MTN Group Limited

DATE: 29/08/2007

MTN Interim Results for the six months ended 30 June 2007 Presentation

Speaker	Narrative
Nozipho	Good morning ladies and gentlemen. My name is Nozipho January-Bardill and I'd like to behind by thanking you very much for driving all the way to our innovation centre on this wonderful morning in spring. My task this morning is to do three things. First to extend a very warm welcome to all of us, especially our guests the analysts and the investors, as well as the media who are present here today? We would also like to extend a welcome to our executive members, and last but not least all our staff who will be watching the presentation from web casts across our footprint. The second task is to introduce you to the presenters of today's interim results, mainly Mr Phuthuma Nhleko who is our CEO and president of MTN, Mr Rob Nesbit who is our Chief Finance Officer and Mr Sifiso Dabengwa who is our Chief Operating Officer. Lastly I'd like to say after the presentation is completed we'd like to ask you to stay behind for a short brunch which will then conclude the events of this morning's programme. There will be some changes in the presentation but don't worry about that. You can get copies of the changes made as you leave this morning. So without much ado I'd like to invite our president to come and present MTN's interim results for the year ending June 2007. Thank you.
Phuthuma Nhleko	Well good morning and thank you very much Nozipho for that introduction. Let me just say thank you very much for the time that you have made to hear us present these interim results. And of course to all the staff that are on the web cast and of course those that are not, just to say this is a great opportunity to say thank you for all the very hard work and effort that helps us to present satisfactory results. And of course to my fellow ex co members and directors of MTN, again I'd like to thank you for your support. After we have presented we will have the normal Q&A. I think a great effort has been made to put two very comprehensive annexure at the back of your presentation. Not that we are discouraging anybody from asking questions, but you might have your questions answered so we can deal with the substantial issue as opposed to a lot of detail. I think if one just commences with the presentation, of course we start off by reaffirming that the vision that we set for MTN in the last five years to be the leading telecommunications operator in emerging market is still very much valid in our view. In fact very recently we had a group strategy session where we revisited that vision. We've got cause to believe that we are on the right track and we should continue to pursue that vision. Everything we do operationally and structurally is with the view of achieving that vision. Of course the [unclear] that you see there was very much assisted by the Investcom acquisition in July 2006. If we go to the results themselves let's look at the context of these results. There is no question that the environment in which we operate in all the markets is becoming very competitive. We are seeing a lot of new entrants, particularly in the Middle East. These are entrants which we are not familiar with. There are quite a few players who have come into our market in East Africa and West Africa. Secondly the low interest rates in a lot of those markets have assisted in providing more disposable income to our subscriber

base. Regulatory conditions are tightening. It is becoming tougher and tougher as the regulators become more vigilant and make their presence felt. But of course I think it's all for the good if we participate and engage those regulators, which we do. Lastly of course the results of MTN tend to fluctuate because of currency volatility. Some years we get a head wind and some years we get a tail wind.

Notwithstanding that environment we still think the result were quite solid. A 20% increase in subscribers from December 2006, and 70% in the revenue. I must say that of course Investcom has helped in that revenue increase. Even if you had to exclude the old Investcom operations from that you will find that the old MTN operations still did at least 35% increase in revenue. Investcom itself on its own did almost 90% increase in revenue, which in my view is testimony to the fact that the decision we took last year to acquire Investcom was quite sound. On a very similar basis, EBITDA was up 75%. If you include Investcom it would be closer to 40%. The EBITDA margin we are very happy with because you may recall that a number of times I had mentioned that as a group we are targeting a 45% EBITDA margin in the medium term excluding Iran. Of course Iran was a fairly big start up and was likely to depress those margins. But we made 44% including Iran which we thought was fine.

And that margin, yes there is a bit of currency that may have helped but there are a lot of programmes we have undertaken that have enabled us to run a far more efficient ship. And of course get those targets to be an integral part of our budgeting and business plan cycle. And finally our earnings per share at 17%, you may say well that is a rather depressed EPS. Of course you've got to put it in context again in the sense that this is the year that the pioneer status holiday ended in Nigeria and we also acquired Investcom last year. So the finance costs in associated with that would have an impact on earnings. So the way I look at this is to say notwithstanding all that impact on earnings we still think that EPS is quite solid.

I think if we look at the key developments, on the rollout let me say that this is an important point. [unclear] across the operations is essentially that in most of those markets our challenge is not demand. The demand is very strong. The constraint really is meeting that demand by being able to roll out the networks as fast as we can. Of course in places we do have logistics challenges, but if you look at all those markets it is really asking can we keep up with the demand. In Iran we have got a lot of momentum on the roll out. In Sudan and Ghana it's very similar. In Nigeria after we introduced the new value proposition, which of course had an impact of lower tariffs, the demand just shot through the roof. In a sense we did underestimate that so we got caught on the network rollout there. Expansion opportunities, of course nothing really major at this stage. We continue to look. In Uganda and Botswana we did increase our stake and in Cote d'Ivoire we did decrease it to accommodate a minority shareholder.

Capital structure; I think there are two key issues here. The first one is that we did give an indication that by December 2008 we would have wanted to have net debt to EBITDA of five. We are on track to that, probably more

Speaker	Narrative
	rapidly than we envisaged ourselves. Of course the second element was optimising the debt at the operational level in these countries so that we can achieve a far better return on investment. Again that is a programme which continues. Where ever there is sufficient capacity and depth of market in those countries we raise local currency. I think talking about the synergies a little more, with branding the key exercise was converting all the new Investcom operations into MTN. And I must say that has gone exceptionally well. Syria was completed a few weeks ago. Ghana was also done about two weeks ago. Sudan was done in June but they had an official function this last Sunday. And Uganda has been very well accepted. So we have essentially done all the big operations. There are still a few of the smaller ones that we are still attending to. I think on the people side we have now over 14000 staff in the 21 operations and over fifty nationalities working for the group. We do believe that is a major asset and capacity that we have in the group. We are embarking on processes that will enable us to manage that talent far more effectively and far more scientifically, to allow the very capable people from all these countries to really rise to the top of the organisation. Of course we do have a standardisation initiative which hopefully will also help improve our margin as we have an MTN way of doing things, whether it is choice of technology platforms or whatever. And that is really being driven by Sifiso. Products and distribution. Again we are trying not to reinvent the wheel in all these operations. We are using South Africa as the incubator. Of course the operations themselves at time do very innovative things that come back to the centre and then we make sure we roll those out as rapidly as possible. Finally, infrastructure is a continued battle to control costs and so on. If we look at the subscriber contribution per region, clearly the West Africa region is the largest contributor of subs. I have no doubt that the MENA region will make a much larger contribution, particularly as Iran continues to gather steam and Sudan continues to increase its market share in that country. And ideally of course what we would have liked to have is a contribution of a third from each region. I mean I guess life is not that ideal, but in essence we would like to see the diversification from the heavy contribution from South Africa and Nigeria. Nevertheless that is really where we are right now, the key point being significantly less than 50% of our subs now come from outside South Africa. ARPU wise an average of $17 ARPU on a group-wide basis. We think that is still very good. Of course that continues to go down as we penetrate deeper and deeper into these markets. It's worth saying that Nigeria has been very pleasing in terms of the ARPU decline. I think by this stage we thought that would be at a much lower ARPU than the $16. So it has held up relatively well, particularly given the lower tariffs that we have had to implement there. This is really just another way of looking at the same issues that I have mentioned. Firstly on EBITDA contribution. As I said ideally we would like to push towards a third from each region. Of course the MENA region is very low in its EBITDA contribution, and we all know the reasons for that. Iran is a start up, Sudan is a start up and Afghanistan is very much a start up as well. But I think what exacerbates that further on the margin at least is that Iran

and Syria have got very high revenue shares. South Africa has a 34.4% margin that MTN SA has generated. Obviously it is very dominant in the margin or that region. The WACA region has a very high margin, primarily driven by Nigeria. I think the high EBITDA margin for Nigeria is in excess of 59%. We don't believe that is sustainable. I think we have said that on a number of occasions. I know that there is maybe some scepticism in that but it is true. We don't think it is sustainable because there is increased competition in Nigeria. There are new players that are coming in and I'm sure there will be pressure on tariffs fairly soon. And of course the 44% on a group-wise basis I said was quite consistent with our target.

South and East Africa region. Of course MTN is still the dominant force in the region. We would like to see that being diluted. We'd like to continue to explore opportunities in the region but they have to unveil themselves. Rwanda, Swaziland and Uganda. Even though these operations have been around for five years you can see the growth is still very impressive. It's very solid for operations that have been there for give years. On a regional basis the penetration is 46%, driven by the high penetration in South Africa. I think it indicates that there is still room to grow in the region as well. The region has now got somebody who drives it, and that is Tim Lowry who has been appointed VP for Southern Africa and MD of MTN SA. I am sure Tim will bring a lot of fresh views as well from the Orange table. In Botswana I have mentioned that we have increased our stake. And of course there is huge competition in Uganda. We have lost market share from about 65% to close to 60%. And again this is as a result of new entrants and the old entrants really spending a lot of money on cap ex and products and so on. So a fairly competitive situation.

Focussing on South Africa a little bit more, our market share has remained relatively stable. Sometimes it is hard to predict. If other people stopped changing their numbers maybe it would be easier for us to say where we are. The lower denomination vouchers have had a very positive impact in terms of stimulating usage and in some respects also taking some subscribers out of dormancy and allowing them to come back onto the network. We also have had one matter that really relates to an [unclear] where we are unwinding an agreement that we were unhappy with. The essence of that agreement was that it would migrate the prepaid subscribers to post-paid. So in unwinding that agreement those post-paid subscribers become prepaid again. And I think we have given an indication as to what we think that impact will be up to year end. The distribution strategy I think is a very key area we are re-looking at. We believe that is actually pivotal in us retaining market share and growing it. And of course with much earning in South Africa we have had to review what we do with the network. In other words adding more capacity and also increasing the 3G capacity. So that is South Africa in a nutshell. We are happy with prepaid growth but maybe not as happy as post-paid. The ARPU is self explanatory. The prepaid ARPU has held up fairly well.

Data has always been a big issue. Suffice to say that we are constantly making progress in that area. I think if we had to annualise it we would be up to 9%. And of course we have to put out far more 3G sites by the end of the

Speaker	Narrative
	year. I think finally in the data area the whole issue of transmission is a very topical subject at the moment. And we constantly explore ways in which we ourselves can become self-reliant on transmission. I think [unclear] will be able to share more about where we think we are going in that area. I think if one looks at some of the more regulatory-related issues in South Africa we are waiting for government to harmonise between the ICT charter and the DTI codes. But I think in many respects we think that MTN will be ahead of the curve in a lot of what we put out there. And of course with ICASA I'd like to call it constructive engagement. We continue to talk to them on the hole interconnect matter. And even though we haven't had the outcome of the hearings that were held very recently I'm sure we will hear that. The competition commission issue which has also been in the public arena, I think our position is when the High Court gave it's ruling last December I think it was very indicative of what our position is. So we will respond as and when required on that. If we look at the West Africa region of course this is the largest contributor to the group. The pleasing issue here is that the three largest operations in that region, namely Nigeria, Ghana and Cote d'Ivoire have contributed a very solid growth in the last six months. We do have some challenges in Congo but that is not the market, it is very much a rollout logistics issue we are dealing with. Again penetration here on a regional basis is very low. The 3% reflects that there is very significant growth to come out of that region. The WACA region is the highest contributor in the group. It's not without some challenges. One of them is Benin. The simple situation there is that we believe that the Benin authorities are acting completely outside the licence conversions that we signed on to. And in our view we don't believe that what they're asking for is appropriate. We continue to engage them but we will not be agreeable to what has been asked at this stage. In Cameroon we had a tragic accident as you are aware. I must say notwithstanding that the operation has performed fairly well. I think continuing the WACA region if we look at Nigeria of course the demand is very high. As I said earlier we underestimated the impact that it would have once we put out those new products which had a tariff reduction. Notwithstanding this huge demand we are only just maintaining market share at 45%. So I think that does show again that the market is much lighter than we anticipated. Our latest estimate is 52 million subs for the whole market by 2011. And I think I've mentioned the issue of new competitors coming in. Tax status we all know and I think when Rob does his presentation on financing we will talk in more detail on the impact of the end of the pioneer status. On the corporate strategy in Nigeria of course we acquired VGC which was a [unclear] which has got some fixed line services and some fibre in the ground. We are taking a far more aggressive approach now into the corporate sector to provide a far more integrated solution. The shareholder base is something we have mentioned a number of times. I can assure you that we will have resolved or increased the base in Nigeria by the end of this year. We have made considerable progress in that area. The network in Nigeria is quite congested because as I mentioned the demand after September was not budgeted for. It was very significant. We know the

Speaker	Narrative
	market is elastic but we underestimated how elastic it actually is. So we have increased our cap ex in Nigeria and we're hoping by early October there will be a significant improvement in our quality of service in the country. Of course we did pay $150 million for the 3G licence in Nigeria and we will start rolling out a pilot network with a view to testing the market and so on. Ghana is the second largest operator in West Africa. Again there was very high growth. A 31% increase in subs in the last six months, and we have virtually doubled the network in Ghana from when we concluded the acquisition. We hope that we will put another 328 BTS's by the end of December this year. So I think it's another case where it's not the demand. We're trying to catch up with the demand and are pushing hard to do that. And of course quite a lot of new products have been introduced together with the brand conversion in Ghana. If we look at the MENA region, although it's not the largest contributor it is certainly the fastest or highest growing region now, primarily because Sudan and Iran are coming off a very low base. And again penetration there is only 3% so we really do believe that there will be an opportunity to enjoy significant growth over the next three to five years in that region. The rollouts are a challenge in that region. I think in Iran we think we have broken the back of it there because we are now doing over 200 base stations per month, which is really the highest that has been done in the group. In fact I think it is over 220 a month. In Sudan for quite some time we couldn't roll out in the south of the country. I think things are being resolved now so we will be able to roll out a network in the south of Sudan. And of course in Afghanistan there are security issues as well as the terrain issues. But again I think they have performed fairly well. If we look at Iran we're saying the first full six months of operation, even though we stared in October last year. That was a soft launch if you like because we only really started the rollout in earnest around November. And up until we had sorted out things with the regulator, prepaid effectively only started in January. So the number is truly only from January. At the end of August we had already about 3.2 million subscribers. And of course the revenue share is $77 million. And we have effectively paid that revenue share. Infrastructure-wise as I mentioned over 220 sites per month. And 1100 sites are live. Just to put this into perspective, we have 4500 sites in South Africa, so this is 25% of what South Africa has over a thirteen year period over virtually eight months. That just shows you the pace at which that network is being rolled out. And we do now have 6.5 million subscriber capacity on the network. And the peak funding I think we spoke about last time. I am sure Rob will deal with it a bit more, but we did say we think the peak funding will now be higher. I think the last figure was about $1.9 billion and that would happen in 2009. And the vendor financing at $400 million obviously continues to help us there. I think coming back to Sudan; market share was up 27%. We think this is fairly good, even though the operation only commenced before June last year. Again here we had some rollout issues and technical issues but those have now been resolved and we have rolled out up to 720 sites. The margins

Speaker	Narrative
	are improving. I think it is over 35% EBITDA margin now in Sudan, which is quite good given that it is still very much in start-up phase. Re-branding went very well. Again regulatory pressures. There is a [unclear] player which has gone out with very low tariffs in Sudan. Syria is a very unique market in the sense that it is very much a highly controlled market, very regulated. And in fact as far as product rollout goes we can't move too rapidly ahead of our competitor. So it is a controlled market. Notwithstanding that Syria has had fairly high growth over the last six months. And of course the revenue share of 20% does depress the margins. So I think in a sense if I had to then summarise, those were the results. Very challenging environmental regulatory-wise, competitive-wise, but we really do believe that the initiatives that we have taken operationally have enabled us to maintain the EBITDA margin. And that's not the end. We are doing quite a lot of things, looking at other ways of continuing to increase efficiencies. In certain areas we can outsource if it's warranted and so on. We can break that ceiling of 45% EBITDA margin. I will now ask Rob to get into the details of the financials and the tax issues. Thank you.
Rob Nesbit	Good morning ladies and gentlemen. I think just to kick off, the last few years of presenting the results to all of you have been quite challenging. Initially we changed our UN, which needless to say was difficult to present. And now of course we have Investcom that has come on board as well. If we look at the prior six month period that includes Investcom, so we are trying to include as much information as possible to try and assist you in analysing the results. Just to start with, if you look at the financial trends and the organic growth and revenue side at 34% and EBITDA of 39% obviously that reflects the increases in EBITDA margins of the old operations coming through. This reflects the tight cost control that continues to be a pride within the group. If we then get on to the major issues impacting on the financial results for the period, firstly the Nigerian tax. I think you're all well aware that the pioneer status ended on 1st April. So I wanted to spend a bit of time on this because obviously it has quite a major impact on our results. Firstly you have the normal tax charge of 645 which really is applicable for the last three months of the period. So that is for April to June. Then you have a reversal that comes through of the deferred tax asset that was raised within Nigeria. And that was obviously during the pioneer period. And then you also have a deferred tax credit that comes through as well which is effectively the same as you always use to have the previous years which is basically because the first three months of the year we were not in a tax paying position because we had pioneer status. Again we have that credit coming through in the income statement and obviously that falls away thereafter. So when it comes through to the adjusted headline earnings there are quite a few adjustments that come through from the Nigerian tax. One is the deferred tax credit, and that is the 223, and that is the effective adjustment that we have always done previously. And there is a reduction to adjusted headline earnings. And the other one is effectively that asset that we have raised in prior periods now being unwound. So the effect of that one is 436 and that is an add-back to headline earnings.

Speaker	Narrative
	Going forward I believe that add-back will occur for this year to December and then for next year to December next year as well. So the pioneer status reporting will fall away after December 2008. On the PPA, this first really arose in December which was for the half year of Investcom. This year coming through just over R600 million for Investcom. And obviously for the full year it will be R1.2 billion. The PUT option is another item that affects our adjusted headline earnings because we don't really agree with the treatment. That is the PUT that one of the shareholders has at one of our subsidiary companies. And in fact they can start exercising the PUT option from next year provided certain conditions are met. And that is a fair market option PUT that comes through and they can start exercising from June next year. So the impact of that that comes through - and there are quite a few different adjustments - is a [unclear] of 167 and basically we add that back as well for HEPS. On the ownership side we reduced the stake in Cote d'Ivoire from 68%. I did mention that in December. Effectively the pricing on that was pretty similar to the pricing that we increased our stake with in the last year as well. So from that perspective there wasn't any major impact. And the profit that we made on that effectively went through to equity, because of what we elected to do in terms of IES. The other small one was an increase in the stake in Botswana. Although we own the 53% the shareholders agreement is really a JV agreement so from that perspective we continue to only consolidate the 53%. Just going forward for the next six months on the change of ownership, I mean there really are a few small ones. Number one Uganda. We expect to decrease our stake in Uganda by 5% by December and thereafter potentially buy another 5% to broaden the base. And that is at fair market value. The initial 5% will be the same pricing that we actually exercised our upliftment last year in Uganda. Then the other one to mention is Nigeria. We have mentioned previously as well that we would be looking at broadening the base by December. We expect to decrease our shareholding within Nigeria by 7%. And those are really the two major ones. And a smaller one is that if you look at Cyprus, we currently own 100% of Cyprus. And during the next period as well we would like to reduce our stake in Cyprus and bring in some local shareholders into that operation. We will probably decrease our shareholding in the region of about 50%. Hopefully by December, but it's a pretty small transaction that would take place. On the forex side there is not much to report on, other than when you look at the interest issues within [unclear] and the [unclear] issues that come through, there was a major strengthening of the currency within Guinea. And that meant that within the Guinea company they made a forex profit of about R240 million. That does eliminate on consolidation because we elected to take that to equity. So when you look at the individual numbers you see that coming through but on consolidation we do eliminate that. Just on the EPS. I have mentioned that. If you look at the basic headline earnings you get the reversal of the PUT of 9. The reversal of the utilisation of the deferred tax asset that was raised previously within the Nigerian environment of 23.5 and then the deferred tax asset of the 12, which is the same as the previous year. As you can see the 17 and the 29.4. These are the HEPS of 324.7 which is 16% increase year on year.

Speaker	Narrative
	Just on the exchange rate side, I won't spend much time on this. The Rand devalued against most of the currencies with which we trade. The key one of course being Nigeria. We devalued by about 12% on the average rates, and obviously that positively impacted the results of the group. In the press release you can see that from a revenue as well as EBITDA perspective year on year. It basically impacted the overall lines by about 10% on a year on year basis. On the income statement you can see the revenue up 69% excluding Investcom, at R34.5 billion. On the EBITDA line 75 and 39.7 and there was a misprint in your tax on that one. As Nozipho mentioned there is a new one outside to pick up on the way out. EBITDA margin increase of 44.4%. As Phuthuma mentioned I think that is good performance. If you looked at the overall EBITDA margins of the Investcom operations that was actually slightly below that. That meant overall from an MTN perspective they actually outperformed that on average. It really came through from Nigeria as well as the South African environment. There was an increase in depreciation, really Investcom coming through and Nigeria with about R300 million. Amortisation had gone through that. That's really the Investcom amortisation coming through. On the finance cost line the key aspect there is the Investcom acquisition. So the increase in the finance costs is due to that acquisition. And the forex loss is included in there of R130 million that came through. On the income tax expense the major item that comes through there is Nigeria coming out of the pioneer status, and that was R1 billion. If you look at the effective tax rate for the year it effectively comes through at 34%. And that really is compared to last year's 20%. And the major reasons for that is the non-deductibility of the interest with the Investcom acquisition as well as the Nigerian tax coming through as well. Just on the revenue analysis, what we have done here is taken Investcom out. So we have given you the comparative numbers with regards to the Investcom operations for the six months ended June, even though that transaction was only concluded in July. So this is just to give you an idea of how the underlying operations performed. On South and East Africa there are no Investcom operations so that is really the underlying operations of the old MTN that come through there. The reason for the major increase in other operations is due to the increase in the shareholding in Uganda and the slight shareholding increase in Botswana. So if you had to reverse those increases out overall for South and East instead of getting 21% it would come through at about 18% on that line. Nigeria increased 51%. A very healthy increase year on year. In local currency that increase about 33%. So obviously the Nigerian strengthening of the Naira against the Rand had a major impact on our overall income statement. Ghana had a great performance for the year with a 70% increase year on year. And the other Investcom operation is 124 in West and Central Africa. Other operations in that region is Cameroon as well as Cote d'Ivoire and both of those operations when you look at revenue and EBITDA you will see a very good performance coming through from those two operations. Middle East, obviously Iran really coming through for the first time now. And that revenue will continue to increase as time goes by. The Syrian operation had good increases as Phuthuma mentioned. We really are getting far better

penetration into that market than we anticipated. And Sudan as well. Last year in June it really was a start-up. It had been operating for a few months, and if you recall we really did struggle in Sudan as well as Ghana last year to get the rollout going. And that has now improved dramatically. Just on the EBITDA, in South Africa if you look at that compared to last year there is an increase of 0.8% which is good. I think if you look at that overall the savings really came through on the saving and marketing expense lines. There is a bit of pressure coming through with regards to the leased lines, specifically with the rollout of 3G as well as the new site rental and utilities. So going forward there is a bit of pressure on those lines but we trust we shall keep those margins where they are.

On the other operations 48% compared to 45%. There was a decrease coming through in Botswana which was the major impact there. And Nigeria 58.8%. If you look at last year 56%, if you had to look at where we ended up for the twelve months to December you can see the first six months of the year in Nigeria were similar to the performance of the last six months of last year. So in other words when you look at it six months on six months you see an increase coming through on the EBITDA margin. If you had to compare where we were for the last six months of last year to the first six months of this year it was a pretty flat EBITDA margin at the 59% level. Ghana decreased slightly. Investcom operations as well. Similar attributes coming through on those. And then on the other operations a slight decrease coming through but it really wasn't material. Iran negative. Syria increase at the revenue share of 40%. Obviously a 31% EBITDA margin is a good performance on that. That revenue share does pop up next year in June. In Sudan 20% to 37% is the efficiencies starting to come through and obviously we expect that to continue improving going ahead. And then the other operations, the major item that comes through there as well as the head office of Investcom, and obviously that is bringing management fees through as well, as well as some of the other smaller operations.

So overall if you look at the change year on year that was obviously the 6% whereas if you had to include the Investcom operations it was 48% increase. I'm just going to highlight the key issues. If we pop down to Nigeria you can see the 12%. If it wasn't for the tax charge coming through that would have been a 50% increase, pretty similar to the EBITDA increase. That really is just the additional tax charge that comes through there. The other items if you look at the major increases like in the Investcom operations, that really is due to some of the start-up operations last year that come through. On the other operations in West and Central Africa, if you recall for the first six months of last year there were some tax issues that came through in Cameroon. Obviously those have now been eliminated and that is why you have a good, strong performance coming through on those two lines. I don't think I'll spend any more time on that. In South Africa I think on the cap ex to revenue when you look at that at 10% for the first six months, and if you look at the cap ex spend in South Africa it was way under spent compared to budget so far this year. So you would expect that to pick up substantially in the next six months. And just on the other issue of interconnect. If you look at the net interconnect year on year you can see it going down. And effectively the costs went up by 18% and revenue by 15%. So you can see that gap slowly but surely closing.

Handsets were 40% from a cost of sales perspective. So a lot of handsets going through to the market in these six months compared to the previous period to June 2006. Nigeria 32% in Naira as mentioned previously. Interconnect revenue up 36%, but if you look at the overall net interconnect it is coming down as a percentage of revenue. That really was due to that change in the tariffs that came through last year on the interconnect side, and a lot more cross-tariff going across to the other operators as well. Therefore the overall net interconnect coming down. Notwithstanding that the margins still remained at the 59% that we had for the last six months which really was on the cost side. Intangibles. I know Debbie has had a few questions on this so I will spend two minutes on this. The issue with tangibles is obviously when you make the acquisition you have to revalue the assets and the balancing figure comes through as goodwill. Basically you do PPA which is on your plant and equipment and you revalue that to fair value. And the other issue you have to do as well is value your customer bases on a fair value basis as well. And then you have to amortise that. So if you look at that R40 billion that is made up of three items. You have the goodwill of R27 billion. You then have the customer bases of about R3.5 billion and then you have licences of about R9 billion. That is really what makes it the R40 billion, and then you see the amortisation that came through for the first six months of 635 which is really the licence write-off over the period of the licence. And then you get the amortisation coming through on the subscriber bases of between three and five years.

Just some tax considerations. As I mentioned previously the reconciliation back to 29 is really those two items that I mentioned. The key issue that we need to re-look at is when we gave out the forecast of where we expected the Nigerian tax rate to be for the full year in March I said in the high 40%'s maybe 52%. The real issue there is if you look at the performance for Nigeria for the first three months of this year it was very strong. And that was obviously still during pioneer status. Because of that it means that the profitability that came through in the first three months was higher than we had anticipated. So when you then do your calculations which we did previously the effective tax rate was higher because the last nine months of the year we expected to have higher profitability coming through relative to the first three months. That is not the current view, because we performed extremely well in the first three months which was a tax free period. From that perspective we now anticipate the effective tax rate in Nigeria to be in the mid 40%'s. When I say mid 40%'s again it does depend upon the profitability of Nigeria in the last six months of the year.

If the profitability had to shoot the lights out then obviously that mid 40%'s could go into the higher 40%'s. If it performed poorly then the mid 40%'s could come into the lower 40%'s. so it does depend on the performance of the operation. And then likewise when you come to the overall group tax rate for the end of the year we still anticipate that to be in the high 30%'s. We expect it to be 37% or 38% but it does depend upon the underlying performance of Nigeria and the impact of the effective tax rate that Nigeria has on the overall group results. Just on the balance sheet there is really not

Speaker	Narrative
	much to comment on. The main issue that I want to mention is if you look at the non-current assets at 4.8 that obviously includes the loans through to Iran. At this point in time our exposure to Iran with our loans and investment is in the region of $850 million. That is our overall investment in Iran which you don't find anywhere else in the financials. From an overall debt position, and there is another slide, the net debt from December till now decreased by about R2 billion. So there was cash generation. If you look at the other items they were very much in line. Credit has picked up with the additional cap ex that did come through towards the end of the half year period. So you can see credit picking up. And likewise if you look under current assets it's the increase trading interconnect debtors that came through on those lines. Just on the debt position which I mentioned, that 21 was close to 23 at the end of December. The only two items I'll mention again is Ghana. As you're all well aware there are still some issues with regards to the previous shareholders where there is a dispute currently. So for us to distribute dividends out of Ghana at this point of time we can't do that until this has been resolved. Therefore we do have a cash build-up. Obviously we would like to gear Ghana up and assist us in decreasing the non-productive debt that we have with the Investcom acquisition. But that's not going to take place until that shareholder issue has been sorted out. And then the other one is Syria. Currently in Syria they are promulgating the manner in which we will [unclear] dividends within Syria. So they are going through that process of formalising it within government legislation. So obviously when that takes place we will be [unclear] that and likewise we would look at gearing up Syria at that point in time. Interest bearing liabilities hasn't changed much since the end of the year. Obviously the cross-surety structure really is the Investcom debt that we raised at debt level. That is where you have the cross-suretyships between Mauritius and the South African companies. Net debt to EBITDA is at 0.7. Well on our way to getting down to 0.4, provided no more acquisitions are made during the period. As I mentioned before we had cash generation of about R2 billion. You can see the cap ex increase compared to last year of about R6 billion. We will get onto the cap ex slide and reflect when you look at the R6 billion relative to the R18 billion that we had approved in December you can see we are still quite a long way behind. So if you look at South Africa at R1.2 billion for the six months compared to the 4.3 billion that was approved previously there is a lot of catching up to do. And they are focussing on that at this point in time, because the network quality isn't what we would like it to be. The other point to notice is that if you go to the totals at the bottom you can see the approval at December of the R18 billion. If you then add on the six months spend till June plus the cap ex approved on 30th June you will see that adds up to R22 billion. So you can see since December we have approved additional cap ex, major areas of that being in Nigeria where we have increased that quite substantially. If you look from the R5.5 billion now at the R8 billion so that has gone up by R3 billion. As Phuthuma said we were caught. The amount of traffic that has picked up with the new price plans that we introduced, as well as the decrease in prices as well as the additional activity that is coming through in that economy, we have needed to step that up.

Speaker	Narrative
	When you look at the cap ex spend, we always said previously that you would never expect to spend the full amount by the end of the year. The more we can put in at this point of time the better. Quite a lot of this approval that has come through is to enable to op co's to pull forward the cap ex for next year. So they order it this year but it will probably only be delivered in January or February or March. But that means we will get cap ex in the ground earlier on next year as opposed to in the second half. You will expect to bring it forward to the first half. So if you look at the total cap ex spend for the group, even though we are sitting at R22 billion approved overall, you wouldn't expect that to exceed the R17 billion mark. If we do exceed it that is good because in all the countries where this cap ex has been approved there is excess demand and our networks are taking strain. So if we do overspend I must tell you it is a good story and not a bad story. I thank you very much.
Sifiso Dabengwa	Thanks Rob. I think just to conclude then, the story of the next six months and hopefully far beyond is the rollout. And I think in a number of these markets we have done a lot now as mentioned to approve additional cap ex and ensure that the capacity to roll out that network and put that cap ex into the ground is actually there. I do think that the Iran situation…of course it's the first time that we have done it on a turnkey basis. And it does seem to have been effective. Synergies extraction and the hub and cluster and increasing the efficiencies of the business, I think I did mention that we are constantly looking at a number of things to try and see how we can increasingly become more and more efficient. The expansion opportunities haven't changed. You know where there is an opportunity to increase our stake we do that, and in some case we have to decrease our stake because we would like to increase the local participation. I think Rob mentioned some of the countries where we have had to review it. In other cases it's really to make sure that we've got a strategic partner that can help us, and Cyprus is a classic example of that. And of course I think in the Middle East to the extent that there are opportunities that we will pursue, as the consolidation play takes some momentum we hope that we are well positioned to play a role in that. The whole corporate area, we have spoken about convergence over many years but I think it is now becoming a reality. And I think MTN is positioning itself to ensure that we can improve our own integrated solutions to the corporate area. And also have our own capacity, whether it is transmission or otherwise, to be able to service that sector. The acquisition of VGC Nigeria is an example of that and we are looking at similar companies or entities in places like Cote d'Ivoire and Uganda and so on. The capital structure is going to change in terms of what the objectives are, which are obviously firstly to decrease the non-productive debt as rapidly as we can. As mentioned we do think that the targets that we gave we shall meet sooner than December 2008. But also to optimise the debt in the operating companies. I think it also helps in terms of the forex volatility as well. So that is really how we see the next six months. Maybe it's worth just before closing to just give additional guidance on the subscribers. We have said that

Speaker	Narrative
	we would most probably have net adds by year end of about 16.5 million. We think we will end up at about 17.5 million. I think just to say what those are, South Africa is at 2 million net adds. That stays the same. Nigeria we had given 3.5 million and that would remain the same. Ghana I think will do almost double what we indicated. Initially it was 900 000 net adds for Ghana, but we believe we will probably end up at about 1.6 million. Iran the 5.5 million we shall retain. It is worth pointing out that Iran and the Middle Eastern countries are going to be going into the Ramadan period now and therefore there could be a slowdown. It is hard to predict exactly what will happen during that period. But we have taken a view that says we will maintain the 5.5 million. Syria was 500 000 subs. We think we will end up at about 700 000. In Sudan close to 900 000. And the rest at about 3.3 million. So that gives you in total 17.5 million subs to the end of December. Ok well thank you very much. Maybe let's go into questions. If I can't answer questions I've got plenty of people to assist me here in the front. Thanks.
Craig Hackney	Hi it's Craig Hackney from Barnard Jacobs Mallett. Just looking at Iran, is it possible to give us some guidance with regards to EBITDA losses for the second half, where you see those peaking and when you believe you will be EBITDA positive there?
Phuthuma Nhleko	I think the indication that we have given is that we expect to be closer to EBITDA positive by 2009. The losses for the second half…
Rob Nesbit	We have never given forecasts so I'm not too sure why you're asking me to give one. The second half EBITDA loss we expect to pick up a bit. It really does depend on the marketing spend and how it goes through. As a matter of interest, for one of the months to date we had an EBITDA positive because other expenses didn't come through. So I think you would expect it to pick up for the second half.
Phuthuma Nhleko	But I think 2009 is overall the guidance. Ok.
Nick Kershaw	Hi it's Nick Kershaw from Investec. Rob can you maybe comment a little about the seasonality in South African revenues? Because we saw for these six months revenues went backwards in South Africa.
Rob Nesbit	That is correct. I think it's been raised before on the quarterly analysis. If you look at November revenue normally you don't really get the same revenue as you had in the prior year's November until April or May. What I'm saying is that it always has been that way. From that perspective you normally find 42, 48, 55, so there is always that seasonality between the first and the second half. So you would expect the same to come through this time around.

Speaker	Narrative
Nick Kershaw	[Inaudible segment] Licence fees for the second half. You mentioned that number.
Rob Nesbit	You're talking about the revenue share?
Nick Kershaw	Ja.
Rob Nesbit	For the revenue share for the twelve months through to July next year is about $200 million. So it picks up from $75 million to about $200 million. That is obviously for the full twelve month period from July to July. From a waiting perspective we do link that through to the expected turnover levels in terms of what we forecast to achieve. So you wouldn't expect to have that 50/50 split. You can see it effectively split over from a revenue growth perspective.
Nick Kershaw	Thanks very much.
Irnest Kaplan	Hi it's Irnest Kaplan from Kaplan Equity Analysts. Can you just give us an update on what's actually happening in Benin at the moment? Is the network still off? And how do you think that will pan out? And then a second follow up question is how are you going to actively deal with regulatory pressure going forward in the markets? You said it is getting more intense.
Phuthuma Nhleko	I think let me start with the last question first. Of course I think it's a highly regulated industry and regulators are becoming more and more involved in this sector if you like and making their presence felt. The way to deal with it is to engage them, and I think we have done that throughout. Generally it would be true to say that we've got a very constructive relationship with most of the regulators. We make a lot of input in terms of an industry player and some of the legislation that they pass. We do have capacity at group level in terms of assisting a lot of the local operations. The local operations themselves also have in-house regulatory function and person who is responsible for that area. So really the short answer is, we have to continue to engage and stay on the radar screen and make sure that we are abreast of issues. There is no other way. On Benin, the answer is yes the network is still off. It has been off since the 12th July. And as I said these things are being discussed and I wouldn't really like to go beyond saying that as we've stated publicly we do think that the authorities are acting completely outside the licence that we've got. They're acting completely outside the local and international law. But we are still hopeful that over the next two weeks or so some resolution will be found. And of course it is not only MTN. It is MTN and Moov which is really part of the Etisalat group.
Lesley Stones	Lesley Stones from business Day. The clash that you are having with Cell C about interconnection, if you lose that case what is the damage going to be in

Speaker	Narrative
	terms of the interconnection fees you're withholding and any fine for anti-competitive behaviour that you might be slapped with.
Phuthuma Nhleko	Are you talking about the case that has now been sent to the competition tribunal?
Lesley Stones	Yeah.
Phuthuma Nhleko	Well I think it's a bit difficult to say. I think there is a dispute as to who owes who how much. But let me just say that in the scheme of things for MTN as a group it wouldn't be a very material number. And I guess if we had to lose we'd have to honour whatever that outcome and ruling is. But as I indicated earlier this was discussed. We did go to court in December and the court ruled in our favour. And we are rather perplexed that the competition tribunal would take up the matter notwithstanding the ruling of the supreme court. We will just have to see how it continues. But the bottom line is that from an MTN perspective we do believe that the case is very solid.
Question	Looking at the South African market, you talk about realigning your distribution channel. Can you just expand a bit on what you mean by that? And then secondly your fixed line aspirations in South Africa, can you speak a little bit as to how you see that panning out going forward?
Phuthuma Nhleko	I'm going to hand over to Tim to answer that question, but suffice to say we believe that our distribution channels are not as robust as our competitor and we have to really strengthen that channel. And of course reduce the cost that we are incurring in the distribution channel in South Africa, which comparatively is much higher than most of the other operations. We do accept that this is a structural issue in South Africa, but we do believe that there is room to move there. And then I think we do require that to address our own expansion in South Africa. I have said that we have got very high congestion, but also I think if we are going to play in the corporate market we would want to ensure that we've got our own independence in that area. Tim do you want to comment?
Tim Lowry	The only thing I would add about distribution is I think if you look at comparative operators in other markets the amount of distribution that we actually control is very low. And I think that is an area that we need to look at. And also probably the position of some of our distribution in terms of [unclear] is not ideal in location. So we need to make improvements on that. On transmission we are pretty advanced in terms of our business planning and in terms of our network design and we're in the process of going out for quotes to suppliers. We are looking at options that would build transmission in this region and also throughout the nation.

Speaker	Narrative
Johan Snyman	Johan Snyman JP Morgan. I've just got two questions. Just looking at the Nigerian market, MTC reported a drop in margin from 41% to 32%. Yours went up. So can we really believe you? And then the second question looking at Iran, the revenue number does it include or exclude the revenue share?
Phuthuma Nhleko	On MTC I think you can certainly believe we are a much better operator than them. And I think there are sustained results over a period to demonstrate that. And your second question on Iran you were talking about the margins. That is gross, absolutely.
Rob Nesbit	[Inaudible segment] and that is one of the items that comes through there.
Johan Snyman	Just another quick question. This umbrella agreement that you terminated some time in this last quarter. Can you give us an idea of what the costs were related to terminating that agreement?
Phuthuma Nhleko	I'm afraid we can't do that because we are bound by confidentiality. It was an agreement that we were not happy to proceed with and that's that. Suffice to say that it did have a negative impact on the margin for South Africa.
Meloy Horn	Meloy Horn, Merrill Lynch. Phuthuma just with regard to this week's comment form the president again about the high cost of communication, can you just highlight where MTN's position is in regards to that? Specifically about reducing tariffs. I know you're in constructive discussions with the regulator but we would appreciate maybe a bit more colour in terms of your position.
Phuthuma Nhleko	I think at the risk of getting myself into hot water I think that those comments were very much directed at a fixed line operator. The cost of broadband and so on, as opposed to us. Having said that it is true that there are issues and matters and concerns that have been raised regard the whole interconnect issue between the operators. We start off on a position that says the debate has been very simplistic in terms of tariffs. Because if you have to benchmark the key metrics South Africa against similar markets and similar countries there are very few that you can show that would have the level of penetration that South Africa has. So you've got to look at the whole picture holistically. One of the reasons that have been the case is that we had a strong incentive as orators to roll out networks in the rural areas and so on. So therefore there is huge penetration. And then of course there are other industries that have emerged out of this. The distributors. Yes we've got a lower margin in South Africa compared to most of the other operations, not only MTN operations but any other operator. And why is that? That's because there are long supply chains. The resellers. The independent service providers and so. We are catering for a lot. So when you have a debate about tariffs in South Africa

Speaker	Narrative
	you cannot look at it in isolation. You've got to look at the whole industry and benchmark it against other industries in the world and see how we have done. Having said all of that, yes it is constructive engagement. If there is going to be a reduction in interconnect we will see that being over time and being in the low single digits as opposed to a radical change that would impact the whole industry. So that's really our position on that.
Steven	Hi it's Steven from Credit Suisse. Assuming there is a parting of ways between Telkom and Vodacom, there is a lot of speculation in the market that you might be interested in some sort of tie-up with the landline [unclear] of Telkom. Be that either buying the company or having that company take a stake in MTN. Are either of those prospects something that you'd be prepared to entertain? Thank you.
Phuthuma Nhleko	Well I can't comment about Telkom specifically. I think the general point that one can make is, we have said that anything that improves our ability to enter the corporate market and address that far more effectively given convergence and data and so on, as well as improvement of the increase in the capacity of our transmission we keep an open mind on that. And that is really the principle. Whatever opportunities present themselves in that area, we would be open to.
Kim	Kim [inaudible segment]. Can you give us an indication on how your data business is going? We hear a lot from your competitor on how great it's been. We hear very little from you.
Phuthuma Nhleko	We have made a lot of progress. The answer is we would like to do a bit more. But I think I indicated on that slide on an annualised basis there has been significant increase. Maybe 9% of revenue in South Africa. But Tim if you want to comment there. There are a lot of initiatives to increase that even further. We're talking South Africa.
Tim Lowry	We have half a million 3G assets in our base and our data revenue excluding SMS grew over 200% in half to half. So it's a very, very strongly growing business. Our transmission requirements at the moment, we have a backlog of about 2000 at the moment so that is holding us back a bit in terms of what we can do. That is one of the reasons why we looked at providing more. And we have also aligned our prices to be competitive to Vodacom. We were slightly uncompetitive for a few months but that has now been changed.
Phuthuma Nhleko	Ok shall we take two more questions?
Debbie	Hi the question is actually an SMS question that came through. I'm not asking any questions. Can we assume profit and loss impact from Nigeria for

Speaker	Narrative
	the 2H07 i.e. R1 billion for each quarter? That's from Scott Ryall from Macquarie.
Rob Nesbit	Maybe you can answer it Debbie.
Debbie	This is obviously the tax issue?
Rob Nesbit	Just repeat the question.
Debbie	The SMS says, can we assume P&L impact from Nigeria for the 2H07 i.e. R1 billion for each quarter?
Rob Nesbit	No if you look at the effective tax rate in Nigeria as I mentioned for the first six months the effective tax rate was at 25% and we expect that to go up into the mid 40%. And obviously the reason is that the full six months is tax paying under the tax regime, whereas in the first six months three months were still under pioneer status and the other three was pilot pioneer status. So there is no doubt that in the second six months you can expect a substantial pick up to average out at 44% or 45% or whatever. If you average out at 45% and you initial first six months was at 25% it means for the second six months you have to be in the 60's to average out at that level.
Phuthuma Nhleko	Another question. Surely there must be more questions. Ok. Well if there is nothing else on SMS…we're desperate for a fight here. Ok, thank you very much and thanks for your time.

END OF TRANSCRIPT