



MTN Group Limited

MTN Interim Results Conference Call





Speaker

Narrative

Operator

Good afternoon and welcome to the MTN results presentation. As a reminder, all participants are in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to turn the conference over to Debbie Miller. Please go ahead.

Debbie Millar

Good afternoon. This is Debbie, Head of Investor Relations for the MTN Group. Thanks for joining us today to discuss MTN's results for the six months ended 30 June 2008. With me here today are Phuthuma Nhleko, group President and CEO, Rob Nesbit, group CFO, Sifiso Dabengwa, group COO, Christian de Faria, VP for the WECA region, Tim Lowry, VP for the SEA region and Jamal Ramadan, VP for the MENA region. And we have Nozipho January-Bardill, Executive for Corporate Affairs. The order is really that Rob and Phuthuma will give a brief overview of the results, highlighting the operational and financial performance for the group, and then we'll move on to a Q&A session which the conference call operator will facilitate. So I hand over to Phuthuma.

Phuthuma Nhleko

Thank you very much, Debbie, and welcome everyone. Of course we had a very long presentation this morning that we will try and truncate into a few bullet points on some of the key issues, facts and figures that we presented this morning. I would like to say that we're quite delighted with the results for the last six months. We think it was a very competitive period with more entrants and more competition in the market, but we believe that the results were quite satisfactory under the circumstances.

Coming to the key highlights for the period, we had a 53% increase in subscribers to 74 million. That's a year on year increase from June 2007 to June 2008. And for the same period an increase in revenue of 35% as well as an increase in EBITDA of 29% to R19.6 billion for the period. As is quite obvious there is pressure on the EBITDA that we will talk about in the later bullet point, just to give you a sense of where that pressure has come from in the various operations. PAT is up 11% to R6.9 billion, and we would expect that impact on PAT as a result of the very high effective tax rate coming out of the end of the pioneer tax holiday in Nigeria to be somewhat muted by the end of the year. Rob in his presentation will deal with that in more detail.

The adjusted headline earnings per share at 408c. Clearly the big opportunity for MTN as we see it for the next two to three years is really the addressable market. If we had to look at the footprint, which obviously consists of the 21 countries in which we operate, we would see the addressable market has been about 300 million subscribers. And 189 million of those are already addressed by ourselves and our competitors. That would imply that between now and 2012 there is around 120 million subscribers addressable in that footprint.

We of course continue to see increase competition with new entrants coming into almost all the markets. In Nigeria we have a new competitor that is likely



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to launch by the end of this year. Ghana has two new mobile operators, none of which have launched. But again we expect those to launch within the next six to nine months. And in Iran there is talk of issuing a third licence. It's not clear what the timing would be, but we would expect that such an operator would most probably be functional by mid-2009. Similarly in Syria and in Sudan we are expecting that there would be a new licensed operator. Suffice to say, none of these things are cleared as far as timing, but we are working on the basis that these licenses will be issued at one point or another.

A key feature of the last six months is that we're still experiencing very high subscriber demand which is still outstripping supply, notwithstanding the very aggressive rollouts we've undertaken in the last six months. For those who got a copy of our presentation will see that in an operation like Nigeria and Ghana for instance in the last six months we've rolled out more BTSs than we have in the whole of last year. So we've certainly doubled up and increased the pace of that rollout. And in the process obviously we have improved our logistics of rolling out that network. So at R10.3 billion invested in capex up to June 2008 is almost a 65% increase on what we had last year.

Another key element is convergence. We have for a number of years said that we want to position ourselves to be a communications group, and in that respect we need to be able to provide integrated services, converged services, particularly to the upper segments of the market. And in light of that we have made certain acquisitions. Verizon in South Africa is one which we have almost completed. It's still subject to the competition commission in South Africa, and we are hopeful that we will have their endorsement of that. VGC in Nigeria, Afnet in Cote d'Ivoire and so on. So we are constantly looking at acquisition of ISPs with a view to operating those with our mobile offering.

The inflationary pressures that have been the subject of much discussion by parliament and many other candidates have not had a significant dampening impact on the ARPU. If you look at the average ARPU for the group, it was around \$17 in June 2007. It has come down to about \$14. And of course we do expect that ARPU to come down as we increase penetration and go into lower and lower segments of the market. But certainly the \$3 I think is an acceptable decline. And if you look at operations such as Nigeria we have an APRU of \$16. That has been more or less maintained over the year. So I think we were very concerned at the beginning of the year in terms of the impact of inflation, but it certainly hasn't been as impactful as we may have experienced.

Lastly, I think on the opportunities in terms of expanding the group, we have continued to look at those, the last more substantive discussion being with the Indian operators. Most unfortunately that didn't come to pass for a whole host of reasons that we gave when we disengaged. Suffice to say that we continue to look at opportunities in that space. Operationally I will not go into a lot of detail, but I'll just chat on one or two key things. The Southern Africa and East Africa region of course increased its subs by 22% to 20 million. And South Africa by 15% to 15.5 million, even though it is a maturing market. I must say that it still fairly strong growth to show a 16% growth in subs whilst



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maintaining market share at 36%.

Post-paid grew to 2.5 million subscribers and prepaid by 22%. I think one of the contributors to the growth in the prepaid was the MTN Zone, which is dynamic tariffing. It has taken off fairly well in South Africa with 4.5 million subscribers. Those MTN Zone subscribers now contribute about 30% of the prepaid revenue for the last six months. Post-paid, we have unwound the on-biller arrangement that we had. And that has really resulted in some post-paid subscribers migrating back to prepaid, and is one of the reasons why the post-paid ARPU has gone up slightly. We have also followed on one of the key initiatives in terms of strengthening the distribution channel and controlling the distribution channel in South Africa by buying I-Talk and increasing our stake in Cell Place.

The other key feature in South Africa for the last six months was rollout. The capacity there has been increased by about 9% in terms of erlang capacity, and on the 3G network by 26%. So as we mentioned right at the beginning it was going to be a fairly big year as far as investment in network and capex in South Africa.

Data is more or less on-stream in South Africa. We said we would want to reach 13-14% of revenue in data by 2010. We are now at 12% of revenue, so I think with new initiatives like MTN Xploaded and MTN Loaded and so on, the value-added services that have been brought to the market are helping in the growth of data and diluting SMS's contribution to total data revenue.

West Africa and Central Africa is obviously a very important region as far as contribution to earnings and growth. They achieved a 40% increase in subscribers from 2007 June to 2008 June. And that gives them an almost 33 million subscriber contribution to the total subscriber base. And Nigeria contributed 57% towards that, so it was fairly significant. Nigeria on its own grew its base by 32% year on year. This is still very strong, given that we are now getting towards the sixth year of that Nigerian operation. And we are also quite pleased that notwithstanding our tiff with the regulator recently on congestion levels and so on, the regulator in Nigeria has now approved a numbering plan that gives us a further 10 million new numbers in Nigeria, which I think paves the way for us to take on more subscribers as we create the capacity.

Network-wise I did indicate earlier that there has been a huge rollout in Nigeria. In the last six months we've integrated a further 758 BTSs, which is almost equivalent to what we did the whole of last year. The big opportunity in Nigeria is also in the data space where it is only 3% of revenue. Of course whilst dealing with voice and so on we do believe that having bought VGC and teamed up with some ex-consultants from BT we will be able to position our data offering in Nigeria to take advantage of the absence of fixed line and broadband and so on. So we see that as a significant opportunity.

Ghana again had fairly good progress, doubled subscribers to almost 5 million subscribers since the acquisition of Investcom. And again we've launched MTN Zone in Ghana, adding about 2.5 million subscribers as part



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of MTN Zone. Of course some of these are migrating from other packages and so on, but again it's just indicating that it's a fairly successful innovation and product.

In the Middle East and North Africa, the big story there is of course Iran. The region in total had a growth of 156% in subscribers to 20 million, which of course is underpinned by the strong growth of MTN Iran. Irancell really grew from a subscriber base of 1.9 million subs in June 2007 to 11.5 million subscribers in June 2008. My recollection is that the guidance we gave is that we'd end up with 13.5 million subscribers in December 2008. We're still comfortable that we can achieve that and possibly exceed that by maybe another 1.5 million subscribers. So I think our final number for Iran is then 8.5 million new subscribers coming in this year as opposed to 7 million. A strong brand in Iran as well as fairly strong network rollout. Almost 700 BTSs have been rolled out in Iran. We do however have challenges in some parts of Tehran in particular in being able to get enough sites to roll out more BTSs, and therefore improve quality significantly. But that is something that we are working on.

The disappointing result of the six months is Sudan. We had some special challenges in Sudan, the first being one where we had to disconnect 1.1 million subscribers as a result of those subscribers not meeting the government-stipulated requirement that all subscribers need to be registered. So most unfortunately we had to disconnect those subscribers. I think the challenges there were further exacerbated by a CDMA operator, government-owned, launching with very low tariffs and high subsidy of the handsets. So that has also been a problem in the sense that we've had to reduce tariffs in Sudan. So in a nutshell Sudan was quite a challenge, and we are making it a top priority in putting a team in to address that. As I said this morning, hopefully when we report in March or April next year we will have something more positive to say.

Syria is still fairly stable with high growth. It increased subscribers by 30% from 3.3 million in June 2007. Again, a very managed competitive environment. So we are a bit constrained as to how fast we can go in Syria. We're still hopeful that we will engage government on the BOT. It would appear that there could be some openers in that respect to normalise the BOT licence into a normal licence as opposed to a BOT. But that remains to be seen as government does want to issue another licence.

So I think in conclusion I'd like to say that we had a challenging but satisfactory first half in 2008. We hope the second half will be at least as satisfactory if not stronger, and we're pushing very hard to do that, given that we have now created more capacity in all the operations, including South Africa, Nigeria, Ghana and so on. We will continue to be open minded on exploring expansion opportunities with a view to diversifying our exposure in those markets. And of course the rollout of infrastructure and creation of capacity remains a very big issue. Convergence I have mentioned. That's something we continue to look at. On the regulatory side I guess the bigger regulatory issues are most probably in South Africa at the moment, but I'm happy to say we have a fairly constructive engagement with the regulator



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Rob Nisbet

and I'm confident that the grey areas will get resolved.

As far as guidance for 2008, we've really increased the total net adds from let's say 21 million to about 22.6 million, Iran being the largest contributor to that change. In South Africa we're still meeting the target of 2.2 million net adds for the year. Nigeria, 5 million. Ghana, 1.3 million. Iran, as I said the 8.5 million as opposed to the 7 million. Syria, 680,000. And Sudan, 500,000. So that should bring us to 22.6 million net adds for the year. I'd like to hand over to Rob to go through the financials for the six months and then we'll take some questions. Thank you.

I'll try and be fairly quick. Just to start with I'll go through the accounting considerations, which is on page 50 of the slides. Group tax is at 44% compared to last year's 33%. Obviously the amortisation continues to come through PPA. Just to state that we did restate the prior year's numbers by operation to effectively push down that amortisation into the operations as opposed to having it as a consolidation entry. The PUT option, a pretty large increase from last year. The change in ownership, the key issue there was the reduction in Nigeria of about 6% that generated close to \$600 million earlier on this year. The reduced stake in Cyprus effectively reduced our stake there to 50%. That was subject to competition commission approval, which has now come through, so there are just a few other items to close off on that side. Verizon's acquisition is still subject to competition commission approval as well.

IFRIC 12 as Phuthuma mentioned does apply to Syria. The accounting entries would not be material for this period if there is no conversion to normalised licence. We would have to apply IFIRC 12 to Syria at the end of the year. On the forex side we had currency gain of R794 million in Mauritius. Just to note the net forex gain of R288 million. If you reverse the forex loss on the PUT the effective forex gain is close to R600 million as opposed to last year's R130 million loss. On the EPS line I think it's self evident. The only issue there is when you look at the reversal of the deferred tax asset that came through from Nigeria of 22.8 that might increase by year end. That has been fully utilised so the same number would appear in the year end results. And then obviously from there on out there would not be any adjustment coming through on that number.

On the technical analysis for the PUT option, Debbie asked me to go through it. I don't think I'll go through that on this call. If there are any questions on that I will take them. Exchange rate variances, as you can see the Rand did weaken against most of our other operations. Effectively that had about a 10% positive contribution on the various lines in our income statement. Obviously the balance sheet goes up with that and the liabilities also go up with the devaluation of the Rand. On the income statement on page 54, just to go through a few quick issues. If you look at the effective tax rate of 44%, if that had been the same as last year – in other words 33% - we'd have found our earnings would have gone up 56c or 18%. And the tax rate for the full period will be in the high 30s. So if you have to apply that for the first six months the effective EPS would have gone up an additional 27%, which would have been about 9%. So obviously that tax number for the interim



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reporting period is relatively high compared to where it would be for the full year when we report on that.

The revenue analysis I'm not going to go through in detail. I think if you look for the year, obviously forex did have an impact. But overall the increase year on year was 34%. I think that's very positive. Just on the other operations, just to tell you why that's split in South and East Africa, last year we proportionately consolidated Rwanda. Now it's fully consolidated. So if you just take cognisance of that the real increase six months on six months was 75% as opposed to the 49% that comes through. On the revenue analysis I think the only item I'll go through is just on interconnect. If you look at interconnect, the idea is interconnect went up by 48% to R600 million. Net interconnect as a percentage of revenue went from 4% to 6%. If you look at Iran, obviously new start-up operation, dramatically increased there as well. That also went up by R600 million. Percentage of revenue moved from 11% to 22%. And finally in South Africa the interconnect went up by 11%, which ended up being about R330 million.

EBITDA analysis, I won't comment on that slide. Just on the margin side I'll spend a bit more time. Then on the forex side after that just on the operational expenditure I'll comment as well. If you look at South Africa it dropped 2.2%. There are three different issues that came through. There are various projects that have been undertaken to expand the distribution side, and that impacted overall somewhere in the region of 1.7% on the EBITDA margin. If you look at transmission costs that has gone up a bit and that comes up at about 0.5%. Net interconnect as a percentage of revenue did drop by 1% from 7% down to 6%, so that obviously also had an impact. On the commission side they net each other off between the commissions that also pop up by 1% offset by savings on the service provider commissions of 1%. So those actually evened out, but there was a change in the underlying mix of the prepaid and post-paid commissions.

I think the only other one if you look at the other operations it's not massive, but Uganda's EBITDA margin dropped quite a lot, and that is a competitive environment within that market. So marketing went up by about 1.8%, commissions by 3% and net interconnect was about 2%. The only other comment on this slide is effectively if you look at Ghana. Ghana had about a 5% drop in points. The key issue there is that the frequency fees instead of being a flat fee are now percentage of revenue, and that had an impact of 1.7%. And then rent and utilities and sales and distribution, which is obviously commissions that come through, both of those went up 1.5% above their increase in sales. So overall the EBITDA margin dropped by 1.8 percentage points. Obviously some of those are inflationary issues that have come through and some of those are specific projects that have been undertaken, specifically if you look at South Africa which is really investing today for future years.

Just on the next slide, the operating expenditure, it's at a high level if you look at direct network operating costs. From that perspective it's really the three key items, which are regulatory, rent and utilities and maintenance. Regulatory went up 41% and ended up increasing by R700 million. The key



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items that came through there was Syria with R270 million with the BOT contract and then the other one was obviously Iran starting off a low base. And that increased by about R200 million. So those were the two key issues. Rent and utilities increased by 80% up to R610 million. And Nigeria was the major contributor to that. And that effectively came through as 60% of that increase. Maintenance was up 37% year on year to R413 million. The two major contributors are South Africa and Nigeria. They contributed 50% of that. It is equally split.

I'm not going to go into the other expenses, other than the other which was a large increase. The majority of that came through from South Africa, which was really the expenditure coming through from sales and distribution and improving the customer service and profitability of that operation. Profit after tax is up 10.5%. I'm not going to go through that slide. Just a tax consideration, as mentioned here we expect the tax rate to end up being in the high 30s for the year. It has gone up by probably 2 percentage points compared to what we thought initially, and that really is due to the PUT option and the value that has come through with the revaluation of that PUT option.

Balance sheet, not much to say other than when you look at the net debt for the period. There is good cash generation that has come through on that line. On the interest bearing liabilities slide, just to say there that if you look at our unproductive debt that has decreased to about R10 billion. We would like to see that decrease to about R4 billion by the end of the financial period. Cash flow statement. There is still good cash generation coming through. Obviously the cash flow from investing activities if you look at PP&E that was net generation of about R2.6 billion. And then that was reduced by the other investing activities. The cash flow that came through from the sale of Nigeria, and then obviously that was [unclear] by various other items on that line to 2.4 which was really the two main items, software of half a million and half a billion for payments in advance.

Capital expenditure, I just think on the capital expenditure side we believe we are on track to spend the full R25 billion. If you look at last year first half to second half, the first half was R6 billion and the full year was about R17 billion. So if you apply the same metrics you can see the R10 billion will end up at about R25 billion. There may be a bit of savings that come through in terms of Dollars because of the strengthening of the Naira against the Dollar, but other than that we do believe we're on track to spend that. You can also see from a commitment perspective if you add commitments and actual together you can see that has increased from what was approved last year. And that's effectively allowing the operations to start ordering already for the first quarter next year to ensure that rollout continues and we don't have a slow-down in that period. The last two slides on capital expenditure I won't go through. Needless to say it does reflect a step-up in capital expenditure, which is obviously a decision which has been taken to improve the overall quality of the networks to cater for the additional demand that has come through. Phuthuma, I'll hand back to you.

Phuthuma Nhleko

Thank you. Can we take some questions, and we'll try and field them as best



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<p>Operator</p>	<p>as we can.</p> <p>Thank you very much, sir. Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two. Our first question comes from Bernita [unclear] of UBS. Please go ahead.</p>
<p>Bernita</p>	<p>Good afternoon. Thank you very much. I just have a question about Nigeria. If you maybe can tell us a bit more what is happening there in terms of competitive situation. To date it seems MTN added some 2 million subscribers. [inaudible segment].</p>
<p>Phuthuma Nhleko</p>	<p>Let me just give you a few points and then Christian can add. Look, I think firstly in Nigeria there is no question that particularly in the first half of Q2 the congestion levels were fairly high. We were running out of capacity, and the regulator also imposed a ban on advertising and promotion. We ourselves were not willing to sacrifice quality just to change market share in that first half. Now, obviously we are not in a position to comment on the competitors' numbers, but suffice to say that during the first part of Q2 and a good part of Q2 we had constrained ourselves because we weren't going to do new promotions, we weren't going to push out new subs and new sims into the market. But notwithstanding that we still had quite a decent take-up. Of course we are in a situation now where we feel that there has been quite a drop in congestion because we added quite meaningful capacity. And we're back as I mentioned this morning at a run-rate of about 100,000 subscribers.</p> <p>I think in the context of what has happened in the last few months, we did have a slight decrease in market share by 0.5%. But we're very comfortable that if you look at the capacity that we've now put in the ground, and quite frankly are continuing to put into the ground up to December and continuing into 2009, that will be clawed back. And we continue to maintain our position. So that's really where we are. We're also aware of course that there is a new operator that is likely to launch by the end of the year. Once again ultimately it's going to be who has the capacity to absorb those subscribers with a decent level of service.</p>
<p>Bernita</p>	<p>And if I may follow up quickly on that, given that your network improved a lot, what do you expect in terms of advertising? Is it going to be lifted or was it already? And also one other point. I've been hearing that some of the competitors in Nigeria are introducing some kind of handset subsidies. So my question is if it is true, and if yes, how are you going to respond to that?</p>
<p>Phuthuma Nhleko</p>	<p>I mean I think on the ban as I indicated this morning the regulator has now approved a numbering plan for us for a further 10 million subscribers. You know discussions are being had. There is clear recognition that congestion levels have gone down significantly, down to 5%, therefore we expect that ban to be lifted. But without that ban, remember we were doing 600,000 subs a month, which is very significant. I think that's really where we are. On the subsidy, Christian, would you like to comment?</p>



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Christian de Faria	We are not anticipating them being punctual on some offers by the competitors. In Nigeria we will not go into this subsidy type of methodology at this moment. Actually on a high level we have some [unclear]. So we don't intend really to go on a mass subsidy of handsets.
Bernita	And the competitors, do they do anything on a more massive scale at the moment?
Christian de Faria	No, no.
Bernita	Okay, perfect. Thank you very much.
Operator	Thank you. Our next question comes from Alexander of Goldman Sachs. Please go ahead.
Alexander	Hi, this is Alexander from Goldman Sachs. I have a few questions on your margins. One is on your profitability in Nigeria. As soon as you did not compete aggressively in the first half you had quite a good EBITDA margin in the first half in this market. Did you expect in the second half when you start competing more aggressively that the margin will deteriorate somehow? The second one that I'm curious about is Iran where you showed an EBITDA margin of close to 30%. I'm just wondering, is this EBITDA margin after revenue sharing, and if so do you expect this margin is sustainable? And the third one I'm interested about is Ghana. Obviously you have recent problems in this market. Do you think you address them and we should see a recovery of profitability in the second half?
Phuthuma Nhleko	Can you just repeat the question on Ghana? What was the question?
Alexander	In Ghana you showed a decrease in profitability in the first half of 2008. And I'm just wondering if you expect some sort of pick up of profitability later this year?
Phuthuma Nhleko	Okay. All right. The margin in Iran of 30% is after revenue share. And I think your question was is that margin sustainable. I think in most of the presentations that we've given you we have said that we thought that the sustainable margin in Iran would most probably be in the high 20s. So I think 30%, we're pleased that it has come earlier, but it's not completely out of sync with what we thought the margin would be post revenue share. On Nigeria, I think the 58%... when you say what's it going to be like in the second half, I guess it depends what the competitors do. We have said we don't think the 58% is a sustainable margin in Nigeria over the long term. I know you might question our word because we have said that year after year for the last two years and things have gone well. But we believe that should the new entrants become very aggressive and start putting pressure on tariffs, and put us in a position where we are forced to follow there may very well be an erosion of that market. So long-term in Nigeria 50% is not probably the most sustainable kind of margin. On the Ghana point, Christian do you want to answer?
Christian de Faria	Ghana is only a lot of one-off effects in the first half of the year, and we do



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	expect in the second half the EBITDA margin will be better. So in the first half we had regulatory fees from the previous year. And despite the new tax on revenues that has been introduced on 1 st June we do expect an improvement of EBITDA in Ghana.
Alexander	And a question on Nigeria. What is your incremental ARPU in Nigeria now?
Christian de Faria	\$8 to \$9. Close to \$9.
Alexander	Thank you.
Operator	Our next question comes from Nick Kershaw of Macquarie. Please go ahead.
Nick Kershaw	Hi, good afternoon. Just a couple of questions. The first thing is can you tell us what percentage of the data revenue in South Africa was from SMS?
Tim Lowry	75%. I can just check that.
Nick Kershaw	Hello? Can you say that again?
Tim Lowry	65% or 75%. I'll have to check.
Nick Kershaw	It was 60% now a year ago, so it's probably a lower number. Okay. The second question is in Ghana you added 980,000 subscribers in the first half of the year and obviously it was a very good performance in the second quarter. I'm just trying to understand why you have kept the guidance of 1.3 million for the full year at that level, given your run-rate for the first half.
Phuthuma Nhleko	I think that's true, but you've also got to put into perspective here that one of the new entrants might launch during the second half. So I think we're taking a cautious view to say if one of them does launch, and launch aggressively, they might take something out of those gross adds.
Nick Kershaw	Great. Then two more questions. In Guinea Conakry subs actually went backwards in the second quarter. I don't know what happened there.
Christian de Faria	In Guinea Conakry we have also competition, entrance of one competitor in the first quarter who came with a slashing in the price. A reduction in price. And we had high churn, you know, in the second quarter of 2008. Lucky we have really been starting 1 st July a new value proposition, and we will be coming back to our guidance that we had given this morning. We can confirm the guidance.
Nick Kershaw	Fantastic. One last question then. In Syria, the change in revenue share there - is there is a change now again effective from 1 st July. Is that correct?
Rob Nisbet	That's correct. It goes up to 50%.
Nick Kershaw	From 40%?
Rob Nesbit	Ja.



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Nick Kershaw	Great. Thank you very much.
Operator	Ladies and gentlemen, a reminder that if you'd like to ask a question please press star and then one. Our next question comes from Brad [unclear] of Oaktree Capital. Please go ahead.
Brad	I'm happy to see that your capex plans are going according to plan. I just wanted to ask you, in these markets where you expect to see some more competition – in Nigeria and Ghana and Sudan – what is the capacity, subscriber capacity of the networks with your new capex plans? Are you planning on the current level of minutes of use for those networks or are you modelling in higher minutes of use if you do believe that competition could lower prices? And you want to have a robust network to capture the subscribers and the minutes, which I think would protect your business longer-term.
Phuthuma Nhleko	Look, our key objective is to ensure that we have sufficient capacity to capture as many minutes as possible. Obviously as we penetrate into the different markets, and also the impacts of the different price points will determine the actual capacity requirements. But as far as we're concerned we still expect that there will be price reductions which will increase the minutes in the market overall. So our overall objective is just to ensure that we can carry as many minutes as possible on our network.
Sifiso Dabengwa	Can I maybe just add one point here? One can also understand the rationality of the question in the sense that you say, well, we're going to build such that we can carry so many minutes. The reality is that what has happened over the last few years is we've always been caught short. And quite frankly what we're finding is that the constraint is not what sort of traffic we are getting. It has just simply been being able to keep up with the traffic. In other words having the build fast enough to create the capacity to keep up with the traffic, which is in a sense your first point that we seem to be on plan with what we said we're going to build. So the thinking is shifting slightly where what we are really saying to our management in Nigeria is, look, let's just focus on how much capacity you can actually put out there. At the moment as I said we are seriously lagging with demand. I guess we will get to a point of fine-tuning it to make sure that we're not over-investing. We are going to get to that point, but I don't think we're there. Maybe it's two years away, maybe it's a year and a half away. I'm not too sure. But at the moment whether you want to call it a problem or an opportunity we can't put out enough capacity fast enough to meet the demand that's there right now.
Brad	All right, I think that is a point. And is that the same basic dynamic that you're seeing in markets like Sudan and Ghana?
Phuthuma Nhleko	Ghana I think is fairly similar. I would say Uganda is the same problem, Ruanda has the same problem. So it's actually a theme that is going across these operations. Our issue is not demand. It's can we get it out there fast enough. And we have some challenges because the logistics of rolling out capex, putting \$800 million in a country like Nigeria is difficult. It's very



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Brad	difficult indeed.
Brad	Okay. And just one more question. There have been some concern and margin pressures from higher inflation. Now we've seen oil prices come down recently. Certain commodity prices have also come down. Do you expect that some of these inflationary pressures could have been caused by these? Africa is a commodity-driven market. Do you think that these will abate to some extent or still stay at some higher levels than you might like?
Phuthuma Nhleko	I mean I think that a lot of inflationary pressures that we are seeing are really coming through some elements of opex, whether it be fuel, whether it be salaries. Of course some of the salary pressure is driven by the competition that is coming in and fighting for the same sort of talent. So I think we're certainly seeing some of that on the opex line. I think the ARPU line in terms of people's spend we haven't seen that impact. I think, yes, we've seen a decline in APRU, which is expected. We are going into lower segments of that market. Our average ARPU was \$17 last year and it is \$14 now. But I don't think it is that pronounced as one would have expected given the discussion on inflation and all those kinds of pressures. So it has not been as severe as we would have thought.
Brad	Great. Thank you very much.
Operator	Ladies and gentlemen, we have no further questions. Would you like to make some closing comments?
Phuthuma Nhleko	Thank you very much and I'm sure we look forward to talking to everybody October. We've got a trade update in October and obviously the year results in March. Thank you.
Operator	On behalf of MTN that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT