MTN Group Limited

Final audited results for the year ended

31 December 2009

11/03/2010

Speaker	Narrative
Debbie Miller	Hi, this is Debbie Miller, Head of Investor Relations for MTN Group. Thanks for joining us today to discuss MTN's results for the year ended 31st December 2009. With me here today are Phuthuma Nhleko, group President and CEO, Nazeer Patel, group Finance Director, Sifiso Dabengwa, group COO and Tim Lowry, VP for the SEA region. I've also got Christian da Faria, VP for the WECA region and Jamal Ramadan for the MENA region and Karel Pienaar, MD of MTN South Africa with us on the line. Phuthuma and Nazeer will give an overview of the group's results, highlighting the operational and financial performance and a bit of an outlook, and we will move after that on to Q&A which the conference call operator will facilitate. So I'll hand over to Phuthuma.
Phuthuma Nhleko	Good afternoon everybody and thank you for taking the time to have us present to you our results for the year ended December 2009. Firstly shall I say that the MTN vision really remains unchanged, notwithstanding the changing landscapes and the evolution of many of the markets in which we operate. I think further expansion by the group will hopefully reduce concentration risk and leverage economies of scale whilst using our footprint and the capacity within the group to ensure that retain our market position and dominate in certain markets. The performance for the last 12 months to December 2009 was really characterised by very strong subs growth in virtually all the markets, particularly in Nigeria and Iran and to some extent in Ghana. And Syria maybe not as strong. Of course we didn't see as high growth in South Africa for all the reasons that we discussed during the half year. We have improved market share in Nigeria and Iran. In Nigeria we are now up to 49% market share and in Iran close to 40% market share. And of course in Ghana, which is a six operator market, we have maintained a 55% market share, which I think is a fairly strong performance under the circumstances. The satisfactory performances in these operations were underpinned by network rollout and execution which is as a result of pretty significant investment over the last two years. As you recall in the last two and a half years we've had fairly high capex in each of these countries. It's also true that the strategy was to improve the distribution in each of these countries, and those frameworks have been significantly improved. In Nigeria, for instance, the distribution is very much now on a state basis where there are key distributors in each state. And that will eliminate the opportunity for arbitrage and so on. In other words a far more structured and far more controlled distribution channel. As of course we enter the lower and lower segments of the market we have embarked on various fairly detailed segmentation exercises that allow us to tailor the value propositions to the right segment and really provide the subscribers with what they need as opposed to what we think they need. We have also increased focus on data, enabling us to align our strategy as an integrated service provider. And in that respect most probably the acquisition of Verizon in the last year combined with MTN [unclear] solutions is really the cornerstone of expanding quite rapidly in that area. It's very important to see this performance in the context of very challenging

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	conditions that are really characterised by higher unemployment, lower GDP growth and so on. And this really has been the case for the last 18 months. We've also seen very aggressive competition in virtually all the markets, as well as regulators flexing their muscles on SIM card registration and interconnect. I must say that on SIM card registration, having done it in a number of countries now, we have upped our game in terms of being prepared for that SIM registration and being able to mitigate things that would slow down our connections considerably. That's not to say we won't be affected by it, but I think it's not as alarming as perceptions have been created. If we come to the group highlights, a 28% increase in subscribers to 116 million. And of course revenue up 9% to almost R112 billion. EBITDA was up 6.7%. And of course both revenue and EBITDA have been relatively impacted by the exchange rate movement, particularly the weakening of the Naira against the Dollar and the strengthening of the Rand against the Dollar. If we had to factor those exchange rate movements out and look at the performance based on the 2008 rates we would really have shown an increase of 11% on revenue, bringing us close to R123 billion for revenue, and up 12% on EBITDA, which would have been an extra R5 billion, bringing us to R51 billion. So as I mentioned in the presentation this morning the key feature of these results in a negative sense is really the fact that there was such an impact on the revenue and EBITDA by the currency. We also have earnings per share having decreased by 16.6% to 754c, and of course that really affects the Dollar denominated loans that are outside South Africa in terms of functional currency losses. If you take out the movement of the Rand EPS would have been up 8.5% to 878c. On the dividend I think we have moved somewhat in our view of dividends going forward. We feel that 2009 was hopefully the peak capex year for the group and our capex should be meaningfully reducing after that. In fact our projection of capex for 2010 is around R21 billion. So I think in the light of that the Board felt relatively comfortable to loosen the dividend policy a little bit, and we are now going to have a dividend of 192c per share. That brings us close to a cover of four. So we have moved from six over the years to five, and now we're at four. I must obviously put out a health warning to say that can change in future depending on whatever M&A activity may present itself to the group. Should we get involved in something that requires that we increase our gearing significantly in the group, and then obviously at the time we will review everything and review the dividend payout if it comes to that. Capex spend for 2009 was R31 billion, and like everything else it was partially impacted by the strong Rand which made that capex spend really about R3.5 billion less as a result of the strengthening of the currency. If we look at operational initiatives that are designed to lower the operational cost base of the group and increase efficiencies, there is a lot that is happening as the operations evolve. Standardisation of a number of areas, whether it be billing, processes and so on, remains a very key feature of our operational focus, of course all complementing standard cost controls within the group. In fact if you look at the results of virtually all those operations you will see that, yes, some of them enjoy very high margins, but it's not because of higher tariffs. It's partly because cost control has been very tight. We are going onto activity-based accounting in the next

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	year or two, having completed a number of trials. And we think that will further enable us to tighten cost control in the group. Data initiative, I think I have already mentioned that with MTN Business we have been able to increase the scope of offerings within the group, and that is really complemented on the wireless side by 3G and the WiMAX rollout. One of the key features of remaining competitive, being able to service our customers and have sufficient affordable bandwidth and meaningful service levels is really our initiative to invest in submarine cables. The key ones being WASC on the West African coast and EASSy on the East African cost, and a few others. To date we have commitments in excess of $190 million. We have spent already $95 million. We really do believe that these cables will help us improve the quality and capacity of voice and data offerings, obviously giving us a further competitive edge in this growing competition. I did mention this morning at the presentation that remaining competitive in these markets, retaining staff and ensuring that people remain very committed, very passionate about the business, which has really been the hallmark of MTN, is very important. And to this end we have set up an MTN academy in all the regions, in SEA, MENA and WECA regions, and we hope this will further help us in ensuring that we've got people that are trained for purpose within the group and remain competitive in that area. Other initiatives that we've undertaken last year is MobileMoney, which we've launched across quite a few operations, Ghana being the first one. We now have somewhere in the order of 680,000 customers in Uganda. I don't think this is going to give us a millions in terms of revenue, but what it does so is start creating a new revenue stream. And we'd like in a few years for that to be 5% of revenue or more as we continue to grow that. It also will help us in creating stickiness with the customer and help us reduce the churn rate. Group EBITDA margin is down by 1% to 41.1%. The key culprit in putting pressure on that EBITDA margin was Syria, primarily because of the revenue share up to 50% which we obviously can't control. That's part of the licence. And of course lower margins in South Africa. And there are quite a number of things that put pressure on margins in South Africa. Nazeer will deal with it in a moment. In focussing on South Africa the key feature of the last 12 months is I think firstly the post-paid increased marginally, but again this was at the low end of the post-paid base. People took up hybrid packages like MyChoice. And I think it also reflects the economic situation where people could only afford so much and really wanted flexibility in moving between post-paid and prepaid. So we've seen most of the growth in post-paid taking place in that category. Prepaid growth was, on the other hand, quite disappointing. There were a number of things that affected the growth. Firstly, in H1 we just simply were not as competitive as we could have been in the market, followed by the implementation of RICA. I don't know if you're aware, but the acronym is one I don't always remember myself to be honest, but it's really about registering the prepaid

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	subscribers as required by government. It's quite a cumbersome process, and basically has slowed down the connection of prepaid subscribers. We picked up speed in H2, but it still didn't save us from disconnections in excess of 1.4 million on the prepaid base. So I think just to characterise that I think what we're saying is challenges in the first half in South Africa, some to do with operational related issues. Then it was also how competitive we were in the market, but I think RICA on top of that further exacerbated the situation and as a result we had some net disconnections at the end of the year. But I must say momentum picked up in the fourth quarter and we're certainly hoping that momentum can be maintained throughout 2010. ARPU declined on post-paid. It is down to R365. Again this is partly as a result of people migrating or taking up lower packages, the hybrid packages. So your average ARPU then is weighted more to those new incoming people, and generally we've seen the ARPU go down on post-paid. On the other hand, ARPU on prepaid has gone up. That's primarily because the prepaid subscribers that have disconnected, those subscribers were not high revenue generators. So when they disconnected and came off the network we had a higher average ARPU on the prepaid side. So that's the reason for that. Mobile termination rates, you know this was a long discussion last year with ICASA. Where we are today is that we agreed to move from R1.25 to 89c. We are discussing the glide [?] costs with ICASA. A submission has been made by the operators. ICASA has indicated that they will make up their minds by June 2010. So I think we will see how that evolves. Capacity-wise after investing R9 billion in two years in South Africa we have increased capacity on 2G by 12% and 22% on 3G. And on 3G we have now almost half the country covered. We had about 48% at the end of December. Once we were able to self-provide on transmission of course we embarked on the deployment of a national fibre which is over 5,000km, and that is really work in progress which we should complete in stages, and over the next few years hopefully we will be able to conclude on that. The southern and northern rings in Gauteng, however, we expect to be completed by mid-year or third quarter of 2010. I think one set of pleasing results that has been made is data as a percentage of revenue. We are now close to 15%. As you know over the years we wanted to get to 10%, then 12% and so on. So there is pleasing progress there. And I'm pleased to say SMS is only now 50% of that data. In moving to the WECA region, talking about Nigeria. Nigeria really performed exceptionally well under the review period. The capital investment made in the network has paid off. We have got much better quality and capacity. And if that is juxtaposed with the competitors, who literally now for 18 months haven't made significant enrichment in the network, we think we have got the full benefit of that. Subscribers grew 33% to 30.9 million subscribers in Nigeria. ARPU declined $4 from December 2008 to $12. And that has to be seen in the context of the Nigerian Naira against the US Dollar, which is an unchanged figure from what we reported in June

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	2009. The local currency decline of ARPU is really in line with increased penetration of mobile telephony in the country at various segments. I think the network rollout has been described as fairly high in Nigeria. We also now have over 25,000 Blackberry subscribers and over 78,000 data modems. Ghana of course is our second-largest contributor in the WECA region. Ghana also had a fairly decent year, up 24% in subs to 8 million in what can be regarded as the most competitive market we have. We now have six competitors in Ghana, but notwithstanding that we have maintained a market share of 55% despite the fierce competition. In a very similar vein to Nigeria we have also reviewed distribution structure and footprint in Ghana. That has enabled us to maintain the market share. The ARPU declined in Ghana from $12 to $8. We must see the decline in the light of an almost 30% decline in the Ghanaian Cedi in the first half. If you look at that ARPU on a local currency basis it was fairly stable. The figure we reported in June 2009 was fairly stable and not changed in any material way. 3G mobile and broadband services, including SIM card launchers and loaders have also been introduced in Ghana for both the consumer and corporate segment, and that has hopefully helped us create some stickiness. In fact, at the end of December 2009 we had one million MTN Loaded hits. Moving to the MENA region. Iran is by far the key driver of that region. We had now in Iran 23 million subscribers at the end of December 2009 and a market share of 40%. That's fairly significant. Growth was actually 45% in subs, and we continue to see fairly strong growth in that country. ARPU has declined by $2 to $8 in December 2009. Again this is reflecting deeper penetration in the country which is in excess of 60% now. The marginal capex per sub is fairly attractive in Iran partly because of a lot of inputs are locally sourced at very competitive prices. And that does make some differentiation in cost of capex there relative to the other countries. We did have an aggressive rollout in 2009, increasing our coverage in cities and roads. I think we cover over 1,400 cities now in Iran and have significantly improved road coverage, although we've still got quite a lot of work to do in key cities like Tehran, Tabriz and Isfahan in improving coverage and quality. And the main challenge there is really site acquisitions, which are very difficult. We also launched WiMAX in Iran and have now got over 1,000 commercial [unclear]. Last but not least is Syria in the MENA region. Syria increased its subscribers to 4.2 million. The uptick in subscribers gained momentum in the second half of the year owing to the success of those promotions which included the [unclear] product offerings. We did see a decrease in ARPU of $1 to $18, so there is still fairly high ARPU in Syria. Network expansion, we have slowed it down a bit to give us an opportunity to get a better sight on the restructuring of the Build Operate Transfer, the BOT. There is now progress in this area as government has appointed a consultant to help them in this area. And up until things are quite clear, notwithstanding the relatively lower penetration for the country that Syria is and its GDP and so on, we have decided to hold back until we have more clarity on the

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	BOT. We have improved efficiencies in Syria by outsourcing and so on. So this is more or less a market that has still got very significant opportunity. It depends on how the BOT will be reviewed and restructured. I think to try and close this section let me just say that competition across our footprint is likely to continue and to increase. But whilst the economies in these countries are fragile we think there are positive signs of recovery. We think that what is demonstrated here is that the operations' performances are relatively quite strong notwithstanding the challenges that we've had on the currency losses and so on which obviously are impacted by the Rand movement, which we can't control. I think just going forward I can really just say that we will continue to explore some value in creating opportunities. I'm sure you hear this every six months, but it's true and we will continue to do it. We will continue to look for opportunities that make sense for the group to expand and diversify and all those things. And we will also continue to find ways to ensure that we continue to have decent capacity and quality of service without significant investment in capex because we believe that we have done the capital spend and we have got meaningful headroom in these countries. Standardisation, efficiencies and all of that, that remains standard. We will continue to look at it. Regulatory matters, I know people raise a lot of concerns about this. We active engage the regulators. The discussions are always very constructive, and we don't believe that they would act in a manner that is completely counter-productive. Whether it's commencing SIM registrations in South Africa or Nigeria, or MTR in any of these countries, I think there is always a good and healthy dialogue. Lastly in South Africa we intend implementing a BEE transaction. I know we've also said this twice now or three times. Rest assured that we are doing our level best to try and accelerate this, and we are hoping that we can conclude this by the third quarter of this year, all things being equal. Okay, with that I would like to hand over to Nazeer to go over the highlights of the financial performance, and then we will take questions.
Nazir Patel	I will be quite brief and just touch on some of the key points. I think Phuthuma expanded quite a bit on the foreign currency effects that impacted the group. It's probably just worth refreshing that at half year we had revenue increases year on year of about 25% north on the EBITDA line as well as on the revenue line. The second half has particularly had this impact on reported revenues for the second half in doing the year on year comparison. Group revenues have been lower in the second half of 2009 by 3% compared with the second half of 2008. EBITDA margins, however, have declined even further because of the drop through relating to margin performance in certain key countries. The second half EBITDA growth has been limited to negative 8.8% compared to the second half of last year. Margins as a whole for the group, as noted previously, have declined by a full percentage point, most of which came through from the South African operation where margin diluted by one and a half points as well as in Syria where the impact

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	of the revenue share stepped up in the middle of 2008. Just to refresh we had a half year impact in 2008 when revenue share for the operation increased from 40% to 50%. But in 2009 we had a full year impact of revenue share within the operations at the 50% level. One additional point to comment on will of course be the impact of functional currency losses for 2009. These were negative R3.2 billion where in the prior year we had the benefits of a strong tailwind and took profits of R2.4 billion. In total that's a R5.6 billion turnaround on a negative basis which had an impact of 135c on our earnings per share. The operations in the group as a whole continued to generate free cash flow despite heavy investment in the network. On the acquisition front we had small acquisitions that we concluded during the year. We completed the acquisition of 100% of Verizon South Africa, and we consolidated this entity from February 2009. In line with our strategy to expand the distribution footprint in South Africa we concluded the acquisition of the remaining shares of the company called iTalk which we had concluded the control [?] and we've consolidated that entity in January 2009. In addition to that we took the decision strategically to swap out our assets with International Carrier Services within the larger entity called [unclear] International which has a much larger footprint in this particular area of expertise. And we have now picked up a 20% stake in that operation. We are bound by a commercial agreement over the next five years which limited the [unclear] that we had on that transaction of $200 million to be recognised over the period of the commercial agreement. Effectively over the next five years we will write back about $36 million to $37 million back to profit. That gain is currently recorded for accounting purposes on our balance sheet. We had certain transactions with minority shareholders in Uganda and Zambia which changed our shareholdings marginally higher and lower from 95% to 97% and from 100% to 98% respectively. An initial item which I guess all of you are fairly familiar with right now is the impact of updating our PUT option liabilities which the minority shareholders have in our Nigerian operation. In 2008 you would recall on a full year basis that had the effect of R825 million debt. This year the impact on our income statement in total has been about R906 million. Most of the adjustment really reflects on the weakness of the Naira which is the underlying currency in which the valuation of that liability is assessed on an annual basis. As far as the tax charge is concerned, it's a [unclear] charge reduced to 33.4% from a high of 29.9% in the prior year. Again, this was in line with expectations and guidance we provided to the market and largely followed the expiry of the connection provision [37.48] which were in the ordinary in Nigeria up to the end of March 2008. Further credit coming through from the PUT option also helped drive down the tax rate. We would expect, moving forward, that the current year tax charges will be more in line with what we'll expect to come through in later years. Moving on, I think Phuthuma mentioned that our revenue restated the costs in prior FX rates would be substantially higher. It's important to note that Nigeria, Iran, Ghana and Uganda revenues in the local currency ventures showed the impact

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	of the higher [unclear] growth that came through the operation and most of those entities which we had quoted year-on-year, have been brought in local currency in excess of 25%. Iran is high at 60% based on the strong growth of seven million subs coming through during the year. Syria, although subscribers grew by about 20% year-on-year, it grew much slower, at a much lower rate at 8.2% in local currency, primarily due to the fact that a lot of the acquisitions were done in the second half, literally late in the year. South African revenues, we had much lower in the low single digits, improving 3% year-on-year, largely driven by flat airtime and access-free charges coming through the revenue line, although we did see some positive gains coming through in terms of SMS and data revenues. Restating Group-reported revenues, revenues of 111 billion, at constant prior FX rate we would have shown an increase in the revenues of about 20% of the Group as a whole. So all in all, a pretty good, strong revenue performance despite the [unclear] volatile exchange rates. The EBITDA line, however, not as satisfactory. We saw the 1.0 margin dilution at a Group level which I have talked about earlier. This, despite a 1.5 point increase in Nigerian margins to 59.8%. Again as you would recall, in the first half that margin was smaller at 60%, dilution in the margin in the second half, essentially as a result of strong promotional activity to boost subscriber acquisitions in the second half and FIFA-related partnership costs for the operation as well as some increase in lease [unclear] costs, as well as impairment charges that were taken late in the second half. RSA margins at 14, nearly 1.5 points lower following the integration of iTalk, Cellface and the distribution as well as the headcount costs that came in those acquisitions. We have a programme now to, bring about more efficiency both in the back office as well as the distribution network and we expect to reduce both the head count and the distribution costs through the reorganisation of this as we go forward. IT outsourcing costs also had a big impact of lowering margins year-on-year whereas lower Net interconnect, particularly as a result of continuing fixed to mobile substitution on the Telkom side helped drive Net interconnect margins lower. These were slightly offset by [unclear], settlement of the Cell C dispute as well as lower revenue share payments [unclear] in South Africa where previously our revenue share payments were made some 5% of gross margins and they're now levelled at 1.5% of operating income. Iran margins pleasingly increased by almost a full five points, some 30% at the end of 2008 to about 35% in 2009, based on higher volumes coming through with good fixed-cost control for the operation. Again, it's largely an outsourcing model where we have managed to keep operating costs very controlled and only [unclear] variable costs as we go forward. Again, restating EBITDA for 2009 at cost of FX rates for the prior year, EBITDA will have been 18. 4% higher. Moving on to the interest and tax side, again we talked about the functional currency losses which had swung to a debit of R3.2 billion compared to a 2.4 billion gain in the current year. Iran loans accounted for 1.8 billion of these, bank balances tied up in the underlying subsidiaries accounted for a further R0.8 billion. The deferred tax charge for the year reduced from three billion in the prior year to

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	about slightly lower than one billion this year, largely due to a reduction in tax allowances claimed by the Nigerian operation and a $1 billion [unclear] on the functional currency loss was absorbed, where in the prior year we had created a liability for the functional currency gain. I have talked about the tax rate, so move on from there. Looking at the balance sheet as well, apologies, looking at the earnings per share side, a number of these items that I've talked about had a direct impact on basic net headline earnings per share. At that level unfortunately we've taken the full impact of foreign currency translation effect, both on the revenue and EBITDA line as well as in depreciation and amortisation. We have, however, in keeping with the guidance provided to the market previously reversed from basic headlines earnings per share of 800c, about 49c relating to the profits that we recognise in the income statement on the revaluation and the PUT option liability. Headline earnings per share as a result lowered to 754c compared to 912c in the prior year and were 16% lower, as Phuthuma indicated earlier. However, in recognising that the function currency loss included in those numbers quite punitively affected the reported adjusted headline earnings per number, per share number. If we're add [unclear] impact of that on a year-on-year we would include adjusted headline earnings per share for the current year to 878c compared to about 810c last year, which shows a year-on-year gain of about 8c. Moving on to the balance sheet, the balance sheet was largely at the end of December 2009 heavily impacted by the decline of the underlying subsidiary currencies, especially the Nigerian Naira, the Ghana Cedi and to a lesser extent the Iranian Rial. Reported property, plant and equipment is therefore only three billion higher despite the fairly heavy investment in the network, as a result of R13 billion of foreign currency translation impact. The goodwill line, the same item has reduced the reported goodwill number for the Group by R7 billion. One further item to mention on the balance sheet is the deferred profit which I have talked about on the swap of the ICS assets in Belgacom. It's an amount of R1.3 billion and that is recorded in the deferred tax and other [unclear] liabilities line. Very pleasing for the year was the fact that the Group reduced its net debt to EBITDA down to 0.26 and the continuation of the strategy to push non-[unclear] funding down into the subsidiary, underling subsidiary to an additional $462 million for the [unclear] during the year at a subsidiary level. On a growth rate level of R37 billion, about 52% of that is now in the South African operation and the OpCos whereas the remainder sits now as a result of the de-leveraging strategy at the OpCo levels. [unclear] profile reflects in a bond repayment of about R5 billion syndicated loans of about, the repayment on syndicated margin is about three billion and repayments for the Nigerian sector about R6 billion. We are currently looking at refinancing some of these. Moving forward, cash flow as I indicated earlier, where, was quite strong for the year but two items changed substantially on a year-on-year basis. The net interest rate line increased by roughly R2 billion following an additional draw down by the Nigerian operation, the facilities that they negotiated previously as well as an increase in the overall interest rate for the Nigerian facilities of about 4%. We also

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	incurred [unclear] losses of an addition R1.1 billion during the year. One further item that I'll comment on in the cash assessment is on the existing [unclear] activities line which showed a year-on-year swing of about R5 billion. The R3.5 billion charge in the current year of a net outflow related to the acquisition of a Verizon, I-Talk and some pre-payments from the Iranian and Nigerian operations for 2010 capital programme. During 2008 we have an inflow of R1.2 billion following proceeds from the private placement we concluded in Nigeria of R4 billion and we had a net ARPU for during that during that year of about R2 billion following loans made for [unclear] operation. Capex for the year, we have earlier provided guidance of R42 billion. The actual [unclear] came down to R31 billion positively impacted by about R3.5 billion following the strength of the currency especially in the second half of the year. We also rolled out a spend of about R7.2 billion in 2010 following assessments of the network where we felt that we had enough capacity for the traffic coming through and the subscribers that we had brought onto the network. For both 2008 and 2009 Capex to revenue spend had stayed steady at about 28%. In terms of guidance going forward we would expect, we have authorised Capex of just below R3 billion to R4 billion. We fully expected that number in terms of actual standing be closer to R20 billion. Again, that's based on our current estimates of average rates for [unclear] other currencies or especially US dollars by 8.07. Most of the investments have continued to remain in our key countries in South African, Nigeria, Iran. The Iran numbers that we have included in our analysis [unclear] 49%, being the amount that we would consolidate for the operation. And I guess that would wrap it up for the financial section.
Debbie Miller	We can go to the operator for questions.
Operator	Ladies and gentlemen, at this point in time, if you'd like to ask a question, please press star then one to join the question queue. If you'd just like to withdraw your question, please press star then press three to withdraw yourself from the list. I will repeat. If you'd like to ask a question, please press star and then one. Our first question comes from William Kirby from Nevsky Capital. Please go ahead
William Kirby	I have two questions on Nigeria, please. Firstly, what's the [48.18] of marginal new subscribers coming onto the network in Nigeria, and then, secondly, Bharti came up on the conference this morning. What's your impression of the amount of spare capacity on Zain/Bharti's network there, please?
Phuthuma Nhleko	Let me answer the question on the capacity and maybe Sifiso can take the marginal APRU question. It's always very difficult to say as to how much somebody has in terms of headroom. I think all we can say is that, as I said in my presentation, relatively speaking there seems to be less having been invested in Capex by Zain the last couple of years, two years. But really we are, I don't think we are in a position to say how much capacity they have or not, that will not be focus for us.
William Kirby	Okay, thank you. And the marginal ARPU?
Sifiso Dabengwa	The marginal ARPU of Nigeria is in the region of about $7.

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William Kirby	Okay, that's great. Thank you.
Operator	Our next question comes from Rhys Summerton from Citi Group. Please go ahead.
Rhys Summerton	Good afternoon. Just a few questions. Obviously the South African margins were pretty disappointing and you've given some I guess clarity on both positives and negatives. I'm just wondering, going into 2010, with price reductions have already been implemented at the beginning of this month hat kind of outlook you've got for South Africa's margins for this year. That's the first question. Secondly, I'm just looking at, just to follow on from William's question on headroom; I think this morning you said there's 30% headroom in your Nigerian network. I'd just like to know, when you come to think about where you were last year, what kind of headroom did you have at the same stage and also, generally as operators having significant headroom it's kind of the forerunner of price declines coming through, so maybe some comment about what kind of elasticity you think is prevalent in Nigeria would be pretty helpful. Thanks.
Phuthuma Nhleko	Okay. Let me just correct an issue in terms of what I've said and then I'll ask Tim just to talk about the margin in South Africa and then, Nazeer, do you want to handle the issue of elasticity? I think basically what I was saying in this and if I mis-said it then obviously it's corrected. I think in some networks we can have really up to 30% of headroom given the fact that we've invested fairly significantly. But obviously that can also evaporate relatively quickly, which is why I said that the Capex number, the 2010 of R20 billion could change depending on what happens on the ground. If somebody became very, very aggressive, slashed tariffs and there was an element of urgency following, you need then absorb some of that headroom very, very quickly. But I wasn't talking about Nigeria *per se* or I didn't mean to talk about Nigeria *per se*, I just meant that in some operations there could be as much as 40% because of the heavy investment. So just to clarify that, elasticity, Nazeer, do you want to pick that up? And then, Tim, you can, after that you can talk about margins, how it looks for South Africa.
Nazir Patel	Let me first say on that comment, I think the issues specifically about Nigeria in terms of the headroom, that was specifically relating to the core [unclear] and that really has come about as a direct result of the improvement in technology and the improvement in the, let's say the capacity against the dollar in the last two years or so, so it's not a [unclear] meant to reflect, let's say headroom throughout the network.
Phuthuma Nhleko	Not necessarily the ratio.
Nazir Patel	Reece, the only comment I would add to that following the technical response is that we haven't taken a position strategically to try and test that specific market. Just going back to the earlier question that was asked as well, I think we did see some experience in the market late last year, literally in the vacuum of last year, where one of the competitors, specifically Zain had dropped pricing by as much 40% in the August-September period and has paid no revenue payment. Now whether that was due to issues they had on their network or for any other reason, we've just

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	kept a watching brief on that. It's also fair to say that, whilst some of our tariff plans have been [unclear] during the course of 2009, I don't think there's enough experience to suggest that there is either X or Y elasticity in the market which would support any significant tariff declines.
Rhys Summerton	Okay, that's a lot clearer. Thanks. Maybe just one more question, can you just tell us what the change was in your outgoing minutes of use in Nigeria from the, if there was any significant change in the fourth quarter in your outgoing minutes of use.
Nazir Patel	There wasn't really significant change.
Rhys Summerton	Okay, perfect. Thanks very much.
Operator	Just a reminder to all participants. If you'd like to ask a question please press star and then one to join the question queue. Our next question comes from Sean Gardiner from RMB Morgan Stanley. Please go ahead.
Sean Gardiner	Thank you. Just to clarify a few comments from this morning. I think you spoke about the impairment charge you took in Nigeria. Can you just run through some of those other one-off costs you identified which I think involved some FIFA provisions as well?
Nazir Patel	I wouldn't say the impairment charge is a one-off charge. I mean we have inventory build-up in the warehouse but, as I explained earlier this morning, we have a very, very strict accounting policy, which pretty much suggests that anything that ages a day over 12 months will be provisioned 100%. That particular margin in ZAR terms, especially ZAR terms about R125 million and that is not to suggest that the commercial value is impeded or impaired. What we tried to do is recycle that back into our network investment programme where it's costable. Clearly, technology changes sometimes might not support that but it's a fairly strict application of the accounting principle. The other charges that would be of a non-recurring nature would of course be the FIFA charges and that tends to go away as we get into next year, once all this promotional activity for 2010 has passed us by. The other items that crept up on us were Leaf [unclear] expenditure [unclear] somewhat sensitive to US Dollar movement to the Naira had increased in the second half of the year. So that, I wouldn't suggest that was the issue but that would be recurring in nature as well as some employee-related, let's just say, internal share option charges which we'll look at in the second half. Those were once-off.
Sean Gardiner	So how much was the FIFA provision that's going to go away?
Nazir Patel	It's not huge; it's about $15 million. The combined effect of these four or five items, the biggest item I would say is the heavy marketing and promotional activity that took place as I indicated earlier in my discussion in the second half. What we tend to find is that in the first half of the year we take a discretionary position with regard to advertising, marketing and promo spend and literally ratchet it up. Then we go back and we look at our spend in 2008 as well, you will see that [unclear] margin decline that this is reported in the second half. It seems to be a fairly

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	consistent trend for Nigeria.
Sean Gardiner	And then, sorry my second question to Phuthuma, since this Bharti/Zain transaction has been announced, can you just sort of describe what MTN's sense of urgency is to a large transaction, because I think you've always talked about the importance of economies of scale and clearly if this thing goes ahead you will have a very big operator in your backyard.
Phuthuma Nhleko	One, I think that's true, a sense of urgency is always there, I don't think that we will do something that we wouldn't do simply because Zain and Bharti have gone, Bharti has bought Zain. So we look with interest, we can't say we are a disinterested party. We ensure that we consolidate our position and maximise our current position and you mustn't forget that in those countries we've got the local economies of scale in those particular countries. We continue to view our options on a number of things and if something came up that made sense to us we would obviously look at it.
Sean Gardiner	Thank you.
Operator	Our next question comes from Nick Kershaw of the Deutsche Bank. Please go ahead.
Nick Kershaw	Hi, good afternoon. Just a couple of questions around RICA. First thing, can you maybe tell us if in South Africa if you are actually now seeing positive net additions and when, for which month this actually turned positive? And then in South Africa, I know you mentioned 5.5 million of your pre-paid subscribers that were already RICA'd and what is the sort of costs to do this and then secondly, what sort of run rate are you achieving at the moment on a monthly basis?
Tim Lowry	We've been positive on pre-paid since December on a month-by-month basis and on the costing thing, I'll ask Karel to maybe give us some indication on that.
Karel Pienaar	The RICA costing is R3 a shot, which is very small so the real costing of RICA was what we called yellow stormers or MTN zoners. 208,000 people that we put out into the field that are assisting with the RICA. That was the biggest cost associated, the salary cost basically associated with those people. But those are the majors. There was technology costs and stuff but that was relatively minor. The real cost is not so much the [unclear] cost but more the impact cost on connections and customer. Thanks.
Nick Kershaw	Thanks, and then, sorry, just a follow-up question. Tim, maybe you can answer this. I mean I know in Botswana at the end of January that was the end of the period for RICA-ing or registering the subscribers. How many subscribers did you guys have to disconnect at the end of January?
Tim Lowry	We haven't disconnected any at the moment because the situation in Botswana is, the legislation is not as firm as it is in South Africa so we don't believe that the regulator has the authority to disconnect. The majority of customers in Botswana have been registered. The only think we are doing now is taking it from manual to

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	electronic. So at the moment there has been no impact in Botswana.
Nick Kershaw	Thanks and then, sorry, this is my last question. The guidance for Ghana subscribers seems quite low given what you guys achieved during 2009. Could you maybe comment on that?
Phuthuma Nhleko	Christian, do you want to comment?
Christian de Faria	I think I don't understand the question entirely.
Phuthuma Nhleko	I think, Christian, the question was the guidance we've given for Ghana, they felt that that number is low given what we've connected in the past. And that number for Ghana is the 800,00 subscribers for the year 2010.
Christian de Faria	I think again we have to look first at the number of the penetration at the moment. We are [unclear] Zain's penetration in West and Central Africa. We are in the middle of 50%, 55% to 58% so that means the market is not growing as it used to grow in the past. And for the small return strategy and there we are doing well. So I think it is really to do with the saturation, the penetration of the market which is relatively high. So I will say that our guidance takes into consideration this fact.
Nick Kershaw	Thanks very much.
Operator	Our next question comes from Craig Hackney from BJM. Please go ahead.
Craig Hackney	Good afternoon. [unclear] again that your subscriber guidance in Nigeria and Iran – could you just give us a sense of what your Nigerian guidance would have been if there wasn't a requirement for subscriber registration this year and then, in Iran, the five million that you're guiding, could you just tell us what you see as being the drivers of that. Is it market share gains, overall market growth? And then just finally, Reece's question about the South African margin outlook for FY10. I don't think that was answered. If you could answer that question, please.
Phuthuma Nhleko	Shall I just repeat those questions? Christian do you want to take the non-RICA situation question on Nigeria, if there was no [unclear]. Christian?
Christian de Faria	I think in terms of guidance for [unclear] RICA. I don't think that, even if we expect a slow-down if you want on the second half of the year, eventually with the RICA, we think that overall the guidance won't have been much different with the registration of subscribers, eventually it's actually higher. We are, if you want, confident that over the year and the strong continuation of December 2009, the last quarter of the year, we do believe that the guidance with or without registration is at the [unclear]. Phuthuma, can I answer the question or you are? I think the question was about how the five million guidance coming from bigger market share or otherwise. I think the market share would be almost the same but it's coming from more penetration and I think we are now at 80% and there is still with the market size room to grown and we think that's the addition that will come from more coverage and higher penetration rate.

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Craig Hackney	Okay, thank you.
Phuthuma Nhleko	Tim will answer the question on the margin.
Tim Lowry	I think in the margins in South Africa we are targeting to get back to where we were in 2008 in about 18 months.
Craig Hackney	Okay, thank you.
Debbie Miller	Have we got any more questions?
Operator	We have five questions in the queue. Our next question comes from Alistair Jones from New Street Research. Please go ahead.
Alistair Jones	Hi there, I was wondering if you could comment on Syria. I'm just looking at the Syria EBITDA margins. I know you obviously have the increase in the revenue share up to 50% but if you look at H1 versus H2 it looked like there was a fairly substantial decline in EBITDA margins from 22% down to 17% and I was just wondering if there was anything specific that was going on there and yes, if you can just sort of explain that. And then there's just the second thing on the RICA thing in Nigeria, again, they've obviously delayed it to May. How certain are you that that process will go ahead in May and there won't be any further delays, potential delays with that?
Nazir Patel	I'll take the question on the Syria margin in the second half and perhaps Christian can pick up the issue of the question in Nigeria. There were a number of accounting adjustments which are of a one-time nature which came through very, very late in the fourth quarter for Syria which were pretty much a surprise. I would expect that those are of a non-recurring nature just to emphasise and, without going into great detail, I can give you where we are, we would expect the margin going forward to level out in about April [unclear] which would be more or less representative of the run rate which [unclear] first half.
Alistair Jones	Great, thanks.
Operator	Our next question comes from Albert Roodt [?] from HSBC. Please go ahead.
Albert Roodt	My first question is regarding broadband [unclear] some numbers, Blackberry and modems. I was wondering what do you say in your view will accelerate the tax cut of wireless broadband in your view. I was wondering, have you experienced any big change of traffic pattern, especially in countries where simmering [?] [unclear] cables have landed? That's my first question. A second question is, on mobile payment. During the discussion in the presentation you were talking about potential target of reaching 5% of revenue from mobile payment. Is it at a Group level or is it only for some countries and I was also wondering if you can share with us what will be in your views you may expect to give potentially mobile payment? Thank you.
Nazir Patel	The take-up on broadband generally is still very low other than in South Africa and

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	our view is that it's going to be device penetration that's going to drive broadband take-up, a combination of device penetration and pricing as well. At this stage, the only cable that has actually landed is C-Com which comes straight into South Africa on the east side and the other cables all start landing over the next 12 to 18 months. And that will help in terms of reducing pricing and therefore will also have a positive impact on broadband data.
Albert Roodt	Do you have any more data you might share with us in terms of on FICA, how has the traffic has evolved?
Nazir Patel	No, we're not participants in take-on.
Tim Lowry	We have teams [unclear] capacity at the moment in Uganda and Rwanda through to Kenya and what we're saying there is, since the cables have come in [unclear] activity versus speed which I think will get customers coming into the market to take up 3G services so I think we'll get some data growth. For example, in Rwanda we've got 40,000 3G customers now, which has gone up by 170 in the last year.
Karel Pienaar	In South Africa the data growth was 38% for the past year, 38% and then, because of C-Com we were, halving and the prices of the links so we halved the prices and that's we provide to our international [unclear].
Tim Lowry	On the mobile money side, first of all, the regulations do change from country to country so I don't think we could look at it as the Group level, it's going to be on an operational basis. Certainly in countries like South Africa there is a high prevalence of ATMs which we've discovered does not make mobile payments or mobile transfers so attractive. If we look at Uganda, we have about half a million customers, at the end of the year, about 680,000 now. The positive impact we see is on, and these are early days, we've only been going nine months, is on churn where we're seeing churn down by about 30% on that customer base. So that was the stickiness that Phuthuma was speaking about. What we're doing is tracking against what was done by Safari.com and we see at the moment similar trends to what Safari.com has been putting forward. So I think that can give you some kind of guidance but I don't think there's going to be any fast and steady rules for each market. I think this is going to be market by market.
Albert Roodt	On margins, anything from your view, what you may get as margins [unclear].
Tim Lowry	On running at the moment, I think Uganda is about 20%-25% margin we have, EBITDA margin we have on it but it's early days to the product so it's slightly diluted on the business but it's early days.
Albert Roodt	Fine, thank you very much.
Operator	Thank you. Our next question comes from John Slettevold from UBS. Please go ahead.
John Slettevold	Thank you. Just a quick one on the net finance costs, excluding functional currency gain and the market losses, the PUT option, etcetera, actually went up in the

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	second half. Why did that happen?
Nazir Patel	John, this a good question. Can we come back to you on that one, we'll come to back to you today. It doesn't immediately come to mind.
John Slettevold	Thank you.
Debbie Miller	Is there one last question?
Operator	Our final question comes from Johan Snyman from Nedbank. Please go ahead.
Johan Snyman	Thank you. Thank you for a little bit more colour on markets outside of the top five. I see you gave some info on Uganda in terms of revenue EBITDA performance. Just two other markets of interest to me would be Cameroon and Côte d'Ivoire. Maybe just a word or two in terms of margin movements, 09 versus 08, and maybe just a little bit of colour going forward. Thank you.
Phuthuma Nhleko	Christian, are you able to respond to that? Margins in Côte d'Ivoire and Cameroon and looking very forward?
Christian de Faria	I think in Ivory Coast we have a very good [unclear] which is tighter. We had some problems and some pressure on the EBITDA margin due to some details on launching new products and we had some change in the technology during the year. It's what stopped to launch products that we have in mind. For example the MTN zone, our MTN zone we launched it only in the last quarter of the year, compared to our plan to launch it in the first quarter and we had also some delay in rolling out some technology like the Y-mark [?] and PGMA [?] so overall, we had some pressure on the EBITDA a, one-time off and the last quarter, and the last two months of the year, we had then come back with very satisfactory EBITDA margin levels. In Cameroon, I think the EBITDA margin is very steady, we didn't have any pressure. We had done a very good job, we simply [unclear] the subscriber and in terms of EBITDA margin we had [unclear] EBITDA margin and we are there, we're not going to put, if you want, change going forward.
Johan Snyman	Thank you.
Operator	We have no further questions in the question queue. Thank you.
Phuthuma Nhleko	Thank you very much and we really appreciate your time and I'm sure we'll be talking to you in a few months' time when we do the quarterly update. Thank you.

END OF TRANSCRIPT