



## Non deal roadshow

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# Agenda

## 1. Unpacking the fx impact

- a. Fx rates
- b. Risk management
- c. Translation impact
- d. Functional currency impact
- e. Nigerian put option

## 2. MTN South Africa update

## 3. Capex update

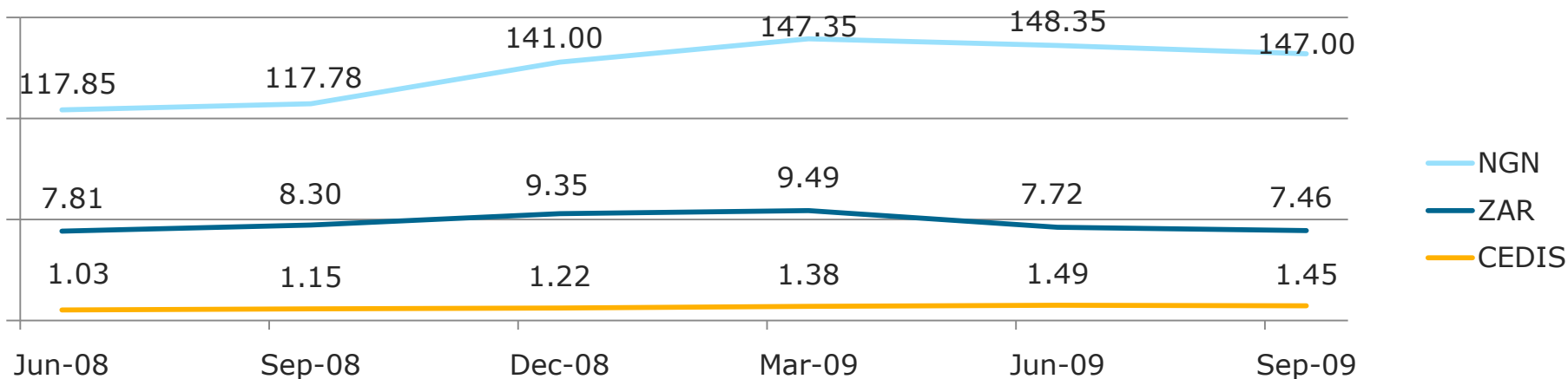
## 4. Subscriber guidance



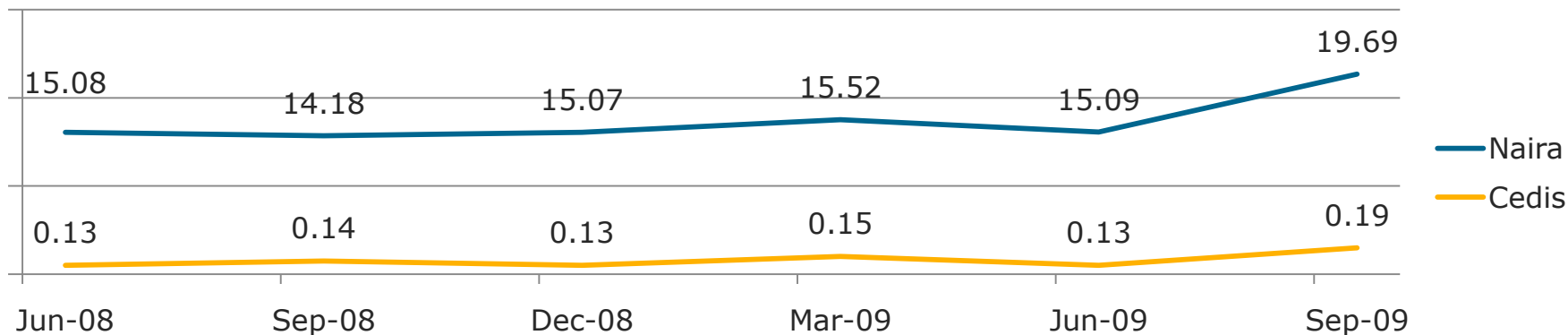
# Exchange rates – closing rates



## USD: Local currency



## ZAR: Local currency



# Managing fx risk



Translation risk not hedged

- Diversified earnings
- Key countries includes Nigeria, Ghana and Iran

Local currency funding maximised

- Improves currency match to revenue stream
- Local currency fundraising during 2009:
  - Côte d'Ivoire
  - Uganda
  - Rwanda
  - Benin
- Local currency debt also non-recourse

Affected by functional currency changes

- Fair value adjustments on foreign denominated assets and liabilities required at end of each reporting period
  - Gain or loss to income statement
  - Relevant when asset/liabilities is not in the same currency as reporting entity
- Managing Iran loans is key to reduce impact
- Affected at both opco and group level

# Managing fx risk



## Capex exposure managed

- Approx 50% to 70% of capex is foreign denominated
- Hedged where possible through
  - Denomination of contracts – SA
  - Cash back LC's – Nigeria

## Handset subsidies hedged

- Principally a SA issue
- Mainly USD denominated
- Guided by Group hedging policy –min of 50% covered and/or max of USD100 million uncovered on firm orders
- Other opex – max local currency supply where possible

## Cash management

- Upsteaming dividends
- Keep opco's leveraged

# Translation impact



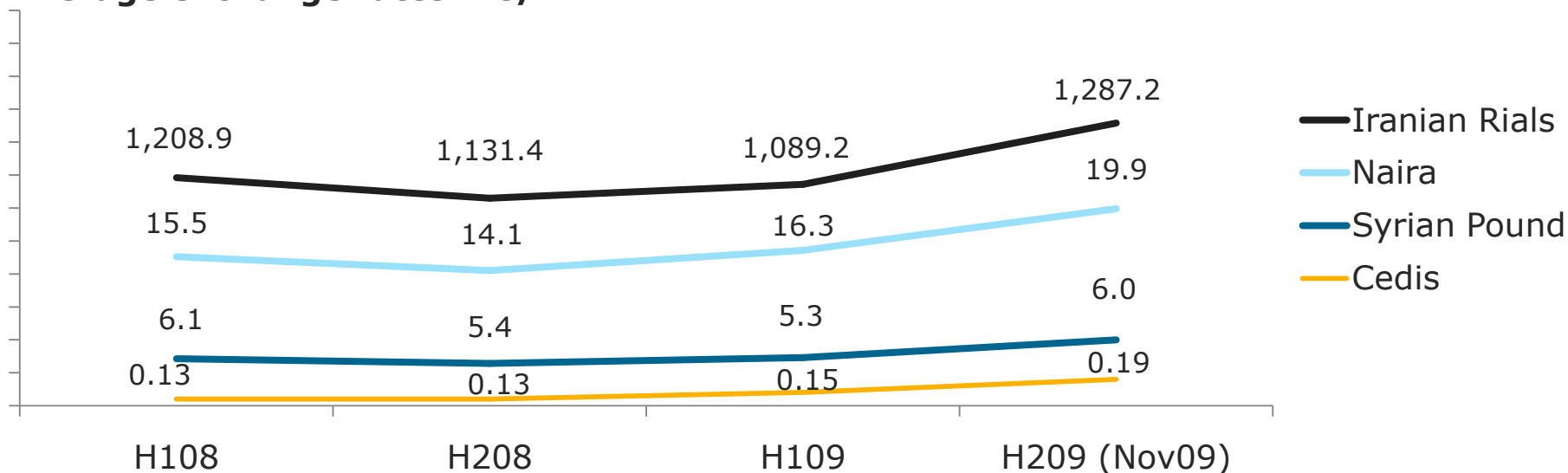
## June 2009

Revenue ZAR million	6 months ended Jun 09	% change ZAR	% change LC's
Nigeria	17 837	32.7	38.5
Ghana	2 955	3.9	22.8
Iran	3 897	103.8	83.5
Syria	3 520	22.8	5.3

## Considerations for Dec 2010

- Headwinds as ZAR appreciates together with USD decline against local currencies
- Impacted mainly by
  - Nigeria
  - Ghana
  - Euro pegged countries

## Average exchange rates: LC/ZAR



# Functional currency impact



ZAR million	6 months ended Jun 09	6 months ended Jun 08	% change
<b>Net attributable earnings to Company's equity holders</b>	<b>7 630</b>	6 240	22.3
Loss on disposal of non current assets	109	88	(23.9)
<b>Basic headline earnings</b>	<b>7 739</b>	6 328	22.3
Reversal of put option in respect of subsidiary	(963)	865	
Reversal of the subsequent utilisation of deferred tax asset	-	425	
<b>Adjusted headline earnings</b>	<b>6 776</b>	7 618	(11.1)
Functional currency loss / (gain)	2 823	(878)	
Deferred tax (asset) / liability on functional currency	(790)	246	
	<b>8 809</b>	6 986	26.1

Functional currency loss / (gain)	6 months ended Jun 09	6 months ended Jun 08	12 months ended Dec 08
Iran loans	1 774	(980)	(2 218)
Bank balances	688	(57)	(279)
Other assets and liabilities	361	159	79
	<b>2 823</b>	(878)	(2 418)

Majority of losses at Group level, due to Mauritius being Rand reporting entity

# Technical analysis of the Nigeria Put Option



## Rationale

In terms of IFRS, MTN has no control over the exercising of the put and therefore cannot avoid an outflow of cash, hence must provide for potential liability, regardless of the fact that in return for the cash outflow an asset will be acquired at fair market value

### Inception

1) De-recognise the sale to minorities

2) Raise the liability at fair value

### Each reporting period

- a) Fair value reassessed at each reporting period
- b) Revalue the liability (USD → ZAR)
- c) Put only exercisable between 2008 – 2013 therefore present value the liability
- d) Reverse out current period minority profit



# South Africa-key current considerations



## RICA

- Implementation of RICA since 1 August slows gross connections by 68%
- Distribution strategy under review

## Reduction in interconnect

- Net interconnect margin reduced
- Business starting to prepare for lower interconnect environment

## Technical issues

- System stabilized as a first measure
- New wholesale billing system implemented
- Focus shifting to customer facing systems

## Competitive environment

- Aggressive competition, specifically in prepaid
- MTN competitive position is key

## Economic dynamics

- Impact of negative sentiment expected to continue into next year

# Key considerations cont'd



## Distribution

- Italk and Cellplace integrated successfully
- Reviewing channel profitability of existing footprint
- Yello Stormers

## Data

- Integration of NS and Verizon into MTN Business
- Well positioned in data (23% market share)
- Aggressive new value proposition launched in Q3
- Share of blackberry market – 33% (from 4% previously)

# Capex



## General

- Network investments expected to have peaked in 2008/2009
- Expected spend 2009 –ZAR35bn
- Return on investment is key focus going forward
- Significant reduction on capex spend anticipated in 2010

## South Africa

- 2009 peak capex spend of R7.4bn
- Coverage, capacity, fibre deployment, modernisation of networks and improved data focus and offerings built
- 2010 focus on customer facing capex (IT), continued fibre rollout and maintenance of networks

## Nigeria

- Widest 2.5G, 3G and fibre optic network coverage currently
- Headroom built in 2009
- Focus on 2G and 3G BTS's to maintain headroom going forward

## Ghana

- Improved network quality during 2008/2009
- Capex focus on radio, core and transmission
- Site sharing remains a priority

## Iran

- Extensive population coverage created
- Site build in Tehran and Isfaham, a 2010 priority
- Improvements on quality of network still key

# Subscriber guidance 2009



	Net additions guidance for Dec 09		comments
	At Aug 09	At Sep 09	
<b>South Africa</b>	500	0	Generally on track to meet subscriber guidance expect in South Africa
<b>Nigeria</b>	7 400	7 400	
<b>Ghana</b>	1 400	1 400	
<b>Iran</b>	6 000	6 000	
<b>Syria</b>	400	550	
<b>Rest</b>	6 900	7 250	
	<b>22 600</b>	<b>22 600</b>	



**Thank you**

Questions



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