

**MTN Group Limited**  
**24/04/2008**  
**Q1FY2008 Results Conference Call**





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<p><b>Operator</b></p>	<p>Good afternoon and welcome to the MTN first quarter results conference. All participants are now in listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during the conference then please signal an operator by pressing star and then zero. Please also note that this conference is being recorded. I would now like to turn the conference over to Debbie Miller. Please go ahead.</p>
<p><b>Debbie Millar</b></p>	<p>Good afternoon. This is Debbie Millar, Head of Investor Relations for MTN. Thanks for joining us today for MTN's results for the quarter ended 31 March 2008. With me here today are Phuthuma Nhleko the CEO, Rob Nisbet, group Finance Director, Tim Lowry the VP of the SEA region and Christian de Faria, VP for the WECA region. Phuthuma will just quickly give you a brief overview of what is included in the SENS and thereafter we'll move to a Q&amp;A session.</p>
<p><b>Phuthuma Nhleko</b></p>	<p>Thank you very much Debbie and afternoon to everybody else. Of course we are essentially just giving you our usual trade update for the first quarter, which is by far and large the subscriber numbers as well as the ARPU numbers for each country. We have had an 11% increase in the subscriber base from around 61 million at the end of December 2007 to 68.2 million subscribers at the end of March 2008. So I think it was a fairly strong growth for the three months. I think if you look at the growth on a regional basis the Southern African region and East African region really now constitutes about 29% of the total group subscribers. West Africa of course continues to grow, and is now around 45% of the total subscriber base. And lastly, of course, the MENA region is significantly impacted by the contribution for Iran. And that now constitutes 26% of the total subscriber base for the group.</p> <p>I think in looking at the SEA region in more detail, we're still seeing a 4% growth for the quarter, which is still in our view quite satisfactory growth, even though almost 76% of that is coming from South Africa. The post-paid growth is also satisfactory. We would like to have seen a stronger growth in post-paid, but the net connections for the quarter on post-paid has increased by 44% to 2.6 million subscribers. Prepaid growth has in South Africa been affected by dynamic tariffing through a product that we call MTN Zone. We've seen quite a large take-up from that. We now have something in the order of 3.8 million subscribers on this product, and about 128,000 of the new connections are really first time connectors who have come through dynamic tariffs. The other 3.8 million are people that were already on the network and have elected to go onto the product.</p> <p>Uganda increased their subscriber base by 2%. And with the increased competition that we have seen in Uganda one would expect the growth during this quarter to be somewhat neutered. Competition in Zambia is primarily from Celtel has allowed us to increase our subscriber base in Zambia by 34%, which is quite significant for the quarter. So I think we are starting to enter into a turn-around phase for Zambia. Rwanda's increase is</p>



Speaker

Narrative

16% for the quarter. Of course we have had a significant tariff decrease in Rwanda, so that most probably has helped the take-up in Rwanda.

If we look at the West and Central Africa region, the region recorded a 9% growth in subscribers for the quarter, with Nigerian operations contributing 58% to the subs in this region. And Nigeria itself increased 8% for the quarter to a total of 17.7 million subscribers. Of course, as you well know, in Nigeria we have got a fairly aggressive rollout programme, and I'm quite happy to say that we've put up over 280 base stations during this quarter. We expect the monthly run rate to ramp up to closer to 150 to 200 base stations per month going towards the end of the second quarter. Ghana increased its subscriber base to 4.4 million subscribers, and of course we did have quality issues in Ghana. That has been mitigated as we roll out more and more base stations and put out more transmissions. During the last quarter Ghana rolled out about 102 base stations. And of course that is still part of the much larger capex rollout for Ghana for 2008. In Cameroon, another operation that has been going for quite a long time, we're still seeing some fairly strong growth in subs, an increase of 12% for the quarter to 2.85 million subs. This has been really supported by a lot of marketing activities in Cameroon.

I think coming back to the MENA region, which recorded an increase of 26%, driven primarily by Iran, that region now has about 17.6 million subscribers on a complete regional basis. As I indicated, Iran increased its subs by 50% during this quarter to nine million subscribers. So I think even though it's only the first quarter we're still very much on track for the numbers we guided for Iran. You should note that the number disclosed in mid March of 9.3 million for Iran incorrectly included inactive sim cards given away as part of the promotion there in Iran. In some of the smaller countries in the MENA region we have also seen significant growth. Sudan and Afghanistan were 13% and 22% respectively. Of course these are small countries that have low penetration, hence the large entries in subs.

We have provided you with Q1 ARPU's for most countries, and these are mostly affected by the year to date way of calculating ARPU. More importantly, MTN South Africa's blended ARPU decreased by 3%. This could partly be the impact of rising inflation. Sorry, what I meant is that the 3% increase has not really been heavily impacted by the inflation. Nigeria, Ghana, Cameroon, I think is fairly clear there that the ARPU's remained quite strong, even though we've had increased penetration in those countries. And the same can be said for Sudan and Afghanistan where we've had very strong subscriber growth and some decline in tariffs. And I'm sure you'll see that coming through in the numbers we've given.

Lastly I think we should advise that there has been a correction in the Ghana 2007 revenue number. That was announced on 18<sup>th</sup> March. And when we did the results we did say that there were some accounting issues that had to be cleared there. Anyway, it now reflects a revenue of R4 billion and ARPU of \$15 for the full year to 31<sup>st</sup> December 2007. That was specifically on Ghana. So I think just to conclude, we believe that we have established a solid platform to grow the subscriber base, and we will continue to do so. And we did say this was the year we would be investing very heavily in improving the



Speaker	Narrative
	<p>capacity and quality of the networks in all the countries, obviously the larger operations being the main targets. We will continue to look at opportunities through regional synergies in these countries. And I'm sure that we run the small operations efficiently without high overheads. As far as international expansion goes, that we will continue to do, and continue to look at opportunities that will enable us to diversify our earnings beyond certain geographical locations. We continue to look at increasing our data growth from customers. And then finally, the whole exercise of optimising our capital structure by leveraging the centre and raising more debt at an operational level is something that will continue to be a key focus for this year. Thank you very much and I think we'll take some questions on this trade update.</p>
<p><b>Operator</b></p>	<p>Thank you very much sir. Ladies and gentlemen, at this time if you would like to ask a question please press star and then one on your touchtone phone. If you then decide to withdraw your question please press star and then two to remove yourself from the queue. Our first question comes from Igor Seminov of ING. Please go ahead. My apologies. We seem to have lost Mr. Seminov. Our next question will come from Reece Summerton of Citi. Please go ahead.</p>
<p><b>Rhys Summerton</b></p>	<p>Hi there. I just wanted to touch o two things. One, your dynamic pricing has obviously been quite successful. Can you tell us whether that has had any impact on your churn? And also if there are any repercussions down the channel, any increased incentives from all the subscribers coming on but on the prepaid side. And secondly Sudan on the ARPU line, there's quite a big decline there. Could you tell us what is going on with that? And back to South Africa on the usage line, have you seen the usage numbers pick up or have you just seen the subscriber numbers pick up? Thanks.</p>
<p><b>Phuthuma Nhleko</b></p>	<p>I'll ask Tim to deal with dynamic tariffing, the MTN Zone product in South Africa, and Jamal will talk about the ARPU in Sudan.</p>
<p><b>Tim Lowry</b></p>	<p>Good afternoon. On the churn figures, we don't yet have that type of detail. But if I just give you an indication of what percentage of our prepaid base percentage and minutes I think it will go some way to answer your question. 31% of the prepaid base is now on dynamic tariffing, which is accounting for 35% of the prepaid revenue and 41% of the minutes. So what we are seeing is an uptake on net minutes as a result of dynamic tariffing. But we are also seeing people dialling out off-net more, and consequently creating more inbound traffic as well. So we believe – and it's early days – that the impact on ARPU is favourable. As for channel incentives, there are no different channel incentives being put in place.</p>
<p><b>Rhys Summerton</b></p>	<p>You're on-net traffic is going higher, right? So we should see higher EBIDTA margins coming through in that business, given that it's such a big part of your prepaid base already.</p>



Speaker	Narrative
<b>Tim Lowry</b>	Well, I think you have to be very careful because we're dealing with data on a number of weeks rather than over a number of months. Probably we'll be in a better position at the half year.
<b>Rhys Summerton</b>	If you think of the way dynamic tariffing works, obviously it's a discount off the standard rate. So you would expect your minutes to increase and potentially revenue to stay the same or increase slightly, and your ARPU's to stay the same or increase slightly. I mean that's really the dynamic. So your minutes will increase and ARPU's may increase.
<b>Tim Lowry</b>	I think what we're saying is that the evidence we have is positive to ARPU.
<b>RhysSummerton</b>	Yes, I mean if elasticity is better than one then it's going to be positive. But the other positive could be that you're driving on-net minutes higher, which is driving your margins up.
<b>Jamal Ramadan</b>	On Sudan on the ARPU, it's basically coming from two reasons. The first is that on the Sudanese markets the increase of [unclear] influences the purchasing power of the market when it comes to our product. And the second, the difference with initial guidance we had is that the third quarter of 2007 has been subject to very aggressive offers from the competition which drove down the ARPU, including ourselves. So in terms of the trend coming from the last quarter of last year, it's in line, but it's [unclear] than the budget.
<b>Rhys Summerton</b>	Thanks. Just o the dynamic pricing. Are you going to introduce that in any other operations?
<b>Phuthuma Nhleko</b>	I think that we will look at it on a case by case basis. There are two operations were we're already looking at, Cote d'Ivoire and Ghana. So the answer is yes.
<b>Rhy Summerton</b>	Thanks very much.
<b>Operator</b>	Our next question comes from Igor Seminov of ING. Please go ahead.
<b>Igor Seminov</b>	Hi. Can you hear me now? I have a question on subscribers and on ARPU's. The first question is on subscribers. You have some very strong additions for the first quarter, so are you perhaps in the position to update you guidance as far as the annual subscriber growth?



Speaker	Narrative
<b>Phuthuma Nhleko</b>	Look, I think the answer to that is no. We wouldn't want to do that now, because some of them are affected by certain things. If you take a typical example of Iran, I think we did indicate that there was the Nowrūz period, which is the end of the Iranian year. And it tends to be a festive period as well. That run rate will not necessarily be maintained during the year. So we can't do any changing of guidance at this stage.
<b>Igor Seminov</b>	Then on the ARPU's, some of the markets you saw an increase in ARPU's, so I just wanted to understand perhaps in Benin the [inaudible segment] so the fact that you were not operating for two months in 2007. Could you perhaps explain the increase in Zambia, Congo Brazzaville and... there was an increase somewhere else.
<b>Phuthuma Nhleko</b>	Look, in Benin, yes, you've got to take into consideration that for three months we were off air. In fact it was for somewhat longer than three months. In Zambia, Tim do you want to talk about the area?
<b>Tim Lowry</b>	The fact that we got a more competitive offering, we're attracting a better mix of customers.
<b>Rob Nisbet</b>	And the exchange rates in Zambia added about a 6% impact on the ARPU.
<b>Igor Seminov</b>	Okay thanks. And also finally in Syria. It seems like fairly weak additions in that particular market. Any reasons for that?
<b>Jamal Ramadan</b>	In fact, the net additions are weak this is half of the year. The churn is very high, and this is due to some regulatory restrictions that we have on changing the period of our recharge card. But the churn has been higher, and we have now agreed with the authority to [inaudible segment].
<b>Igor Seminov</b>	Thank you very much.
<b>Operator</b>	Our next question comes from Alex Radford of Nevsky. Please go ahead.
<b>Alex Radford</b>	Hi there. I have a quick question on ARPU's as well. What's the ARPU of the margin of Nigeria new subscribers? Christian, are you on the line?
<b>Christian de Faria</b>	I am on the line. Can you repeat the question please because I didn't really get it? The marginal ARPU you mean?



Speaker	Narrative
<b>Alex Radford</b>	What's the ARPU of a marginal subscriber in Nigeria? A new subscriber to the network.
<b>Christian de Faria</b>	Between \$8 and \$9.
<b>Alex Radford</b>	Thanks a lot.
<b>Operator</b>	Our next question comes from Craig Hackney of BJM. Please go ahead.
<b>Craig Hackney</b>	Good afternoon. If you look across your territories, are there are territories standing out at the moment as perhaps turning out to be more competitive this year than you expected? Maybe trading behind plan? And then on the slip side, ones that are perhaps trading ahead of your business plan at the moment.
<b>Phuthuma Nhleko</b>	In terms of competition, obviously in Uganda there has been very strong competition. We've now got four new licences in Uganda, so competition there is strong. As Jamal mentioned, in Sudan as well and Afghanistan competition has been very strong. In Sudan it's not necessarily more licences, but it's more the behaviour of the government operator subsidising handset tariffs. And in Sudan we've got a new operator in the form of Etisalat, and in Yemen as well. So I think generally we're seeing more competition in all the countries, even the smaller ones. That's really where we are.
<b>Craig Hackney</b>	And is that competition coming through a little bit more strongly than you would have expected, or is it pretty much as you would have expected?
<b>Phuthuma Nhleko</b>	Look, it's hard to generalise, but I would say generally it's more or less what we've expected. Nobody has been completely irrational, let's put it this way. Maybe Sudan might be an exception in that respect. But yes, the competition has been strong.
<b>Craig Hackney</b>	And then on the plus side, are there any territories that stand out as trading ahead of where you expected them to be?
<b>Phuthuma Nhleko</b>	As you know we try not to give guidance on those numbers. Let's put it this way. We are relatively happy with where these operations are trading at the moment.



Speaker	Narrative
<b>Craig Hackney</b>	Okay, thank you.
<b>Operator</b>	Our next question comes from Herve Drouet of the HSBC. Please go ahead.
<b>Herve Drouet</b>	Thank you. Two questions firstly on South Africa. You show historically a higher percentage of revenue in South Africa. Can you tell us for Q1 if the trend is continuing? Can you provide us an update maybe on HSDPA and 3G general subscribers in South Africa? The second question is regarding the currency change. Can you highlight this in some of the countries where you operate if there has been some currency swing, either positive like in Zambia, or negative as well? Thank you.
<b>Tim Lowry</b>	On South Africa I think you can say the trends remain as we reported at the full year.
<b>Herve Drouet</b>	Do you have any updates?
<b>Tim Lowry</b>	I don't have any detailed figures, but the one thing I do know is the whole industry ran out of data cards, and the shipments have reasonably been restored. So I think the demand is continuing.
<b>Rob Nisbet</b>	On the exchange rate side, I mean in the majority of countries the currency did strengthen against the Dollar. When I say the majority I mean the majority. Other countries like Swaziland, which is obviously linked to the Rand, devalued. Botswana went down a bit, and so did Ghana. The rest basically went up. And the range of them going up is 5% to 8%.
<b>Herve Drouet</b>	Thank you very much.
<b>Operator</b>	Our next question comes from Alexander [unclear] of Goldman Sachs. Please go ahead.
<b>Alexander</b>	Hi. I have two questions on ARPU dynamics in South Africa. You were saying that inflation acceleration may impact the ARPU later this year. Do you expect a price increase, or do you think that there will be a usage pickup? That's my first question. And my second question is on Iran, your subscriber guidance for the year end. You connected 3 million subscribers, and your guidance for the year was 7 million. Does this mean you expect to add on 4 million for the last three quarters? Or do you expect more additions for the full year?



Speaker	Narrative
<b>Tim Lowry</b>	I'm slightly confused about the comment on inflation. But putting that aside, we don't foresee any rise in ARPU's in South Africa.
<b>Rob Nesbit</b>	I think just to put that in context, if you go through the announcement what we're saying is if you look at the decline in South Africa because of the seasonality we would expect a larger decline than 3%. And we're saying it only went down by 3%. You're not seeing the inflationary pressures coming through and decreasing that by more than that. So that's really the comment that came through in the announcement.
<b>Alexander</b>	And on Iran?
<b>Phuthuma Nhleko</b>	We're not sure we understand the question in Iran. All we are saying on Iran is the guidance that we gave for Iran, which was another 5.5 million subscribers, we are maintaining that. And therefore we're not expecting to revise that upwards. I think the second part of your question was on ARPU in Iran. I didn't really understand.
<b>Alexander</b>	In the three coming quarters if you are going to get only the balance of what you have already.
<b>Phuthuma Nhleko</b>	No, absolutely not.
<b>Operator</b>	Ladies and gentlemen, a reminder that if you'd like to ask a question please press star and then one now. Our next question comes from Irnest Kaplan of Kaplan Equity. Please go ahead.
<b>Irnest Kaplan</b>	Hi, could you just give me an idea of to what extent will the ARPU's for Q1 lower as per normal for the seasonal impacts, where there is a lot more activity in the last quarter of last year as opposed to the first quarter?
<b>Rob Nisbet</b>	If you just go through and look at it, I think in those markets where we've had a large amount of competition coming through, such as Uganda as well as in Sudan and Afghanistan, that is definitely higher than what we would be expected. Those are probably the markets where you're getting a lot more coming through. In the others, it's more the norm of the seasonality coming through.
<b>Operator</b>	Ladies and gentlemen, we have no further questions. Would you like to make some closing comments?



Speaker	Narrative
<b>Phuthuma Nhleko</b>	Thank you very much for your attendance, and I'm sure we will be talking again at our June half year. Thank you.
<b>Operator</b>	On behalf of MTN that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT