

MTN Group Limited

MTN Interim Results





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Nozipho January-Bardill

Ladies and gentlemen, my name is Nozipho January-Bardill, and I'm the Group Executive for Corporate Affairs. My task this morning is to really extend a very warm welcome to all of you to MTN's interim results presentations for the period March to August 2008. A special welcome to members of our board who are present in the audience as well as my colleagues in the executive and the two Vice Presidents of our footprint who are here. Today's audience of course also includes analysts and investors, members of the South African and international media, and of course our own general managers from MTN Group and MTN South Africa. A big yello also all our staff members in our footprint who will be watching the presentation from various web casts. Salaam alaikum, bonjour and good day to you all.

You will of course coming to Innovation Centre have seen many symbols as you approached here of footballs. We're very proud as MTN to be the Fifa 2010 main sponsor. The big ball that you saw coming here was made in Sudan when that operation was launched recently. The story of the making of that ball is very intricate, but it did make its way into the Guinness Book of Records. So we're very proud of that. Without wasting much time, ladies and gentlemen, I'd like to introduce you to our panellists. First our group President and CEO, Mr Phuthuma Nhleko. Our Chief Financial Officer, Mr Rob Nisbet, and of course Sifiso Dabengwa, who is our Chief Operating Officer. Phuthuma will start with a broad presentation of strategic and operational overview of MTN Group. Rob will take us through the numbers, and Phuthuma will then conclude with an outlook for 2008. After all the presentations are completed you will have a chance to ask questions to the panellists. And so without wasting your time, Phuthuma, can I invite you up to the podium? Thank you.

Phuthuma Nhleko

Thank you very much, Nozipho, and morning to everybody, and welcome to our MTN group directors and of course all our colleagues that are on the web cast, bonjour, salaam. Hopefully we will be brief but to the point to allow everybody enough time to ask questions. I think if one has to put the context of the last six months' results as regards where we are for the vision for the group, the objectives that we set ourselves, I thought it would be appropriate maybe to start off with just reaffirming that we still think that the company is well-positioned to become a leading operator in the emerging markets. But of course, to do that we really do need some building blocks.

From our perspective there are three aspects of that vision. Firstly, consolidation. We still believe that the industry is going into a phase where there has to be consolidation because we don't believe the many entrants that have come into the market – some which were not around three years ago – would have a sustainable business model. And of course we would like to see ourselves as being a beacon for the consolidation. But of course it's all dependant on the right opportunities presenting themselves. And to do that we've got a very enviable footprint in the sense that on the African continent as well as the Middle East we've got a fairly meaningful exposure. Of course there are countries that we would have liked to be successful in such as Saudi Arabia and Egypt. But nevertheless we believe that the footprint we have is still very meaningful.

And I think the second element is of course convergence. There is no question that we have certainly moved from theory to reality as far as convergence. As you will see in my further slides we have made quite a concerted effort to move towards finding appropriate internet service providers and so on to acquire. And the third segment there is really the key elements that allow us to take advantage of those



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three blocks. And I think on many occasions I've gone through those, whether it's the methodology, the best practise that we have, standardisation across our operations, centralising procurement and obviously pushing costs and expenses down as much as we can, all these are initiatives and exercises that we continue to try and perfect every single year.

In looking at the results, of course if you look at June 2007 to Jun 2008 we've had a very significant increase in the subscribers, 53% to 74 million. Therefore I think given the guidance that we gave you for the end of the year I do believe we're well on our way to that. The revenue is up 35% to R46 billion for the six months. As usual we always have either headwinds or tailwinds, given the fact that MTN is very susceptible to the Naira/Dollar exchange and the Naira/Rand exchange. And of course as you know the Naira has strengthened meaningfully against both currencies, so there is a bit of a tailwind there if you like. But nevertheless we still think significant increase in revenue. EBITDA at 29%, and increase to almost R20 billion. Of course we'd like to have seen that EBITDA increase begin fairly similar to the revenue increase, so there is a bit of pressure on the EBITDA margin there.

I think if you look at that pressure, it comes in a number of areas. Firstly, if you look at the price of fuels in the likes of Nigeria. Nigeria spends now probably \$100 million per annum just on fuel. Cost of distribution. Cost of staff. I think with a lot of entrants coming in they're putting a lot of competitive pressure and we have to remain competitive in how we remunerate our people and so on. And of course it's a high capex year, and you always have opex related costs associated with a high capex rollout. All of those things and others have obviously put a bit of pressure on the EBITDA margin. If you look at the elements I spoke about earlier, we're always trying to find ways of being innovative, pushing down opex and hopefully maintaining that margin. The PAT at 11%, that's R6.9 billion. I think in the last two or three years we did indicate that there would be a flattening out of PAT for a year or two after the pioneer status in Nigeria ended. And this is most probably the peak, and we'd expect that effective tax rate to come down meaningfully by the end of this year. So that very high effective tax rate of over 40% has had that impact. Of course the adjusted headline earnings, a reversal of the deferred tax benefit and that will phase out over some years.

The last block for me I think is very significant. We did say at the end of last financial year that we were going to have a very big capex year. And in the first six months I think we've done a lot to go towards that. But if you had to put what the opportunity is into context in a very rough way, in the footprint in which MTN operates, and I'm talking only the 21 countries, our estimate of the addressable market size is about 300 million subscribers. And today we've got about 190 million. So we are really saying that over the next two to three years there is an opportunity for us to really capture hopefully a significant portion of those 300 million subscribers over the next 24 to 30 months. But of course we can't do that without the capacity, which is why as things stand at almost all the operations demand is far outstripping the capacity. We're pushing very hard to catch up but it's still there. And of course as new entrants come in if they do drop tariffs – hopefully they won't, but in the event that they do – and you find yourself under pressure to drop tariffs as well, you will be in a corner if you don't have the capacity. So which ever way you look at it, it is absolutely imperative that we have that rollout and capacity going forward.

My last point on this slide, and the results overall, is to say notwithstanding all of this, including the very high competition that has now ensued in some of these countries and the high capex rollout, the results have still be satisfactory. We've generated significant cash after paying interest, taxes, capex and so on. And we



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hope that will remain even stronger in the second half. The key developments competition I've spoken about. Of course we've seen new entrants in almost all of these countries. In Nigeria, we expect a new operator to launch by the end of this year. In Ghana, two new entrants, one of them being Vodaphone recently acquiring the fixed line operator there. In Iran there might be a further licence. In Syria possibly as well, and in Uganda I think there have been one or two new operators there as well.

On the rollout side we've given an indication that by the end of the year we would expect that we would have some significant commitments of close to R25 billion on capex. I think the number was R30 billion approved but R25 billion on the ground. As you will see through the presentation we've had a very strong pickup in all the key countries, so we remain confident that by the end of the year in terms of infrastructure in the ground and commitments we should be closer to the R25 billion.

Mobile Money, where we are on that is we've got about 280,000 Mobile Money account holders with about 40,000 credit card holders. Because the level of transactional activity in Mobile Money has not really achieved what we wanted we sat down and reviewed, and I think we came to a clear resolution that what we need to do is to test the business model and focus on transfers, payments, topping up of airtime, remittances and so on. So that is the model that we are now adopting, and we're going to push that hard in earnest in South Africa, and Nigeria is going to launch that fairly soon.

The convergence play is starting to come to life within the group. Of course we started with VGC in Nigeria. As you know we recently bought Verizon. It's still subject to competition approval, so we're hoping that will go through. But that will enable us to have a far more integrated play within the group. And then there are quite a number of other countries where we've done the same. We're running a pilot of something completely different, Mobile TV, with MultiChoice in Nigeria and in Kenya and so on.

Inflation, I must say that overall as far as the ARPU is concerned we have not seen as strong an impact as one may have expected as a result of inflation in these countries. We continue to look at opportunities. I'm sure those of you who have read papers in the last few months would have seen we have made an effort, but unfortunately we haven't come to a stage where we've found something that would work for us. Subs growth is still very strong in every single country. I think with the exception of maybe South Africa and Cyprus every single country is seeing subs growth of above 30% per annum. And it's just testimony to what I said about the addressable market and how long we think we still have to go.

Subscriber contribution by region. We've always said the objective here is to try and have a balance between Southern and East Africa, West and Central Africa and the Middle East. And certainly on a subs basis we are starting to get there. Obviously Iran has had a very big impact in the Middle East and North Africa region, and I'm sure will continue to do that going forward. ARPU again has remained fairly strong across the group. You may say that is not that meaningful, but nevertheless we still think it gives us some sort of indication. The average ARPU has only dropped by \$3 in the last 12 months. Nigeria in particular has been very resilient as far as the ARPU is concerned. You may recall that a number of times 18 months ago we thought that by the end of last year already we'd have been in the low teens in Nigeria, but we're still at \$16. Again there is an indication of how strong the market is. Sudan is a complete anomaly which has special challenges which I'll talk about shortly.



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The group EBITDA margin has come down slightly for the reasons I gave. If you look at it on a regional basis the South and East African region is obviously driven by South Africa. And in South Africa in budgeting for this year we took a strategic view that said it was maybe time to catch up on investment in the network. Therefore significant capex for the network and opex will come with that. Significant investment in the transmission, and of course we are suffering quite high escalating transmission costs which have got an impact on that opex line. We're going to reinvest and have done so significantly in distribution, new shops and so on. So I think all of that has had quite an impact on the South African margin, which obviously is quite an important and material number for the group margin. In West Africa I think I have indicated fuels, site rentals and so on have also had an impact. Notwithstanding that, Nigeria's EBITDA margin has had a very slight decline, so that's useful. And of course in the Middle East Iran has had an impact. I'm happy to say Iran's EBITDA margin is now closer to 30%. We said mid-20 in 2009, so I think Iran has certainly performed in that space.

Coming back to South and East Africa, the big story in my view in this region is South Africa's year on year revenue being up 18%, which is significant, and as I said the reinvestment in transmission and distribution and so on. Having said that, South Africa of course does have some key issues on the regulatory side. The mobile licence conversion we're still engaged with ICASA. They have had a draft preliminary licence which we haven't signed off on because there are some issues on the provisions that we're still discussing. The CSTs, as you know the competition board is looking at that. We believe that to the extent that the matter is not resolved and goes to hearing that would probably be towards the first half next year.

And of course the whole interconnection issue is being discussed. It's a voluntary discussion between the operators and ICASA to try and arrive at an amicable arrangement. I should say that we always hold a view that we'd like to see a gradual single-digit change over some years. And the handset subsidy issue again I think is being relooked at, because we have made representations that it will have an impact on our business, let alone the customer. So suffice to say, there are some issues on the regulatory side in South Africa that are being dealt with. But overall as usual I think there is a very good and constructive engagement between us and the regulator.

Coming back to the operational aspects of South Africa, dynamic tariffing, which is what we call MTN Zone, which is something that builds in flexibility in a geographic as well as a tariffing base, I think has done exceptionally well. We have 4.5 million subscribers on that. Of course the majority of those are people that have changed from one product into another, or one pricing scheme into another. But most probably around 400,000 to 500,000 of those are completely new subscribers. We do believe that this has been quite impactful in helping us having accreted revenue, and hence one of the reasons why we've had such a strong showing of 18% growth in revenue in South Africa.

Lower denomination vouchers I think have also helped. People can stay on the network longer without being turned off the network, and obviously have got a much lower barrier to enter, to stay on. In other words they just spend what they have, and I think that's very important. In post-paid I think we could have been more competitive this year, and we are looking at ways of doing that. The acquisition of I-Talk and Cell Place and so on is all part of the strategy of ensuring that we've got a much stronger hold and control of our distribution channel. And we'll continue to look at that. Post-paid of course, needless to mention, is now only



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16% of the total subscriber base in South Africa. And as South Africa moves more from being a post-paid market to being more a prepaid market we have to continue to innovate in the prepaid space. And I'm sure things like MTN Zone have helped in that respect.

The ARPU in South Africa is fairly stable. The pickup in ARPU in the post-paid is primarily because we had that on-biller unwinding where people who were post-paid went back to prepaid. Therefore the post-paid base would go up in the sense that you've now got more higher-value customers. But of course what is also pleasing is that I think on the prepaid side we're seeing stabilisation of that fall in ARPU.

Part of the capex investment is to ensure that we've got more capacity. As I said it was a very large capex year in South Africa this year. The 2G network capacity has been increased by 10% and on 3G by 26%. As you can see on the capex spend in South Africa it's quite a significant amount for a number of years. So we obviously will see an increase in the marginal capex per subscriber in South Africa for the short term. But that is just to make sure that we do have that capacity, and once it is built out the cumulative capex will come down. Fibre optic, which is all part of the transmission strategy, we are in the process of laying out 200 kilometres in the Gauteng region of fibre optic, and obviously the same in the Durban Metropolitan area and Cape Town and so on. And on a national basis 5,000 kilometres, and hopefully there can be a far more constructive assessment of how that infrastructure is laid out without digging up all the streets and having everybody complaining about that. But nevertheless that is a key objective.

Data has continued to steadily increase. We're at 12% of revenue now, excluding handsets. And that is more or less better than the projections that we had given, because we said we wanted to be at 13% by 2010. So I think we are starting to pick up momentum in that area. Propositions like MTN Xploaded, which is with the artists and so on, I think all of that helps people to utilise data more.

West and Central Africa. A key point here is 57% of our EBITDA is coming from this region, so it's a very important region. And you know this year probably over 60% of the earnings per share is coming from this region. And therefore we ensure that we try and deal with all the regulatory issues and stay on top of them as best as we can. Good news is that the NCC has now given us 10 million more numbers in Nigeria, and I think that will enable us to take advantage of the capacity that we are rapidly putting into Nigeria. Quality of service I think has improved significantly. It forced us to slow down during Q2 or beginning of Q2, but congestion now is I believe around 5%. So there is a significant improvement on that. Of course we had to pay a penalty to the NCC when congestion levels were very high, and that was about \$1.75 per subscriber, in total somewhere around \$20 million.

In Ghana, more tax coming there on airtime, 6%. I think the regulator wanted more, but I'm glad to say that's where we've ended up. And again it's just part of the reality. And of course the 3G licence in Ghana is something that is being discussed. In Liberia I think there are some issues that have been resolved there in standardising the licences, but I don't think it will be very material. In Nigeria I mentioned that we are likely to have another entrant by the fourth quarter this year, which is why I think the whole issue of capacity is crucial. Of course the PTOs have become more aggressive, and I think because of that and other issues, particularly the slight slow-down in Q2, there was a slight drop in market share of 0.5% to 43%. But I'm very confident that given the rollout that we have now put in place, and are continuing to put in place, it will give us significant capacity over the next six to 12 months to recoup that.



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The MOU has been fairly stable and we are obviously relooking at the distribution situation in Nigeria to make sure that we're well positioned to retain our position as the dominant operator there. But the net adds have continued to be healthy. At 18.5 million subs it's a very significant operation. Talking about the rollout in Nigeria, if we look at that bottom chart you will see that in this six months they put out 758 BTSs. That means essentially in six months it took us what it took us a whole year to do last year. So there is a significant step up in that rollout, and it's really due to a number of reasons, not least of which is the way we have arranged ourselves logically in MTN Nigeria. And I think it is bearing fruit. Of course we are also rolling out 3G sites. We've got almost 500 3G sites in Nigeria, and when we look at the data opportunity in Nigeria I think this is very relevant. Data in Nigeria is still only 3%, and of course with the absence of fixed line penetration and broadband it is our view that it presents a very large opportunity for us. As far as VGC we have now partnered with some ex-BT people, and we think it will enable us to really take full advantage of the data opportunity in Nigeria.

In Ghana there was 47% growth in subs. Since the acquisition of Investcom we have now essentially doubled the size of subs to almost 5 million in Ghana. But that was in many ways supported by a significant network rollout in Ghana as well. Of course as I mentioned we are going to have some tough competition in Ghana going forward. There are two new entrants that are expected to launch sometime next year. Again, if you look at the BTS rollout in Ghana, which is a fairly significant operation, you can see there is a very significant step-up in quality of service and so on.

I think looking at the Middle East the key story here is that Iran is now since January EBITDA and PAT positive, which I think is very good. Initially I said we were looking at 2009 for that, but they have managed to get it into a positive territory on both EBITDA and PAT even before the end of this year. Of course interconnect is very important in Iran given that the fixed line operator and our competitor is essentially one and the same. But I'm happy to say that that interconnect agreement has been signed, and whatever was due on interconnect to us has been honoured. In Sudan interconnect issues are set by the regulator, and I think I mentioned that in Syria we expected a third operator there as well.

Coming back to Iran again, we're still well on our way to meeting the target. I think most probably we'll exceed it. We said that we're going to add another 7 million subscribers in Iran this year, which would have got us to 13.5 million if I'm not mistaken. But we think we will most probably do somewhat better than that. The brand has gone down well, a very strong image. ARPU of course is very low in Iran because of the very low tariffs, but I must say it has been fairly stable. I do believe that there is still a very big opportunity because everything that we've shown here is still with some pressure on the network, particularly in Tehran where finding sites has been quite a challenge. And that of course has affected how fast we roll out the network. So once we can increase our capacity in Tehran significantly, which we are working very hard to do, I'm sure that the congestion levels are going to drop significantly and the minutes of usage in Iran will go up quite substantially.

Again, just to talk infrastructure here, almost 700 base stations were rolled out in the first six months. And in some of these regions there are challenges of weather and so on, and we also expected a slow down in Norouz but that didn't happen as severely. Similar to Nigeria we also think there is a huge opportunity in data here because of the youthful profile of the population, but also lack of broadband. And that's a key feature for the youth in a country like Iran. So we do believe that 8% of total revenue as data can be pushed up quite substantially once we get the



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capacity in the ground and so on.

The operation where we had serious challenges this year is Sudan. It has been somewhat disappointing, and I think there are a number of factors that led to that. I think firstly the regulator insisted that 1.1 million subscribers be disconnected. It's really a security issue where people had to register and so on. Notwithstanding huge effort in obviously ensuring that people do register, unfortunately by the deadline quite a lot of people still hadn't registered. And as per the law we were obliged to disconnect those people. I'm not too sure that our competitors did exactly the same. I'm not saying they didn't, but I'm not sure they did. And obviously that was a bit problematic and gave us a lot of market share.

I think as to all of that, we then had the government CDMA operator come in with very low tariffs and huge handset subsidies. So in looking at those two things we had to follow as well and so on. So we've had a real challenge, but I must say we are working on that. We've got a strategy to make amends and hopefully when we talk again sometime next year we'll have a far more positive story to give you. But it's something which is a high priority for us to resolve. So as you can see we have to try and get back as many of those 1.1 million subs as possible. We are also going to start rolling out in south Sudan in this half, so we are hoping that that will also help us in terms of people that come up.

Really as you know, Syria is very much a controlled, managed, competitive environment. We can only move as fast as our competitor moves, and that's legislated, that's law. Notwithstanding that, we have maintained ARPU in Syria and we're still seeing very high growth. We have had disconnections on the bad debt side of things, but suffice to say that the most important thing in Syria is most probably seeing how the OG can be reviewed. We're not sure that it will be, but we get the sense that as the third operator comes in government may very well want to do that. If that happens I think it would put us on a completely different footing in Syria because the margin in Syria is very high, save for losing half on the BOT. And 3G trials in Syria I think have also started. Of course Syria is the other country other than South Africa that has got a meaningful post-paid base, and therefore in the high value segment there are a lot of value-added products and data that would come through that 3G network. Okay, I think that's the operational review and I will ask Rob just to do the financial presentation, and then we can take questions. Thank you.

Rob Nisbet

Thanks, Phuthuma. Morning, ladies, gentlemen, fellow colleagues and my fellow MTN employees and members out there. I'll just take you through the financials for the six months through to June. I'll just start off with the trends and then I'll go to the major items impacting on the six month review. If you look at the compound annual growth, that is on the half year numbers that we've utilised. Then because we acquired Investcom from June 2006 we did include not in the numbers that are here, in other words the 20.2 doesn't include Investcom, but when we did the CAGR calculation we obviously did include it. So if you look at the revenue, compound growth was 39% compared to six months and six months. The EBITDA was 39% compared to 29% and then the HEPS are at 21% compared to 25%. Obviously the impact of the Nigerian tax is coming through on that line.

Just accounting considerations. On the tax side the 44% effective tax rate compared to 33% for last year, and I will comment on that a bit further on as well. I think the other issue to remember is last year to December the effective tax rate that came through was about 39.5%. The adjusted HEPS, we still have the impact of pioneer status. You'll be pleased to hear that this is the last time that... put it this way; there is a new number that increases on that side. We have fully utilised that,



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so the number that appears for that adjustment now for the six months will be the same number that appears for the full 12 months on that unwind.

The PPA amortisation, R756 million. As you know that's the intangible assets that you revalue when you make an acquisition, the majority of that coming through from Investcom. When you do a comparison of the PAT numbers reported last year, we have actually now pushed down the PPA entries into the individual operations as opposed to including it in the consolidation entries. So those have been pushed down. So that would be the change that you see coming through from the last year PAT numbers by operation. On the PUT option, Debbie asked me to go through that in a bit more detail so I have got a slide to explain exactly how that works. This year there has been quite a substantial increase compared to June last year, and I'll go through the reasons for that. Obviously that does negatively impact the headline earnings for the adjusted earnings. We do reverse that out, but I'll go through that in a bit more detail.

With the change in ownership the key issue was Nigeria, where our ownership is now 76%. And we sold that almost 6% for about \$600 million. That effectively came into the cash flow, which I'll go through as well a bit later. On the other items obviously not that material. We've still got Cyprus that we did mention we're selling off half of it. That is still subject to competition commission approval. Likewise with the acquisition of Verizon, also subject to competition commission approval. On IFRIC 12, Phuthuma did mention that on Syria. We want to see where the BOT contract ends. Syria in terms of the accounting standards does actually fall under IFRIC 12, but to implement that now is immaterial in our financials, and we decided to wait until the end of the year until we decide whether or not to put that through. Obviously at the end of the year if it hasn't been converted we would need to put that through. And the impact on the financials as I said would be immaterial.

On the forex side, just to go through that a bit as well, you've got the functional gain within Mauritius, and that's really because of the devaluation of the Rand against the Dollar. You can see this year it is R794 million. Last year it was R719 million. So you just need to take cognisance of that when you look at the comparison. And then on the net forex gain, the R288 million, if you look at the analysis that we come through that is including the offset of the forex loss that came through on the PUT option. So if you reverse that out the effect of forex gain that would have come through would have been about R597 million compared to last year's loss of about R130 million. So you get a move of about R700 million coming through on that line.

Just on the earnings per share, headline earnings have an 11.5% increase. I will just make some comments on the tax line on the next slide. Obviously the reversal for the PUT option, as I mentioned if you look at the deferred tax, the 22.8, the same number will appear along that line at the end of the year. So your adjusted HEPS for the year have an increase of 25.8%.

Just on the PUT option – I'll try and make this short and sweet – effectively in terms of IFRS when a PUT option is given to another party by yourself you effectively de-recognise the sale. And what that means is that from an accounting perspective you assume that you actually have ownership of whatever that quantum is of that PUT option. So in this case there is a PUT option on us of a certain percentage. Let's say it was 5%. You actually assume that you own that 5%. So what it means is in the financials when you look at outsider shareholders' share of your profits they don't actually share that 5% because you assume that it's yours. On the other side you raise a liability of the value of that asset. Effectively every year you revalue that asset. If it goes up it comes through as a



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fair value adjustment. In turn you also discount that PUT option from the date when it's going to be put on you.

And effectively that discount as the PV comes forward is written off on the interest line. And then the other issue that takes place as well is a conversion from Dollars back to Rand. So this time again because the Rand weakened against the Dollar you get a forex loss that again comes through the interest line. And then as I said, the last one is just the effective outsider shareholder's interest that you ignore. As mentioned previously, the reason why we adjust for this is that risk and reward of that stake actually still rests with the other shareholder. And the PUT ever is put on us obviously we obtain the asset at fair market value as well. So it's not as if you're not getting an asset in return for the cash outflow. It's an asset at fair market value. So that's the reason why we reverse it out for adjusted headline earnings. Debbie, I hope that's good enough.

Just on the exchange rate side, as Phuthuma said the Rand has weakened so against all the currencies you can see that we've been coming through on the average as well as the closing. So the overall impact on the financials for the year is about 10%. If you look at it on the revenue lines that's the averaging out of it. On the income statement, and obviously I'll go through it with more detail on the back. The revenue is up 34.9%, EBITDA 29.2%, and I will analyse the expenses to an extent in later slides, just showing where the leakage took place on the EBITDA line. Your margin from the 44.4% down to the 42.6%. Depreciation, R500 million of that is Nigeria that comes through. And a lot of the amortization is linked to the exchange rate as well. That comes from that side. Finance costs I'm going to open up for you a bit later on.

The income tax expense I'd like to spend a bit of time on. As mentioned the effective rate that comes through there is 44% compared to last year's 33%. If you had to compute or impute a 33% for the current year and just assume it was the same, your effective impact on that would be an increase of EPS of around about 55c that would come through, which is obviously not insignificant. Likewise, if you had to then do the same computation, and we have stated before the average tax rate for the current year would be in the mid to higher 30s, we are now saying higher 30s, and that's because of the PUT option. So if you had to impute that higher 30 tax rate for the first six months of the year – that's what it's going to average out at – the impact again on earnings would be about 27c a share. So obviously 27c a share is not insignificant, and adds another 9% on or so. And obviously that does come through in the second half.

Then if you just go through to the minority interest, the reason why that decreases is really because of their share of the PUT they have to take in that underlying subsidiary. Revenue analysis. South Africa is up 17.8%. I think that's a very good increase in a maturing market. And if you look at that, the airtime went up about the same amount. Your data increase in revenue went up about 37%, so good revenue is starting to come through on the data side. The other operations, the reason for the split there is because if you recall Ruanda in the previous year was proportionally consolidated and this year it is fully consolidated. So if you adjust for that the year on year increase is 35% as opposed to the 49%, which is effectively what comes through on the financials. Nigeria, 39% in Rand, 20% in local currency. Obviously the strengthening of the Naira against the Rand. Ghana was flat local change to ZAR, but a 40% increase on the EBITDA side because there was a bit of a leakage that came through there as well.

Other operations, 43%. In fact West Africa had strong performance on the revenue side. There was only one operation less than 30%, which was Cote d'Ivoire at



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27%. The rest of them were above 30% up to 100%, which came through in Congo Brazzaville. So good performance coming through on those operations. Iran Phuthuma has mentioned, with strong subscriber growth and a great increase. Syria also had a good performance coming through. Sudan was disappointing as Phuthuma mentioned, so year on year an actual decrease in revenue. Obviously when it comes through to the EBITDA margin side as well, that does have a negative impact. So overall group revenue increased by about 35%, and as mentioned as well you do get the favourable impact of the foreign exchange rates coming through on that line.

Just on the revenue analysis and I won't spend too much time on this, if you look at airtime and subs that really was where the major increase came through from a proportionate perspective. If you look at interconnect and you look at the increase of some R2.3 billion, Nigeria was 48% up, which was about R600 million. If you look at net interconnect in Nigeria for the six months and six months, that moved from somewhere in the region of about 4% up to 6%. In Iran there was a significant increase of about R600 million that came through. There interconnect as a percentage of revenue moved from about 11% up to 22%. And RSA, obviously off a large base, it only went up 11% - so a decrease overall relative to the revenue increase. That accounted for about R300 million on that line. The other items are really much in line.

EBITDA analysis, just to go through this in a bit of detail. South Africa, if you look at the increase in EBITDA of 10.3% relative to the increase in revenue of some 18%, I'll just go through the reasons for that in South Africa. It was mentioned that in the sales and distribution side specifically South Africa is investing for the future at the moment and from that perspective the increases that came through there that impacted on that line was about 1.7% of the overall EBITDA margin. And then the other item that came through as well was on the sales and distribution side. That also had a small impact. And then on the net interconnect in South Africa, your net interconnect as a percentage of revenue went from 7% down to 6%. So that obviously had an impact on that line.

On the Nigeria side, 38.5%. Pretty much in line with the revenue increase. So from that perspective nothing really much to say, other than the expenses did increase quite substantially. Ghana was 25% relative to the revenue increase, which was quite a lot higher. I'll go through that a bit later as well. Iran was favourable with a new impact, and Sudan was 31%. And obviously the reason for that is still continuing to roll out base stations, maintenance, rent and utilities coming through with a decrease in the revenue line, hence the drop in the EBITDA margin coming through there. Overall year on year EBITDA is up 29%. It's still a relative good performance, but it obviously did decrease relative to the revenue increase that came through.

On the margin analysis, South Africa was 2.2%. I did mention the major reason there. 1.7% of that is the investment into the sales and distribution side going forward and the interconnect of about 1%. In the other operations the major one that came through there was Uganda, where effectively we had about a 2.5% on marketing cost and then sales and distribution of about 3.7% impacting that margin. Obviously when I talk about impact on the margin I'm not talking about the increase year on year. I'm talking about the increase year on year on those expenses above the revenue increase in that operation. So it is explaining the variance that is coming through, or the negative variance on those lines. Nigeria was 0.3%, so very much in line. I do expand a bit on that on the next slide.

Ghana had a 5.4% drop, a pretty large drop on that side. There are three items



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that come through there. Number one, frequency fees that came through. There used to be a straight charge; it's now a percentage of revenue. That had a negative impact of about 1.7%. Then there were marketing costs related to Afcon that came through which had an impact of 1.5%. And overall if you look at the increase of rollout of base stations since June last year, the rent and utilities went up again by 1.5% above the increase in revenue. So those really were the three items that came through in the Ghana operation which impacted negatively on the EBITDA line.

If you look at Iran, it's self explanatory. In Sudan, of that 9.5%, 8% of that really was the operating costs which are rent and utilities as well as your maintenance that effectively came through due to us continuing to roll out the network within that environment.

This is just unpacking it a little bit, and I'm not going to go through all the items. But if you look at the direct network operating costs on a group basis going up by R2 billion, that expense line effectively is comprised of three different expenses. And expenses there are regulatory, the rent and utilities and the other item that comes through is the maintenance expense. So if we go through from a value perspective, the largest increase year on year effectively came through on the regulatory side, which was just under R700 million, an increase of 38%. If you had to split that up, Iran came through as a R200 million year on year increase. And Syria with the build operate transfer came through with about a R270 million increase. So those two contribute the majority of the R700 million increase year on year.

The next item, rent and utilities, which is a large one. That went up overall year on year by 80%. Nigeria made up somewhere in the region of 60% of that. That amounted overall to R610 million, the increase year on year. So that really is the increase in fuel costs coming through, and obviously the rollout in the base stations, and the inflationary pressures coming through in the underlying rentals within those environments. Maintenance costs went up some 57% year on year within the operations. There were two major ones that came through there that account for about 50% of that increase, Nigeria and South Africa. And it's split equally between the two of those. On the employee benefits, the major increase that came through there was related to Nigeria. Some of the items have been catered for and the salaries that came through there. And then across all the operations with competitors and that coming in we have had to increase salaries throughout most of the operations to be competitive. That's the reason for the increase that came through on that side.

Selling and distribution looks like a big increase. You must remember that within all the operations the majority of sales have been in South Africa, obviously on the prepaid side. So your prepaid commissions really do increase relative to your turnover figure. So although it appears very high what I'm saying is really it's relative to that. And the majority of the other that comes through there is really South Africa, which is about R440 million. That accounted for that increase, and that really is due to that investment into the sales and distribution side.

On the finance costs, if we go through the interest paid, it was R1.959 billion compared to R1.666 billion for the previous year. The PUT option finance costs is effective present value effect, so that comes through as R206 million compared to last year of R139 million. And the reason for that increase is obviously also due to some of the revaluation coming through, the revaluation of the liability. There was quite a substantial revaluation. We do that every six months. That was done by an investment bank, and that came through at R663 million. So that's a major impact



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for the six months. I don't envisage another impact as large as that coming through for the full year. I think there will be an increase again in the underlying asset value, but it won't be as large as that. You've then got the forex losses at R300 million, FECs at R113 million, and then obviously on the bottom is interest received and foreign currency gains of R794 million.

On the interest received I will comment on the cash on hand that we have on the next slide. On the PAT side there is not a huge amount of comment because most of them are in line with the underlying performance when you look at EBITDA, other than Nigeria which went down due to the pioneer status tax coming through.

Just on the tax considerations and the material items, that's the 28%, Nigeria obviously is the main one at 10.3%. The non allowable interest on the Investcom acquisition. We dramatically reduced our non-productive debt and by the end of the year we will reduce it further. So that's actually working quite well. The STC withholding taxes and then the PUT option effect, because obviously that's not tax deductible, impacted by 2.6%. So just to spend a bit of time on that PUT option issue when we did our budget and when I mentioned in March that we'd expect the tax rate for the year to be in the mid to upper 30s, effectively we had not taken cognisance of the... we did escalate it, but not to the extent that the underlying valuation of that asset has increased by. And therefore the impact of the PUT option coming through obviously impacts your effective tax rate. So the reason why we're now saying the effective tax rate for the year would be in the higher 30s is due to that increase in valuation and the impact that has on the PUT option.

Looking forward at the Nigerian tax, it is obviously high 30s as I mentioned. The effective tax rate was 53% in Nigeria for the six months, and will drop to 40% by the end of the year. You have a graph on the right hand side, cash tax compared to accounting tax. Nothing much has changed. We all know that if Nigeria picks up their capex spend going forward, last time I said we expect that to cross over in 2011. That could be pushed out depending on what happens on the capex side, and obviously the capital allowances that come through on the tax allowances side.

Just on the balance sheet, there is not much. Everything is on line. Obviously when you look at the asset side you do need to take cognisance on the impact of the exchange rate. So if you look at property and plant the impact that comes through there is R5 billion that comes through because of the devaluation of the Rand. The other non-current assets, the major items in there are obviously the loans that go through to Iran. Because we only consolidate 49% of that you still have the remaining 51% sitting there, as well as the loans that we made to local shareholders for the investment. I think overall on the net debt side you can see strong cash generation coming through. Obviously I wouldn't expect the same strong cash generation to continue in the second half. When we get onto the capex side you'll understand why. I think the other item to notice if you look at the non-interest bearing liabilities at R29 million that obviously does reflect a pick up in the capex coming through, as well as the overall trading within MTN. And if our capex continues to pick up in the second six months you'd expect that number to pick up as well.

Just on the debt side, you can see where it's sitting. I'm just going to go through. If you go down to the cash you still have the cash sitting in Ghana as well as Syria. We're still working on that. We haven't resolved the issues. I have no doubt they will be resolved, but I'm not going to say when. At some point in time we will be able to start remitting those funds. Head office companies, a fairly large amount of cash sitting there. And some of that is sitting offshore. You can see half of it is



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sitting offshore. We could have brought that onshore earlier. If it wasn't for the M&A activities going on we would have. But we didn't deem it appropriate at that point in time. So if you look at where we ended up at the end of June, our non-productive debt ended up at about R10 billion. Based on the current run rate we're likely to see that decrease to most probably around about R4 billion by the end of December. So that non-productive interest that we have obviously when you look at the effective tax rate hopefully will be a thing of the past fairly shortly, related to the Investcom acquisition.

Interest-bearing liabilities I'm not going to go through because I think I've touched on most of it coming through. Obviously net debt we've always said by the end of December we'd like to see that at 0.4. We're currently sitting at 0.36. If we do put the capex in the ground as expected we would expect that to hop up a bit by the end of the year. Just on the cash generation side, if you look at the R13 billion, and including the other investing activities, investments and intangibles of about R500 million, so PP&E including software would be somewhere in the region of about R10.3 billion. So if you look at the net cash generation after your normal capex expenditure you can see we're somewhere in the region of about R2.6 billion. The items that come through in other investing activities are obviously the cash inflow from the sale of the Nigerian asset offset by various other items. But that's obviously the major item that comes through there as a positive. So still strong cash generation coming through.

Just on the capex side, if you recall in March when we presented we said the approved capex by the board was R30.5 billion. We said by the end of December this year we'd only expect about R25 billion of that to hit the balance sheet. If you look at the current run rate and you compare it to last year, last year we were at about R6.2 billion. At this point in time for the full year we hit about R17 billion. So if you effectively extrapolate the R10 billion that we've spent so far to date, and we have the same run rate that we had last year in the second half, you'd effectively come through to the R25 billion. So our target is still to get the R25 billion in the ground by the end of the year. There could be a bit of a saving on the exchange rate side again because if you look at the Naira to the Dollar that is stronger than what we anticipated. So there could be some savings that may come through on the forex side on that.

The other item I'd like to point out is if you look at committed and add the committed to the current spend you get up to R35 billion. So you can see the board has approved additional capex, and that's effectively approving capex for the first quarter next year. So the operations can already place orders for that capex to ensure that our rollout in the first quarter next year continues as it will for the last quarters of this year and we don't have any hiccup in the rollout. So capex spend is on track, and we do need to heavily invest in the operations because obviously from a capacity perspective demand still exceeds supply in those operations.

These slides I'm really not going to spend much time on. If you look at the trend you can see from an overall group perspective, the marginal capex, you'd always expect that to go down. And I know the majority of analysts look at earlangs. I don't have the total earlangs going all the way back for the total group so I use capex per subscriber instead of earlangs. So if someone wants to ask me the question, I don't have the history so I can't give you the answer. If you just look at the marginal capex, normally you would expect that to go down. The reason why it's going up is you can see we are investing today to catch up the capex that we haven't put in the ground previously to bring down the overall constraints on the network with regards to congestion, and effectively get the quality of the network in



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Phuthuma Nhleko

line.

In South Africa you can see the same thing. Just to go back to look at the capex in South Africa you can see the total approved of R7.1 billion. To date they've only spent R1.3 billion, so they've got a lot of catch-up to do. Tim says he's going to catch up by the end of the year, and he's sitting in the front so if you want to ask him questions he says they definitely are catching up fast on that issue. So effectively what I'm saying is if you look at South Africa you would have expected that for the half year to increase above what you see there if we could have got more in the ground, but that will come through in the second half.

In Nigeria you can see if you exclude the exchange rate impact and you do it effectively back into the Dollar side, Nigeria has already spent 45% of their capex for this year. And once again, that's not the capex you saw approved. That's the capex minus the R5 billion, because as you recall we said Nigeria would not be able to get the full \$1.6 billion in for the year. We only expected them to get about \$1.2 billion into the ground. So effectively they've already put 45% of that into the ground, so they are rolling well on that side. Phuthuma, can I give back to you to do the looking forward?

Thanks, Rob, for that presentation. I think to try and conclude I'll maybe just touch on what we see as key priorities going forward. I think the whole issue of expansion – and I think a lot has been written about it in the last few months – we continue to look. Obviously we got to a stage where we thought making a foray into India made sense for us because we were in discussions with the second-largest operator in India who had a GSM licence. And whilst tariffs are very low and so on it's still very low penetration and we thought that there would be quite a lot of synergy between us and themselves. Unfortunately we weren't able to conclude the transaction for the reasons that we gave when we disengaged. But obviously we continue to look at other opportunities, and it's something that is simply ongoing.

On the rollout, I think this is fairly obvious as Rob has mentioned. There is still a lot of work to be done up until December, even though overall we have picked up the pace and essentially doubled the pace of the rollout compared to last year. To get to the R25 billion in terms of infrastructure in the ground and commitments there is still quite a lot of work to be done in the next five months. I think even more importantly it's crucial that we have that capacity for the impending competition that we are seeing taking off in the next six months in most of the key markets. So we are in our view improving all the time in terms of how we create that capacity. Convergence we have touched on. We are hopeful that the Verizon acquisition will go through. And of course in the other countries we're looking at various ISPs. We're looking at one in Syria as well, and I'm sure once we get settled in Iran in terms of capacity in a place like Tehran it will be much easier for us to start looking at opportunities in that area as well.

The whole issue of optimising efficiencies is ongoing. We're saying the EBITDA margin is under pressure, but I don't think we're taking an attitude of that's just a reality, the fuel is expensive and therefore we must expect we're going to have a declining EBITDA margin. I think to the contrary we're obviously going to work very hard. I'm not saying it's easy to always find ways of having tighter and tighter control of that opex and do things differently to try and ensure that we retain that margin. Regulations, I think there is nothing new here. We've always ensured that we stay on the radar screen with the regulators and have a very proactive and pre-emptive relationship with them, such that we don't really get surprised in terms of changes in key aspects of the regulatory environment that would affect us. This is



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| | <p>actively managed of course by all the regulatory and communications people in all these key operations. So I think nothing new really in those items. It's more of the same in one aspect, but in another aspect it's taking the challenges quite squarely, particularly as far as margins are concerned.</p> <p>Maybe just to close on the guidance. We had given 21.7 million subscribers as where we wanted to end up in terms of net additions for the 2008 year. It's not going to change substantially save for Iran, which we believe will most probably outperform that 7 million new subscribers for this year by an additional 1.5 million. So that would take us close to 22.6 million new subscribers that would have been added this year. But we'll see how things go. I think we've got one trade update before December, so I'm sure we'll give you some numbers before December anyway. Well, thank you, and we'd like to take some questions and try and address those. It's an opportune time for me to say to all my MTN colleagues' thank you very much. I think it was a very challenging six months, but everybody sitting here and in all the other countries, their dynamic spirit has allowed us to deliver those results. I've got ExCo members sitting in front here, so I'm sure questions that myself or Rob or Sifiso can't answer, very capable people out there will be able to answer that. Once again, just to say that there are a few annexure here with a lot of material so doesn't ask a question that is fully answered at the back.</p> |
| Nick Kershaw | Hi, it's Nick Kershaw from Macquarie. I hope this question isn't in the slides. |
| Phuthuma Nhleko | I hope so too. |
| Nick Kershaw | Can you give us the prepaid and post-paid churn in South Africa to get an idea of the impact dynamic tariffing has had there? |
| Phuthuma Nhleko | Prepaid and post-paid churn in South Africa. Tim, do you want to answer? |
| Tim Lowry | [inaudible segment]. But if you take customers who were standard prepaid last year and you map them onto people who are now on MTN Zone, the churn within that group has fallen down to about 2%. |
| Nick Kershaw | So can you tell us what the overall prepaid churn is in South Africa now? |
| Tim Lowry | About 5.8%. |
| Nick Kershaw | Thank you. Rob, just maybe a question for you. The acquisition of that VGC business in Nigeria, can you tell us how much that added from a revenue and EBITDA perspective? |
| Rob Nisbet | At this point in time I must tell you it hasn't been much. It's somewhere in the region of about R30 million, so it's fairly low right now. That's from a revenue perspective. And EBITDA was somewhere in the region of 6% or 7%. Pretty low. |
| Nick Kershaw | Thanks very much. |
| Phuthuma Nhleko | Just one point to add on the VGC thing. I think as I said in the presentation, I mean by teaming up with the guys from BT, or ex-BT people, we think there is going to be a lot of value in how we're going to reposition that business. And I think we're already seeing some progress. I don't know, Christian, whether you want to comment. And it will take on quite a different life from what it had since we acquired it, because it has been a learning curve for us as well on that. |



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| Rhys Summerton | Hi, it's Reece Summerton from Citi. Just three questions. One on Irancell. The margins seem a lot better than I think you had guided for before. Maybe you could just run us through what's a lot better. Is interconnect better than expected? Is on-net traffic higher? Just a bit of fleshing out of that if it is a sustainable number. And then the second question is on South Africa. I think you said that the 1% of the EBITDA margin decline was due to the increased interconnection. I'm just trying to reconcile that with moving on to MTN Zone. I would expect your on-net traffic to actually go higher. So what's resulted in interconnection actually resulting in a negative 1% on EBITDA? And then the third question, just on your head office companies. On the EBITDA and revenue lines they've come down quite dramatically. Could you just explain that a bit more? |
| Phuthuma Nhleko | Okay. Starting on Iran. Obviously we have had quite a huge pick-up in subscribers and got revenue much earlier, but there has been very tight opex control in Iran. And I think generally when it comes to a lot of the opex elements comparably between us and Iran, the costs are much, much lower. Sifiso, do you want to add to that? And then Tim, do you want to comment on South Africa? |
| Sifiso Dabengwa | Not really. The main issue has been good cost control and the fact that we did get good revenue much earlier than we expected. |
| Tim Lowry | There is a slight interconnect impact is due to the fact that we've expanded in our engineering capability. We've brought more engineers on, not surprising if you're rolling out that amount of capex and more transmission. And as Rob said also we invested more in sales and distribution. |
| Rob Nisbet | I think if you look at the net interconnect issue from a traffic perspective, it did drive on-net traffic. But obviously the way in which those tariffs were designed was only for on-net per say. But then if you only look at the off-net you still had the same quantum of off-net traffic taking place. So overall if you look at your minutes of use, they increase substantially. So what I'm saying is the percentage of minutes used were more on-net than off-net, but you still had the same number of minutes going to off-net, so that's why from that perspective your off-net traffic in fact increased a bit. So that's a reason also for the decrease. The off-net traffic actually increased, which you can say is not the product design, but it did actually drive more off-net traffic as well. Sorry, your third question was? Your head office EBITDA... I'm going to have to think hard. The reason for that decrease year on year in head office EBITDA is coming through in various areas. If you look at some of the M&A activities that took place, it did step up in the first half as you're well aware. And those are head office expenses that effectively come through, so that obviously impacts on the EBITDA. There have been various consultants employed as well to assist on various strategies that we're flowing out through the group. So it's really those two key issues that effectively came through on that line. |
| Male Speaker | Correct me if I'm wrong, but your handset sales in the rest of your business are a lot lower, 2-3% of revenues. So obviously your network margin or your overall margin doesn't get as impacted. Do you foresee a situation where through greater competition you're going to have to be selling a lot more of your own handsets through MTN? Or is there just an environment in Africa where that doesn't happen? |
| Phuthuma Nhleko | We pray not because the last thing we'd ever want to see is the South African situation replicated where we're now in the handset business and putting subsidies. So far that really hasn't happened. In Nigeria there may have been a bit of encouraging people that are buying the Blackberry's to help them to purchase them. We did subsidise in Cyprus for a short while. So the answer is hopefully not. |



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| | <p>That would be probably the worst outcome if we were to find ourselves getting into the handset business outside South Africa.</p> |
| <p>Nicky Smith</p> | <p>Nicky Smith, Bloomberg News. Could you give us a sense of the urgency that the company has to make an acquisition? It seems that [unclear] and [unclear] happened in quite quick succession. Has that momentum been sustained?</p> |
| <p>Phuthuma Nhleko</p> | <p>I think it was coincidental more than momentum. It just happens that they were both in India and we were looking at India. But moving from talking to one to the other wasn't any indication of any level of desperation to do a transaction. All we said is we have to continue to evaluate that because we think it's important from two aspects. One from the point of diversifying exposure and the earnings of the group. But secondly there is a vision. This is an economies of scale business and it's important that you do have that critical mass and the opportunity to grow it. We continue to look, but there is nothing pushing us to do a deal urgently. We're saying there are a number of opportunities and we continue to evaluate those. Unfortunately those last two didn't come off.</p> |
| <p>Nicky Smith</p> | <p>And then just a follow up question. There has been speculation that South America is an attractive market for you. Would you be prepared to comment on that please?</p> |
| <p>Phuthuma Nhleko</p> | <p>I think that sometimes we do see some fairly fertile imagination. We have not looked at South America as an area, notwithstanding to say that we would not rule it out. But I think I've said on a number of occasions that Africa, the Middle East and most probably further east is the most logical expansion area for us. But of course we'd never say we'd never look at something in South America, but up until now there hasn't been anything that has presented itself. Maybe one last point is that you've got to also take into consideration that South and Central American is already dominated by some fairly large players, which is obviously not true for south east Asia as an example.</p> |
| <p>Jonathan Kennedy-Good</p> | <p>Phuthuma, it's Jonathan Kennedy-Good here from Deutsche. First of all for Rob, the difference between legal and accounting ownership for Nigeria, is that all attributable to the PUT option issue, that 2.58%? And then just in terms of your run-rate of sub adds in Nigeria, it seems as though one of your competitors is significantly ahead of you in Q2. Is there an uneven playing field in terms of marketing constraints that you face there, and do you see that reversing in the second half? And then finally, which of your competitors are rolling out in southern Sudan or are currently there?</p> |
| <p>Phuthuma Nhleko</p> | <p>I mean as far as the run-rate in Nigeria, first of all that marketing ban was there, but quite frankly didn't have the impact that is different from what we would have wanted ourselves. We took the view that the congestion levels were so high that we couldn't ourselves push too hard, so notwithstanding that the two things happened simultaneously, we were not going to push very hard in promoting. Run-rate now I think is about 600,000 subs per month in Nigeria, and we'd expect to pick up more as we're putting on more capacity. So in that respect I don't think the playing field was unlevel. They may have tried to do it, but we constrained ourselves. I think your second question was...</p> |
| <p>Jonathan Kennedy-Good</p> | <p>On southern Sudan.</p> |
| <p>Phuthuma Nhleko</p> | <p>My recollection is that there is no major competitor that is rolling out. They might start, but we are quite ahead of the game there. There are one or two small...</p> |



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| Jamal Ramadan | There were two local operators that were lessened before, but very small. And both ourselves and they have started rolling out in the region. |
| Rob Nisbet | The ownership issue is IFRS so our legal ownership is the effective 76%, whereas in terms of IFRS you assume that the PUT is already being exercised, so that quantum effectively comes up to the 78.8% or whatever. |
| Phuthuma Nhleko | Can we take maybe two last questions? I'm told that we are running out of time. |
| John Slettevold | It's John Slettevold from UBS. I'm just wondering, is the complete unwind of the [unclear] transaction still going to happen by the end of the year or March next year at the latest? |
| Phuthuma Nhleko | Yes. |
| John Slettevold | Is it this year or next year? |
| Phuthuma Nhleko | You said all. No, the intention is to try and stick to that timetable and unwind it by the end of the year. |
| John Slettevold | Thanks. |
| Phuthuma Nhleko | Shall we take one last question? |
| Johan Snyman | Johan Snyman, JP Morgan. Just on capex. Let's say the dust has settled. Where can we expect capex to revenue ratios to normalise and a maintenance-type scenario? |
| Phuthuma Nhleko | You said where or when? |
| Johan Snyman | No where. At what level? What ratio? |
| Phuthuma Nhleko | I think it's somewhat different for different countries, but if you take a country like South Africa we've said between 10% to 11% capex to sales is really where it should be. And I think we've seen years in the past where it's gone below that, maybe 9%, but of course we're finding ourselves now having to invest more. So I think that's really where we see it. And then in other countries like Nigeria for instance you've got generators and all sorts of other things that make that capex very expensive. Just lack of infrastructure and additional support you have to give in. But you'd see a capex to sales maybe of 12% to 14%. It really depends and I'm always hesitant to give you that answer because we say that's where we expect it to level, then something happens in the market. We then have to challenge the competition and invest more capacity and so on. But I would say generally you are looking at around 10% or maybe up to 13% if the circumstances are different. Was that the last one? |
| Prim Naidoo | Hi. Sorry... |
| Phuthuma Nhleko | I thought that was the last question. |
| Prim Naidoo | Prim Naidoo, Engineering News. Given the growth in Iran and the future of your business there, just regarding the political climate in the country. Just some comments on that. And also looking at issues of quality and the experiences that you've had in Nigeria in the past, what are you doing that's different in terms of issues of quality going into the future, for example in Iran where your market is growing significantly? |



Speaker

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Phuthuma Nhleko

I think your first question was on the political situation. I think we have always said that your political situation in some of the countries in which we operate is obviously beyond our scope of influence. We structure the entrance into those countries in a manner that hopefully gives us the maximum protection. That's really all I can say on that. Of course on the regulatory environment, which in some respects is part of that political environment, we always try to engage the regulator and have a meaningful relationship. But yes, could things happen in country X or Y that put us in a situation? The answer is yes. If you look at Afghanistan for instance, it's very difficult for MTN and there are security issues. The best that we can do is really just structure our security environment and take care of our valuable staff in a manner that is consistent with where we find ourselves.

As far as the issue of quality, I think there is a lot of improvement. I mean it is a problem, but it's an opportunity. Let's put it this way. The problem is there not because we are just not capable of giving that quality. I think it's a problem of demand by and large outstripping supply. As we've said on many occasions, the logistics constraints of rolling out 250 base stations per month in a country like Nigeria are quite real. So what we are trying to do is to improve that logistics chain and the way that we do those rollouts to improve the quality as well. And I think in a case like Nigeria you've seen the improvement. I said congestion levels are down to 5% and so on, and we are trying very hard now to stay ahead of the game. Iran is very similar, but Iran has been a site acquisition challenge where it has been difficult to get a number of sites in certain parts of Tehran. So you are limited by how many BTSs you can put down and so on. It's a long answer, but all I'm saying is we're actively trying to address these issues. Thank you very much. Thank you.

Nozipho January-Bardill

That brings us to the end of the presentation, ladies and gentlemen. We'd like to invite you to join us for a brief brunch. Thank you for coming. Unfortunately we're running late and we have to bring this to an end because we have a series of interviews for Phuthuma arranged with journalists outside. Enjoy your lunch.

END OF TRANSCRIPT