



MTN Group Limited

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MTN Group Interim Results Presentation





Speaker

Narrative

Nozipho January-Bardill

Good morning ladies and gentlemen. Salaam alaikum. Bonjour Mesdames et Messieurs. My name is Nozipho January-Bardill and I'm the executive for group corporate affairs. My task this morning is really to extend a warm welcome to all of you in the audience, and also to introduce you to our panellists, who don't actually need to be introduced because I think you know them all. Mr Phuthuma Nhleko, our group President and CEO. Mr Sifiso Dabengwa, our Chief Operating Officer, and Mr Rob Nisbet, our group Finance Director. In the audience also we welcome all the shareholders who are present, the analysts, members of the media and my colleagues in the executive committee of MTN group who drive the business strategy. I'd also like to acknowledge the presence of our new MD of MTN South Africa, Mr Karel Pienaar.

We also have Mr Tim Lowry, who is the head of the Southern and East African region, who is physically present here. The other two Vice Presidents, Mr Christian da Faria from the WECA region in West Africa and Central Africa, and Mr Jamal Ramadan in our MENA region, are both not physically present here, but they will be beamed in through our electronic media. Finally, we would also like to welcome our colleagues from MTN South Africa next door and MTN staff members who work in the group here. The rest of our staff from the 21 operations are also listening in this morning to the presentation through various forms of media platforms.

The presentation will last approximately one and a half hours as usual, and our agenda is very straightforward. Our group President, Mr Phuthuma Nhleko, will present the group's strategic and operational overview, and he will be followed by Mr Rob Nisbet, who will give us more detailed information on the numbers. After that we will then bring you to a close, and Phuthuma will close by making a few final remarks. You will be given an opportunity to ask questions after the first presentation is done, but we would like to ask you to please be clear, and we will have roving microphones that will assist you in that regard. So at this time I kindly request that we turn off our cell phones or switch them on silent, and invite Phuthuma to come and do the presentation.

Phuthuma Nhleko

Good morning everybody and thank you very much, Nozipho, for the kind introduction. I would also like to welcome our directors, Mr Van Biljoen [?] who is head of our audit committee, and once again all of our colleagues that are connected via web casts in the 21 operations. This is of course our results really for the six months to end of June. Let me start off by saying that I've put this slide up quite a number of times in many presentations. And the essence of this slide really is to outline how we see our own vision as a group, and more importantly the building blocks to try and achieve that. You know, the whole issue of having a very diversified earnings base is fairly important. And at the same time ensure that as the sector changes and there are more conversions we find ourselves well positioned for that.

The results for the six months really can be put in a context that in my view has most probably got four elements. I think the first one is the fact that these results



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have been achieved within a fairly difficult trading environment, primarily because of the global economic downturn. Secondly, we've always said in this group we have tail winds and head winds. We've had a very strong head wind this year, certainly in the last six months, as a result of the strong Rand and the impact that has had on shareholder loans and cash and so on. And that impact is almost R2.8 billion negative. And Rob will talk to that in his report.

I think the third element which is fairly key in these results is the effective tax rate, which is now down to 33%. And you will recall that when we came out of the tax holiday in Nigeria we had to pay tax for more than 12 months, and that tax rate has come down. So that obviously had a fairly big impact. I think the fourth and last key impact on the results is the fact that virtually all the large operations and medium-sized operations have performed fairly well, with the exception of a challenging six months in South Africa and Sudan.

So I think within that context we've managed to increase subscribers to 103 million subs end of June. Revenue up 24%. EBITDA up 24.8% to R24.5 billion, and PAT up to R9 billion, which is a 30% increase. And Nett debt to EBITDA at 0.3. It could have been better, but I think in the financial section you will see that we have been impacted by currency. And of course we had a very big capex year in 2009 as we did in 2008, and we have in the ground almost R15.5 billion. And I must say that's what's in the ground as opposed to what is committed.

I think the key economic developments... I have already mentioned the economic downturn. Even though this industry or sector has been fairly resilient we have still been strongly affected by that. It has been varied country to country. Countries like Nigeria for instance have been far more resilient in that, and other smaller countries have had a much stronger impact. The rollout has gone fairly well. You will recall that starting in 2008 we made a concerted effort and took a decision that we were going to spend a significant amount of capex to create capacity in the ground because we saw a lot of competitors coming in, and we felt that even if tariffs had to drop we could then service a much larger base. It is my view that that was the right call. I think in countries like Nigeria we have seen the benefit. So have we in countries like Uganda and so on. So even though it has been large numbers I think it has enabled us to consolidate our position in those regions.

Operational evolution. This is obviously ongoing. We have acquired a number of ISPs. In South Africa of course we did Verizon. We've done similar transactions in Cote d'Ivoire and Cyprus. And I think what that has done is put us in a position where we can start servicing the SMEs and the corporate sector far more significantly. Of course in other areas of standardisation on network which has got a direct impact on how we optimise costs we've gone a long way to try and ensure that across all 21 operations we have as much standardisation as possible on equipment, on billing platforms and so on. And then I guess there is always corporate activity. We have sold our traffic business into a JV with Vodacom.

So those are some of the key developments that have happened in the last six



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months. Subscriber contribution. Nothing has changed radically here. The ideal situation clearly is to have a third contribution of subs from West Africa, Southern Africa and the Middle East and so on and very similar contributions in EBITDA. But of course that is difficult to achieve, particularly given the very high revenue share arrangements we have in Syria and Iran. So we are still having West and Central Africa as the largest contributor to the group on subs.

The ARPU picture is quite satisfactory in my view in the sense that we haven't seen such big declines, save for in countries where we've seen some significant tariff reductions. So if you look at the ARPU decline on a local currency basis most of them are in the single digits. In the case of Ghana and Cameroon if you look at local currency those look like steep declines, and indeed they are, because those two countries really had some fairly significant tariff reductions as a result of the competition that we faced in those two countries. But on a Dollar basis I think you will see that some countries are exaggerated because those local currencies have by and large weakened against the US Dollar, including the Naira and the Cedi and so on.

I think the issue of margins in this group is fairly important. We're not saying that margins are the answer to everything, but certainly they give us a very good indication of where we are as regards value sustainability in each operation. If you look at the SEA region the margin has dropped, and this is primarily because of South Africa's contribution into that region. And there are a number of reasons for that, but the key reasons really are we have seen with the slowdown of the economy the spend on post-paid is not as strong as it has been in the past. Of course as Telkom becomes a lower and lower impact of interconnect where you've got a much better margin with Telkom, we're seeing that impact in the margin as well. So the less interconnect from fixed line we're getting, the more impactful it is on margin. And I think lastly there has been quite a lot of prepaid subsidy in South Africa. So all those things, amongst others, which will also be dealt with in the financial section, we see a lower margin in South Africa, and in turn in the region.

West Africa. The largest contributor is clearly Nigeria. There we've seen the opposite. We've seen margin expansion of 55.4% for that region, Nigeria being the largest contributor to that margin. And here there are a number of things that have helped some of them, being the price of diesel having come down. But I think generally there has been very tight cost control in Nigeria. That has helped quite a bit. Even the restructuring of the whole sales and distribution chain onto a regional basis has enabled them to be far more cost effective on sales and distribution.

Lastly the Middle East and North Africa region. Here we've seen a contraction. We must remember that we've got Syria in here with 50% revenue share, with Iran a 28% revenue share. Notwithstanding that the Iran margin has expanded. Again, it's a bigger base in Iran, therefore more on-net calling and less costs on interconnect. And again they've done quite a good job on commissions on the distribution channel. That has helped the margin. But the Syria revenue share is quite impactful. The upshot of all of that is that on a group-wide basis we have managed to get the



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margin at around 42.8%. Our long-term objective has always been to try and maintain or get a 45% EBITDA margin, which is quite a challenge.

South East region. Not to spend a lot of time on this, just to say Uganda has done exceptionally well, given very tight competition there. We have had three or four new competitors. Even though they lost a few market points we're still essentially the preeminent operator. We've invested significantly in the network in Uganda. A lot of improvement in distribution and the coverage, and I think that has helped our position there. Even though Ruanda is fairly small, again we've got three new competitors there, Millicom, Green and so on. Of course we had a monopoly in Ruanda, so we have had to improve distribution and are beginning to roll out limited 3G network to give us some expansion.

If I can get into South Africa, maybe I would preface my comments on South Africa by saying that this is most probably the most difficult six months in South Africa's history. And it's really been precipitated by a number of issues. I think firstly it's most probably the worst economic recession in many years. But we also had some operational challenges that we've had to deal with in South Africa, mainly issues of being in the market as strongly as what we should have been as competition really picked up, particularly on prepaid packages and so on. So there have been a number of things, including stock shortages. We've also had some technical challenges in the sense that we have gone through a period where we are having to outsource the IT part of MTN South Africa. And that has had its own difficulties which has affected billing and so on. And then there has been a significant network upgrade in the last nine months, which has had some services interrupted and so on.

So those elements, together with what has happened in the distribution channel in competitive products and high subsidization, I think has made the contribution of South Africa in terms of the net adds to be extremely low. And of course we've also seen very high churn in South Africa, primarily on prepaid. We have seen quite a lot of dual SIMs where people are now keeping two SIMs to go to the other networks for a R30 or R50 opportunity and so on. So I think all of that has contributed to churn. We've also seen, as I indicated earlier, a decline in ARPU. The post-paid base, there has been less spending. We certainly believe that a lot of this is a phase. It's most probably a more severe phase than we've seen in the past, but we are working very hard to try and reverse, and essentially will reverse.

In looking at Verizon, and Network Solutions – as you know we acquired that operation fairly recently – so far it's early days, but we certainly believe that has positioned us well now to be very competitive as far as the MTN business solution is concerned, servicing the corporates and servicing the SMEs with a much wider and comprehensive package of solutions and product. So we are busy with integration, and we think it will go fairly well. We have spent a lot of money for quite some time. You will recall that we were running at 9%, maybe 10% capex to sales for quite a few years. We spent really the last 12 months catching up on that heavy investment in transmission, heavy investment in more 3G sites. So almost R3 billion



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invested in the last six months.

Of course the other big area of investment is in transmission. We took the view that the ever-escalating prices on transmission from another player was maybe not the way to go. I'm not saying we'll make a return on this in a year, but certainly we think that in the next three years or so this is really the right strategy. So a significant investment in fibre, and we're trying to do as much as possible with other operators to try and rationalise on those costs. Let me just say, we continue to grow the data component, well the non-SMS component of data, the target being to reach 15% to 16% of total revenue being data. But there is still a lot of work to be done there, but as you can see since 2006 we've had a fairly steady climb.

It is worth mentioning that with RICA, which is the interception bill which was effected 1st July to get us to register SIM cards for prepaid and so on, it has caused a slow-down. It will most probably continue to cause a slow-down in the next few months until the systems and processes and everybody gets much better at doing that. So I think in short a fairly tough six months in South Africa, and most probably still a few more tough months. But we believe we are on top of some of the key issues to make sure that we maintain our competitive position as strongly as we possibly can.

West Africa. Other than the large country, Nigeria, obviously we've got Cote d'Ivoire there. Very competitive with two very strong competitors there. One of the strong focus areas is the corporate segment in Cote d'Ivoire, which by and large has been the preserve of our competitors, the likes of Orange and France Telecom and so on. But I'm glad to say both in Cote d'Ivoire and Cameroon we're making fairly significant headway in that area. I think overall in Cameroon we're now at 64%. It's a two player market. With us it's 64%, with Orange having the balance. But of course as you saw on the ARPU slide we've had quite a significant tariff decrease in Cameroon.

I think in the case of Nigeria it's been a very positive story in the last six months. As I mentioned earlier, the heavy investment in capacity and transmission has paid off as we anticipated that it would. There is significantly improved network quality, very low congestion. That obviously allows people to be able to call more, and therefore expand that particular wallet of those who are capable of calling. We have put out a new pricing regime with an extra cool product range, and I think that has been very effective. The restructured sales and distribution was effectively moving distribution from centralised structure to a very decentralised structure where in different regions we've got regional dealers that are very large and look after that territory and so on. That has also allowed us to price some of the commissions, and as I said earlier has helped in sales and distribution and part of the margin expansion that we've seen in Nigeria. Of course the ARPU in US Dollars, as I indicated, is lower. The Naira has devalued quite significantly. But on a local currency basis, on a Naira basis, we think that an 8% decline is quite acceptable.



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I think infrastructure-wise it was a very big capex year in Nigeria, and we are hopeful that this is the peak capex year in terms of numbers. I know we've said that quite a few times, but we hope that this will be the case. I think this also reflects the fact that some of our competitors have resolved to scale down in the investment in infrastructure in Nigeria. So that has also helped us in the last six months quite significantly. Nevertheless, still over R5.5 billion spent in the last six months on 3G sites and 2G sites and of course the transmission. So overall, fairly good position in Nigeria. Market share up. Quality of service up. Tariffs being maintained. EBITDA margin being expanded. We will obviously see what happens in the next half. But the big issue is the big devaluation of the Naira that we have seen.

Ghana remains a very competitive market. As you are aware Vodafone came into the market recently and Zain as well. So we really believe that the 1% market share drop in Ghana is quite acceptable. And of course there is a third operator that is rumoured to come in over the next 12 months. Unfortunately there are two elements that are challenging in Ghana. I think the first one is the Cedi has devalued quite significantly. I think in the last 12 months it's probably 30% devaluation, if my numbers are correct. And the competition has also resulted in some heavy tariff decrease in Ghana. But we do believe that notwithstanding all of that having the leading market position in Ghana with essentially a 54% market share does enable us to remain very competitive, and even most probably look at a number of on-net products that we can look at as a strategy to move forward.

Another country where there is heavy capex investment is Ghana, in the sense that when we acquired the operation from Investec in 2006 you will recall that at that stage we only had about 2.5 million subscribers. So really within that space of three years we have essentially tripled that base. And we had to have capex that would accommodate that capacity.

Again in Ghana we're launching 3G, and I know people always ask this question. It is always difficult to not want to launch 3G. Given a choice in many countries we would most probably delay that for some time, but it's very difficult to do that when you have your major competitors launching 3G. So in the case of Ghana where Vodafone has kicked off and is rolling out a 3G network it becomes very important for us to be able to match that, notwithstanding different views we may have on whether the timing is appropriate or not.

The third region is Middle East and North Africa. Here I think I said in my opening remarks that we had two challenges this year. One has been South Africa and the other one has been Sudan in the last six months. In Sudan, as you recall, it was a number of issues. I think firstly we had to disconnect I think almost 30% of our subscriber base last year because of legislation that is similar to RICA in South Africa, and it has been difficult to recover. I always say that we're not sure whether our competitors did the same. Market share notwithstanding up to 27%. We have had the government set up the CDMA player, as you may recall, with very low tariffs. So it's been quite a challenge, notwithstanding being the number two player there, to try and compete with the number one player in Sudan, who has got quite



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a high market share. I think where there is a silver lining in the cloud in Sudan is in the southern part of Sudan, where we effectively have got a separate network. And I think our position there is going to be much stronger going forward, and we are ensuring that we are rolling out as rapidly as we can. We've got 12 new cities on air now, and moving forward.

The other countries. Yemen I think has performed fairly well, again in a very difficult competitive environment. They have managed to in fact increase market share to almost 40%, competing essentially against a highly subsidised government operator. But I think the management team in terms of control of our OpEx and innovative products and speed to market has managed to maintain and increase market share. Afghanistan I can say the same. You may recall that we got into Afghanistan just after 2006, and in the case of Afghanistan we are now really the number two player with close to the late 30's in market share. Of course the big issue in Afghanistan is the security, and things we are trying to resolve there.

I think on Iran a couple of points. Firstly, we have increased our market share to 37% in 36 months. There was a third operator that was going to be issued a licence, but that seems to have stalled for now. Very similar to Nigeria we have gone on a regional distribution, which I think has been fairly significant. It has helped the EBITDA margin in Iran. And we have had a slight drop in APRU, in Dollar ARPU, from \$9 to \$8. Not unexpected and still fairly good, given that you've got a highly subsidised fixed line operation in Iran which is government run with fairly low tariffs. So to get a margin that is close to 34% notwithstanding all of that and a 28% revenue share, we think the Iran operations performed fairly well.

I think infrastructure-wise, 368 cities. We have now covered over 1,400km of road in Iran. And we still believe that there is still a fairly significant opportunity, particularly in the northern part of Iran, if we can increase our site acquisition, which is still a concern. The sites are run by municipalities, and it's fairly difficult and bureaucratic to get them through. We believe there is still a lot of traffic and subscribers we are not getting as a result of not having proper coverage in some parts of Tehran. And the same is true for Tabriz and Esfahan as well. We did get a WiMAX licence in Iran. We don't have a 3G licence. In fact, none of the operators do. And we are rolling out that WiMAX as filler in certain parts of the country.

I think capex-wise you will remember that in Iran we have tried a very different model, where basically instead of building the network ourselves this effectively has been put out to key vendors who really build the network, supply equipment and then hand it over to us. And we believe that has had a very positive impact as far as the pace and the quality of rollout in Iran. So essentially really in 36 months the operation is now effectively a larger operation than South Africa. And subscriber-wise also now larger than South Africa.

For Syria there are a couple of issues. The first one is I think Syria is different in the sense that it's a build, operate and transfer, which had an escalating revenue share which is now at 50%. So notwithstanding this being a relatively decent margin



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business, the revenue share has got its impact. We've always said that the intention is to try and evolve that BOT into a normal licence, and we continue to discuss with government. I believe government has now formally appointed consultants to look into this for the industry, so we are hopeful that if things go the way that we would intend this would be converted. Of course subject to us reaching an agreement with government on those issues.

You will see that the Nett adds in Syria were very low. There are two factors that are the cause for that. Firstly, the economic slowdown is hitting everybody. But secondly, in Syria it is managed competition. We cannot go out competitively with products and so on until our competitor is ready. So we do have to consciously decelerate in terms of the number of subs that we take in. So I think that is reflected there. We've also had problems with high churn in the sense that the validity of some of the vouchers could only be 15 days, and that has always had an impact. And again this is by legislation. But we have recently been able to expand that, and that has helped.

Infrastructure-wise we have been rather frugal in deciding how much capex to put in Syria until the BOT matter is resolved, otherwise we will be investing in a network that will be handed over back to government. On the other hand, that again does artificially slow down the penetration and growth of the Syrian market. So we're hoping that once we resolve that we'd be able to invest in capex on a basis that is consistent with what we would perceive to be the addressable market in Syria. So that R386 million in capex reflects that thinking until we resolve the whole BOT matter. But congestion has been brought down, and we've got increased radio [?] capacity in Syria. Like most countries, we have rolled out a 3G network, but not very large. I think it's mainly in the high density areas at the moment where we are, and have looked at an ISP licence. So I think really that is the operational review for the six months. And maybe I'll ask Rob to come and do the finance, and then we will then go to questions. Thank you.

Thanks, Phuthuma. Morning members of the board, ladies and gentlemen, and all my fellow MTNers out there. We will be bringing you the results to the end of June. I think as you all know there are a few items to unpack. They are fairly complex, but I'm sure you will find them all quite easy, so I will try to unpack some of them as we go through it. To start off with, as usual we've got major items that impact on the forex side. And sometimes, as Phuthuma said, that has been a tailwind. And today it has been a bit of a headwind. But I will take you through that in a bit more detail.

I think if you look at the growth in revenue and the compound annual growth you can see a 34% year on year, 24% EBITDA. When you look at adjusted HEPS, obviously a decrease of some 10%. And I will just take you through that. I think if you had to restate that, and it depends whether or not you're on a normalised taxation charge year on year, you'll find that if you don't normalize the taxation charge you're probably looking at an increase on that line by 26%. If you normalise the taxation charge year on year you're most probably looking at about 15%. But I will go into that in a bit more detail.



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Rob Nisbet

The key accounting considerations, I mean they're fairly small to start with, but if you look at change in ownerships you've got the Verizon change. We obviously bought 100% of Verizon. The consolidation of iTalk where we increased our stake to 100% as well during the first six months. And then the smaller disposals we had. Zambia where we disposed of a small amount, and then the JV stake in Digital Mobile. We sold the full 50% of the JV stake that we had in that.

The PUT option, I'll spend a bit of time on this. I think we all know where this arises from, but historically you have always found the charges coming through into the income statement as the value of the PUT and the underlying investment has increased within that country. Obviously with the major devaluation that has come through of the Naira relative to the Rand – so this is a Rand Naira issue – if you look at it year on year you will find that has decreased by about 28%. So obviously with that decreasing, and when you're looking at the PUT from a Rand perspective you find that the value of that has also decreased. So instead of having a debit that has come through the income statement you actually have a credit that has come through the income statement. So that's one issue just to bear in mind on that side.

The effective tax rate dropping to 33% from 44%. And there are slides further on that I'll get into more detail on that side as well. Just on the functional currency side, if you look at the Rand Dollar closing rates again you will find that the Rand appreciated against the Dollar by some 17% over the period. I think you're all aware that Mauritius – and I've mentioned many times before – although effectively this is more Dollar denominated company from a functional perspective it's actually viewed as being Rand based. So what that means is all the Dollar assets or Dollar loans that you have within that company you convert into Rand, and that differential goes through to the income statement.

So if you look at the Rand loans that are effectively advanced from Mauritius to Iran its Dollar based and its Euro based, so effectively a change in the exchange rate comes through the income statement. And that obviously impacted negatively by R1.7 [billion?]. The half year to June 2008 it was R980 million credit that came through. And if you look at the full year last year that was R2.2 billion. So you have a complete reversal year on year, or half year on half year, compared to what we had last time around. Who knows where the exchange rate will end up in December this year? But from our perspective the best thing we can do is effectively to rather move those loans into an entity that is Dollar based. So to give you an example, if for argument's sake those loans were moved into Dubai, which is obviously a Dollar based environment, effectively the variance on those loans will go directly to equity. So you would no longer see this variance coming through the income statement, which I think is a far inferior [?] reporting methodology to come through.

Bank balances that come through mainly in Mauritius impact again of R688 million. Last year the profit came through in other assets and liabilities, which is rather into company balances largely, as well as balances with regards to dividends that have



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been declared in the underlying operations that have not as yet been received. So again you so a mark to market of that, and that again negatively impacts. So overall negative impact on the interest line of R2.8 billion compared to last year June R878 million and for the full year of R2.4 billion.

Just to unpack the earnings a bit, I think this slide is a fairly... you're all pretty used to this slide. You can see that the item between the basic headline earnings and the adjusted headline earnings is the PUT option reversal that comes through. You can see this year as I mentioned it's the opposite way around to last year due to the change in the currencies. And if you look at the deferred tax asset, as we mentioned previously that comes out of Nigeria, but that has now been fully utilised so that won't be appearing from next year onwards. So basically you get a decrease of 10% coming through on that line. And now I'll just try to unpack a bit more of it.

If you had to reverse the functional currency gains that you made last year and reverse out the functional currency losses you made this year, you can see then what it would mean is your bottom line would increase by some 26%. If then you had to do the next normalisation – which isn't on this slide – and you had to assume that the tax rate last year instead of being 44% was down at 33%. Now it obviously also means that on your outside shareholder line you've got some adjustments that you have to make as well, because that tax charge would have gone through Nigeria. If you want to normalise it to 33% you need to effectively make an adjustment on the outside shareholders.

That would mean that your adjusted earnings that would come through would be somewhere in the region of 15%. The reason why it's not similar to the 24% you get coming through on the revenue and EBITDA lines is when you go through the income statement in a bit more detail you will see there is a bit of leakage on the depreciation line as well as on the interest line. So that's really the two lines where you get your leakage that you wouldn't get a 25% increase year on year if your tax rate had been the same. So I trust all of you understand that. Then obviously it flows through into the EPS side as well.

Just the exchange rate analysis. If you look at the average rates compared to closing, I think a key item to look at here is when you look at for argument's sake, and I'll just pick out a few key items, the Naira to the Rand you can see effectively pretty flat. The Ghana Cedi to the Rand devaluation. The Syrian Pound to the Rand strengthened. So overall if you had to run the full income statement revenue and EBITDA at the same exchange rate for this six months as for the six months to June 2008 effectively those lines would basically remain the same. So what I'm saying is the foreign exchange impact that has come through if you look at it year on year, income statement very comparable, revenue as well as EBITDA. So those lines of 24%, I just want to state, are fair numbers to compare and there is no foreign exchange that comes through there because the positives are offset by the negatives of the other countries, so it's pretty flat. The key issue then is obviously when you look at the closing rates.



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And I'll get onto it as well when you look at the balance sheet and you look at the impact of FCTR and the fixed assets as well as goodwill and that. But again if you look at the Rand Dollar, R7.72 compared to R9.35 in December. That obviously is the one that comes through when you effectively look at the foreign exchange on the currencies in Mauritius. If you then go to the Naira and if you look at the strengthening of the Rand against the Naira there at 28%, that obviously impacts on the PUT option. So those are the two key variables that effectively come through on the interest line.

Just on the income statement, these items we have gone through. I mean if you look at depreciation you'll find that of the R5.9 billion Nigeria is about R2.5 billion, South Africa is about R900 million. You then have Ghana at about R300 million. So the majority if you look at the top four countries they effectively make up about 60% of that line. Amortisation pretty flat year on year. Nett finance costs, as I mentioned, if you had to strip out all the forex issues and the PUT option you will find effectively the Nett finance costs to June were about 1650 compared to the 2008 numbers, which were about 1200. So as I said, that's where you get a bit of leakage coming through as well on that line. When I mentioned previously the depreciation line, you get a bit of leakage if you look at depreciation and amortisation. Obviously those two year on year grew at a faster rate than the 24%, and that's why you get a bit of leakage on that line as well when you look at your actual earnings. Tax, obviously a great windfall coming through there with the tax rate now at 33% instead of 44%. And minority interests, the large reason for that increase is obviously we don't have the massive tax issue coming through within the Nigerian operation.

On the revenue analysis side I'll be pretty quick. Other operations, in the SEA region just to mention that with the acquisition of Verizon if you had to take that out you'd find your year on year increase in revenue would have been about 31% in those operations as opposed to 46%, just to give you a comparative there. If you then just drop down to the other operations in the Middle East and Africa obviously the exchange rates come through under local currencies. But I'll just mention the other operations there. There is quite a mixed bag. If you had to look at Afghanistan that went up 65%. And then if you had to look at Sudan that effectively only increased by 12%. So the rest of the other operations in the Middle East were above 20%, but you do get quite a large variation coming through, specifically with the lower performance of Sudan. So overall, revenue increased 24%. As I said, that is a good comparative number relative to the prior year.

Just a bit of an analysis of the build-up of the various items. I think airtime and subscription fees are pretty self explanatory. Interconnect, a bit lower at the top, and a large portion of that obviously comes through from South Africa. That does increase the overall revenue. A positive revenue impact coming through on that line. Handsets and accessories, if you look at this line relative to the costs – and I will go through the EBITDA impact a bit later on – the revenue has not increased that much. If you look at the cost side of the handsets it has increased, and obviously that had quite a large impact on the South African operations. And then



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other revenue, quite a large increase. But then you must remember that we acquired Verizon, and we also acquired iTalk, so those are now fully consolidated into the results.

Just on the EBITDA side, South Africa, 2.3%. Phuthuma did go through that, and I will just go through the cost pressures that came through in South Africa a bit later on. Other operations, 22%. Reasonable compared to the 30% increase that came through on the top line on the revenue side. Nigeria, 38%, local currency 44%, obviously with the Rand strengthening a bit. Ghana, 11% compared to 0.9%. Obviously again the Rand strengthening against the Cedi. And other operations at 30.6%. Just to mention there that Cameroon actually performed extremely well for the year. When we look at the EBITDA margin analysis, Cameroon's EBITDA margin improved by about 4 percentage points. So that did pull up that other within West and Central Africa.

The Middle East, 12.1% EBITDA analysis. If you look at that again, as I said it is a mixed bag. I mean the key issue that comes through there is Sudan. Sudan effectively year on year on the EBITDA line increased by a relatively small amount. And that was due to the margin within Sudan decreasing by about 7% from 22% down to about 15%. So obviously that was the major negative impact within that environment. Overall though a 24% increase year on year, which I think in terms of the current economic climate is not a bad performance at all.

Margin analysis. South Africa. If you just look at the decrease of 7.2% in other operations, that largely is due to two areas. Zambia does continue to make losses, and obviously there is increased churn. And in Ruanda there was a decrease in EBITDA margin of 10% relative to the prior year, and that is due to extreme competitive pricing issues. The pricing year on year has dropped somewhere in the region of about 40%. So there has been a major impact on that line. That's what has come through. And obviously if you look at the OpEx costs and the increased rollout of the sites, your OpEx costs have gone up. And you haven't had a similar increase coming through on the revenue lines.

Just another issue to note is when you have fairly tight economic times, although the pricing in Ruanda has declined substantially, from an overall elasticity perspective in fact the minutes of use did not increase substantially at all. So it's just to show you when times are tough elasticity does decrease within those environments. If you then look at... I'll just drop right down because I think the others are self explanatory. Syria was 10% negative. We're all aware that the revenue share moved from 40% to 50%, so that's the impact there. And the other operations again, that was largely due to Sudan, which I mentioned earlier, where you had a drop in EBITDA margin of seven percentage points.

Margin drivers. South Africa. Handset volumes went up year on year. Selling prices reduced. So as you saw before from a sales perspective and revenue number that remained pretty flat. If you look at the cost line, however, there was a negative that came through there of about R500 million. So that was a big negative that came



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through on the South African cost side. Nett interconnect, if you look at that as a percentage of revenue, that dropped by about 2%. So that obviously also had a negative impact. And then the other items were mentioned by Phuthuma. Nigeria overall is the only one I'll go into a bit of detail. If you look at the fuel price year on year the actual Dollars spent on fuel went from about \$47 million last year to \$49 million this year, notwithstanding the increase in sites of about 24%. So you can see effectively that the decrease in fuel price offset the increase in base stations. So it was a large saving that came through there. And on the EBITDA margin that had an impact of about 1% within Nigeria.

Ghana. There was a 6% revenue impact, with a charge that came through last year which obviously is felt for the full six months this year, but it wasn't in for six months last year, as well as the lower tariffs that come through. In Iran I think overall obviously great efficiencies coming through with the large increase in the revenue base.

Finance costs, I won't spend much time on this. I just mentioned before that if you eliminate all the items, the PUT as well as the functional currency, you will find that your bottom Nett finance costs will be about 1650 compared to the six months ended June 2008 of about 1200.

Tax considerations, pretty easy recon. If you look at the impact coming through of the Nigerian tax holiday you can see 8.5%, which was the major benefit. And then the Nigerian PUT option effect that was obviously moving from debits to credits, you can see coming through with 4%. So when you look going forward we've said that you would expect from the group taxation perspective the tax rate to be in the lower to mid 30s, and it does depend what happens in the PUT option, because obviously the PUT option impact is not tax deductible. So whatever happens on that line you don't get the deferred tax coming through, so it doesn't affect the tax rate? So that does impact the tax rate going forward, but we would expect it to be in the mid 30s going forward. Nigeria. I'm not going to go into the details here, but you can see the tax rate in the lower 30s, and you can expect it to be pretty similar going forward at this sort of rate.

Just from a balance sheet perspective, property, plant and equipment. It's not that serious of a breakdown, but you will find that Nigeria is about R20 billion. South Africa is about R15 billion of that. Then obviously it drops off substantially with Ghana being about R3 billion and Iran being about R4.5 billion. But if you look at the Nett adds that came through on the capex spend of R15 billion you'll see there is not really a depreciation that came through. It doesn't really match, and that's because of the forex issues. There was about a R11 billion movement on the FCTR [?] that came through on that line. So when you try and do your sums if you take last year plus additions minus depreciation it doesn't quite balance, and that's because of forex of about R11 billion. Likewise if you look at goodwill the FCTR movement there was about R7 billion. So it's just to bear that in mind.

On the rest of the balance sheet I think things are well under control if you had to



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go into detail and look at stock and that. It has decreased quite substantially in the South African environment. Good progress has been made on some of our interconnect debtors in some of the operations, so I think overall working capital is well under control within the operations. Nett debt at the bottom, R15 billion compared to R12.8 billion, a slight increase. I will go through that in a bit more detail when we hit the cash flow. Just on the Nett debt position, I don't think I need to go through this. But effectively it did open out a bit, so you can see the underlying companies what their debt is, and then the inter-company eliminations that took place at group level. So it just gives you a bit more insight into that, so Debbie doesn't get phoned quite as often as she often does. It will also make it a bit easier to understand the forex movements that come through.

Interest bearing liabilities. Good work is actually taking place in raising more funding within our operations. You know if you look at Afghanistan we are closing debt raising within Afghanistan, which has been quite tough to close, but it is being closed at the moment. Cote d'Ivoire, good closing there as well. I mean if you look at the rates that we're getting within those environments they are actually pretty favourable because the financial institutions in those areas are actually looking for good credit and you can almost borrow more cheaply there than we can borrow at group level. Not quite, but its pretty close. So it's just to show you how in some of these emerging markets they do look for good assets and we can actually borrow pretty cheaply. So it's not bad.

The payment profile, I think I should just mention that if you look at 2010 it is a bit of a blip on our payment profile. So there does need to be a bit of refinancing. Obviously with the current discussions ongoing at the moment we don't deem it appropriate to actually refinance right now, but obviously that does need to be addressed and we are addressing it at the moment.

Cash flow statement. If you look at the generation of R16.8 billion and the investing activities of R16.9 billion you can see it's really pretty flat year on year compared to last year. So a major pickup coming through on the PPE side. Just on the cash inflows on the next line of R2.7 billion. Obviously R1.4 billion of dividends that were paid to external shareholders that comes through that line. So if you look at the overall group for the six months, we really utilised about R1.4 billion of cash, which is almost flat from an overall perspective for the six months. And if you look at the Nett debt to EBITDA it's still pretty constant at about 0.31, which we are very comfortable with.

Just on the capital expenditure slide, and we will open this up slightly, the number that you would have seen previously that was authorised for the year was R37 billion. Obviously as time goes by during the year we do get additional capital requests that come through from the operations to start rollout for the first quarter next year. And that's why you can see the overall increase from R37 billion to R42 billion has taken place, and you can see the countries where that has increased. If you then look down at the bottom left you can see the expected spend is R35 billion. Now that's obviously R35 billion compared to the R42 billion. If you look at



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where those rollovers will come through, on the Nigerian side we expect a rollover of about R3 billion, in South Africa about R1.5 billion and in Ghana about R1.5 billion. So that makes up about R6 billion of the R7 billion rollover, and those are the key issues.

That brings me to the end of the presentation. I think before I disappear I think most of you know this will be my last presentation of the MTN results. If I look back to when I joined over 14 years ago when MTN had some 45,000 subscribers to where it is today, I have to tell you it has been a serious privilege to work for a company that has been so dynamic in the industry. And obviously during that period I've interacted with a lot of you, whether on the investor side, the analyst side, the banking side. And I think you've always asked challenging questions, and I've thoroughly enjoyed that as well. I think more importantly if you look around MTN and if you look at all the people I have to say that to work with all of them, it's a great crew, a great lot of people, and once again I must say I'm hell of a sad to see them go. Lastly, but not least at all, as you're all aware I'll be handing over to Nazeer Patel, and I seriously wish all the rest of the MTNers out there – and it is a great family – all the best for the future. Thank you very much for putting up with me for 14 years. Thanks. Bye.

Phuthuma Nhleko

All right. Thank you. I think looking forward, not to take too much time, really nothing much has changed. We have always said that we will continue to look at opportunities to expand and maintain the growth that we have. The whole issue of rollout and spending the capex, trying to get more efficient as we go forward, that is obviously quite a key issue we will continue to look at. And I think that one of the key things we are going to do is try and see how we can rationalise more on infrastructure with the other operators. The whole conversions issue is starting to take off considerably, even though we've only just bought these ISPs in the recent 12 months. We do believe the integration is working and it will enable us to really focus quite heavily on the corporate sector in quite a lot of these countries which don't really have the kind of service they require because the fixed line operators and their incumbents are relatively poor.

Regulatory-wise I think that is clearly the biggest issue. Touch wood we haven't really had any major regulatory challenge in the last sort of 14 years or so, save for maybe Benin. But it is always an issue. I think regulators are becoming more and more fierce in looking at how they're going to deal with operators and actually control them. So this is quite a critical area that we're starting to spend more time than we normally have spent in the past.

I think lastly the BEE transaction. We did mention that in December. We said we would try and complete that as soon as conditions were conducive. I think to some extent the discussions we are having with Bharti has somewhat delayed that, but suffice to say that it's something we are completely committed to doing.

So I think looking forward that is really what we will be focussing on in the next 12 months. I think coming to the Bharti transaction – and I know there has been quite



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a lot of write-up on this – maybe a few points. The first point is to say we are clearly under caution on this and we can't really get into the details as far as the detailed numbers and answer a lot of questions on it. But we thought that it is important to maybe highlight a few points until we get to a stage where we can actually talk very publicly about the transaction. I think the first one is we did publish the cautionary on the 25th May, and I think it was a bit of a challenge as to whether we should or not. But we took the view that to start having discussions on a transaction of that size without really alerting the broader public and investors that we're having that discussion would make it difficult. Not impossible, but it would make it very difficult. So I think that was the reason for publishing that. As we have very clearly stated on two occasions now, this is an evolving situation, and whatever was published on the 25th May, may very well change or it may stay the same. But suffice to say that we have given that caution that that is that discussion and it is ongoing.

I think coming back to the rationale and some of the issues that have been raised in the public domain, I think a few points. Firstly, the MTN board took a very conscious decision almost two years ago that one of the key strategic objectives that we have to achieve – and I think at every presentation we have spoken about that – is to have a wider and broader base of its earnings. So in having a diversification of its earnings really I think we're talking a number of elements. We're talking the earnings themselves. We're looking at regulatory issues, currency issues and so on. So that's one of the issues.

The second key issue of course is growth. I think we took a view that we didn't see the company as a cash cow and wanted to continue to find growth for its markets. Of course increasingly the larger MTN became the more difficult it has become to find green field opportunities, lower penetration markets that can make a very big difference to MTN's growth profile going forward. Notwithstanding that, we are quite happy with the current footprint that we have and some of the growth that we are seeing.

I think thirdly we do believe that this is very much an economies of scale impacted business, and going forward as tariffs come down and as you penetrate into the less affording segments of the market you really have to have a lower and lower cost base. And that is a third element that we are looking at as we have these discussions. By the way, I think it's worth pointing out that even though a lot of the coverage has been Bharti MTN, there is on the procurement side a third integral player in this, which is Synctel [?], which is a very large shareholder in Bharti. So they are an element of this transaction as we go forward.

Of course, having said all of that, whatever is finally agreed to the extent that we decide to move forward, whatever the strategic objectives are that we are trying to fulfil have to be balanced with the value that we believe are there long term. It has to be balanced with government issues and so on. So that is really I think where we are. We have given an indication that we have given ourselves up until the end of September to try and see whether we can achieve something that would be



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	<p>palatable to ourselves, to shareholders, and makes strategic sense going forward. So I think that's really where we are on the Bharti issue.</p> <p>Maybe one can just close on it by saying certainly we never plan to have monopoly on wisdom. I think we've looked at this based on what we see on the ground and what we see in the next three to five years. Sometimes it doesn't always tell you with the spreadsheets. I think we are the first people to accept that. But I think we are exploring it quite seriously to try and see if we can reach an amicable situation. To the extent that we do, if we get to that stage, clearly we would then have the appropriate and normal road shows as we have had for interims in the past and discuss this as well. So that's really where we are on what has been published on the Bharti transaction.</p> <p>If I can just close on the subscribers before we take questions. We gave a guidance of the total subscribers that we expected to close on at the end of December 2009. It has been a bit of a challenge, primarily because South Africa has had the challenges that it has had, as I indicated earlier. But we do believe that we should achieve 22.6 million subscribers as we have given guidance on, albeit in a somewhat different configuration. We do think that some of the issues that are facing South Africa need to be bedded down properly before we push very hard on subs, notwithstanding that we think we should put on another half a million subs by the end of the year. And Nigeria, we've seen a fairly strong run, so we think we could reach the 7.4 million. And effectively the rest stays the same. When I say the rest I mean Ghana, Iran and Syria, and then the smaller countries maybe slightly less. So we'd like to maintain the 22.6 million, although I think Iran is also going to be quite tough to get to the six million. All right. Thank you very much. I think what we'd like to do now is go on to questions. I think the annexure is at the back of your presentation, so a lot of the detailed country information is in the pack.</p>
Johan Snyman	Johan Snyman, JP Morgan. By one of your competitors losing about 2.5 million subs in the first half, how much of that did you gain and what would be a normal trend in terms of Nett adds for MTN in Nigeria?
Phuthuma Nhleko	Sifiso, you want to respond? Can you just repeat that?
Johan Snyman	Having one of your competitors losing about 2.5 million subscribers in Nigeria, how much do you gain by that? And secondly, going forward what would be a more normalised run rate for MTN?
Sifiso Dabengwa	If you look at the market share growth we have indicated the fact that the other operators have not been that strong. That has helped us get our market share growth from 44% to 48%. So within that we will probably carry on for another two or three months. We do expect that the other operators will come quite aggressively to the market. I know that one of them has outsourced its network rollout, which was a problem, to one of the vendors. In terms of the normal run rate, in the region of about 500,000 on a monthly basis is what we expected.



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<p>Jonathan Kennedy-Good</p>	<p>Good morning. Jonathan Kennedy-Good here from Investec. Just two quick questions on Nigeria. Some of your competitors have spoken about the possibility of interconnect rates coming down in the short term in Nigeria. Is that correct? If so, what do you expect could be the development there? And could you give us a sense of what your off-net versus on-net traffic is like and what the change has been in that with the market share against there? And then finally on capex. There were some comments about peak capex being reached in 2009. Given what we've seen in South Africa do you think... I think I'm missing something in terms of it looks like to sustain that growth you're going to have to increase absolute capex levels, particularly in Nigeria. Is that correct?</p>
<p>Sifiso Dabengwa</p>	<p>On the interconnect, the interconnect in Nigeria is reasonably low. And I mean there have always been discussions ongoing as to what should happen to it. I guess the key driver has been the fixed line operators that have been trying to get an interconnect regime that is symmetrical. And there is nothing at this moment in time that indicates that the regulator is putting much effort in terms of changing that. In terms of the on- and off-net traffic, it is now just about 80% or just over 80% on-net. And then in terms of capex I guess we will see how the year progresses. It doesn't seem that we will be spending the same levels that we have spent this year going forward. And I guess with the other competitors becoming more aggressive, which is what we expect, we don't think that the rate of growth in terms of traffic that we've seen this year we will continue seeing into the future.</p>
<p>Reece Summerton</p>	<p>Hi, it's Reece Summerton from Citi Group. Just two or three questions. If I look at your first quarter to second quarter numbers it looks like you've actually seen an acceleration in the decline in South Africa, one on post-paid ARPU and one on your prepaid subscribers. And I think in the presentation you mentioned that you are actually seeing a nine month capex rollout and upgrade. I am wondering why we haven't seen any benefit of that yet. So if you could elaborate on why things have deteriorated in the last quarter.</p>
<p>Phuthuma Nhleko</p>	<p>You mean benefit of the capex that we've put in?</p>
<p>Reece Summerton</p>	<p>Ja, because you've come to the end of that rollout. And also you seem to be quite quiet on site sharing and network sharing in some of the markets like Nigeria and Ghana, so if we could just have an update on that.</p>
<p>Phuthuma Nhleko</p>	<p>On South Africa let me make one or two comments there, then I'd like Tim to add. And then on Nigeria, Sifiso, you can take that. I mean on South Africa that capex is not all going into necessarily capacity. I mean there is quite a bit that has gone into transmission. There is quite a bit that has gone into upgrading. I'm not too sure what the split is, but essentially not all of it has gone into new capacity creation. I think secondly as we said in the presentation we have not been as strong as what we could have been in those two quarters, particularly on the prepaid side on some of the promotions that were undertaken by competitors. If we had been stronger, depending on whether we thought that those promotions were sensible, I guess you'd utilise more of that capex or capacity that is created. But Tim, do you want to</p>



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Tim Lowry	<p>add?</p> <p>Thank you. We have replaced quite a lot of our legacy 2G network and have been upgrading the core. I think we're about 75% of the way through that now. I mean some of that equipment has been in since the beginning of the operation, so it's not surprising it has to be replaced. We also had to put a lot more head room in, in terms of switch space across the country, because a lot of our switching was still being done out of sites such as Randburg in Johannesburg. So we have been decentralising our network, and that requires to spend quite a lot of capex on land and buildings, which is a one-off spend and won't have to be spent again. As far as the market getting more competitive in Q2, there were a lot of offers out there by our competitors which in our view were just moving dual SIMs from one network to another rather than having stable customers. We focussed on stable customers and rewarding our customers that are generating part of our base rather than our transient base.</p>
Phuthuma Nhleko	<p>Sorry, Sifiso, do you just want to talk about the infrastructure sharing in Nigeria?</p>
Sifiso Dabengwa	<p>On the infrastructure sharing we have not been as successful or we have not done as much as we would have liked. I guess the key problem has been one of pricing of sites where we're not necessarily sharing on a one-to-one basis. We have in most markets initiated processes whereby on a one-to-one sharing we've been able to move quite a bit on that. But in terms of being able to lease sites we've had issues in terms of pricing. And then also in terms of joint building of sites we really haven't been able to conclude. But we are having ongoing discussions with the likes of Zain and Etisalat. Lesley?</p>
Lesley	<p>Lesley [unclear]. Two questions. There was a legal opinion a couple of weeks ago that ICASA or the minister does have the right to force down the interconnection fees. If it actually gets its nerve up and does that, what will your reaction be? And overall if they succeed what would the financial effects be for MTN? And the second question, if the Bharti talks don't go anywhere would you be interested in Zain's African operations?</p>
Phuthuma Nhleko	<p>I think on the first question as you say it's a legal opinion, and a legal opinion is exactly that, it's a legal opinion. Having said that we would hope that there is basically an open and constructive discussion with the regulator as we have had in the last 14 or 15 years, because we have always said that in real terms the tariff in South Africa has basically gone down because all increases have essentially been below inflation. So if that comes to pass, well, again I hope we can have an open and constructive discussion. And I'm sure that really is the way that the regulator would see it as well. Because it does impact on quite a number of issues, including the interconnect agreement that was voluntarily entered into between the three operators. So for us it's dialogue rather than getting legal on the matter. It's a bit hypothetical. Until they do something like that it's very difficult, but I'm just outlining what our preference is.</p>



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	<p>I think on your second question, we said we're involved in these discussions. If they don't come to fruition we will sit down and have a look. In pursuing the vision of the group we said that we would look at whatever makes commercial sense. And if Zain had to decide to sell operations where we don't have regulatory problems or overlaps and so on, I guess if that opportunity presented itself there is no reason why we wouldn't explore it. But again it's very hypothetical. Okay. Any more questions? Shall we maybe take two more, and then we can close?</p>
<p>Candice Jones</p>	<p>Hi. Candice Jones from IT Web. Could you go into a bit more detail on what has happened with the Musica deal?</p>
<p>Phuthuma Nhleko</p>	<p>I think on the Musica deal there was an agreement with certain preconditions that were really not met. And at that stage we were not able to conclude the deal. You know it had to do with landlords and leases and that kind of thing, and we decided it wouldn't be on the scale we would have wished for. So I think it was a very amicable collapsing of the deal.</p> <p>Last question. Right, I think if there are not more questions I would like to end by thanking Rob Nisbet for really being a great member of the team for many years, and I believe I really talk on behalf of all my colleagues sitting here in front and those who are not here. It has been great. I think here at MTN because we spend so much time travelling we actually spend more time with our colleagues than with our families I suspect. So it's really been a very great team, certainly for me in the last eight years. And I would really once again like to say thank you to Rob, if you could give him a round of applause. I would like to take the opportunity to introduce Nazeer Patel. I'm sure some of you have already met him. Nazeer has been with MTN for five years. And he will be taking over from Rob, and hopefully he will enjoy another 15 years as this place does suck you in. Thank you very much. Thanks for your time.</p>

END OF TRANSCRIPT