is now significantly lower. In 2010 we put up 280 3G base stations and we now cover half the population on the 3G network. Of course we do invest quite heavily in the fibre optic rings in first of all the metropolitan rings and then the national rings. And I think all of that has helped drive the data that we've seen. The other huge contributor to that increase in data is of course the smartphones. I think we have sold over 1.6 million smartphones, and as people have far more affinity for the phones and use the applications and really utilise what these phones are actually meant for other than looking good we've finding that has contributed quite a bit to data. Of course we did acquire what was Verizon, which has now been renamed MTN Business Solutions and we are getting momentum there. The only challenge has been the huge almost 40% reduction in fixed line tariffs in the last year. But we do think it is quite an important integrated element of our strategy going forward. Nigeria, very solid news and operation here. We took almost 62% of the net adds in the last nine months. We've maintained market share at 52%. Again segmentation here has played a very key role for us in terms of managing almost 39 million subscribers, including the quality of the network. We've done a promotion recently and that may have somewhat affected the quality in the last few months, but needless to say that the huge capacity that we've had has enabled us to maintain market share at a very decent service level. The brand remains strong. The ARPU in local currency declined 10%, which was expected as the penetration becomes heavier and heavier. A key feature of course is the on-net traffic in Nigeria which gives us huge flexibility in doing a lot of things that the competitors can't do. Capex, as I mentioned earlier is still consistent with the trend. I should warn that depending what happens in competition there is always a possibility of a slight tick-up in capex in Nigeria to ensure that we maintain market share, have capacity and can compete quite robustly. But clearly nothing that would approximate the kind of numbers that we've had in the past. Here again we have 480 3G base stations, huge investment in transmission. And data is quite a big opportunity in Nigeria because as you saw from the earlier graphs data is only 5% of revenue. And 65% of that is actually SMS. But it is something that we need to work on. I know I said this last

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	year, but I'm quite comfortable that as we get higher and higher penetration we will shift quite a bit of our resources to exploiting the data opportunity. Ghana is really the operation that has bucked the trend on capex. It is very much as a result of the huge competition in Ghana. We've got five competitors and very strong competitors. We've got Vodafone, Millicom, Bharti and Glo to enter the market fairly soon. So we have had to ensure that as we did in Nigeria we've got sufficient capacity and coverage at a fairly acceptable level. We have been able to maintain market share by and large. Yes, we dropped from 55% to 53%, but I'm sure you will agree that in a five player market that was quite a sterling effort. And we have used MTN Zone as a very competitive product that has allowed us to optimise the capacity that we have, the essence of it being that where we've got capacity and people cannot afford we can always drop the price using MTN Zone and get that traffic on board. We've also put out quite a lot of loyalty programmes and by and large the tariffs have become fairly stable. One thing that I may have forgotten to say under regulatory, and maybe I should mention it now, is that there was a big concern about irrational competition, certain competitors coming and really slashing tariffs and what impact that would have on MTN. I'm happy to say that I think there is always a point of diminishing returns in anything, and I believe that one or two regulators have now come to the view that very low tariffs actually are counterproductive in terms of all the stakeholders, because after all we all get taxed as well. Two regulators have come out, I think in the case of Ghana and Congo, and have put a floor beyond which operators cannot lower tariffs. And I think that is quite an important development for us and we hope that it keeps things rational. So Ghana bucked the trend, but of course we've still gaining momentum on data as well as MobileMoney. Iran performed very well. I mean on a local currency basis Iran had a 42% increase in revenue. Of course as I keep on saying it gets muted when you transfer it back to Rand. And it has now reached 44% market share. People just need to always put this into context. This is essentially in three and a half years. We are now at almost 30 million subscribers, and that is really a 28% increase from the end of last year. We are using wider and wider electronic distribution - that is very tight control of costs and opex - in Iran. That has helped achieve almost a 41% EBITDA margin for Iran. Now, this is in spite of the 28% revenue share. So I think it does show you that the margins in the business and the way that the business has been conducted is quite rewarding. Again, on-net traffic here has played quite an important role. Tariffs have been

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	fairly stable. ARPU has been fairly stable, $8 to $9. I think the only challenge in Iran in some respect has been coverage in the sense that in certain cities to actually get property and fill out the leases to put our base stations has been a bit of a challenge, particularly in Isfahan and certain part of north Tehran which are very high market areas and therefore have got huge potential to contribute to MTN Iran. So we're hoping as time goes on if we resolve that problem that will come through the revenue in the fullness of time. Coverage is 77% of the population and 20% geographically. And of course in Iran people move quite a lot between the city and the rural areas so the road coverage has had to be quite extensive. As you can see we've got almost 6,000 kilometres covered. We don't have a 3G licence in Iran so we have had to do with WiMAX. I stand to be corrected but I think we've got almost 160,000 customers. Some of the limitations come from the fact that we are limited in some areas on content and on what speeds we are able to put out there. But other than that I think we are seeing progress in the data area and it is still a fraction of what we believe we can achieve as far as data. Capex has also come down in Iran consistent with the trend. This was effectively the fasted rollout that the group has ever undertaken, and I think the model that we followed – which was effectively to do a turnkey project on this rollout – has turned out to be the correct way to have gone. Coming back to Syria again, the big issue here is it's a managed market of two players, so it is almost a duopoly managed by regulation. And we have not invested as much as what we could have on capacity simply because we wanted to reach a stage where the BOT matter would have been resolved. But now that it has been I think we are in a better position to create the capacity. I also believe that Syria is another country where the opportunity for data is quite significant. Maybe just before I conclude this section and Nazir gets into some of the financial details and unpacking some of the financial statements let me say I know people are aware that we have challenges in Sudan in terms of the operation. I'm also glad to say that we've seen quite a strong turnaround in the last quarter. If it is sustained I'm sure when the results are put out for the end of June we should have fairly positive news to indicate there. A lot of dual SIMS in the market, but I think we have a management team that has strongly reviewed contracts and distribution channels and so on, so we are on the up there. Afghanistan is fine, Yemen is fine. We have had security issues. The biggest one today is Cote d'Ivoire, but I'm happy to say we have taken all the necessary precautions with staff and assets, and the operation continues to function well. We

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	haven't seen a huge dip in revenue, maybe 5% in January, and we sincerely hope that issue will be resolved. To close this section maybe one can summarise it by saying that we really do believe that management has by and large tried to make the correct calls as far as getting to that EBITDA margin of 45%, which involved many initiatives, many policies and essentially very tight budgets. Secondly, the issue of capex, which has been absolutely central to this group. We think that we did make the right calls at the right time, in other words pressing the accelerator when we needed to, and that has given us the capacity which has enabled us to compete quite robustly. However, the caution is depending on what happens on the ground in certain countries we may have to revisit the investment in terms of putting additional capex to make sure that we maintain market share and maintain our position. I think thirdly the organic growth. Most of these countries – and I think Nazir has got some slides on that – have had very significant growth. I mean if you look at countries like Ghana and Nigeria after ten years they still have double digit revenue growth in local currency. Iran is exceptional in the sense that it is not as old but still 42% is significant. South Africa, almost 16 years, 80% revenue growth. So I think the underlying growth is very significant. M&A, we have given some direction here to say transformational maybe not, depending what may come along, but we don't see that on the horizon. But where there is an opportunity to do regional consolidation we should do that. For instance if you look at our footprint in West Africa it is quite a contiguous footprint, and that is helpful when we start doing roaming and things like that. Finally on people. I did say that remains quite a competitive edge for us as a group. We do believe that we've got the resources that put us in good stead relative to the competitors. So thank you very much. This is my last presentation. I must say it was an honour and I appreciate having to do this for almost ten years and I appreciate your support. Thank you.
Nazir Patel	Good morning all. A special welcome to the group board members of the MTN group board, members of the executive committee of MTN, colleagues, friends as well as members of the audience and honoured guests. As Phuthuma said it is my responsibility to unpack the numbers. I sound a little bit like a grocer, but anyway, I will do my best. I will not dwell on market conditions. I believe Phuthuma has covered those in quite enough detail. I will just go straight to the actual numbers. We've got a three year comparison here, and I think the important number to reflect on is the R115 billion that we are reporting based on current effects. The expansion in margin from R46.1 billion to R50.5 billion. And I guess a key feature of the results really is the expansion in margin that Phuthuma reflected on quite a few

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	times in his discussion. Most of that is driven by the margin expansion as well as the lower capex spend. What we tried to do on this slide is really talk about two things. One is the reported ZAR numbers, and the second one is the column around organic just to reflect the local currency performance which we believe is extremely positive and satisfactory based on the performance, especially in the key markets in which we operate. The EBITDA margin to a large extent has been driven by two things. One is the margin expansion in key countries like South Africa, Nigeria as well as Iran. Given that those particular countries have the highest rate in the group to group contribution we see that benefit coming through on the EBITDA line. The second item is we talked about several cost efficiency and cost optimisation initiatives. A number of those continue and we believe will continue to drive benefit for the group as a whole. And clearly with the ongoing tariff pressure that we see from competition in most of these markets it does become a key initiative of ours going forward. Again with the build-up in cash and the signal we provided to the market based on a new strategy as far as pay out is concerned we are now fairly comfortably paying out a dividend of 55% for the full year earnings, which basically takes the dividend yield up to 4%, which is quite a significant increase from where we were about a year ago. I should caution that these numbers that you are looking at are not statutory numbers. In other words we have excluding the Zakhele impact. Obviously for statutory purposes you will see the Zakhele numbers, but I think for ease of understanding the operational performance we have excluded the Zakhele numbers. The total Zakhele number of R2.9 billion is comprised of four different portions. And that number basically is effectively R2.9 billion which is included on EBITDA. When you look at the previous slide the EBITDA number without Zakhele would be in the region of about 40%. So that is quite a significant shift. One number that you might see that is slightly different is the notional vendor finance. When we initially made the announcement that number was about R900 million, but given that it was actually at a time when the share was trading at R107 between that date and closing the share had moved off I think to about R124, which pretty much accounts for that particular difference. Those are effectively treasury shares and they are therefore not taken into account in the calculation of either earnings per share or the dividend. The remaining numbers are as they are. The only one that has a cash impact is the transaction costs of R126 million. Trading conditions we've talked about in quite clear detail. A key feature of the results is we've taken the head wind as Phuthuma said in a year when the Rand has remained relatively strong, particularly in the second half of the year, whereas the underlying currencies in the key countries

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	where we operate the Rand has remained relatively stable. But I have a chart which will actually show you what the cross rate impact is and how that has impacted on reported results. On the regulatory side we have seen MTR changes. The reason they are significant on the financial side is that they have impacted both interconnect revenues as well as interconnect costs and have made a meaningful impact in some countries where these were a key feature of the trading conditions. Change in ownership, just for the accountants, [unclear] shareholding has been reduced from 97% to 90%, but transferring the ownership of some of the shares into an SPV which is pursuant to an obligation under the licence conditions. However, for accounting purposes we still consolidate 97.8%. The Afghanistan shareholding is reduced from 100% to 90.9% and that is based on an agreement we had earlier when the licence was first put into place during the Investcom days for getting some support from financing from the IFC. That has been completed. There was also some capital restructuring that took place during the course of the year which the IFC participated in. The Cyprus shareholding again pursuant to a joint venture shareholding arrangement which was put into place when we sold off shares to the Shacolas Group. There was a 1% share outstanding which needed to be transferred due to some inter-group arrangements which have now been put into place. PUT options. Again this is one that drives significant volatility as we have seen in the past year's results on the MTN reported results. This year they have a negligible impact, but in looking at the year on year results you will find that last year we had a PUT option credit of close to R900 million. This year it is almost close to neutral at R22 million. On the taxation side we have seen a creep up in the tax charge to about 36.3%, which as you will see is a little higher. I will unpack that as we go forward. Again to talk about the FX, the one that drives the overall results that we report in ZAR. And the points to note here are the following. The top section is really the US Dollar local currency performance of the key currencies that we operate in the Irans, Nigerias and Ghanas of this world. The top line in yellow is the Rial. You will see over the year a marginal decline of about 4% against the Dollar. The Naira at the same time remained relatively stable between 1.49 and 1.51. These are the half year numbers that you would have seen at the half year results presentation, and that's the full year number. The third one is the ZAR, and as you see particularly in the second half of the year it improved to about 12%. Lastly, the Cedi remained relatively stable against the Dollar at 1%. Please keep in mind that these are average exchange rates. These are not year end exchange rates or month end exchange rates.

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	Where this becomes interesting is when we look at the cross rates clearly as a result of those movements. Looking at it on a year to year basis the Rial would have decline 1195 to 1401, which is effectively a 17% weakening. This talks to some of the comments that Phuthuma made earlier, where even though despite the organic growth increases the ZAR results are clearly dampened by this effect. Similar story for the Naira at 16% and for the Cedi at 18%. So clearly the Rand strength and the volatility of the Rand has had a significant impact on the numbers. Again looking at the revenue story. We look at what we talked about here, the most important message being on a local currency basis we see very strong organic growth. So Nigeria, a key market, 16%, translated to ZAR only 1%. RSA, 8%. Of course that's all in Rands. Iran, 42% coming down to 21%. Ghana 14% coming down almost 0%, almost no benefit coming through on the ZAR reported results. One point to make here is both Nigeria and RSA obviously have shown these increases in revenue despite the impact of MTR changes. So Nigeria would have had a cut in interconnect rates which came into effect on 1st January 2010 where the rates dropped from 11.8 Naira to 8.2 Naira. The local currency increases year on year would have been about 18%. On the RSA side that number would be about 11% higher year on year which is quite a significant performance. Again I will go into those in a little more detail later. Just some key points. Nigeria's share of net adds is just more than 60%, which is quite a significant achievement we believe, and remained relatively strong throughout the year. We saw significant growth in prepaid. I believe the year on year increase in prepaid revenue in South Africa very pleasingly just above 20%. And also very strong data revenue growth as we talked about earlier at about 50%. And these are clearly a significant turnaround from the performance we saw in the previous year. One of the features of that I think is margin performance, which I will talk about a little later. Iran's growth was driven by the fact that we continue to grow subscribers very aggressively. We've taken close to half the net adds in the market over the course of the year. And strong growth in data and SMS. As was shown on an earlier slide we saw data and SMS revenue at a total of about 20% of reported revenues in local currency. Just looking at the data revenue story, let me go back and talk about one thing here. On the revenue side again the constant currency story. If we had reported revenues on a constant currency basis using the average exchange rates for 2009 revenues would have been about 14% higher at R127 billion. We are reporting R114 billion. So effectively the dampening effect of the Rand on reported revenues for the year is a negative 11%. So something to keep in mind. On the data side we haven't done anything in constant currency, but you will see the strong growth in data revenues from 2009 to 2010 for the group overall. Growth of about 48%,

Speaker	Narrative
	largely driven by two countries which is South Africa as well as MTN Business in South Africa. Two pieces here. I think you try to do a comparison of that first column to last year. One of the differences I should highlight is that 0.9 for MTN Business was included in other data revenue last year. So this year we have actually put it closer. We have seen significant uptick in terms of share of new business for the MTN Business side of South Africa. However, one of the things we've had to deal with is the actual access pricing in the market for that segment of the business has declined by about 40%. Margins have recovered in the second half and we are hopeful that they will continue at that level given the fact that you start lowering some of our infrastructure costs as we go forward. On the mobile data side very strong expansion. We know this is a very competitive market. We do have some pricing issues relative to some parts of the competition which we are addressing. But anyway, a very pleasing story. I should also point out that data revenue here excludes SMS. So the big numbers we're really looking at in South Africa is about 12% excluding SMS. In Nigeria still very low, probably about one or two points of the 5% that was mentioned. So this translates into a huge opportunity as we go forward. The interconnect story. This is a group number. I think all we've tried to do is to show you the impact which is largely driven by the changes in Nigeria and South Africa on a group basis. What you see at the top here for 2009 is the revenue story, and effectively the revenue has gone down from 2009 revenues at R19.5 [billion?] to 2010 revenues at R17 [billion?]. Two things. I think without suggesting that we have done things differently one of the key features in South Africa's results it the fact that all the programmes put into place have managed to drive a significant part of the traffic on net. I think that is a function of how well the company has done through all its tariff promotions etc. in terms of moving. I stand to correction, but I believe the on net traffic in prepaid is as high as 70%. We can confirm that with Zunaid and the South African team. What that helped us do is together with the interconnect rate reduction is reduce the overall cost of interconnect. And as Phuthuma mentioned earlier despite the fairly significant drop in overall revenue in terms of Rand of about R2.5 billion we've been able to offset that by a larger drop in interconnect costs, leading to margin expansion for the group overall. Looking at purely the South Africa results, that has obviously contributed to significant shift in year on year gross margins and ultimately EBITDA margins as well. In the Nigeria's case we've seen a similar impact as well, as their traffic has moved from 79% to about 82% over the year. EBITDAR overall, again we talked about it moving from 46.1 to 50.5. It is a very nice

Speaker	Narrative
	margin expansion, largely driven by these four countries. Nigeria was up in local currency by 24%, South Africa 17%, Iran 67% and Ghana 13%, and I think ultimately this reflects just a philosophy which we've tried to embed in the group over the course of the year where we pushed all the local operating companies through the group to drive revenue growth at a significantly high rate abroad than the underlying Opex or costs of sales. And that is something that we start seeing coming through more and more consistently throughout all the operations. Behind that, as was pointed out earlier, a number of cost optimisation and cost efficiency programmes which either come through from outsourcing, lower maintenance, a lot more significant, you know discussions with vendors in terms of lowering maintenance costs. I see some vendors sitting here. They will continue with this objective of riding those costs down. In any case at the constant currency basis we would have moved from 46.1 in 2009 to about 56.7 if we had used prior FX which is an expansion of about 23%. On a reported basis down to 50.5, so the desire has declined reported revenues or diluted them by about 13%, which is quite a significant number. Nigerian margins for the year expanded. Again lastly in the back of some of the Interconnect margin uptake or margin adjustment, as well as some strong cost efficiency programmes in various areas of the business, driving margins up to close to 63%. REC recovered to about 34% which is something we've been quite used to seeing in the past and Karel is setting quite a stiff target which I am not going to give up, because it might come out as a prospect, you know for the future anyway. Iran also moved up by about 6% each points from 35% to 41%. A lot of that was driven by the expansion and the economy of scale to expansion on the revenue side, but also some fairly significant and successful discussions in terms of reducing with supplies to reduce transmission costs, keeping advertising and marketing and promotion spent at a lower rate than was the case in 2009 and also reducing the cost of recharge cards in the business. Ghana improved by about 13% in local currency, [inaudible] however declined by about 4%. So overall a very, very good story and clearly as Phuthuma mentioned earlier, getting that margin up by almost a full 3 points here and here was quite a pleasing result for the group, driving both the cash flow, incremental cash flow, as well as – and supporting the cash flow generation from lower Capex spent as well. Just looking at the margin overall, I've talked about how the group margin expanded, but if you look at it in a weighed average basis, you've got Nigeria driving about a 1.1 year on year increase, REC about 0.7, Iron contributing about 4 tenths of a point, Ghana roughly flat and all the other countries which have gone up by

Speaker	Narrative
	about 1.3 tenths of a point, moving to 44.5. If anyone has time we will explain how we do the currency impact here, but I am not going to bore you with that detail. On the reported basis, a very, very nice expansion. I've talked about these. So Nigeria has gone up to 43. REC has gone up here, based on the strong revenue growth especially on the prepaid side, moving a lot of the traffic on Net and then obviously there has been a significant push by the team to move a lot of the distribution of handsets, *etcetera*, through own distribution channels like [inaudible] and that's helped us to actually reduce the amount of commission we're paying into, we used to pay into the channel. Iran, I've talked about single [inaudible] maintenance reducing the market in costs. Ghana actually lost slightly on the margin side. Again we saw higher utility costs coming through, as well as some increased maintenance costs to actually improve the quality of the network. I think Phuthuma has referred to this. So we had good performance in Afghanistan, Syria and Zambia. Sudan, whilst it sits in a column where the margins have deteriorated, we, again as Phuthuma suggested, we firmly believe that we've got that operation back on track and we've seen, you know certainly in the last quarter, and the signs in early 2011 seemed to be a lot more promising, both in terms of getting quality subscribers back onto the network, reducing the cost base of the operation and then completing the distribution issues that we were dealing with, as well as the coverage issues that we are dealing with, which we all believe will help us to actually grow market share and grow that business to where we think it should be. Cameroon has gone backwards and I think most of you might have read, at least on the analyst side, the report that was sent out, you know in comparing Orange results for Cameroon and IB costs. We do concede that in Cameroon we have lost both, not lost, we've grown our revenue basis as well as our subscriber basis at a lower rate than Orange have done over the last year. We've seen this sort of cycles, you know over the last three, four years where in one year we do better than them and then they come back at us and I guess 2011 is the year we would plan to recover. One of the other features however of Cameroon is, we did go through the cycle of disconnecting subscribers, which was, okay not forecasted. We thought we had a whole lot more time, but then due to security concerns in the country, the whole market being affected, we were forced to disconnect up to about 1.5 million subscribers. We've recovered probably about 50% of them since the November disconnections, but there are another 59% still sitting out there somewhere.

Speaker	Narrative
	The Capex story we've talked about again. Not a surprise given the fact that we have announced and had been talking a lot about 2009, being a key Capex year and that dropping down to about 19.5. Again FX has helped us a little bit here and that number of 2.3 which is basically due to the lower average rates that we expected to spend or we provided guidance on, has helped us to reduce the cost of Capex from 31.2 down to the 19.5. Again there are reductions in Capex rollout, as well as in the Core, as well as site bill in places like Nigeria. In South Africa we've put the clampers on them. Karel keeps asking us for more money, but anyway I think we spent a fair amount of money in terms of, you know in new switch facilities on a regional basis through the country, as well as on the transmission side. Okay, one of the things that have been delayed here is the fibre rollout, where I believe there are some logistical issues and we will probably go on a little bit longer than originally anticipated. Iran, you know again as Phuthuma mentioned, a fair amount of focus in terms of completing the coverage and the capacity issues that we are dealing with in the key cities and we have seen the benefit of that come through in stronger ARPUs, higher revenue growth and customers staying longer on the network. Capex guidance, again without spending too much of time, we have planned to spend a little bit more money in Nigeria than last year. Again that's to do some coverage but there is a fair amount of capacity investments coming through here and I think it is fair to say that during the course of 2010, as I indicated earlier, we took more than about 62% of the net adds in the market which is more than we had planned for. And clearly we need to put more capacity into the network to get, I guess just the reasonable levels of comfort on our headroom on the network that we would be comfortable with. For the rest of them, I think more or less the same as last year. A bit of that increase is also related to the fact that the average rate that we have assumed is 742 to the dollar, between the Zain and the dollar and of course that number will change as we go into next year. A bit a minus Capex, again a very nice story. It is a fairly strong cash conversion as was alluded to earlier. So improving from 14.9 in 2009 to about 31 billion this year. Again an impact from FX that we talked about previously. The interest charge lower, significantly, 5.8 to 4.2, largely driven by the fact that we did some capital restructuring that we did talk about earlier in the year and that's

Speaker	Narrative
	helped us to reduce functional currency losses from 3.2 billion to about 1.2 billion. Most of that functional currency loss is actually due to cash, US dollar cash that is sitting in one of our holding companies which is for functional currency purposes; it is a Zain reporting entity. Unfortunately with the rand strengthening quite as much as it did in the second half of the year, economically it just didn't make sense to bring some of that cash back, alright. The PUT option credit as I mentioned earlier, net-net, you know it is quite a significant change and that also has an impact on what I'll talk about here and that effected pre tax income last year. So that credit is basically absent this year, helping to drive some of that, effective tax rate higher than we saw previously. Forex losses pretty much the same as they were last year. Net interest pay, slightly lower, despite the fact that we went up and geared a few more of the operations, refinanced Nigeria. We saw some typing of interest rates which came through as a benefit. On the tax side, the charge moved up from 8.6 to 11.3, a higher deferred tax charge based on the significant spent on Capex in the prior year and again the functional currency impact on Iran [inaudible]. The other one-time items that we see coming through, a lower investment allowance in Nigeria, again as a result of lower spent. Additional STC on the interim dividends. So here we have the impact on one STC. Here we have two dividend payments and that's made an impact and then of course the PUT option credit impact on pre tax income really due to the deferred tax credit which is no more there. Adjusted HEPS, so on a comparative basis, you know 2008 looks very high, 904, but keep in mind we were the beneficiaries of a very week rand on the reported results. Here in 2010 clearly a very, in a strong rand, but EP is growing and again these are excluding Zakhele by a nice 20.5% on an adjusted headline earnings basis. Included in there is probably plant and equipment, as well as the gain that we make on the sale of the met-net which we disposed of last year and that gain will be recognised for accounting purposes over a five year period. So it will reverse that out. Other property, plant and equipment of course the PUT option in respect of Subs., those adjustments that you are quite familiar with. So overall a very nice increase in headline, adjusted headline earnings per share of 20.5%. On the net debt side, we've talked about this and you saw that in Phuthuma's presentation. Net cash positive at the end of December of 0.9 billion. The growths

Speaker	Narrative
	there are 35, most of which sits in South Africa and the holding companies. The VAT sits in Iran. Am I right, Debbie, the 29% and other. On the cash side, 49%, it is a little bit of a mismatch, but we have geared up a lot of the ARPUs and we talked about 2.3 billion of non recourse getting the underlying opposed. What we could talk about here is some of this cash sits in Syria, [inaudible]. We will utilise most of that cash for funding the conversion of the BOT licence and current regulations are such that with the new conversion, the licence as well as some changes in local legislation, we are hopeful that 2009 and 2010 as well as any future retain earnings, will now be available for distribution as dividends to the group and that is something we haven't had the benefit up to now. On the Iran side, a fair amount of cash that's actually trapped here in Iran, as you will recall we brought in about 200 million dollars earlier in the year and we continue working on that to upstream that cash, but there is a significant cash build-up and we expect as we go forward with the Iran business performing as it does, it will continue to provide fairly strong free cash flow and Debbie, anything else to mention? I think we've covered it, right. For the accountants, something in tables and I think the only feature here is to talk about 2010 which we've shown in the presentation which excludes the Zakhele numbers and, including the Zakhele numbers. Apologies, I said 40% previously, it is actually 41.5 if it excludes Zakhele and you will see most of that charge, all of the charges taken through on the EBITDAR line. So on a statutory basis the numbers you will see are 47.5 and keep in mind that the only cash impact of that is the R126 million. Nothing else that we haven't really talked about, so I'll move on. The balance sheet, again very heavily impacted by the year end closing rate, because the rand closed at 6.61 at the end of December and that's had a fairly significant impact on all those reported numbers. Again the most important feature here to consider, the bank balances of 36 billion, borrowings of 24 and interest bearing liabilities of 10.5. On a net-net basis the net debt is 0.9. The net debt [inaudible] is now a positive number. Therefore we feel fairly comfortable with the dividend payout. Alright, on the cash flow side again, a very, very strong cash flow generation. The cash generated by operations is roughly flat, despite the strong rand and looking at that key number in a net cash deposit of about 20 billion compared to about 6 billion the year before. Intangible assets are basically the expenses for the purchase of software in the group, coming down a little bit year on year. Other investing activities, this is the

Speaker	Narrative
	cash we brought back from Iran earlier in the year. The 3.5 really was an outflow last year and it relates to the acquisition of arising south place and a fairly high level of prepayments in the prior year and that concludes the presentation. Thank you. [Applause]
Rich Mkhondo	Thank you, Phuthuma, and thank you, Nazir. Now I call upon our chairman, Mr Cyril Ramaphosa, to address us. Mr Chairman?
Cyril Ramaphosa	Thank you, Rich. I welcome all of you and especially the members of the group board and indeed the other subsidiary boards, but most especially the executive team as led by Phuthuma Nhleko and today I really rise, I don't often speak on these occasions. I really rise to pay a special tribute to our CEO and president, Phuthuma Nhleko, who as you heard and as you know, will be leaving us and going to other greater things, we hope. Today was his last presentation and I think you all join me in congratulating Phuthuma and the executive management team for these excellent results. The performance as it was presented to the board yesterday, looked really outstanding to us and I am sure all of you will confirm that as well. It is largely being due to the wonderful performance and the dedication that we've had from Phuthuma Nhleko as he has led this company as the CEO for close on to ten years. We pay tribute to him and I said that he is leaving, but thank him for this great achievement. There is a slide here which in a way tells Phuthuma's story in graphic terms. He initially joined the company as a non executive chairman and from being non executive chairman he was then appointed the chief executive. At some stage I thought that there is hope for a non executive chairman, but the more I thought about it and the work that is involved as a lazy person I said no, I don't think there is hope for me in this type of work. What he did achieve, obviously together with a number of other people in the company, various other executives, is to take MTN from what it was in the year 2000, as you see over there. The year 2000 we had five operations and by year 2005 we had eleven and by 2010, 21 operations but what is most telling is that this company that was born in this country, started to explode beyond the borders of South Africa and started addressing a market of 552 million people, half a billion, and if you take that Africa is almost a billion people, it is addressing a market which is half the size of the population of Africa. And the market cap, as you clearly see in that slide, has risen to R253 billion. Now if you think a little bit and reflect back to a number of companies that we have

Speaker	Narrative
	on our stock exchange and look at their market cap and look at the time it has taken them to reach the level where they are and if you look at the top five, you'll find that MTN is clearly the baby in that pack. It is the youngest, the newest and it is the one company that even from the beginning started going beyond the borders of its home market. The revenue has grown from 6 billion to 115 today as Nazir was reporting. The EBITDAR has also grown from a mere 2 to 50.5, but what is more telling is that the subscribers, the subscribers have grown to a 142 million. Now if you begin to think about what 142 million subscribers is, that you are providing a service, you are connected to a 142 million almost on a daily basis, this is phenomenal and this has happened due to the work that has been done by Phuthuma and indeed the other executives. And I thought quite a bit what it is that drove this van to the level of performance that he has given your company, this company and as I thought a little bit I arrived at ten attributes. The one was that as he came in as a non executive chairman and he was catapulted to the position of chief executive. Some of us who sat near the ringside seats of this arena that he was performing on, could see that a vision was developing. A vision, he had a vision and became quite a visionary person and in the end a visionary leader and this is what he was able to give this company. Focus, being focussed was one the attributes that some of us saw and then I think indeed the performance speaks for itself. The one other important one which many of us who have worked with Phuthuma that we saw was that there was an element, a huge element of hard work, hard work and driving himself consistently and persistently on an ongoing basis. I had some people who were doing some work for me, I digress a bit and the one guy who was supposed to do this work, during the day decided that he was just too tired and he wanted to sleep and he went and slept under a tree and it happened to be in a place where there are snakes and dangerous animals and I said, you know some people do take quite serious risks to indulge in their leisure to sleep and not to work. Fortunately we didn't have that with Phuthuma. He didn't sleep in dangerous places. So he remained focussed and he worked hard. The other important attribute is that he was able to build a good team, a good team of people around him and I think you can all see that MTN is well endowed with good people. We have good people in MTN. They work hard. They are focussed. One of our directors was commenting yesterday, as they came into the building they said, this is a phenomenal achievement. Here we have people in this huge people who are going around like ants. Ants don't sleep on their job, they work and this is what we have in MTN and this is largely due to the leadership that Phuthuma

Speaker	Narrative
	has given to this company, that he has built a really good team of people around him who work hard. The other important thing of course, which I think many of us saw, was that Phuthuma has had a good upper tight for taking calculated risks. He was able to take us as a company to a number of markets where many people would have feared to go and that's a mark of a good leader to take calculated risks. And I recall that each time at the board level he would come with proposals together with his other executives and sometimes we would think that this guy needs to have his head red, but as he outlined the proposals of why we should go into various countries, Iran and all that, in the end we saw good sense with all of that. Brazilians was one of the important attributes, even as sometimes we faced setbacks and some failures with some of the transactions that we wanted to conclude. As you will know Phuthuma and his executives kept going forward. Each time there was a set back they would come back with a new one and that is an important attribute in a leader. And the one other important one which underpins Phuthuma's character is doing things in an excellent manner. Excellence has underpinned nearly everything that he has done for us as a company and we thank him for that. The last two attributes that really belong to him as a person, honesty, he has been very honest in the way that he has dealt with the board, in the way that he has dealt with his other colleagues and that for us has been a very, very important attribute, but the most important and the one that I like most is that he is a modest person. He has been a CEO who has led his troops, his colleagues with a great deal of modesty. No rushed matters, no flashiness, but really modest and in paying tribute to him and urging him to continue throughout his life with modesty, I've decided that we are going to give him a modest gift. I am going to give him a modest gift. Phuthuma as you well know, loves beautiful ties, like me, like me, but this is a very nice MTN tie. It is a bit on the modest side. I don't even know who makes this tie. It is one of those, I won't read the name. It is a modest tie and we would like him to wear this tie. Phuthuma, I don't know how often you should wear it. The quality is modest, quite modest, but I would like to give him this tie and urge him to wear it, at the very least once a month. So Phuthuma, we thank you for the great work that you have performed for our company, for shareholders, for increasing shareholder value in probably one of t he most exponential ways and it is good, it is good for me, I'll put this pin in. It is good that we've had and this has never really been a key issue, but it is good we've had a

Speaker	Narrative
	black CEO who has performed so well in the new South Africa and has grown a company like an MTN which today has become a continental giant. You might have read that MTN is the most recognised brands today on the African continent and bigger than other global brands. So we are happy about that and thank you very much, Phuthuma, for having done that for us. It is now my pleasure to introduce to you Sifiso Dabengwa, who is going to succeed Phuthuma Nhleko. Sifiso is probably known to most of you. He has been with the company for 12 years. He joined in 1999 as managing director of South Africa, MTN South Africa and as we were facing a number of challenges in Nigeria, many of you will recall that when MTN decided to go to Nigeria, there were a number of questions that were raised, whether we were mad or crazy or whatever, but nonetheless we proceeded to enter the Nigerian market and Sifiso was appointed managing director of MTN in Nigeria and helped to shore up our operation there, to stabilise it and to introduce the real MTN ethos and culture and high performance in the operations in Nigeria. And we are grateful for Sifiso for having led the Nigerian operation and having put it on a really good and firm footing. The performance that we are getting out of Nigeria is largely due to what Sifiso helped to do for us there and in 2006 he was appointed chief operating officer and in that role worked very closely with Phuthuma and the two of them have helped to build this company to the level where it is today. So Sifiso is an old hand. He knows the company. He knows the culture of our company. He knows how it works. He knows how it functions and he knows the challenges that MTN faces as it moves forward and during the course of time he has also been able to develop and build a vision. And it was for this reason that the board decided that we should appoint Sifiso Dabengwa as the group CEO and president going forward. We are really excited that there has been a change of the guard or there will be change of the guard at the end of the month and Phuthuma will be handing over his baton to Sifiso and we expect that Sifiso will take that baton and run ahead. He has worked previously in a number of other roles, but more importantly he worked at Eskom and as an engineer he was deeply involved in the electrification process and distribution process for electricity that has happened in our country. Trained as an engineer, electrical, the most dangerous part of engineering that you and I don't want to get close to, because we get electrocuted. He dibbled in all that. He is a risk taker and we hope he takes calculated risks and he has got an MBA Degree and it is my pleasure to introduce Sifiso Dabengwa to you. Thank you very much. [Applause] Thank you very much, Chairman. Members of the board, colleagues, ladies and gentlemen, a very good morning to you all and thank you for being with us.

Speaker	Narrative
Sifiso Dabengwa	Looking at the way forward, I guess the first thing that I would like to highlight is the fact that in the short medium term I do not see any significant strategic shifts and any significant changes in our strategic priorities and I see that there will be strategic continuity in relation to some of the announcements that have already been made and also in relation to the vision and also making sure that we do increase returns to shareholders and also keep looking at opportunistic MNA as already stated earlier on. I guess the important or the biggest area that we are going to be focussing on in terms of growth and revenue opportunities, is looking at the services side of the business. As indicated earlier on, the penetration in data in most of the countries that we operate in is still very low, lower than 10% in most of those countries and it is a major opportunity for us to be able to deliver services in those areas in a manner that reflects a very well segmented approach and then also working with partners in developing new services and also developing applications. So I see a major opportunity for us going forward, focussing on services that drive data across our footprint. We still also will have to continue with our optimising operation efficiencies. This again is a continuation of work that has been started over the past few years. As Phuthuma indicated we have had a target of about 45%. EBITDAR margin is something that we are working towards and we would like to continue to work towards it, once to accept that in general the levels of competition have increased over the past two years. We have seen some significant impacts on pricing in some of the markets that we operate in, but we still have to face those challenges by continuing with some of the strategies and some of the initiatives that we've implemented. So the issue of infrastructure sharing is already mentioned, both passive and the fibre and then also looking at how exactly do we deliver services. By enlarge a lot of services have been developed in country. We are now looking at a model in which we should have a much more centralised method of delivering services, although not necessarily centralised in one place, probably more in three or four places and that will help to reduce the costs of delivering services, but also at the same time shorten the time period and hopefully contribute quite effectively as far as growths in revenue is concerned. Mention has already been made in terms of procurement and the centralisation thereof. That's a process that has been started earlier on this year, sorry, late last year and continued into this year. We really anticipate that as we go forward the centralisation of procurement activities and the rationalisation of suppliers will contribute positively to our efficiency drive. Another initiative that was mentioned

Speaker	Narrative
	previously is the area of shared services. We have initiated a process of looking at sharing IT infrastructure. In other words instead of having each operation, have a fully fleshed IT infrastructure, the idea is that we will centralise some of the IT infrastructure in maybe two or three countries and in the other countries we would be able to take advantage of the shared services. And we will continue looking at outsourcing opportunities and managed services. We have already implemented on a smaller scale, we are in the process of implementing managed services on the network side and hopefully we will able to roll that out on a number of operations. Capex rollout has always been an important part of this business and over the years we've really improved our processes and the way that we decide on our investments. It is important for us to continue to make sure that we invest sufficiently to make sure that we are able to have network quality as a competitive edge. If one looks at some of the basic reasons of our success, the fact that we were able to provide good quality network has been a cornerstone to our success and we expect that that will continue going forward. The issue of shareholder returns has already been touched on in the sense that we have increased the dividend payout now to 55% and from a regulatory point of view I see us continuing to engage with the different authorities in the different operations to make sure that we remain and be a positive contributor to social issues that face the different operations or the different countries that we operate in. If we just have a quick look at guidance of subscribers for this year, South Africa is about, we're looking at about 2 million net adds. Nigeria, 4.2 which is slightly lower than last year. We believe that there could be an impact from the registration process, but if it doesn't impact too negatively that could go up. Ghana, we would believe that the level and the intensity of competition will increase and hence the impact on the net adds. Iran also anticipates that there will be a further operator during the course of this year and that will increase the expected levels of competition and thus overall we expect to have net additions of about 17 million for 2011 at this stage. Obviously as things change in different markets and in different operations, this could be impacted hopefully positively. The Capex figure has already been shared with yourselves by Nazir. The charts on the right hand side just give an indication of the areas in which the Capex is to be spent. I just need to state that the Syria, has it been corrected? Ja, it looks okay,

Speaker	Narrative
	but that just gives you an indication of where and in which areas we anticipate the Capex spent to take place. Thank you very much. [Applause]
Rich Mkhondo	Alright, thank you Sifiso and thank you, Chairman, for those very kind generous words. What we would like to do now is to take some questions. I think we've got about ten minutes or so. I should point out that at the back of your presentation there is an annexure and we are not trying to, as usual deprive you of your ability or right to ask questions. We are just saying that your questions may be quite detail and there are quite a lot of numbers and figures and stats at the back of that. So if we can, I don't know if the mikes are around, but we can take questions, ja. I think there is somebody at the back there.
Martin	Hi, it is Martin from MA Quarry. Just one quick question in terms of your kind of different outlooks. You are sitting on cash obviously. Previously you've spoken about a target gearing ratio. Can you give us a sense of how you're thinking about payouts going forwards? I mean obviously the uplift to 55 is encouraging, but just going forward what's your senses around that and then very briefly a second question, if I may, just on the impact potentially of a higher diesel price on margins. I don't know if there is a sense - you can give us the sensitivities in terms of some of the operations.
Phuthuma Nhleko	Okay, I think on the first question, firstly I would have hoped that you would have been usually encouraged as opposed to be just encouraged, but let's put it into context. I think as I said earlier, that dividend policy and payout was really arrived at by considering a number of things. One, MNA. Two, where we are on Capex in terms of it coming slightly downwards. Thirdly, cash generation and then maybe be the fourth issue is really competition and maybe a fifth issue which is most probably the answer to your question is that, that number is then arrived at on the basis of us being very comfortable or more specifically the board being very comfortable, that it is a number that is very sustainable. Taking into consideration those five issues as well as cash upstream and that, I think Nazir spoke about. So it would be reviewed from time to time, but we think that 55% is quite competitive, even if you had two point markers against our peer group. I think the second question on diesel, most probably if you have to look at margins, the operation that would be largest impacted or the largest operation that is highest impacted by the diesel price would always be Nigeria. Nazir, I stand to correction but I think it is about maybe 6% of Opex? 4. 4% of Opex. So I think that is where most probably the biggest variable would be.

Speaker	Narrative
Nazir Patel	Okay, I think there is a question here.
Phuthuma Nhleko	Nicky Smith, Blumberg News. Just with the Iran question, you said you don't have a 3G licence. Can you just remind us whether you will be able to get one and what the process is there? And then secondly it follows from Martin's question with the dividend payout, does that mean it is going to be pecked at 55% for the foreseeable future or are you ruling out a progressive dividend policy?
Rich Mkhondo	Ja, I think the last one is the easiest one to answer. The answer is, no, we are not saying it is pecked at 55 or wherever. All we are saying is 55, given all the other variables and the circumstances in which we find ourselves from a trading perspective, is the number at which we feel very comfortable that is sustainable, but that does not preclude a revision in the future and I am sure the board and management will look at it and will arrive that you know, whatever the number is. I mean we would hate to have a reversal, not to say it can never happen, but it is on the basis that we avoid at all costs a reversal, but progression may very well happen. As far as, I think the second question was on 3G in Iran. We don't have a 3G licence in Iran. The third operator effectively has, which is why we have gone to WiMAX and there is nothing at the moment that allows us or says that we can have the 3G licence, but clearly it is something that I think we, you know that management will continue to pursue because that will put us in a much better position to exploit the data opportunity that I spoke about a bit earlier.
Nicky Smith	[inaudible]
Phuthuma Nhleko	25 years, is it 25 years? It is 20. Okay, 20 is the right number, sorry.
Nicky Smith	Ja, it is Peter from RMB Morgan Stanley. I will limit myself to one question but first let me just say, Phuthuma, well done on your achievements.
Phuthuma Nhleko	Thank you.
Peter	And then just moving to Nigeria, if you can help us there. You've indicated that there you have seen aggressive competition increasing in the Q4. Can you just give us a sense of how things are going, sort of gone in the first quarter of this year and what are some of the strategies you're using to defend your position there from a notary point of view?
Phuthuma Nhleko	Ja look, I mean we always try to avoid giving very forward looking statements, but I think Sifiso did touch on it, even though we have a very, very, very strong 2010 and you know the number was 62 or 60% of net adds. Without getting into detail, I think Q1, starting with Q1 2011, it is going to be a bit tougher in terms of the
Peter	

Speaker	Narrative
Phuthuma Nhleko	competition. I am sure you have seen quite a lot of write-up about, you know the competition gearing up in terms of capacity. So the simple answer is, Q1 2011, we are not achieving you know that sort of level of net adds that we achieved in the last nine months of 2010.
Unidentified speaker	[Inaudible]?
Phuthuma Nhleko	Well tariffs, do you want to talk about tariff?
Unidentified speaker	Ja, sure. I think most of the market is already, there has been a lot of information put out. We put a tariff revision in place in September of last year, which was the first major adjustment we did in about three years. I think what was curious in the market, there we saw activity from both Glow as well as EMT [inaudible] who came in with fairly aggressive price reductions in December and I used the word curious simply because you know it is the sort of key value month throughout the year. So you know it does beg some, it begged a few questions in terms of their overall strategy. I think what that has done is, it forced us to react as well as I think, we've seen a reaction from Air Tell as well and we've gone out with a new value proposition that was introduced early in February. The early signs are promising. I think one of the key questions that we still need to understand through analysis as we go forward, is the impact on the electricity and whether it is still driving in a meaningful revenue growth and has an impact whenever we use it. I think we need to go through properly a full quarter or two before we get a proper sense of how the market is going to evolve.
Phuthuma Nhleko	Okay.
Unidentified speaker	Hullo, Jan Louw from Afro Securities. My question revolves around infrastructure leasing. You've already had a relationship with American Tower in Ghana. Can you just elaborate if you'll continue with this relationship through African operations or would you also consider other vendors such as Eaton Towers or Helios Towers?
Jan Louw	
Phuthuma Nhleko	Ja, I think that the whole issue of leasing is really one that we started off and then I'll let Sifiso, you know add his view you know going forward, but the idea really was to first of all unlock the value in those towers. There are many permutations in which we could have adopted that. You know we could have followed quite a number of ways of really unlocking that value, but we started off on a process that effectively resulted in us ending up with ATC and we've said we are going to work with them strategically on it, starting with Ghana on a pile of projects and we will probably do a number of countries with them.

Speaker	Narrative
	I don't think that therefore that would mean that we are not going to do any work anywhere ever, you know with other tower managers, so to speak, but it will vary from country to country and you know with the circumstances. So I think that was the gist of your question. The gist of your question is, will every single thing be ATC and nobody else. The answer is no, but we are saying we've started a strategic relationship with them and of course we need to get to some sort of scale that is meaningful with them, but part of the process will always be, you know evaluating the situation and talking to other tower vendors.
	[Inaudible]?
	It just depends. I mean we are going to take a pace. Sifiso, do you want to answer the question?
Jan Louw Phuthuma Nhleko Sifiso Dabengwa	Ja, I mean that's very much work in progress. The issue that deals with ATC was that we did make a decision that we really needed a very well experienced and knowledgeable partner, because the running of this infrastructure is critical for our business and as Phuthuma says, yes, if we find another partner for other operations, we would consider it, ja.
	Okay.
Rich Mkhondo Jonathan Kennedy-Good	Good morning, Jonathan Kennedy-Good from Standard Bank Securities. Just, I wonder if you can comment a little on the strategic rational for the introduction of the international board given the success that has been evident over the last while under the current management structures and then also just on, you know you done very well in terms of maintaining absolute EBITDAR given the clients and interconnect rates particularly in South Africa. Do you think or could you give us a sense of where, you know how much EBITDAR could fall off in the coming year if R-net traffic doesn't move higher?
Phuthuma Nhleko	Okay, let me try and answer the first question and then Nazir, you may well want to answer the second question on, you know if MTR, you know [inaudible] we got from the MTR issue that disappears, what would EBITDAR fall to? Look, I think on the first question really, you know as we indicated in the release that we gave, this is an evaluation and it is also, I guess work in progress in the sense that we outlined a number of issues. I think the first one is to say, you know as I always say, what has always worked will not necessarily always work going forward. So I think people have to keep an open mind, but one element is of course recognising that the capital structure of this group going forward will be one of the ways in which one can maintain value or return even more value to shareholders. The second

Speaker	Narrative
	issue is, of course you know we've seen quite a lot of growth in this company, but a bulk of it is now happening in and outside South Africa and you always want to be structured in a manner that can take full advantage of the growth and when I say capital structure here, I am talking in the broad sense of the word including financial issues and you know what your balance sheet looks like and how efficient it is and so on. So it is really saying we are keeping an open mind to say, how do we continue to achieve that growth, but also achieve it in a capital structure that is as efficient as we possibly can make it, both in people, both in external and international input and on the balance sheet and there are often decisions on that. That's a progress that the board and management will continue to engage in. Nazir, do you want to answer the question on the deterioration in margin if MTR disappears?
Nazir Patel	Ja, I think the question was if we were faced with the situation where we would not continue growing on net traffic. I think on net traffic stabiliser, the level that we currently see, we ought not to see a dilution in traffic. I think the bigger danger really is, competitors following in all net strategy, like in Nigeria, *etcetera*, which should force us to do the same and therefore we would end up in a situation where we move some of their traffic backwards. And that I think is potentially a bigger deterrent. The things we are doing and you know Karel and his team, I am very aware of as well as in Nigeria where we potentially are mostly exposed, is to follow very segmented value propositions which will make sure that we provide more value to the existing base to stay on our network as opposed to move off onto our own networks. So that's really the key driving force of how we would like to manage that particular issue. I think on the margin story overall however, I think we take a more holistic view. We've talked about a number of initiatives that we are putting into play, not only to deal with their risk around, you know margin dilution because of you know a change in the interconnect or on-net, off-net traffic mix, but it could come through just purely from the price in question that we've seen in every market. So you know we have launched a number of different programmes, you know whether they come through from infrastructure sharing. We did a fairly significant analysis or an exercise covering most of our larger operations you know in the portfolio which is based on an ABC type of analysis and that is set-up with the view to actually reducing and optimising the cost base. We've got a lot of outsourcing and you know Sifiso talked about outsourcing of the maintenance side, managed services, *etcetera*. We unpacked all of these. I think they are directed at one, not only to try and generate incremental margin, but also protecting the potential dilution of margin as a result of tariff pressure or from the Interconnect side as well. Okay, shall we take maybe two more questions and then we can close?

Speaker	Narrative
Rich Mkhondo	Phuthuma, Johan from Renaissance. Well done on your results. If I look at your Ghana Capex guidance, 1.2 billion, it seems quite low compared to 2010 actual. Do I read into that the savings due to Tower Go Ghana or how do I approach that number?
Johan Snyman [?]	Are you going to answer the question?
Rich Mkhondo	[Inaudible] about the Ghana Capex number, as to why it would be lower than last year?
Unidentified speaker	Last year's investment in Ghana was quite significant. In the way that we did the budget this year, we had not taken the outsourcing process into consideration. It was just the actual requirements of the operation, but the last two years was quite significant, the Capex that was put in.
Nazir Patel	And I think there is also some Capex they didn't completely put in that will be –
	There was a large carry over from –
Phuthuma Nhleko	Ja, a large carry over.
Nazir Patel	From 9 to 2010.
Phuthuma Nhleko	Ja. Okay, can we have the last question or one, but the last it looks like, ja? Sorry, the question seems to have vanished. Well, there is no last question. Okay well, you know once again I just like to thank everybody and a special thank you to the chairman and our board and once again for his very kind and generous words. The last ten years was a huge team effort. You know one gets all the accolades but really the accolades really belong to the team and one was just honoured to serve. Thank you very much, thanks.
Nazir Patel	
Phuthuma Nhleko	

END OF TRANSCRIPT