



MTN Group Limited

DATE: 19/03/2008

MTN Annual Results Conference Call





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<p>Operator</p>	<p>Good afternoon and welcome to the MTN Group annual results conference call. All participants will be in listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should require assistance during the conference please signal an operator by pressing star and then zero. Please note that this conference is being recorded. At this time I'd like to turn the conference over to Debbie Miller. Please go ahead.</p>
<p>Debbie Miller</p>	<p>Good afternoon, this is Debbie, Head of Investor Relations for MTN Group. Thanks for joining us today to discuss the results for the year ended 31 December 2007. With me here today are Phuthuma Nhleko, group President and CEO, Rob Nisbet, the group Finance Director, and we have on the line Sifiso Dabengwa, the group COO. In addition we've got all three of the VPs. Two are here with us, being Christian De Faria, VP for the WECA region, and Tim Lowry, the VP for the SEA region. And then on the line we've got Jamal Ramadan, VP for the MENA region. They will all be participating in the call. In terms of the order Phuthuma and Rob will give a brief overview of the results, highlighting the financial and operational performance and bit of outlook, and then we'll move on to a Q&A session. So I'll hand over to Phuthuma.</p>
<p>Phuthuma Nhleko</p>	<p>Thank you very much Debbie, and welcome to everybody on the call. We will try and give a brief overview as I think most of you probably do have the more detailed results that have been published. I'd like to begin by saying that we are obviously very delighted to table a relatively satisfactory set of results for the year ended December 2007. The highlight of course is the huge growth in subscribers to 61.4 million at December 2007, and that is really a 53% growth year on year. Revenue increased 42% to R34.1 billion. And EBITDA was up 42% to R31.8 billion. Another fairly key highlight for us is of course the net debt to EBITDA level of 0.5 times. You'll recall that we had undertaken to reach a level of 0.4 times by December 2008.</p> <p>With all the adjustments that are attributable to Nigeria, we have an EPS of 681.9c for the year. And then Rob goes through the financials he will be able to shed some light on some of those adjustments. We have a dividend 136c per share, and this would constitute a dividend cover of five times, which is a higher dividend than the one we declared last year when we resolved to have a cover of around six times. We hope to maintain that dividend cover of five times for the foreseeable future, until there is a good reason to change. The other key developments in the group which we put out as priorities for 2007 was firstly the expansion by the group into new territories and broadening the base in existing territories. We have in this area increased the local participation of local shareholders in Nigeria, as well as Uganda and Cote d'Ivoire. In the case of Rwanda and Botswana we have increased our holdings because we were less than 51%.</p> <p>We have not been able to come up with any new territories, but we continue to look at opportunities to expand our footprint. And in all probability we'll see</p>



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that coming out of M&A related activities as opposed to large new licences. Nevertheless we continue to keep a very close eye to what's happening in the industry in this area. Of course we had to increase the infrastructure rollout, and ended up with a capex spend for 2007 that was around R14.7 billion. And that constitutes 21% of revenue. That of course reflects a fairly high demand in a lot of the key operations, particularly in Nigeria.

In looking at ways to exploit opportunities in our value chain and look at ancillary services, there were two key areas. The first one was really the whole convergence area, and us looking at how we could acquire ISPs to integrate them into our business. We have done that in Nigeria with the acquisition of VGC. We are in the process of concluding similar transactions in Cote d'Ivoire, and in Cameroon we also acquired an ISP last year. So that this is a theme we hope to get some momentum on during 2008. Of course in South Africa we did have discussions with Telkom along the same lines. Unfortunately those discussions did not result in a successful transaction.

We have also looked at mobile banking through a JV with Standard Bank. And it has been quite a challenge getting the momentum we may have wanted. But we do have now in excess of 250,000 customers, mobile banking customers, in South Africa. We intend to expand this fairly rapidly in 2008, launching mobile banking in Nigeria by June 2008. We have also initiated a JV on mobile television with MultiChoice. And again we expect to launch in Nigeria and Kenya by mid-year. And initiative or exercise that remains a key priority at all times is of course the ability to bring up the operational efficiencies in the group. And last year I spoke about the lease cost operator initiative, which will help us to centralise procurement and do all sorts of other things that enables the group to benchmark itself against its peers in the industry, and ensure that we're very competitive and even better. And we do believe that has yielded results in terms of a continuously improving group EBITDA margin, which is somewhere in the order of 43.8%.

We have also embarked on a number of processes that help us to standardise simply the way that we do things in the group, including standardisation of billing platforms and not having a proliferation of those, as well as methodology and outsourcing certain parts of the business that we think other people can do better and more cheaply. So that's really reflected in the EBITDA margin. Lastly, let me just say that we have had an upgrade from Moody's on the debt rating for the group. And of course with the debt having come down I think that is a very pleasing development for us. If I can focus for a few minutes on the key regional areas.

If we start with South and East Africa, we've had as fairly significant increase in subscribers to 19.3 million, driven primarily by South Africa, which is once again a demonstration that South Africa is certainly not ex-growth. The South African subscriber increase, as opposed to regional increase, was 17% to 14.8 million subscribers. And during the year we have been able to maintain a market share of around 36%. This has been through a whole number of initiatives, including the binding of products and reviewing the distribution channels to get a far more effective way of getting the product out. And of course also having lower denominated vouchers for the prepaid base.



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The post-paid base in South Africa grew by 9% to 2.9 million subscribers. And the prepaid base was 19% up to 12.3 million subscribers. So we're fairly happy with that development. There was also a fairly strong and focused rollout of base stations in South Africa. We rolled out around 370 2G base stations and about 380 3G base stations. Of course one of the key features of 2008 as we presented this morning would be to increase the capacity within the network in South Africa quite significantly during this year. Data in South Africa has gone up. It's a 42% increase to about R2.8 billion, which is about 10% of the total revenue for South Africa. The key feature here is that we are seeing SMS increasingly becoming a lower and lower percentage of that total data.

If we look at the West Africa and Central Africa region this of course now has become in absolute terms the highest EBITDA contributor to the group. And on our revenue basis it is fairly equal to South Africa, around 42% or so. But the region now contributes about 52% of group EBITDA. And of course Nigeria would be the largest contributor to that region, in other words about 65% of the West Africa and Central Africa region. Subscribers in the region increased quite significantly by 43% to 28 million subs. We've had a 34% increase in subs in Nigeria to 16.5 million subs. But of course this has also resulted in some higher congestion in the network in Nigeria, which is one of the reasons why we are going to have to ramp up quite significantly the network capacity in 2008. Market share-wise MTN Nigeria has managed to maintain its position around 43% market share.

Ghana was the other fairly large contributor in West Africa. As you may recall this was one of the key operations. In fact it was the largest operation of the Investcom stable. And I'm glad to say that we have also in that operation recorded an exceptional increase to 4 million subscribers from 2.6 million. So we've effectively almost doubled the size of the subscriber base and effectively doubled the size of the network by adding over 718 new BTSs in Ghana. But of course we remain in a very competitive position at 52% market share in Ghana.

The Middle East and North Africa region is not the largest contributor by subscribers, but certainly the fastest growing by subscribers. The region delivered growth of 186% subscriber growth to 14 million subscribers. This was of course very much underpinned by the significant growth in MTN Irancell. And we also undertook a fairly extensive re-branding exercise in the MENA region, and have essentially done all the operations, with the exception of Afghanistan, which we hope to complete by May this year. MTN Irancell has now had a full twelve months of operation. You will recall that we were at 154,000 subscribers at the end of December 2006. We did hit the 6 million mark at the end of December 2007, which implies a run rate of around 480,000 subscribers per month.

We are hoping that we do achieve the 7 million new subscribers in Iran at the end of December 2008, provided the kind of acquisition rate we envisage does hold up. The brand of MTN Irancell has been well accepted by the market. And of course together with that we've launched a number of



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products, including GPRS, which is really the first time it has been launched in Iran. The network rollout in Iran has been very fast. We now have over 2020 live sites in Iran, and it certainly appears that the turnkey model we adopted has delivered the rollout that we were looking for in Iran.

MTN Sudan is certainly one operation where we have had more challenges than we would have wished to have experienced. Firstly we had some technical problems during Q1 with the HLR, and then around mid-year we then had a very aggressive competitor in the form of the CDMA operator with very low tariffs and high handset subsidies. Notwithstanding that we still had a 96% increase in the subscriber base in Sudan to 2.1 million, and increase in market share to 28% in what is really a very highly competitive market. Unfortunately the ARPU in Sudan has been under pressure as a result of the much lower tariffs, so that ARPU has decreased from \$16 to \$12.

Lastly in the MENA region we can talk about Syria, which has had a stable performance and has increased its subscriber numbers by almost 40% to 3.1 million subscribers. The unfortunate structure in Syria is of course the fact that it is a BOT, and of course with fairly high revenue share. But of course we continue to provide fairly focused GSM services in Syria, which cannot be provided out of sync with our competitor, as that is really a fairly competition-regulated environment. We still hope to make progress on the revenue share, but for now it remains a serious challenge for us in Syria.

In conclusion, let me just highlight the five issues that we see as being the key challenges for 2008 for MTN. Firstly we believe that this business is highly sensitive to scale and economies of scale, hence the need to continue to look at expansion opportunities in regions including outside Africa and the Middle East. We have said that we've got huge traffic growth, huge demand, and as a result much larger capex in 2008. But I think it's also true to say that provides an opportunity for us to exploit that demand rather sooner than later, hence the larger capex number for 2008.

As far as the whole convergence debate is concerned, we will make sure that the group is well positioned to not be left behind in this area, and in essence be well positioned to continue to provide an integrated service to our customers, particularly the corporate customers. So we have most definitely continued to acquire ISPs in individual countries, and in South Africa we continue to reassess our position and see how we can make headway in that area. The driving up of efficiencies, and therefore the EBITDA margin, is a constant priority every year. We have moved the EBITDA margin at group level from 29% EBITDA margin in 2002 to close to 44.6% in 2007. So we think we're on the right track there.

And of course on the regulatory side we will continue to engage the regulators in all economies. In closing the guidance as regards new net subscribers for the year to end December 2008, I will do the key countries. In South Africa we see ourselves adding 2.2 million new adds. In Nigeria, 5 million. In Ghana, 1.3 million. In Iran another 7 million. In Syria, 680,000. In Sudan, 1.1 million. And the rest of the other medium-sized, smaller territories about 4.5 million. So that means we would add close to 22 million new



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<p>Rob Nisbet</p>	<p>subscribers in 2008, and hopefully push the group into a subscriber base of somewhere in the early 80s. And of course this is subject to a whole range of things that may or may not happen in the market. But nevertheless that's the guidance. I'd like now to hand over to Rob to go through the financial section, and then we will take questions after that.</p> <p>Hi, good afternoon. Thanks Phuthuma. I'll be pretty quick, because I think you've all gone through the financials. So if we just go to the key accounting considerations, as you know our effective tax rate increased to 39.5% from the previous 13.6% - the major contributor to that being Nigeria, which contributed some R4.6 billion of the R5.2 billion increase. This obviously reflects the end of the pioneer status. The put option you're all aware of from previously, and change of ownership had no real impact on the financials, other than Uganda which cleared late 2006. So when you get the comparative analysis, because we used to proportionally consolidate and now we fully consolidate that does obviously does come through as a change on that line.</p> <p>And then just on the forex loss of R804 million, that is made up of three key items. One is the put option, which comes through in the region of R286 million. The other is the forward points on our \$750 million loan, and that comes through at about R300 million as well. And then the final amount is the loss on the Dollar loans in Iran that came through at about R160 million. On the EPS and adjusted EPS, I won't go through that unless there are questions, because I think you're all aware of the reasons for that coming through.</p> <p>If we just go through to the income statement and look at the key items there, revenue was up 41% and without Investcom by 27.8%. Depreciation had a 22% increase, lower than the revenue increase. Finance costs were fairly large compared to last year. The major reason for that was obviously the four years interest cost coming through from the acquisition of Investcom. So the head office companies cost that comes through there is about R2.4 billion, and the two other major items are Nigeria as well as South Africa – close to R300 million each. Income tax expense, Nigeria at about R3.8 billion for the year. Ending up with our attributable profit for the year which is effectively flat.</p> <p>On the revenue analysis slide, I'll go to the second one, which is the restated Investcom, and just do a comparative analysis. On the other operations and South Africa, just to state that if you hadn't had the step ups in the various operations year on year it would have been an increase of 32%. The others I'm really not going to comment on, other than to say Investcom revenue year on year went up by 52%. On the EBITDA analysis the key item to note there is obviously the good performance coming through South Africa. On the other operations in the southern region the decrease there, effectively all operations decreased by about 2%. And Zambia made up the balance of that.</p> <p>West and Central Nigeria stayed flat. For six months it did come down due to</p>
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certain expenses that came through. Those expenses that came through to a certain extent are permanent expenses. So with each of the additional efficiencies coming through you would expect that EBITDA margin to remain lower than where it was for the first six months of the year. On the Rand side just to note on Iran with a loss of R180 million, that is the same as what it was for the six months to June. So Iran was positive on the EBITDA line from September, and it continues to be positive along that line.

On the EBITDA analysis, the restated for Investcom, in terms of the southern region other operations. EBITDA there year on year was up 26% when you reverse out the impact of the stepping up of the stakes in that region. And I think at the bottom, if you looked at the Investcom operations year on year increase in EBITDA was 60%. Profit after tax, I'm not going to comment there other than to say if you look at Nigeria bear in mind that we did reverse out the deferred tax item in Nigeria coming through. So if you included the normal tax from Nigeria coming through for the year and you reverse that out, the tax increase year on year in Nigeria would have been about 40%.

On the South African slide I'm not going to comment much on that. Nigeria, won't comment on that either, other than to say on the capex side you'd expect the percentage of revenue to increase next year. In fact, the same applies to South Africa. Intangible assets, in terms of IFRS we have now finalised all the Investcom purchase price allocations, so going forward there won't be a change coming through. The only impairment we see coming through at this point in time is effectively the Syrian one. Obviously with Syria being a BOT contract it means that goodwill does have to be amortised by the end of the licence period, which ends in about 2016. And as reflected on the slide the maximum impairment that will come through there is the \$52 million.

On the tax considerations just to note the two key items that effectively pushed our tax rate up to the 39.5%, being the Nigerian end of pioneer status at about 6.4% and the ineffective interest being not tax deductible on the Investcom acquisition counting for another 2%. If you looked at the slides that came through in June you would have seen the cash tax in Nigeria was actually converging in 2010. Due to the increased anticipated capex now coming through, that will really only converge in 2011 or 2012 now. So the cash tax will continue to be lower than the accounting tax rate. The reasons for the Investcom tax rates being as low as they are, we still have certain tax holidays coming through on those lines in Yemen and Sudan.

Balance sheet, I'm not really going to say much. If you look at other current assets there is the Iran loan in there of about R1.6 billion. So if you reverse that out you can increase that line by about 35% year on year. Net debt position, build-up in cash in South Africa and Nigeria. And then in the other operations, Ghana and Syria, we still have those cash build-ups where we're trying to get our money out of those countries. It's just a shareholder issue in Ghana, and in Syria it's just coming up with the change in legislation of how to externalise money via an official route. We'll just wait for that to be finalised.



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	<p>Interest bearing liability. The debt profile as you can see has picked up a bit in the current twelve months, but if you look at the facility that we have available, which is in excess of R20 billion, obviously that doesn't pose any issue going forward for the current year. Our rating upgrade did come through during the current year, and that allows for additional expansion or acquisitions to take place within MTN. So if we did do some acquisitions you wouldn't expect a downgrade to come through. We had very strong cash flow generation of R7 billion. The key issue there is if you look at the debt/EBITDA ratio we went from 1.01 at the end of 2006 to 0.5 at the end of 2007. And we have always stated that the objective was to get it down to 0.4 by the end of 2008. We may not quite get there because of the additional capex rollout. But we should be fairly close.</p> <p>I think the only other item is capital expenditure, which is quite a big item. If you look at where our capex original budget was for this last year of R17 billion, we spent R15.3 billion. If you add the foreign exchange impact on that you most probably get up to R16.5 billion. So we were a bit lower than the R17 billion guidance that we put out. Next year, although the approved budget coming from the board is R30 billion, we anticipate the impact on the balance sheet to be about R25 billion. Obviously the major pick-ups in two countries, South Africa and Nigeria, and likewise the savings with the carry-overs reducing it to R25 billion as opposed to the R30 billion is really coming from those two markets as well. Thank you very much.</p>
Debbie Miller	I think we can now move over to questions.
Operator	Thanks Debbie. At this time if you would like to ask a question please press star then one. If you decide to withdraw your question please press star then two. Our first question comes from Herve Drouet of HSBC. Please go ahead.
Herve Drouet	Good afternoon, Herve Drouet from HSBC. The first one is on some comments that have been put on Bloomberg etc about potential guidance by 2012 in terms of number of subscribers. It was at 214 million subscribers that has been quoted. Can you confirm that? And are you talking about MTN subscribers there, or is it the overall market subscribers you are talking about in this quadrupling of the subscriber base? A second question is regarding subscribers. It looks like there are differences in what the regulator in Nigeria is reporting as subscriber numbers and what you report. And I just want to see if you can give us a bit of light on where the discrepancies could be there. And thirdly, in terms of the tax in Nigeria, could you explain to me a little bit more why the effective tax rate in Nigeria went up to the 46% effective tax rate. Thank you.
Phuthuma Nhleko	Your first question, the 214 million came from the addressable market numbers for South Africa, Nigeria, Ghana. Iran, Sudan and Syria. And if you add those up it was 56 million for South Africa, 80 million for Nigeria, 23



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	<p>million for Ghana, 52 million for Iran, 18 million for Sudan and 12 million for Syria. It does add up to about 214 million. But that's the addressable market for all those countries, not just MTN subscribers so if you add up those numbers they come to 214 million, so I suspect that's where that came from.</p>
<p>Herve Drouet</p>	<p>Okay.</p>
<p>Phuthuma Nhleko</p>	<p>As far as your second question on the regulator in Nigeria, I would like to start off by saying the way that MTN counts its subscribers we really have got a fairly strict definition of that being somebody who makes a revenue-generating call within a period of 90 days. And that's how we have defined it. Think there are not too big differences between us and the regulator in Nigeria, but I am aware that some of the competitors in Nigeria have given out numbers that we were not in agreement with. But I guess it's not for us to comment on those numbers.</p>
<p>Rob Nisbet</p>	<p>On the tax, in Nigeria we had pioneer status, which is a five year tax holiday, which ended at the end of March last year. And at the end of that pioneer status what you then have is commencement provisions. So they assume that you've effectively started operations. And the way it effectively works is that you pay double tax for that period. So what it means is that basically for the twelve month period for ourselves, which ran from 1st Jan to 31st December, we effectively had 18 months imputed. So what it means is because we came out of pioneer status on 1st April, from then until the end of December they effectively charge tax in that period twice. So if you had to look at one of those months you would see your tax rate coming through in the region of 64%, whereas for the first few months of the year...</p>
<p>Herve Drouet</p>	<p>That would be 32%.</p>
<p>Rob Nisbet</p>	<p>Well 32% times two, Effectively 64%. Whereas for the first three months we were still during the tax holiday and therefore from the tax perspective we were still effectively raising a deferred tax asset. So in other words you're accrediting the tax line. For this next year going forward if you look at 2008 the commencement provisions now apply just to January, February and March. So it means for January, February and March we are double-taxed. So for the 12 months through to December you effectively have a 15 month tax imputed in those 12 months. So the tax rate for 2008 will be in the region of about 40% as opposed to 46%. Then obviously from a group perspective we'd end up in the mid 30s.</p>
<p>Herve Drouet</p>	<p>Okay, which means in 2009 we should expect an effective tax rate close to the official effective tax rate of 32%. Am I right in saying that?</p>



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Rob Nisbet	Absolutely correct.
Herve Drouet	All right. Thank you.
Operator	Our next question is from Alistair Jones of Newstreet Research. Please go ahead.
Alistair Jones	Hi, good afternoon. I just have a few questions on Ghana. If you look at the underlying revenue growth in local currency, you had a revenue growth from 50% in H1 to about 25% in H2. Now I understand you couldn't make any promotions in the last quarter so your net adds fell, but I was wondering if you could comment on the ARPU. I saw the ARPU in the nine months was \$16, and then in the full year it was only \$14 which implied a huge slow-down in ARPU in Q4. I was just wondering if you could explain that one. And then secondly on your guidance for net adds in the South African market, if I look at H2 your year on year decline in net adds is around 40%. Then your guidance has an implied uptake in terms of net adds. I was just wondering how you expect to stimulate the market in South Africa.
Phuthuma Nhleko	Okay can I ask Christian, the VP for West Africa to talk about Ghana? And Tim will talk about the South African situation.
Christian De Faria	Regarding Ghana, I think in the second period of the year we were obliged in Q1 to introduce some packages. So that meant we had effective tariff reduction in Ghana in the second period of the year.
Alistair Jones	Okay and you didn't really get any traffic stimulation as a result of that?
Christian De Faria	No. With the slow-down and the quality problem we had stagnation on the minute of usage. This has been resolved in January/February. So in January and February it returned to normal with the ARPU and minutes of usage.
Alistair Jones	Okay great. Thank you.
Tim Lowry	On South Africa I think we're focusing on a number of actions. If we talk about post-paid last year we had one of our best post-paid years. The upsurge in H2 was good. So hopefully this year we will get strong post-paid connections, and we are already seeing that. Secondly, on the prepaid we have launched dynamic tariffing. We believe that will result in strong additions, and it already is. Above all we think it will also have a reduction on our churn, so we are focussing on net adds on prepaid as well, where in the past we've been more focused on straight acquisition.



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Alistair Jones	Okay great. Thanks. Can I quickly come back to Ghana? On slide 19 you mentioned a market size of 23 million. Now that implies 100% penetration. That is pretty high relative to other markets. Is it right to look at that?
Phuthuma Nhleko	The 23 million, there is an error there. So the addressable market in Ghana is 15 million by 2012 and not 20 million.
Operator	Our next question is from William Kirby of Nevsky Capital. Please go ahead.
William Kirby	Thank you. Two questions. Firstly, on Iran. Bearing in mind the revenue share and the market dynamics what sort of EBITDA margins do you think we should be seeing in three or four years' time? Secondly, on the financing line. You identify one-offs related to the put option; the effective interest rate on your net debt still seems quite high, 14% or 15%. Is that what we should be assuming in the future? Or how soon do you think you'll be able to move cash around between your operations to get that down to closer to local interest rates? Thank you.
Rob Nisbet	On the EBITDA margin in Iran we've always stated we expect it to be in the mid 20s. We hoped to get it into the higher 20s, but we've always said mid 20s. If you look at the net interest rate obviously there is inefficiency with our cash balances relative to the debt and we are working on that. You could probably drop it down by 200 basis points for this next year, but we will still have an arbitrage coming through on that side.
William Kirby	Okay and will that continue to drop in a few years?
Rob Nisbet	Absolutely.
William Kirby	Okay brilliant. Thanks very much.
Operator	Our next question comes from Nick Kershaw. Please go ahead sir.
Nick Kershaw	Hi. Sorry, just a question for Christian. I know you commented a little bit on Ghana, but I think the situation is maybe a little bit worse than what you intimated. If you look at revenues, revenues actually went backwards in the second half. You had just over 2 billion in the first half and R1.75 billion in the second half, but at the same time EBITDA margin went up from 51.7% in the first half to 58.5% in the second half. So could you give a little clarity on that?



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Christian De Faria	I think definitely as I explained earlier there was the minute usage and also the tariff, and also we had some correction on the unknown revenue and the definition of the unknown revenue. But I think I need really to look into detail because the tariff reduction and minutes of usage was actually normal. Look I will check into detail and come back to you.
Nick Kershaw	Okay thanks.
Rob Nisbet	The other issue, I think if I'm not mistaken there was quite a large exchange rate movement in the second half of the year, so there was a devaluation of 10% that came through in Ghana. I'd have to look at the average for the first six and the second six. There is quite a large devaluation that came through.
Nick Kershaw	I did adjust for the currency and there was still an absolute decline in revenues when EBITDA margins actually went up. So I guess that was the one thing I was struggling to reconcile there. But moving on from that then, the second question is then in Ghana you're guiding for effectively lower net adds in this next year than what you did in the past year, yet you're spending more capex. The second question is then also on guidance for your other net adds for the group of 4.5 million. If you look in the second half of this past financial year you added 3.6 million subs in the other ops just in the second half. So I'm trying to understand why you've got such a big fall for net additions for the next 12 months for the others. So just the Ghana and then the other.
Phuthuma Nhleko	Look, I think this is probably one of the most difficult things to do, because firstly there is no magic formula on these things. We've got very strong competition coming into these countries, and as I mentioned this morning, even the small countries. If they start putting out ridiculous pressure and lowering tariffs or putting out subsidies, it can start eroding our share of those gross adds. So this is how we see the field playing out. The bottom line is they're new players. In Nigeria, as I said, Etisalat has just come in. They have got deep pockets and they are going to spend money. In Ghana MTC just got a licence. They are going to come in and spend money. In Uganda we've just had Warid and HITS. They have come in as well and they're going to spend money. And even small countries like Rwanda are now competitive. So we really have to give what we see as a realistic view. During the trade update we will take a view. The regulator is now playing a role. If they decide that congestion levels are high and say, we're not going to allow you to do any more promotions like they did in Nigeria and Ghana at the end of 2007, it does have an impact. And then maybe the last issue is of course transmission. If you take Ghana for instance you can only grow to the extent that we have sufficient transmission, and we are in the process of putting up that fibre backbone. That's just the reality on the situation and we've given a considered view on where we think we're going to end up.



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Nick Kershaw	Thanks Phuthuma.
Operator	Gentlemen at MTN, there are five questions in the queue. Our next one is from Scott Rile of Macquarie. Please go ahead sir.
Scott Rile	Thank you very much. My first question follows on from Nick's question just now which is in terms of the increasing capex that you're looking at for 2008, how would you have the market judge you in term of the success of those capex initiatives? Do you think over the next couple of years we'll see increased subscriber growth? Will it be a shift of your operating costs into capital costs so we'll see better margins? Or will it just be you'll be defending your market share? Can you give us a bit of guidance as to how you look internally at the success or the returns from the increased capex spend? And the second question I have is can you just remind us of the status of lock-ups for the management shareholding block please, and when will those blocks come off? That's it, thank you.
Phuthuma Nhleko	<p>Let me say something about capex, and I'd like Rob and Christian to comment as well. The bottom line is we have shown you the traffic growth in almost all the key markets. You are aware of what the congestion levels are in counties like Nigeria. Congestion in South Africa is also growing for an operation that has been around for many years. We're at 9% now. You've seen the growth in Iran; you've seen the projection. So quite frankly, we've got very little choice but to put up the capacity. But we've got no qualms in doing that, because if you take Nigeria for instance, that capacity that we continue to put on is met by the increase in billable revenue and subscribers. And we're just in a situation where that has to be done.</p> <p>Now, I know the number is fairly large, but we have to at some point break the cycle or reduce the cycle of being so far behind the demand on capacity provided, because that causes a lot of problems. Not only congestion; there are brand value issues and so on that have to be looked at. The R30 billion is a guidance number and some of it also translates to things that you have to do in 2008 that basically are for 2009. And there will always be elements of roll-over. I think that really is the essence of it. I think your second question was about the management lock-up. What were you referring to specifically?</p>
Scott Rile	I am just wondering, there is a fair block of shares within the management structure, and I'm just wondering what the date is that you're able to sell. I guess that's the number one issue.
Phuthuma Nhleko	The management holding, just to be absolutely clear, is not part of any contractual relationship with the company as such. It's held through a company called New Shelf. That block is held through a special purpose vehicle that is scheduled to unwind in December 2008 or early January 2009. So that's really where we are on that.



Speaker	Narrative
Scott Rile	Okay great. Thank you.
Operator	Our next question is from Denise Molina of E2 Research. Please go ahead.
Denise Molina	Hi, good afternoon. Thanks for doing a second call. I know you guys have been talking all day I'm sure. Just to go back to the capex, what do you think the longer-term capex is going to be? It is going to return in 2009 to previous levels? Do you think that in South Africa and Nigeria you can get down to longer-term lower double-digit capex? And in Iran there have been lots of reports that MTS is going to get a licence. I'm wondering if you could update us on that. And lastly, if you could just give us... can you confirm the longer-term estimates for EBITDA margins in Iran?
Rob Nisbet	Just on the capex side, we're pretty confident that as the market is going to churn capex will drop down to high single or very low double digits. And I mean in a market such as South Africa with the capex prices continuing to come down, provided no new technologies come through, I see no reason why that shouldn't be in the high single digits. It's going to take a while to get there. If you look at South Africa, I think we'll get down to the lower single digits pretty quickly after this year's spend, but if you look at Nigeria and some of the other markets the growth that is still coming through is quite high. So that is obviously going to take quite a lot longer, because we do need to put the capacity in.
Phuthuma Nhleko	In response to your question on a licence in Iran with MTS, the situation is that around June this year the Iranian regulator is quite entitled to issue another licence based on the licence conditions. And if they did we would expect that after that whole process of that operator beginning operations it would not be before the end of the year or early in 2009. I mean that's an optimistic view. We don't know for sure. As to who that operator is, we don't know who that is. But we acknowledge that there will be competition in Iran in the next year.
Rob Nisbet	And the EBITDA margins as we said, mid 20s to high 20s in Iran. That's what we currently are estimating.
Denise Molina	Okay. Can I just go back to the capex question? In Nigeria you did 24% capex to sales. Do you think 2009 will be closer to 24% or around the mid 50s that you're forecasting?
Rob Nisbet	No, no. It will definitely come back to around the 20s or just below that.



Speaker	Narrative
Denise Molina	Great. Thanks so much.
Operator	Our next question is from Brad [unclear] of Oaktree Capital. Please go ahead sir.
Brad	Yes, hi. Good afternoon. Just a question on the competitive situation in your major markets. I know you've talked some about it here already, but could you just tell me where you stand. I'm really just interested in the pricing in each of the major markets, and how competitive pressures are impacting pricing in those markets.
Phuthuma Nhleko	Well, maybe you guys want to talk about that. Maybe Tim can do some and then Christian can do some.
Tim Lowry	In the South African market clearly if we forecast demand correctly and if we don't have significant congestion on our networks then I think we can demand a premium to our competitors. If you're in a position where you have issues on your network, you have to obviously sometime move people to different times of the day, and that does mean discounting a bit. So as far as South Africa is concerned there has been significant downward pressure on data prices. I think that has now stabilised. On voice people are looking at innovative ways of reducing the amount of ARPU.
Christian De Faria	In West Africa there has been increasing competition in the market, but I can say that we have not seen that as a result of the competition a massive decrease on the tariff or the ARPU. We have relatively low penetration or the market is growing on its own and with a comprehensive value proposition we have been resisting the price decrease. So at the moment there are no major worries.
Phuthuma Nhleko	Can I say, we are under a bit of time constraint, so maybe can we take two more questions?
Operator	Thank you. Our next question would be from Sergei Arsenyev of Goldman Sachs.
Sergei Arsenyev	Good afternoon. Could I follow up on the capex question as well? Out of the capex in South Africa adjusted for 2008 how much is 3G related? And my second question is on Nigeria. Given that you maintained relative ARPU stability in the face of very rapid increase in subscribers, I was wondering where you see ARPU development in 2008 given the subscriber growth.



Speaker	Narrative
Tim Lowry	<p>If you take the capex of R7.1 billion, R5.2 billion is directed towards the network. And we had to do really three things in the network. One is to increase what we call the core or our transmission capability. And I would think that probably two fifths of our capex would be directed towards that area. And then I would say the balance of the three would be 50% 2G and 50% 3G. If you then look at the other areas of capex we have areas to upgrade some of our IT systems, particularly our retail and our call centre systems. And then we are going to be undertaking some retail expansion and we have some capex earmarked for retail expansion as well.</p>
Operator	<p>Thank you. Our final question today comes from Igor Seminov of ING. Please go ahead.</p>
Igor Seminov	<p>Yes hi. Thank you. I have one technical question on South African effective price per minute. It seems that this went up quite significantly if I divide up per minute. I was wondering what went on there. And secondly, I just wanted to go back to capex and the relationship between capex and ARPU. What do you think the increase in capacity is going to do to the deeper levels of the market and what sort of ARPU erosion are you expecting?</p>
Tim Lowry	<p>On the South African minutes, first of all last year we had a higher acquisition of prepaid rather than post-paid, which results in higher relative effective tariff per minute. And then with the lower denomination tariffs boosting our ARPU on prepaid that also gives us a higher effective per minute because we have higher margins on those products. On the capex side in South Africa I think you have to go two ways. One is by expanding our 2G capability we can penetrate areas where there are populations that we don't cover at this moment in time. But I would also argue that if we can increase the quality of our network and reduce our congestion we will make it more attractive for higher value customers. And therefore I believe we will get an uptake in post-paid customers in time.</p>
Igor Seminov	<p>And in other markets? In Nigeria and Ghana?</p>
Rob Nisbet	<p>You will see those ARPUs coming down across the board, because the growth that is coming through is still off a fairly high base. If you look at Nigeria and the growth that we're forecasting, those ARPUs will come down.</p>
Igor Seminov	<p>Can you give a ballpark? Is nit 10% or 20%?</p>
Rob Nisbet	<p>Over what period of time?</p>
Igor Seminov	<p>Over 2008.</p>



Speaker	Narrative
Rob Nisbet	We've said our marginal ARPUs at the moment are \$10 and we've given the sub-numbers. So effectively if you push that through you will see your ARPUs are most probably dropping by about \$3.
Igor Seminov	Okay. Thank you.
Rob Nisbet	That's assuming exchange rates remain the same. Obviously there was a bit of a pick-up this year on the exchange rate because the Naira did strengthen against the Dollar.
Igor Seminov	Also on the capex, can you just explain? Obviously this issue has not just happened, so you probably saw that building up. I'm just wondering why you held off capex spend? Why did you spend less than approved? Is it some technical issues or what was the reason?
Phuthuma Nhleko	When you say we saw it coming it's not unfortunately always that easy. We did have a promotion starting towards the end of 2006 that did have an element of reducing tariffs. And of course the elasticity was far more sensitive than we had thought, and I thought that diluted the demand. Having said that, having the budget approved, logistics in these countries is very difficult. There is congestion in the ports; there is lack of infrastructure and so on. So to have a budget that says I'm going to spend X billion, putting it in the ground is never that easy. As I indicated this morning I think over five years there is every year improvement. We are now doing over 150 base stations per month and so on. So it is very much a logistics issue as well in getting it into the ground.
Igor Seminov	Are you confident you'll be able to spend what you budgeted for 2008 and overcome this situation?
Phuthuma Nhleko	I think what we said this morning is we believe that what has been approved for 2008 we'll try to get a substantial portion of that into the ground. And some of that may end up in a roll-over in terms of commitments for the first quarter of 2009.
Igor Seminov	Okay. Thank you very much.
Rob Nisbet	Just one other quick issue. Nick, I'm not surprised that no one here could answer your question. There was an elimination issue, and if you look in local currency there was an increase of 18% six months and six months in Ghana. That was for Nick Kershaw. I know you can't answer me, but that's the



Speaker	Narrative
Operator	answer for you. Gentlemen, that was the last question you requested.
Phuthuma Nhleko	Thank you very much and I'm sure we'll talk in June. Thank you.
Operator	Thank you. On behalf of the MTN Group that concludes today's conference. You may now disconnect your lines.

END OF TRANSCRIPT