

MTN Group Limited
Final audited results for the year ended
31 December 2009
11/03/2010





Speaker	Narrative
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Nozipho January-Bardill

Good morning, salaam alaikum, bonjour ladies and gentlemen. With less than 100 days to go before the FIFA 2010 World Cup we felt it appropriate to start the proceedings by showing you our newly launched Africa United TV commercial. So we hope you'll enjoy it. We will show it again towards the end. The ad is the first of a trilogy of FIFA ads which will carry the United Africa theme to symbolise the collective support of the cup to remain on the continent. For us at MTN we are particularly pleased because five of the six African qualifying teams come from the countries of our footprint. And the music that you heard is called Everywhere you Go in the ad, and is the official anthem of MTN for the World Cup. So good morning again.

My name is Nozipho January-Bardill, and I'm the Executive for Corporate Affairs for MTN Group. I'd like on behalf of the Board and members of the executive committee to extend a very warm welcome to all of you at the presentation of the group's financial results for the year ending 31st December 2009. But besides welcoming you I'd also like to say my task this morning is to introduce our panellists, Mr Phuthuma Nhleko, who is our President and CEO and who needs no introduction for most of you, our Chief Operating Officer, Mr Siphiso Dabengwa, and our new group Finance Director, Mr. Nazir Patel. Other members of the audience include shareholders and analysts and members of the media, and also my colleagues in the ExCo team sitting at the front here. Our Vice Presidents, one of them is here, Mr Lowry from the SEA region. Mr Christian da Faria from West and Central Africa and Jamal Ramadan from MENA region are both watching the proceedings from where ever they are in the world. But last but not least we also have in the audience managers and staff of the MTN group from the headquarters here at Innovation Centre, and also MTN South Africa, our local operation. The rest of the staff in the 20 other operations whose efforts have everything to do with MTN's success will be watching the presentation via various electronic media platforms. A very warm welcome to all you MTNers across our footprint.

The presentation will last approximately one and a half hours, and the agenda is very straightforward, as most results are. Our group President, Mr. Phuthuma, will begin with an overview of the group's strategic and operational activities in the last year. Nazir Patel, our Chief Financial Director, will deliver the financials and give you information on the numbers, and then Phuthuma will then bring the presentation to a close with some concluding remarks. After the presentation you will then be given a chance to ask questions, and there will be some roving microphones that some colleagues will manage. Our intention is to finish the process at 11:00. Okay, we've started a little later than 09:30, which is when we wanted to, but we would like to finish soon after 11:00 because we have a string of media houses who wish to interrogate Phuthuma on the latest results and other related issues. As usual we would like you to stay for a short lunch after the formal proceedings are completed, and lunch will be served in the social area next door. So as we're about to start may I kindly request that you turn off your cell phones or have them on silent, and ask Phuthuma if he would like to come up and do the presentation. Thank you.

Phuthuma Nhleko

Morning everybody. Salaam, bonjour for all our staff in many parts of the world. I



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would begin by first of all echoing Nozipho's welcome. Welcome to the MTN directors as well, who have been extremely supportive of us. What I would characterise as nothing but an extremely challenging year, 2009 I think was one of those years where a lot of things were aligned to make life difficult for us. But nevertheless we certainly hope that in giving the results for 2009 we will be able to demonstrate that notwithstanding all those challenges we still were able to perform satisfactorily in a very difficult environment.

I think first and foremost the vision of the group remains unchanged, and this has really been the case for the last eight or ten years. And we still believe that even though the landscape is changing fairly rapidly positioning ourselves as a pre-eminent emerging market mobile operator does provide an opportunity for further value creation for the group. And of course in outlining that vision it's really supported by that structure at the bottom there where we feel that all those components are key to actually putting substance to the vision and the strategic objectives that we intend to follow.

As indicated it was a very difficult year. However, we managed to grow the subs fairly significantly. We maintained market share in virtually all the markets. In fact in quite a number of markets we increased market share. And that is by and large because of the fairly significant investment in capacity when our competitors were not investing as much. And that gave us an ability to take one quite a lot of subs whilst maintaining fairly strong service levels and quality of service. The brand has gone from strength to strength, and I think that has also helped ensure that the visibility of MTN as a product of choice remains fairly strong.

We have of course, as I will explain a bit later, increased our focus on data through the acquisition of Verizon and a number of ISPs. That I think has added a significant area in terms of revenue growth going forward. But of course we've seen enormous competition. In a country like Ghana today we've got five operators, soon to be six. We've had significant intervention from the regulators primarily on interconnect not only in South Africa but outside South Africa as well, as well as the need to register SIMS. We've had that again in virtually all the markets, and that has put further pressure in terms of our operations. Lastly of course we all know that this has been a very difficult 18 months as far as the world economy goes. And the slowing economies have had a fairly telling impact on our results.

Most probably the key feature of these results, and I would say the most overarching element certainly from an MTN Rand reporting company, is the very strong Rand and the impact of forex on virtually all the key lines in our income statement. Nazir when he does his presentation will expand on that. Suffice to say with almost 80% of our earnings coming from outside of South Africa today we are highly impacted by the currency, which has strengthened 20% or more in the last year.

Looking at the results themselves, subs were up 28% to 116 million subscribers. Revenue was almost 10% up. EBITDA was 7% up to R46 billion. Again if you had to factor forex implications revenue and EBITDA would most probably be at least 10% and 12% up respectively. Again I think when we get to the finance section Nazir



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will elaborate on that. So we've had a muted expansion on those two lines. PAT, again the effective tax rate that is essentially Nigerian driven, even though reduced has had an impact, and the functional currency losses as well. That will be dealt with in the financial section.

What I am happy to say is that we've had a relatively conservative dividend policy. I guess it depends who you talk to. Others feel it's too conservative. We've taken a decision that given the anticipated reduction in capex going forward in the next few years we would most probably see 2009 as a peak capex year and therefore expect to generate more significant cash. We felt comfortable that we can now be a bit more relaxed in terms of the dividend policy. Not overly relaxed, but loosen the noose a little bit. That has enabled us to declare a dividend of 192c per share, which is close to a cover of four. The reality is going forward depending on what happens in the corporate finance or M&A front we may revise that, but for now I think this is the direction.

Capex at R31 billion. As I indicated we see that as hopefully the peak year in 2009. I must say that the currency also has an impact on that number. It would have been slightly higher by about \$3 billion is the Rand had stayed the same as it had at December 2008. Group initiatives, I think there is nothing really new here. We've said this over and over to say that at all times we continue to find ways of improving the efficiency of the group. One of the key themes is standardisation because we strongly believe that if we are going to achieve economies of scale in the group we certainly need to find a way to ensure that virtually all the operations operate on the same system, standards, methodology as much as it is possible. Rationalisation of network suppliers, I think that's fairly standard. We do think that we must keep competition, but at the same time not have such proliferation that again you miss the economies of scale. So there is quite a lot that has been done in that area to try and improve our operations. We are also embarking on activity cost accounting to ensure that again we can tighten cost control in the group must further.

I did mention data. Most probably the biggest feature was the acquisition of the Verizon business in South Africa and elsewhere. South Africa of course was the largest component. But it certainly gives us a base to become far more assertive shall I say in the provision of fixed line capability and bandwidth, particularly in countries that don't have very strong fixed line operators and therefore the SMEs need the support. It also gives us an opportunity on enterprise solutions to look more towards managed services as a group and therefore increase our scope of offer. On the 3G side both in South Africa and Nigeria we've rolled out quite significantly and have also rolled out some coverage on WiMAX again to try and give us a very comprehensive suite of coverage, connectivity and therefore hopefully an increase in revenue going forward.

You may be aware that we have been fairly active in the submarine cable area, not as a speculator but primarily to provide capacity for our own operations, and hopefully in the process reduce the cost. So to date it's almost \$85 million and we've got commitments close to \$200 million over the next few years. But as you can see we are participating in all of the key cable initiatives that are underway.



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People are of course the key asset of the group, and there are many initiatives that we have undertaken to ensure that we remain very competitive. I do believe that that is the single most unique aspect of our competitive basket, if I may say so, compared to a lot of operators. We have got people that are dedicated to the group and very passionate about it. And with our MTN way, if I can put it that way, it gives us a competitive edge. In the light of that we've set up an MTN academy which really has three branches, in South Africa, in Ghana for West Africa and then in Syria for the Middle East, to try and ensure that we do our own training and have a proper succession plan and capacity at all levels of the company.

One key area of potential new revenue is of course Mobile Money. We started off in South Africa and we had a few challenges, but I think there have been some good lessons learnt. And we've gone ahead to roll this out in a number of countries. We started off with Ghana with almost 700,000 subscribers to date. Whilst this is not going to be a massive revenue generator we do believe that in the next couple of years if we can average 5% to 10% of revenue coming from something such as Mobile Transfer we would have achieved something. It's quite a task, but we certainly want to embark on that. We also believe that it will also help on churn and stickiness of customers.

Subscriber per region, again this is not a slide that is new to you. We set out a few years ago to diversify our base in terms of not only earnings but subscriber base as well. And we said that the ideal split would have been Southern Africa a third, West Africa a third and the Middle East a third. We are not there yet, but you can see there has been clear evolution of that subscriber base over time.

EBITDA margin, group EBITDA margin has come down primarily because of Syria, where as you may be aware the arrangement is one of revenue share and we've hit the maximum now of 50% of revenue which we share with government. And of course that's got an impact on margin. The other influencing factor in the group EBITDA margin was South Africa. South Africa had quite a challenging year in 2009, and we can get into that detail a bit later. But putting those two together effectively dropped our group margin by a percentage point. EBITDA and revenue, I think you can see the SEA region, which is primarily South Africa, is becoming a smaller part of the group as increasingly West Africa and the Middle East become larger and larger contributors to the group.

South African operations. As I said it was a very tough year. It was characterised by challenges in a number of areas. Firstly on the post-paid, we have seen a marginal increase in post-paid numbers, but by and large that increase came not from the higher end but the lower end of post-paid where people have gone for the hybrid products like MyChoice and so on, allowing the customers to move between being on contract and an element of prepaid. Prepaid growth, I think that's really the major disappointment in 2009, particularly in H1. In H2 it began to pick up. There were a number of factors that influenced that. Firstly, I think we were just slow off the mark in first half. In the second half once RICA began as you know all the operators had to get their prepaid subscribers registered and it took quite some time to get the systems right and get into a rhythm. That also slowed things down



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a little bit. But suffice to say that we've seen an uptick in the second half, and we have had a net negative add of one million subscribers at the end of December.

Of course as I mentioned earlier we've seen a margin decrease in South Africa. There are a number of issues, but by and large interconnects that we have fixed to mobile substitution, obviously that interconnect revenue coming from the fixed line operator does reduce. And needless to say in very tough economic times the post-paid people spend less, and therefore we've seen some revenue decline in that as well. So all those elements and other aspects that Nazir will talk to did put pressure on that SA EBITDA margin.

The declining ARPU as I indicated on post-paid is really as a result of people spending less and of course the growth in post-paid being at the lower end and mainly the hybrid products and lower usage. I think you may find it a bit curious that prepaid ARPU has actually gone up, and that's really because the prepaid subscribers that dropped off, that churned out, were really very low revenue generating subscribers, and therefore the base that remained collectively was a much higher revenue generating base. So therefore that's why that ARPU would be an uptick.

Of course one of the big stories of South Africa last year was the interconnect discussion between us and ICASA. I'm glad to say that we have made a submission and ICASA has agreed to our advice. They will come back by the end of June. Infrastructure-wise we went through a difficult patch as far as quality of service. As you may recall MTN South Africa was for quite some time at capex to revenue of about 9% for quite a few years. And then two or three years back we decided to embark on a significant capex reinvestment catch-up. As you can see in 2009 we spent almost R6 billion. I know this might be a marketing survey of one, but I'm sure you will hard-pressed not to accept that there has been significant improvement in quality and congestion and so on in the high density areas. So I think that's really where that capex went to.

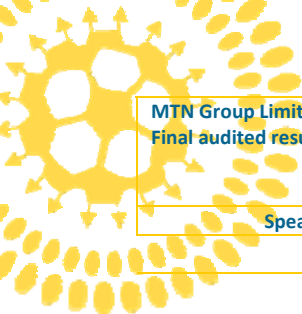
We have also increased 3G coverage to almost 50% of the population. We have already said we started a bit earlier than what we would have wished, but I guess that's where we were. And there's obviously much higher usage of that. Fibre deployment is an old story. Once we were allowed to self-provide by ICASA and not be completely reliant on the fixed line operator for bandwidth with very high costs we immediately embarked on that, and I think there is great progress on that.

Data revenue is something that we've worked on over a number of years. We always said we want 10% or 12% of revenue being data. We've actually surpassed that now. We're close to 14% or 15% rather. And quite frankly it is really now data usage in the sense that SMS as a component of data has come down quite significantly.

Going to WECA region, Nigeria again had very strong subscriber growth with 30 million subscribers. That's almost seven million subscribers in the last year. There is quite a number of operational undertakings that I think have helped. Again we had significant investment in capacity in Nigeria whilst relatively speaking our



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	<p>competitors didn't invest that much. We therefore had the capacity, high quality, and we could open up the pipe as far as drawing on subscribers.</p> <p>ARPU has declined. It looks worse in Rands, but in actual fact the Naira declined against the Dollar and that has had an impact on how you look at ARPU in Nigeria. Nevertheless, six or seven years after the fact, still being at \$12 ARPU, we still think that is very solid. It is testimony to just how strong and how deep the market is.</p> <p>Like South Africa we have had a reduction in interconnect tariff. We're not sure who precipitated and who followed, but that's really where we are. The silver lining in this cloud is the fact that with almost 80% of the traffic being on-net in Nigeria the impact is rather muted. So it's not as unfavourable as one may deem just based on the drop in interconnect tariff.</p> <p>In a very similar vein, Nigerian government has insisted that we start registration of SIM cards, and we are going to start that on 1st May. So that's quite a task, but again I think we are pre-planning all of that and want to ensure that that doesn't ensure in us going down too significantly or have an impact on our market share.</p> <p>The EBITDA margin in Nigeria, again I think Nazir will deal with some of those issues. But suffice to say I think it has been relatively strong. There has been very tight control of opex in Nigeria. We had in local currency almost 30% growth of revenue in Nigeria, so that revenue obviously has had an impact on that margin remaining strong. And of course as I said, as we grow our base, as we grow market share, on-net calls are much higher and therefore interconnect costs in Nigeria will be lower. So I think all those things help in ensuring we remain with a strong margin.</p> <p>Almost R10 billion was invested in network last year in Nigeria. Unless something crazy happens I certainly hope – and I know we've promised this a few times, but hopefully this time it is true – that that is the peak capex year. And we hope that we're not going to revisit that figure again. But there have been huge benefits from that investment. And as I mentioned earlier, 3G sites we are now rolling out quite significantly, almost 600 sites in Nigeria on the 3G network. And of course transmission remains a very competitive edge for us in Nigeria, even though we are looking at ways in which we can rationalise transmission with other operators with a view to keeping the capex fairly low.</p> <p>Ghana, this is most probably the most competitive market we have. As I said, 5 operators, soon to be 6 and these are fairly strong operators. But we've managed to maintain a 55% market share. So I think this is testimony to the fact that the strategies we have followed over the last few years have borne fruit. Once again another story of significant capex investment. When we acquired this in 2006 it only had about 2 million subscribers plus minus after being in existence for 10 years. Of course today it's over 8 million subscribers. And we really do believe that products like MTN Zone helped us quite a lot in terms of being innovative and differentiating ourselves in the market and therefore maintaining that market share.</p>



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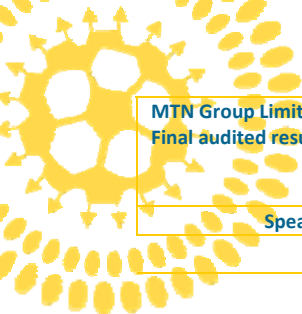
Again we've got a key issue in Ghana in terms of currency. The Cedi did fall almost 30% against the US Dollar. That makes things a bit of a challenge, but nevertheless as I said if you look at the margin still being at roughly 45% we think there is a lot that management in that country has done right. We've also got a SIM registration issue here, which as I said is now becoming a strong feature of all our operations.

Enhanced data offerings. You know we don't have an ISP acquired in Ghana, but clearly we're trying to find a way of ensuring that we've got the whole spectrum of products. Almost R3 billion in capex for 2009. We have had some headwinds on that margin in Ghana. One was a CST of 6% was applied starting in 2008. We also had to move our licence fee from a fixed fee to almost 1% of turnover, and so on. So there are quite a few things there that have put that margin under pressure. But as I said, relatively speaking we do think that the performance has been fairly strong.

In looking at the MENA region we are absolutely delighted with the performance of Iran. I know when we went into Iran there was a lot of scepticism on whether we'd be able to establish an operation that was sound and financially accretive. If you look at the short history, MTN Iran has really only been operating for 3 years in the sense that even though we launched in August 2006 we really only began in January 2007 to push very hard. Today we are at virtually 40% market share, and in the last quarter we were connecting almost 52% of the net adds. There has been a whole range of promotions that have enabled us to clearly differentiate ourselves from the incumbent that has been there for many years. There is still a lot of work to be done on coverage and network, but suffice to say that we have now covered over 1,400 cities and therefore are fairly represented in the country.

23 million subscribers in Iran. I mean that's larger than South Africa in three years, so that I think puts it into context in terms of the growth of this business which has been absolutely enormous. Again the margin story here has also been very solid. You may recall that the guidance we gave you when we came in 2006/7 was because of the 28% revenue share in Iran we thought that we could arrive at a margin in the higher 20s if we did things properly. I'm glad to say that we're now at least 31% or 32% EBITDA margin in Iran notwithstanding the 28% revenue share. So quite a lot of things have gone right here. Again, the margin just hasn't dropped from the sky. There has been quite a lot of work on distribution using local banks as an example for logical distribution and therefore reducing costs of distribution, lower cost vouchers and so on. And of course we are still in a phase in MTN Iran where we are experiencing and enjoying the economies of scale as the business growth. So I think on a margin basis it has done fairly well.

Infrastructure-wise I guess if people starting doing the calculation they would look at the marginal capex per subscriber in Iran and compare it with South Africa and Nigeria, and they would find that it's very low. It is very low, but that is driven by a whole range of issues, one of them being the fact that cost of civil works and a lot of inputs in Iran are locally sourced at relatively attractive prices. So that makes a very big difference on these capex numbers. As I mentioned earlier even though we covered a lot of cities we think that if we were to have a breakthrough in being able to get more sites in a wider part of the country, particularly northern Tehran



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Nazir Patel	<p>and so on, we would have better quality and even higher volume. It is very difficult to get sites for all sorts of reasons, and if we can improve on site acquisition we think that would unlock far more value. We have had a WiMAX licence in Iran and we launched in December 2009. And I think we've got something like 1,000 customers now.</p> <p>Syria, being a slightly different construct, being a BOT, has got obviously different features for it. Firstly, let me just say that churn management has been fairly good in Syria. But because of the BOT we have been more circumspect in the amount of capex that we put into the ground until that BOT is resolved. We hope that that will happen by the end of the year, and then that will enable us to take a different view on how we go forward. So I think as you can see there is a big drop-off there from almost R1 billion to R748 million in Syria in capex. That was a deliberate drop, as I said, to try and get far more visibility on how the BOT matter is going to resolve. Again, 3G services, we're trying very hard to get into that space and service the smaller companies and individuals that obviously spend a lot of time on data and have got high data usage and so on.</p> <p>So I think in summary operationally we can't do all 21 countries so we have picked the top five there. I would really characterise that 12 months as very challenging, but we've seen very strong subs growths in virtually all the key countries with the exception of South Africa because of the challenges that I mentioned. And we've improved and maintained market share in virtually all the key operations, South Africa being the exception. But certainly at 49% market share in Nigeria now we think we are very strong. And that is just market share. The revenue share is obviously meaningfully higher in virtually all the countries. And of course the brand and strong additions in Iran also put us in fairly good stead in 2009 or towards the end of 2009 to really kick off in 2010 with a solid base relative to the other customers. So thank you very much. Let me let Nazir deal with the financials. Thank you.</p> <p>Thanks, Phuthuma. Good morning all and welcome to members of the group Board, members of the group Executive Committee, members of the audience and all those who are connected to this webcast in one form or another. As Phuthuma indicated 2009 has been an extremely challenging year, but we are pleased to report that revenue has grown by almost 10% on a year on year basis despite the very strong effects of the ZAR, particularly in the second half of 2009, combined with the weakness in the Naira as well as the underlying currencies in several of the countries that we operate in. I will take you through those effects down a few slides later.</p> <p>One of the issues that we are dealing with, however, is an EBITDA margin decline at a group level of a full percentage point, largely due to margin dilution in South Africa for various reasons, as well as Syria allied to the revenue share increase that we had to take on a full year basis during 2009. Currency impacts had an impact on the group results at various levels. Firstly we had foreign currency translation impacts on the revenue and EBITDA line, but we also had functional currency impacts which affected the earnings per share as well on an adjusted basis. In 2008 these had a positive impact of about 24c, and in 2009 unfortunately these were</p>



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negative at 124c.

As Phuthuma indicated capex was a peak year for us at R31 billion, slightly higher by 10% compared to 2008. However, we did benefit from the strong ZAR in that spending was about R3.5 billion lower – not \$3.5 billion as Phuthuma indicated earlier. We wish it was \$3.5 billion, but that’s unlikely to be the case. In any case, on a percentage of revenue basis it remained roughly constant, and we have been able to as a result of very improved efficiency programmes in the way we assess our traffic demands on the network been able to defer about R7 billion of network capex spend into 2010.

We have continuing strong operating free cash flow operation. For the purposes of this particular analysis operating free cash flow is stated after eliminating capex, which includes investments in software or intangible expenses. Without going into too much detail on these because I think Phuthuma has touched on a number of them, these results have to be measured in the light of very difficult trading conditions, more and more competition in most of the markets that we’re operating in and stagnant or likely declining GDPs in some of the countries following the credit crunch. Some of these have had an impact on consumer spending patterns, and we’ve seen that in South Africa and possibly one or two other countries that we can talk about later.

ZAR reported results, as I’ve indicated, have negatively impacted both our reported revenues and EBITDA and the underlying finance cost line that we will go through in a few slides as well. The overall function currency’s turnaround on a year on year basis was a swing of R5.6 billion, which as you would then clearly expect had a very significant impact on headline earnings per share and reported earnings per share for the year. On the regulatory side we have seen little impact in 2009, both from changes in RICA implementation in South Africa, as well as any changes in MTR rates across the footprint. However, that situation could change as we go forward into 2010.

Thankfully we did conclude, I think I have a problem here – thankfully, we did conclude some acquisitions during the year, albeit at a smaller scale than might have been widely represented in the press. We concluded the acquisition of Verizon South Africa, a 100% stake in that and the entity has been consolidated on a full basis since February 2009. As part of our strategy to expand our distribution footprint in South Africa we also acquired the remaining shares in I-Talk that we didn’t already control at that point. We swapped our international carrier service asset for a 20% stake in Belgacom and we realised a gain of approximately \$200 million on that transaction. A large part of the gain, it will be recognised over a 5-year period in combination with a commercial agreement that we have signed for traffic volumes with Belgacom International.

We had smaller transactions with minority shareholders in Uganda and Zambia and disposed of our joint venture in Digital Mobile TV to Naspers. The PUT option, the impact on the income statement this year was a R906 million credit, compared with the debit or a charge of 825 million in the prior year. Again the credit needs to be considered in the light of a weakening Naira against the US Dollar as well as a



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strengthening South African Rand. The tax charge for the year is at 33.4% in line with the guidance that we had provided to the market in earlier presentations and is largely due to the expiry of commencement provisions in the first three months of 2008 and also the PUT option credit option that we accounted for in this year.

Just to point out two items here, you know, which we – I think Phuthuma had emphasised earlier during his presentation. We need to consider the impact of first half performance against second half performance largely in the light of the behaviour of foreign currencies, both in South Africa as well as in our key markets such as Nigeria and Ghana. If you recall, at our earlier results presentations for the half-year, our revenue gains at that stage, we had about 24% up year on year H1 to H1, whereas EBITDA was slightly higher at 24.8% year on year H1 to H1. In the second half the H2 to H2 comparison shows a revenue decline of 3% and the margin decline of 8.8%. Both of these are directly related to, firstly, the weakening of the Naira on a cross-rate basis against the ZAR of about 30% and the Cedi of about 22%. I could deal with all the other countries but I think these have had the most material impact on the Group reported results in the second half. The drop-through from a revenue level down to an EBITDA level has deteriorated in the second half. We saw some weakening of Nigeria margins from the 60% that we reported in the first half to a slightly lower level at 59% for the full year due to some exceptional charges we took, firstly on impairment provisions in Nigeria, on FIFA-related promotional activity, gentle promotional activity to stimulate subscriber growth and some increases in the cost of leasing of sites for the expansion of our network.

However, as noted by Phuthuma, based on the strong subs growth that we say in our key markets, underlying local currency revenue growth has been particularly strong in Nigeria, in Iran, in Ghana and in Uganda. Slightly disappointing in Syria, even though we increased our subs growth year-on-year by 20% or about 700,000 subscribers, a lot of those subscribers came onto our network at the back end of the year so we had fairly little revenue impact.

South Africa, however, was largely disappointing based on the disappointing first half pre-paid activity as well as probably in a lower spending in the post-paid segment and migration to hybrid packages. Importantly though, the 111 billion of revenues that we had reported for the Group at year-end, if these were restated at constant prior exchange rates, revenues would effectively increased by 20% on a year-on-year basis, which I think underlines the strength of the business overall across the entire footprint. This comparison is a little more difficult because the December 2009 numbers in the reported ZAR basis are obviously quite significantly impacted by the strengthening of the Rand. What is important to note, however, that, within the South African segment we see airtime and access revenues staying flat year-on-year. It's fair to assume that for the remaining operations airtime revenues in all the underlying subsidiaries will have increased more or less reasonably in line with overall organic revenue growth. Data and SMS, as pointed out by Phuthuma, we have made a number of investments either in 3G capability, and the number of FIFA investments that we've made have allowed us to grow this particular revenue stream as part of our diversification policy and increased this segment going forward. We see this as an important indicator in terms of



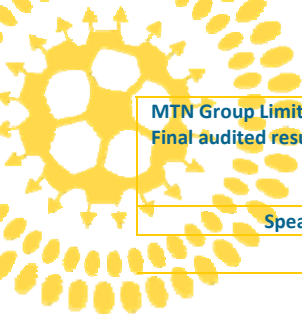
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continued revenue diversification, especially given the fact that there's increasing competition and likely continued pressure on tariffs for airtime, driven either by competition or by regulatory changes.

Interconnect as a whole, again on a ZAR-reported basis has increased marginally year-on-year. We did see some increase in international outgoing traffic from South Africa and then, given the large volume of on-Net traffic that we have in Nigeria we say about a 15% increase in inter-connect traffic within that particular country. Mobile phones or mobile handsets for the Group as a whole increased from about 4.1 million to about 5.1 million, but selling prices overall have come down quite considerably, especially in South Africa and that would have affected the amount of revenue we've generated from that segment. The other line of 3.5 billion has increased by approximately a billion compared to the prior year. Most of that is related to the acquisition of Verizon which is not reported under the data lines but is reported in the other for purposes of this presentation.

Again, the EBITDA trends follow largely the trends that we have shown you on an organic basis on the revenue slide. Nigeria, Iran, Ghana and Uganda have increased tremendously on a year-on-year basis. Ghana is especially pleasing, simply because there was very, very high competition in the market. It's fair to say that many of the competitors have dropped pricing by as much as 40%. We have not followed the trend in the market but have instead focused on things like distribution, the quality of service to the customer and obviously offering the consumer the widest possible network coverage in the market. That has allowed us to keep revenue margins fairly flat year-on-year at about 45%. Nigeria margins on a full year basis, had increased by roughly 1.5 points. Iran margins were particularly pleasing, given that we were at about 30% at the end of last year; we managed to get a full pick-up of five points to approximately 35 percentage points for the full year. Considering that margin in the light of the 28% revenue share, if you adjust for that item you have one of the higher margin performing entities in the Group as a whole and clearly there are lessons for us to be learned in terms of extrapolating that business model across the wider footprint.

Syria margins, as I mentioned, have been depressed and that's largely due to the full year impact of the revenue share which had increased in June 2008 from 40% to 50%. The operational margin otherwise, excluding the impact of the higher revenue share would have been flat year-on-year. 2009 EBITDA, however, restated at constant, prior FX rates would have been about 18.4% higher and that compares to the restatement by revenue which would have been about 19.9%, as I mentioned earlier. Again, without commenting on too many issues here, because I will unpack the year-on-year Group EBITDA margin evolution, suffice to say the direct network costs expansion in all the countries have driven up reported costs on a local basis as well as the Syria revenue share having a fairly large impact on overall revenue share payments and direct network operating costs for the Group. The costs of handsets and accessories have come down, offset somewhat through foreign exchange contracts that we had through the South African operation. Interconnect and roaming costs, however, increased in South Africa due to higher Telkom charges on outgoing international traffic to neighbouring operations. A key point to mention here is, following the integration of companies like Verizon, I-Talk



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and Cellface in the South African operation, we have incurred on a short term basis fairly higher employee-related and distribution costs.

Moving forward we would expect, as most of the market is aware, to reduce those costs through a headcount restructuring exercise which we've announced, as well as the closure of what we call poorly positioned or under performing distribution points and that's like to have a positive impact on that line going forward. Other expenses include the settlement of the Cell C provision by South Africa of about R354 million. Just unpacking the margin on a year-on-year basis at a Group level, as I mentioned previously, we saw a margin drop of about a full percentage points. Six-tenths of that relates directly to the Syria change which I talked about earlier, five-tenths of that relates to South Africa but that's, let's just say simplistic in its analysis. We have lower interconnect margins on Telkom which are a big driver of the lower margins year-on-year, higher selling and distribution costs from the expanded footprint on the distribution side, a creep-up on ITL sourcing costs, but, however, these were partially offset by benefits from the Cell-C settlement of the dispute as well as a reduction in the regulatory charge for regulatory payments, which were previously calculated as a percentage of gross margin and are now calculated at a lower rate, as a percentage of operating income.

Nigeria margins offset some of this at a full seven-tenths of a point, largely due to inner fixed-cost control and some Opex savings. As far as other OpCos are concerned, on a combined basis we saw six-tenths of a point dilution. We brought in Verizon which is consolidated obviously at a much lower margin rate which is typical for that type of business but, in addition to that, we had some businesses which had not performed very well as expected, as an example, Côte d'Ivoire, etcetera. Clearly we have actions in place to address that going forward.

On the interest and tax line, the key issue to mention here are functional currency gains and losses which I talked about previously. The 3.2 billion charges that we took in the current year include 1.8 billion on the Iran loans, which had, on the Mauritius loans to Iran. We have now since year-end moved those loans to one of our other holdings companies and hopefully that will eliminate a fair amount of the volatility as we go forward into 2010.

Additional items are basically additional functional currency charges of about R800 million relating to cash which is held either, at the underlying subsidiary level. On a PUT option basis the net impact was R700 million compared to a 1.2 billion charge in the prior year. Deferred tax was substantially lower at 992, offset by two items. Nigeria claimed lower capital allowances on a year-on-year basis of about R1 billion which was largely the driver of that reduction. Overall, however, the tax charges I have mentioned previously was particularly pleasing, that it was in line with our expectations and again, foreign functional currency losses as well as the PUT option impact had an impact on the overall charge. Looking at the earning per share, we have attempted to just analyse some of the foreign currency impacts. In this particular case the functional currency impact gained a loss on a year-on-year basis to understand the adjust that headline earnings performance on a year-on-year basis. What we have not done, however, is to try unpack, simply because of the complexity of that particular analysis, the foreign currency translation impact



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on an EBITDA level which has clearly had a fairly negative impact on the reported results. But given all of those changes, on loss and disposal of fixed assets we had an adjustment of 3.8 cents, most of which relates to the profit and the share of the disposal of the ICS or international carrier services assets. The 8 cents on the impairment of property, plant and equipment relates mostly to Nigeria, which is the impairment of inventory, a large portion of which we've just taken in the second half as I indicated earlier. And then, moving below headline earnings per share, the PUT option reversal on a consistent basis was an additional of 44.3 cents last year and a lowering because of the credit that's included in income this year of 48.9 cents.

Adjusting for the functional currency loss, and at the risk of upsetting all the technical fundis, the accounting fundis out there, we almost have an adjusted headline earnings per share of 878.9 which compares with 810.2. Just about a 9% gain year-on-year. So overall I think, and in the context of very, very difficult trading conditions, that is a particularly pleasing result.

On the income statement, I believe we've – I keep getting these security alerts here so I guess this PC's not working very well. On the income statement, we have dealt with most of the items. As far as the depreciation charge is concerned, most of the increase, and again, keep in mind that a lot of these impacts on the P&L level have to be considered in the light of the foreign exchange movements on a translation basis. The increase in the depreciation charge is due to the expanded, the increased investments on the network since in Nigeria, in Iran, as well as in South Africa. Amortisation has come down slightly because of further revaluations of the PPA adjustments at the year-end. Net finance costs, as I indicated earlier, have increased quite substantially, largely driven by the functional currency adjustments we talked about earlier, and I will comment on the small 5, the million that's sitting in there and that's the loss of associates, our share of loss from associates in the Leaf business as well as profits for the one month on the swap, the Mednet or the ICS assets to the BICS transaction. Minority interests have gone up to 2.5 billion from a prior reported 1.8 billion, largely due to the higher profit after tax in Nigeria and the increase in the minority share of that particular profit.

On the balance sheet side, without again going into too much of detail, the assets and liabilities in the balance sheet are heavily impacted by foreign currency translation adjustments. At the level of PPE it's about 13 billion for the current reported period so optically, even though the number has only gone up three billion following some substantial investments in the network, we get a credit off the foreign currency translation adjustments against that. Goodwill at the same time is about seven billion lower as a result of the same item. One other point I would like to mention here is the 7.3 billion under deferred tax and other non-current liabilities, includes a gain of 1.3 billion from the profit on the sale or the swap of the BICS assets to, sorry, Mednet assets to BICS which I referred to earlier. And again, just to confirm that that will be released over a five year period.

Net debt, we're pleased to report that our net debt to EBITDA has reduced to 0.26 and as Phuthuma indicated earlier, has allowed us to, the board to take a decision to relax at this stage at any rate, the dividend policy of the company and return



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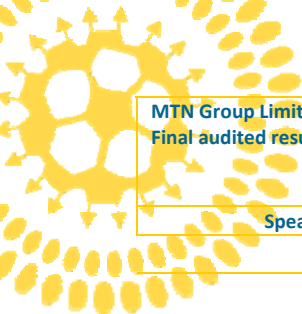
some more cash to the shareholders. We're also pleased to report that we're in line with the strategy that we had advised the market of earlier. We've continued de-leveraging the Group and pushing down non-recourse debt to various underlying subsidiaries and, at the end of the year, we had completed about \$462 million of that. Looking at the overall debt profile of the Group, in 2010 we have repayments of 15.8 billion which include about R5 million payments on our bond, about 6 billion that come through from Nigeria and most of these, we hope, will be refinances and Debbie assures me she'll be working anxiously on that for the next few weeks or a few months. It's fair to say that in terms of the longer term debt profile we're also working through our Nigerian syndication association to try and, let's just say restructure a lot of those arrangements.

On the cash flow side, the net interest paid line has gone up by approximately 2 billion year-on-year and that's accounted for by some losses on a year-on-year basis which account for an additional charge of about a billion on realised FEC losses. Additional items include about a 4% increase in interest rates on Nigerian lending and a further draw-down on Nigerian facilities via the Nigerian operation. Overall, investments or investing activities have changed by R5 billion year-on-year. In the prior year, the 1196 included a 4.4 billion income or proceeds from the sale of, or income from the proceeds of the Nigeria private placement which were offset by certain inter-company loans that we provided to Group entities, which was mostly about two billion to Iran from the Mauritius level. In the current year, the 3.5 billion relates mostly to the acquisition of Verizon, I-Talk, etcetera. So overall, fairly strong cash flow generation for the year.

On the Capex side, we've talked previously about 2009 being a peak Capex year and we continually come back and ask you guys for more money to spend on the Capex side. However, I think given our current estimates of subscriber demand, our current levels of network capacity and the headroom that we have on all of our networks, we believe that we would see a fairly strong reduction of that number going forward. Again, that, as Phuthuma mentioned earlier, is based on current assumptions of the market. If some of these markets had to change significantly as a result of changing competition or any other factor, we would obviously review our spending guidance as a result of that. Again, as mentioned previously, a stronger ZAR had helped us offset the costs of Capex by about 3.5 billion and then we also deferred as a result of current excess capacity in the network programmes for one reason or the other of about seven billion into our 2010 guidance.

So overall the 42 billion that we had talked about at our prior presentation on an actual basis has lowered to 31 billion. Looking forward on the Capex side, we expect, we have authorised Capex of about 23.6 billion and in the nature of how things actually go historically we would expect that not all of that would be spent, again subject to the comments I have just made, in 2010. The likelihood is we would see a number of at or close to 20 billion. Again, that's based on a current exchange rate assumption of 8.07 on an average basis for the full year.

Again, most of the spending would be in, where we see still continuing growth opportunities in markets like Nigeria, in Iran and the Iran number, please keep in mind, includes 49% of the Capex that we consolidate. It's not the full value of the



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Phuthuma Nhleko

Capex, as well as South Africa, where we have some fairly important investments in transmission and re-optimising of the network. Thank you.

Okay, thank you very much, Nazir. Hopefully that puts quite a number of things into perspective. I think, looking forward again, there isn't much change here from what we've outlined in the past. Expansion opportunities, the landscape in this sector is changing and some would even say fairly rapidly, but we are certainly staying on course to say that we continue to expand, lower Capex, more cash that does allow us a high dividend but that doesn't mean that we are veering off from the view that the Group is still in a position to grow quite significantly. And of course, rolling out infrastructure, even though Capex as just indicated hopefully is going to drop down to the very low 20s for 2010, we still need to ensure that we've got very efficient spend and roll out in that area because that is obviously the single largest, other than the Opex of course, the single largest exposure and spend for the Group.

The operational efficiency, I spoke a lot about that in my earlier section of the presentation. Regulatory-wise, as usual we always remain, shall I say very constructively engaged with the regulators and try and pre-empt as many of the challenges that people may foresee and try and show that we've got a win-win situation in virtually all the markets. The BEE transaction is definitely on course and I'm very hopeful that we will be able to come back to you on that in the relatively near future. So, those really are the key building blocks for 2010. As I said, not different from what they have been in the past. Subscriber-wise, this is always difficult because who knows how market will turn out, but our plan for 2010 is that we should connect up another 20 million subscribers in our markets, the bulk of those coming from Nigeria and Iran and then the seven million spread amongst the other operators. Clearly you can see South Africa is very much on a mature phase now so we expect to connect 800,000 subscribers which is most probably more than 50% less than what we've done in the past.

So thank you very much for your patience and I believe we do have 15 minutes or so to take some questions and I've got some very able-bodied people here in the front so any questions I can't answer I'm sure they'll be more than willing to field. If somebody's got a microphone, can we start there, I think.

Jonathan Kennedy-Good

Morning, Phuthuma, its Jonathan Kennedy-Good from Investec just talking to you on Nigerian Capex. What assumptions of what views have you taken on minutes of use over the next year, two years in that market and on data growth because it seems like there are still very few 3G handsets, Blackberries in that market. I mean is that Capex that you have going forward enough to sustain that type, you know, major growth in those segments and then, just in terms of cost efficiencies you spoke briefly on, is there some kind of target you can guide the market across the Group in the major regions, Nigeria and SA in terms of costs you may want to pull out of the Group? Thanks.

Phuthuma Nhleko

Alright, let me take the question on costs and maybe, Sifiso, you want to talk about minutes of use in Nigeria. Look, I think on costs, the view that we take is that we need to benchmark ourselves against the best operators in the world and it's not



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	<p>always easy because invariably you find that you're comparing apples and pears but, just to give you an indication, if we look at revenue to Opex, we'd say that we'd have to be, sort of set a target of about 20%. As an example, if we look at Capex to sales, it depends on the country but we'd really say that they need to be at this stage approaching between let's say 10 and 15% in a more steady state. Now we might not achieve that in one year but certainly that's the target. And you can go through quite a number of matrixes, productivity matrixes in term of people per subscriber and so on. So we do try and give the operations a fairly concise framework to try and move through to become a low cost operator. That's really how we approach that and, as I say, you know there's never a time when you feel that you've achieved that. One of the big areas that I haven't spoken about is, for instance, more infrastructure sharing, looking at should we starting to look at tyre [?] companies and so on to try and reduce the Capex even further, past the steady state stage. So those are sort of the initiatives that we look at but it's really clear matrixes that we give them either on a revenue or a cost basis. Sifiso, do you want to talk about minutes?</p>
<p>Sifiso Dabengwa</p>	<p>The overall minutes of use have remained quite stable on a per-subscriber basis and the rate of growth in terms of the overall minutes has slowed down quite a bit. The fact that, right now from a core network perspective we've got at least 30% headroom so the Capex that's been put forward we think is quite sufficient. And then from a data point of view, yes, you're right, that is still quite a major opportunity and we are working on it, to increase usage.</p>
<p>Investec Speaker</p>	<p>Thank you.</p>
<p>Phuthuma Nhleko</p>	<p>I think there's a question right at the back, sorry.</p>
<p>Jan</p>	<p>My name is Jan from Afrifocus Securities. My first question just revolves around your expansion into emerging markets. Is there any regions you will not be looking at and secondly, you stated at some point you need to list about 21% of MTN Iran's cell. When will that be concluded?</p>
<p>Phuthuma Nhleko</p>	<p>Look, I wouldn't say that there aren't any markets that we wouldn't look at, but our focus right now is clearly building on what we have, which is Africa and the Middle East, I think in the first instance. I think in the second instance, most probably looking further eastwards if, as I've said a number of times, it would have to be quite a significant opportunity with critical mass which we think in the long term is really going to create value for the company. And that really would be the focus. It's highly unlikely, for instance, that we would look at an opportunity in let's say Eastern Europe. And I'm not saying never, but I'm just saying that, if we look at where our strengths are, what our focus is and where we're already positioned, that is unlikely. The same way that we said we wouldn't look at small opportunities in let's say Central America or South America, because you've got very, very large players there. The America Movil, Telephonica and so on. So, if an opportunity came there, it would have to be an opportunity of size. So that's really I think the way that we'll position it. Your second question was, sorry?</p>
<p>Jan</p>	<p>Regarding the listing of 21% of MTN Iran.</p>



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Phuthuma Nhleko

Okay, alright. Look that is something that we are engaged in discussion with the regulator in Iran in terms of should that listing happen, if the dilution has to happen when it lists, is it pro-rata and so on. So, I can't say more than that. Suffice to say that it's something that we are involved in. Obviously, if we did list, we would not want to dilute below our 49% and clearly, obviously we would list on a basis that there would be, there will be fair value for whatever dilution would happen to the extent that we found ourselves in a position of having to dilute, which hopefully will not be the case.

John

It's John from UBS. I just have a question regarding the cash in Ghana. It has gone down substantially. Are you able to or has that issue been cleared up there now with the tax authorities?

Phuthuma Nhleko

Look, I think the issue regarding the tax authorities on tax was really something that was a legacy issue which was aligned to the acquisition that we had with Investcom but I think by and large that matter has been settled because I think, as we've always said, we through that whatever approach was being made on tax was rather spurious. Do you want to add, Nazir ?

Nazir Patel

John, I think that issue is past. We have a minority shareholder dispute that we still need to settle. We had in fact disputes with two minority shareholders; they're claiming rights to some of the equity. We've settled one of them and prior to us actually repatriating any cash we have to settle the other one. We're currently in discussions but I think even though the cash has come down, I think that reflects the fact that we've had some pretty significant investments in the network. The opportunity going forward, though, is we can de-leverage that op-co quite significantly in the future once we've settled the dispute and try not to [unclear] some cash. We have a fair amount of retained earnings.

Phuthuma Nhleko

I think, Nazir , it would also be true that as you saw the indication, the Cedi has devalued quite a bit, I mean over 30% so, even if we were in a position to extract all of that now, it wouldn't be prudent from a timing perspective to actually do that repatriation at this stage.

John

Sorry, the second question. Are you able to provide any details on the extent of the retrenchment costs in South Africa?

Phuthuma Nhleko

Well, I think we just really follow normal labour law on that and I don't think that we've got a number that we're willing to share with anybody, but suffice to say that by and large we, at the minimum, follow what is legislated and required under labour law and may even do a little bit more than that.

Johan

Johan from Nedbank. Just two questions. Firstly, if I look at Bharti and let's assume they are successful in acquiring the African, Bharti acquiring the African assets of Zain, how do you think they will approach it? Maybe different to Zain head office itself and secondly, just the impact from the financial point of view of World Cup 2010 on your bottom line?



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Phuthuma Nhleko	<p>I think as far as Bharti is concerned, how will they approach it, let's put it this way. They'd be in a better position if they were holding, if we were holding their hand. So, they've decided to venture in the forest on their own, that's fine. We clearly don't underestimate any competitor. Suffice to say that, and I know people's minds immediately raise to low cost models and so on, I think the elements of the cost model part of the equation which I think is relevant, I don't think the revenue part of the equation is relevant here because you're not connection 4 million subscribers a month. So there are some differences there but we're trying to hatch out our own strategies so I'm not too sure I want to speculate too much on what their strategies would be.</p>
Johan	<p>Just a second question, on the World Cup?</p>
Phuthuma Nhleko	<p>On the World Cup, really its in fact don't recall whether the cost of the rights, did we share that number, I don't remember. But suffice to say it's a meaningful number and obviously there has to be significant leverage of those rights. I'm sure if FIFA is willing to tell you what those numbers are, I'm sure they can share that with you and of course then we've got leverage as well. And leverage is usually, maybe 25%, 30% more of what you've paid. In some cases up to 1:1. I know that I'm not giving you the answer that you want, suffice it say it was very expensive and we hope it works. We never know which 50% is working, or the marketing, but some of it is working quite significantly. I think the profile is great. We are going into a lot of operations and using that property for them to position themselves in terms of content, promotions and so on. So it's quite a differentiator and I think it's always difficult to quantify but I think it's worth our while. But as far as the number on the property rights, I'm not too sure. I think the FIFA guys I'm sure would be quite happy to share with you.</p>
Ernest Kaplan	<p>Hi Phuthuma. Ernest Kaplan from Kaplan Equity Analysts. Can you just give us an indication of your process to find a new CEO and what sort of person do you think you would be looking for, what sort of skills, and would it be internal or external?</p>
Phuthuma Nhleko	<p>That is, as you know, fairly standard. It's really a board process that is followed so I mean I don't mind arranging for you to have tea with Mr Ramaphosa and I'm sure you guys can have a discussion. But on a serious note, it's a board process. There's a Group REMCO; a company of this size goes through proper processes and considerations happen internally and externally and I'm sure they will embark on that soon.</p>
Mary?	<p>Sorry, Phuthuma, I've just got some queries that have come off the webcast from analysts that are not here and particularly Craig Hackney from BJM and Nick Kershaw from Deutsche Bank. The two questions that I have is relating to the impairment in Nigeria, particularly on the inventory. If you can just give a little more colour and then the net ads guidance in South Africa was nil at the end of September and obviously ended the year down 1.1. If you can just give a little more colour as to what happened.</p>
Phuthuma Nhleko	<p>Mary, let me pass those questions on. Nazir, do you want to take the impairment</p>



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	in Nigeria and Sifiso, do you want to talk about the net ads in SA?
Nazir Patel	The amount of the impairment in Nigeria is R125 million. It's very strict application of an accounting policy so effectively anything that's aged more than 12 months goes, is reserved 100% in terms of a provision. I think it's fair to say that, on a market realisable value, there is still commercial value in that impairment. What the management team does on an ongoing basis is obviously tries to re-utilise all of that, what we call impaired inventory back in terms of the network process or a network investment or a network roll-out process. So it's something that follows quite a stringent commercial process before we take the economic impact for that impairment.
Sifiso Dabengwa	The impact of RICA was just a little bit worse than what was expected and the level of disconnections on the subscribers that were on the base at the time was actually a little bit worse than expected as well. And that has improved as we got into this year.
Phuthuma Nhleko	David, have you got another question. When you picked up your hand I was worried what question are you going to ask me that you didn't ask this morning. Anybody else? There is one question there.
Nicky Smith	Nicky Smith, Bloomberg News. Could you tell us please the empowerment transaction that you say is on course, when do you expect to have that concluded by and what will the stake size be? Could you give us some detail on how big that will be? Thanks.
Phuthuma Nhleko	<p>I'm not able to give details because obviously this is something that we are working on. I think as far as timing, all things being equal and there are a number of issues that we're still trying to resolve, we're still hopeful that you know by Q2 or Q3 we should be able to put out something that is very comprehensive. I mean, things could work such that we could do it even earlier but I would say that a reasonable guess at this stage would be, you know, around Q3 at the latest hopefully. The size, I think we did indicate last year that at the time the company acquired the new shelf block, that it's unlikely, given the size of the company, that it would be in excess of 6%. So it would be something meaningfully less than that but those are all the numbers that we are still working on. I really don't want to be quoted as saying that that's the number or that's the firm number. All I'm just saying is, given the size and the market cap of the Group, something in excess of 5%, 6% is most unlikely.</p> <p>If there are no more questions thank you very much and thanks for your attendance. Thank you.</p>

END OF TRANSCRIPT