



MTN Group Limited
Q3 Trading Update for the Quarter Ended
30 September 2011
DATE: 27/10/2011





| Speaker | Narrative |
|------------------------|--|
| Operator | <p>Good day and welcome to the MTN Group Q3 subscriber release. All participants are in listen only mode and there will be an opportunity for you to ask questions after today's presentation. If you should need any assistance during the conference then please signal for 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 Millar. Please go ahead.</p> |
| Debbie Millar | <p>Thanks. Good afternoon and welcome to everyone. This is Debbie Millar, Head of Investor Relations for MTN. Thanks for joining us today to discuss the company's key performance indicators for the third quarter ended 30th September 2011. Here with us today are Sifiso Dabengwa, Group President and CEO, Nazir Patel, Group CFO, as well as the VP for the South and East African region, Ignatius Sehoole. Joining us through dial-in is Ahmad Farroukh, VP for the West and Central African region and Jamal Ramadan, VP for the Middle East and North African region.</p> <p>We will follow our usual format, and Sifiso will give a brief overview of the group's trading performance for the quarter as well as update on the subscriber forecast, and thereafter we will move into a Q&A session which I understand the conference call operator will facilitate. Over to you, Sifiso.</p> |
| Sifiso Dabengwa | <p>Good afternoon ladies and gentlemen. Thank you for joining us this afternoon. I am pleased to update you on MTN's Q3 trading performance for the period ended 30th September 2011. The group achieved a 4.1% increase in subscribers for the quarter, bringing the total subscribers to 158,590 million at the end of September. This is a pleasing result in the light of the challenging market conditions faced by many of our operations, mostly due to increasingly aggressive competition, regulatory requirements and ongoing social unrest in certain countries.</p> <p>Moving to the individual operational performances. I will start off with the SEA region, which is the South East Africa region, which contributes 23% to the group's subscribers. It has increased its subscriber base by a healthy 5.1%. The recent growth was largely driven by South Africa which added 1.169 million subscribers to their base, bringing the total subscribers to 20.968 million in total. Growth was meaningfully up in the second quarter. The sound post-paid connections on both classic and hybrid were due to improved execution in both the independent retail and our branded channels. This achievement included improved stock availability as well.</p> <p>The extremely strong prepaid connections for the quarter were also due to the success of the retail channels that were boosted by the informal channels as well. The South African operation's blended ARPU remains stable at R134 for the quarter. There was no meaningful change in the prepaid ARPU at R100 and the post-paid ARPU at R291 despite the continued migration to lower packages. Although Uganda remained extremely competitive we increased our subscriber base by almost 3.7% to 7.508 million. Uganda increased its tariff during the quarter resulting in marginally higher local currency ARPU and marginally lower US ARPU of \$3.3.</p> <p>The West Africa region. The WECA region which contributes 44% to the group's subscribers</p> |



| Speaker | Narrative |
|---------|-----------|
|---------|-----------|

| | |
|--|---|
| | <p>increased its subscriber base by 2.8% for the quarter. The recent growth was primarily impacted by the slower growth in Nigeria. The subscribers in Nigeria increased 1.4% to reach 41.107 million despite the total market decreasing from 82.7 million to 81.8 million. The market slow-down is partially due to the implementation of SIM registration in February.</p> <p>In Q2 the lack of competitiveness kept MTN back. However, following the introduction of new pricing plans and segmented value propositions during August and September the net connection performance improved during the quarter. In September it was encouraging to see the net connections reach 459,000. MTN Nigeria increased its market share during the quarter to 50%. Following an initial end of September deadline the SIM registration deadline has been extended indefinitely. At the end of September 73% of the base had been registered by MTN Nigeria.</p> <p>MTN Nigeria received a notice from the Nigeria Communications Commission that it, together with two other operators, had not complied with the NCC quality of service requirements. Further that MTN Nigeria and the other two operators have 30 days from 1st November to meet the set targets as set out in the notice. Failure to comply in the timeframe will require all new sales of SIM cards to be stopped and the imposition of financial penalties. MTN is engaged with the regulator on the content and the consequences of the allegations. Due to an uptick in usage offsetting lower tariffs, ARPU in both US dollars and local currency remained flat at US\$9.8.</p> <p>Competition in Ghana continued during the quarter. Despite this we have grown the subscriber base by 3.4% to 9.894 million subscribers. This was attributable to competitive offers placed in the market, effective churn management and attractive data offerings. Ghana's dollar reported ARPU declined only marginally to US\$6.9 from \$7 while the local currency ARPU remained stable.</p> <p>Net additions of 585,000 subscribers in Cameroon, a 12% increase since June, resulted in total subscribers of 5.464 million at the end of the quarter. This is a strong positive movement following the disconnections of over 300,000 unregistered subscribers at the end of March and 290,000 net additions in Q2. Positively, ARPU reduced only marginally to \$7.5 despite the strong net connections.</p> <p>Cote d'Ivoire had another good quarter following the challenges of Q1, increasing its subscriber base by 300,000 to 5.944 million subscribers. ARPU remained stable in US dollar terms at \$5.8 and also in local currency.</p> <p>The MENA region. The MENA region which contributes 33% to group subscribers increased its base by 5.3%. Growth was again driven by MTN IranCell which added 1.132 million subscribers to its base, bringing its total base to 33.314 million. The operation performed well as the number range issue was only partially resolved. The ARPU again remained stable at \$7.9 despite the increase in subscribers.</p> <p>Syria increased its subscriber base by 305,000 subscribers for the quarter. This is an increase on the 22,000 and 203,000 of Q1 and Q2 respectively. There is still no clarity on the licence conversion which was originally anticipated to be concluded in April this year,</p> |
|--|---|



| Speaker | Narrative |
|------------------------|---|
| | <p>although the current estimate is that the process will be initiated in Q1 2012. Syria's ARPU increased marginally to US\$14.3.</p> <p>As previously communicated in relation to capital expenditure, approximately 90% of the full year guidance for the capital expenditure is projected to be capitalised by the end of the year.</p> <p>In conclusion, I am relatively satisfied with the overall performance of the group for the quarter, while recognising some ongoing challenges, particularly in Nigeria. We have revised our net additions guidance taking cognisance of the changes in the various markets as follows: The revised guidance for South Africa is now 2.7 million subscribers. For Nigeria, 3.2 million. Ghana, 1.5 million. Iran, 4.4 million. Syria, 730,000 and the rest 9.3 million – giving a total of 21.830 million subscribers. Thank you.</p> |
| Debbie Millar | <p>Thanks, Sifiso. That concludes our review and over to you, Dylan.</p> |
| Operator | <p>Thank you very much. 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. Our first question comes from JP Davids of Barclays Capital. Please go ahead.</p> |
| JP Davids | <p>Good afternoon. Two questions please, both related to Nigeria. The first question is on the regulator's issues with network quality. Could you possibly share with us what the targets are they've set for you as an operator and the likelihood of these being met or missed? Added to that, it does seem strange that Etisalat has been left out of the regulator's scope here. Any reason for that? And then the second question on Nigeria is on the ARPU trend. You helpfully give the exit rate for net subscribers for September and those being supported by the tariff cuts. Could you give some indication of what has happened with local currency ARPUs in September as you push through to the fourth quarter? Thank you.</p> |
| Sifiso Dabengwa | <p>In terms of the key performance indicators that the regulator had looked at and the targets, I will just go through them. There are four. It is call set-up success rates being graded at 98%, call completion rates being graded at 96%, stand-alone dedicated control channel being less than 0.1 and handover success rate being graded at 98%. Those are the targets that they've set. Ahmad, do you want to go through our general performance in terms of the network in relation to these targets?</p> |
| Ahmad Farroukh | <p>Okay. Thank you. Just a small note that it was an intention to issue this kind of final offer with a notice period by the NCC and we are given 30 days to November to hopefully meet these targets. So currently we're still able to sell SIM cards and it won't affect the running of our commercial activities in Nigeria. We do have a network in Nigeria in all of the states with quality that is overall good. We might miss some metrics in some states and we might exceed them in most of the other states. In general our performance in Nigeria is good and we are either number one or number two in terms of the KPI measurements and the performance of our network. Now, the challenge is that with the size of our volume and definitely the huge numbers of subscribers that use our network. In some of the areas a decline in quality is more visible than any other of the networks in Nigeria. The targets are appropriate to first world and very difficult to achieve with challenges of Nigeria in terms</p> |



| Speaker | Narrative |
|------------------------|--|
| | <p>of power, infrastructure, fibre cuts, vandalism, site permitting constraints etc unless adjustments are made to take spikes due to these issues into consideration. We are currently handling with the authority to further understand the performance requirements and how we should then measure the performance.</p> |
| Sifiso Dabengwa | <p>If I can just add on, we are also engaging with the regulator on the measures for ourselves they've put forward and we will be discussing over the next few days just to actually confirm the reliability and the correctness of the numbers they have put forward. In relation to Etisalat, that is very difficult for us to say. I guess we can only assume that the fact that they might have a significant amount of headroom in their network could be the main reason. But it is very difficult for us to say at this stage.</p> |
| Nazir Patel | <p>The question on the local currency ARPU, without giving you exactly September we can give you the trend quarter on quarter. If you look at the third quarter compared to the second quarter the local currency ARPUs were down just above 1%.</p> |
| JP Davids | <p>Okay. Sorry, so that's the first quarter on the second quarter?</p> |
| Nazir Patel | <p>No, the first quarter on the current quarter.</p> |
| JP Davids | <p>Okay. So you're not going to give a number for September. That's fine. If I could just come back to the regulatory risk here. Is the current stance of the management that this is an issue which can be overcome and is very manageable with the current conditions that have been set by the regulator, or is this something which has got you up at night?</p> |
| Sifiso Dabengwa | <p>Firstly, we just got this letter from the regulator no more than two days ago. Secondly, we honestly believe that this is manageable. When you look at the normal performance on these KPIs we don't believe that there is a train smash. As we said earlier on we will be engaging with the regulator because at the end of the day the key issue is that we need to get to specific areas as these numbers are general reports on extremely wide network. So it will be just a question of getting to the specific areas and the specific spots and being able to indicate to him what is being done in those specific areas. So we don't think it is going to be a significant problem.</p> |
| JP Davids | <p>Thank you very much. That's very clear.</p> |
| Operator | <p>Thank you. Our next question comes from Nik Kershaw of Deutsche Bank. Please go ahead.</p> |
| Nik Kershaw | <p>Hi, good afternoon. Just a few questions from myself. The first thing is could you just talk to the big turnaround in Cameroon and Sudan where we saw big sequential improvements in net additions? The second question is on both Iran and Nigeria on guidance. If you look at Iran you added 1.1 million in the third quarter and you've actually lowered your guidance for the full year, which would imply quite conservative net additions for the last quarter, more like 800,000, which would be quite low. Lastly just on Nigeria. Your guidance that you've given now of 3.2 million net additions within this guidance, what have you assumed around what happens with connections in December?</p> |
| Sifiso Dabengwa | <p>I will start with Iran and then I will pass over to my colleagues to give comment on the</p> |



| Speaker | Narrative |
|------------------------|--|
| | <p>others. The key issue with Iran is the comment I made in terms of the number range issue which I have indicated has been partially resolved. At this stage we have applied for an additional number range. We have got approval from the Minister of Communication, who supported the application, but however we're having challenges with the regulator in actually releasing this number range. So that is taking that into consideration, that if they delayed for too long it might impact. That was the issue that we were taking into consideration.</p> |
| Nik Kershaw | <p>Okay. So if you got your number range timeously then your numbers would be higher.</p> |
| Sifiso Dabengwa | <p>If we get the number range timeously we would probably do much better than we have indicated.</p> |
| Nik Kershaw | <p>Great. Thank you.</p> |
| Sifiso Dabengwa | <p>Jamal, do you want to comment on Sudan?</p> |
| Jamal Ramadan | <p>On Sudan I think the uptick and the big achievement that we made is really the result of the continuous efforts that we started more than a year ago in rolling out extensively in the regions. I think now we have reached a level of almost parity with the dominant operator. The other reasons is related to distribution where on the channels we have now a much better reach than we had before. And finally on the value proposition that has been completely revised and the market positioning is giving very good results.</p> |
| Nik Kershaw | <p>While you're commenting on Sudan could you talk about what is happening in south Sudan?</p> |
| Jamal Ramadan | <p>South Sudan has been split as you know from 11th July. Since then we have been very extensively working on the split of the network technically and commercially. As we speak the split has been completed on the technical side and the subscribers are being migrated for a full commercial split in the coming weeks.</p> |
| Nik Kershaw | <p>Thank you.</p> |
| Sifiso Dabengwa | <p>Okay. Ahmad, do you have a comment on Cameroon?</p> |
| Ahmad Farroukh | <p>Yes. In Cameroon we came more aggressively after the large disconnections due to implementation of subscriber registration. We followed a strategy of acquisition specifically in terms of getting new subscribers. I would say it was good quarter.</p> |
| Operator | <p>Our next question comes from Jonathan Kennedy-Good of SBG Securities. Please go ahead.</p> |
| J. Kennedy-Good | <p>Good afternoon. I have two or three questions on Nigeria. Just in your release you make mention of GSM markets for SIMs in the market or subscribers declining from 82.7 to below that number in the third quarter, and you had a slight increase. So I presume you're comfortable that you have preserved some of the market share loss that we saw in the first half. If you could confirm that. And then just trying to understand what that actually means, because to me it implies that some second and third SIMs in the market are</p> |



| Speaker | Narrative |
|------------------------|---|
| | perhaps dropping off because of SIM registration. Would that mean that you are gathering a greater share of subscriber wallet? Could you see ARPU actually rise given your new pricing plans in that market, or is it too early to tell? |
| Sifiso Dabengwa | On the first comment in relation to market share, that is correct. We believe that we have had a slight increase in relation to market share. The way that we look at the market and the numbers that we use is we look at the 90 day active. And the market has generally been quite volatile in the recent past partially due to the SIM registration. We look forward to a phase when we're done with the SIM registration when it would be easier for us to be able to understand the disconnections that are not directly related to the SIM registration process in bulk. So because of the volatility that we're experiencing at this stage it's difficult to either agree or disagree with the comment that you made. |
| J. Kennedy-Good | Okay. Thank you. |
| Operator | Our next question comes from Craig Hackney of Religare Capital Markets. Please go ahead. |
| Craig Hackney | Hi. Thank you. Two questions on Nigeria and one on the group as a whole. If you look at Nigeria as we stand today can you give us your average rate per minute where that would be relative to your competitors in terms of premium, flat or discounts? Secondly, on mobile termination rates in Nigeria. Have we seen any more murmuring from government to look at moving mobile termination rates down again? And then thirdly, just looking at the group as a whole if you would be open to making some comment about EBITDA margins around the group, if not specific numbers just any trends that you might be able to highlight for us please? |
| Sifiso Dabengwa | Ahmad, do you want to take the first two questions on the rates and mobile termination rates in Nigeria? |
| Ahmad Farroukh | On the rates in Nigeria they are currently within a competitive range. That doesn't mean that we match each and every rate as we have a variety of rates and different value propositions that can match and be competitive. Still we do have a premium, but it is quite limited to what we used to have before. On the termination rates there is nothing specific in the industry right now and there is no indication about any change in the regime of interconnection tariffs. |
| Craig Hackney | Sorry, would you be prepared to give an actual number as to where your premiums are sitting, the average rate per minute, or not? |
| Ahmad Farroukh | On the on net single call for example we are approx 10% - 15% higher. |
| Craig Hackney | Ten to 15. |
| Ahmad Farroukh | Yes. |
| Craig Hackney | Okay. Thank you very much. |
| Ahmad Farroukh | But then we have different value propositions so we can mix and match to attract different |



| Speaker | Narrative |
|-------------------------|--|
| | segments and gaps in the market. |
| Nazir Patel | Just in response to the question of group EBITDA trends, that is not something that we normally disclose at this time of the year. |
| Craig Hackney | Okay. Thank you. |
| Operator | Our next question comes from Peter Takaendesa of RMB Morgan Stanley. Please go ahead. |
| Peter Takaendesa | <p>Good afternoon. Just two questions from me, very quick ones. Firstly and particularly, let me start by saying well done on good net additions in South Africa for this quarter. I just wanted to know, is it more of the market getting better in general or was this about MTN gaining share? Then the second one. I think the Rand is really making up-streaming cash quite attractive at this time. And you have indicated in this KPI release that up-streaming is going well. I just wanted to know – you refer here to increasing shareholder returns – could you give us options of what the preferred method is of doing so, raising the payout ratio or doing a share buyback?</p> |
| Nazir Patel | <p>Let me try and deal with them one at a time. I think on the question of South Africa performance in the quarter we're pretty satisfied given the fact that the run rate and net additions as you pointed out were almost twice the level that we saw in Q2. We saw continued performance in prepaid, but as we indicated in the notes as well we were quite encouraged by the performance in post-paid. We haven't completed the refreshing of the entire post-paid product. There were a few things that have clearly worked in our favour. We saw a lot more efficiency through the distribution channels, so the product availability was good. Some of the earlier things we've done in terms of getting the choice and availability in line with the market have also helped to continue that momentum. We saw good encouraging performance in post-paid connection. The hybrid offer still stays very strong. Prepaid as I said was particularly strong.</p> <p>More pleasing is the quarter on quarter revenue growth compared to the corresponding quarter last year. We saw pretty strong revenue growth as some of the reports have suggested. So all in all we are fairly comfortable about where we are. Our indications at this stage would be on a net basis we performed pretty well relative to the competition over the quarter. Whether that actually gets us to a point where we can confidently say we gained market share I think is going to be a function of some of the earlier changes on other reported disconnections by our competitor at the end of June, July timeframe. We have yet to see how those pan out in the market, and again we can take a view from that at that time. But we believe we have probably strengthened our position in a manner that was not clearly evident at the end of the second quarter.</p> <p>As far as cash up-streaming is concerned I think we were able to take advantage of moving some of the foreign currencies reported to other headquarters and jurisdictions. Debbie and the team have been doing quite a lot of work in that area to move holding company FX positions into ZAR. Again the comment that was made in the announcement relative to shareholder returns was made broadly in the context of earlier comments that we made in conference calls at the half-year and last year's full year results announcement. There is no difference in those positions. Any further comment in terms of taking a specific position on</p> |



| Speaker | Narrative |
|---------------------------|---|
| | <p>dividends or any other issue is largely at the discretion of the board as and when they make a considered decision. We don't have any particular update on those issues at this time.</p> |
| Peter Takaendesa | <p>Okay. Thank you.</p> |
| Operator | <p>Our next question comes from Jean Charles Lemardeley of JP Morgan. Please go ahead.</p> |
| Jean C. Lemardeley | <p>Just going back to the revenue and ARPU trends in Nigeria and South Africa. At the first half conference call there was a mention of doing as well in Nigeria in the second half of the year as in the first half, around 13% local currency. It looks like the number for the third quarter was in the mid-single-digit range. I was wondering if you had an update on that and what you see going into the fourth quarter in terms of traffic response to lower rates. And just on Nigeria again, what are you seeing from your competitors? There seems to be momentum for Etisalat. There are a lot of reports on the ground. If we look at Bharti for instance, the disclosure they made for 2010 compared to what they have disclosed now, revenues are down actually sharply. Can you comment on whether you think there is any kind of market share redistribution in Nigeria? How are Glo and Bharti doing in particular?</p> |
| Sifiso Dabengwa | <p>Okay. I will make some comments and then I will ask Ahmad to add on if he needs to add on anything. I think the subscriber performance obviously has been a little bit challenging. So yes, we do expect that the revenue results will also therefore be challenging. So we might not necessarily achieve what we anticipated that we would be able to achieve, but we will see what happens during the fourth quarter. We think that we should be able to put up a reasonably good show during the fourth quarter. Ahmad, I don't know if you want to add anything else.</p> |
| Ahmad Farroukh | <p>It is as you say, our market share is improved slightly. However, if the market continues the same trend and there is increasing competition of network operators. It is difficult to say whether there is real change. MTN has a much higher share of revenues. I'm talking about the Nigerian market.</p> |
| Jean C. Lemardeley | <p>You're talking about revenues. I'm talking about value share.</p> |
| Ahmad Farroukh | <p>Say again.</p> |
| Jean C. Lemardeley | <p>You're talking about revenues rather than subscribers value share.</p> |
| Ahmad Farroukh | <p>[Inaudible segment].</p> |
| Nazir Patel | <p>Perhaps there is something we should just consider overall for the market, and this might just help us understand what is going on in Nigeria. There has been a lot of volatility in the market that we've seen over the last six or seven months. Nothing that we've seen during Q3 indicates that there is any stabilisation of any sort. I think even at the operator level it is fairly clear that the constant changes relating to the regulations, subscriber registration etc. have caused some sort of an issue. I think we are now beginning to see potentially as well in terms of connections coming out from a growth level in the market. I think most of</p> |



| Speaker | Narrative |
|---------------------------|---|
| | <p>the operators are fairly comfortable that the goalposts for subscriber registration can be properly communicated to the market and what the impact it is likely to have on connections is very difficult to be able to say. It is a sustainable trend.</p> <p>If we get back to some of the questions on the competition and what is going on there I think it fair to say that our view based on what we're seeing in terms of traffic patterns – which is probably the most reliable indicator at this stage – is that both Glo and Airtel seem to continue growing on a lower trend than we've seen in the past. Clearly if you look at the interconnect traffic on our network in the last quarter compared to the quarter before, that is lower. Etisalat in this quarter is flat looking to the quarter prior to this one, from Q2 to Q3 it is flat. To me there is an indication that some of the dual SIM phenomenon that we saw developing because of the price differential that we're carrying on our network but which seems to be ironing itself out with the value propositions we put in late August and early September. Again none of these are anything that gives us potential at this stage to form a lasting view of trends. It's difficult to say.</p> <p>Suffice to say that where we are right now we believe that with the activity we saw towards the end of Q3 we were able to get our market share back to about 50% on the GSM side. And we believe based on the current value propositions in the market and our current price positioning we feel fairly comfortable about going into Q4. The big issue of course remains how we deal with the regulator, the letter we talked about earlier and the information that has been given to us. And clearly what happens with subscriber registration because it has created some volatility.</p> |
| Jean C. Lemardeley | <p>Sorry, it looks like your third quarter revenues were flattish to slightly up sequentially versus the second quarter. Theoretically should that trend improve in the fourth quarter? Do you see some further sequential revenue growth third to fourth quarter?</p> |
| Nazir Patel | <p>It's a good point and I can confirm what you just said when you look at Q2 to Q3 sequentially. Historically the fourth quarter has been much stronger. If you go back and look at the past three or four years the fourth quarter has generally been significantly higher than the third quarter. All I would say right now is let's caution ourselves. We've got a couple of big issues that we're dealing with that we haven't seen in prior years. And to the extent that we are able to deal with them successfully we should have a better quarter in Q4. But again just from a caution perspective I have to signal that we need to understand how both the subscriber registration issue as well as the NCC issue are going to be dealt with.</p> |
| Jean C. Lemardeley | <p>Okay. Just lastly on South Africa. You were referring to some reports. Were you referring to this article in Business Day talking about 10% revenue growth in South Africa? Is that something you were referring to from this morning?</p> |
| Nazir Patel | <p>We actually asked for a retraction. I think it was misquoted. During the interview there was some information incorrectly quoted and we actually asked for a retraction of that.</p> |
| Jean C. Lemardeley | <p>Alright.</p> |
| Nazir Patel | <p>The thing to focus on is South Africa's very good performance. We are very pleased about</p> |



| Speaker | Narrative |
|---------------------------|---|
| | <p>that. We have established some momentum going into the fourth quarter, and if we are able to mimic what we have done in Q3 in Q4 we should have a pretty good year overall.</p> |
| Jean C. Lemardeley | <p>Thank you very much.</p> |
| Operator | <p>Our next question comes from Max from Goldman Sachs. Please go ahead.</p> |
| Goldman Sachs | <p>Good afternoon. That's actually Sasha from Goldman Sachs here. I have two questions, both on Nigeria. There was a news broadcast days or weeks ago that the NCC named the operators for the mobile number portability system rollout. I understood there is a chance this may be introduced as early as March 2012. It would be really interesting to hear your take on this process, whether it is a process which will lead to the MNP introduction in the market or it will be rather pointless mechanism. My second question would be on your overall approach to competition in Nigeria. Historically my take was that your target was optimisation of value extraction from the market. May there be a situation when Nigeria might have to start focussing attention on revenue share instead of value share and might actually start investing quite substantially into market share retention? That would be my second question. Thank you.</p> |
| Sifiso Dabengwa | <p>Starting with your second question, we do focus on revenue share or value share. I guess when you are at a stage in any particular market where there is still significant growth potential clearly focussing on market share is important, but it is not as if it is one or the other. It's a combination of the two. So we do focus quite extensively on value share. Just on mobile number portability, I'm not too sure I understood exactly what the question is. Yes, the regulator has initiated the process of implementation of MNPs. I'm not too sure. Maybe Ahmad might know in terms of exactly when it is expected to be implemented.</p> |
| Ahmad Farroukh | <p>The number portability issue in Nigeria has been discussed and debated for the last three years. There is an ongoing extension of deadlines. We are not sure whether to expect an extension of the existing deadline for the implementation of the number portability. Either way it didn't have much of an impact on the market share anywhere else.</p> |
| Goldman Sachs | <p>Thank you.</p> |
| Operator | <p>Our next question comes from Johan Snyman of Renaissance Capital. Please go ahead.</p> |
| Johan Snyman | <p>Good afternoon. I've just got one question, and that goes back to the comment about capex. The 90%, will that be relevant for Nigeria as well? And then maybe just on the SA market. You did indicate in the first half results announcement that you have seen an increase in on-net traffic. Would that comment be valid for the third quarter as well?</p> |
| Sifiso Dabengwa | <p>On your first question in terms of capex I guess the point really was if you recall we had a rather slow start to the year, and there were concerns in relation to our ability to achieve the guidance that we had given. And generally there has been improvement, mainly in South Africa and in Nigeria, in progress in capex and hence we should be able to capitalise up to 90% of the guidance that we've given on capex. We haven't got the exact figures on the on-net traffic in South Africa. We will get back to you.</p> |



| Speaker | Narrative |
|------------------------|--|
| Johan Snyman | Thank you. |
| Operator | Our next question comes from Chris Grundberg of UBS. Please go ahead. |
| Chris Grundberg | Thanks. Just a couple of quick ones. Firstly digging into that price in the South African prepaid. There has been some talk of a reduction in rebates paid to the channel by the operator in South Africa. I wonder if you can confirm whether you've made any adjustments to your channel and centralisation structure in South Africa. And then just a couple of quick follow-ups. Firstly on the Iranian shareholder loan, looking at your accounts it does look like a portion of that was due to be repaid this year. I wonder if you could give any update on that. And lastly, there is some speculation around M&A in the press with regards to DRC. Any comments you can give would be very helpful. |
| Sifiso Dabengwa | I will take the last question. The fact that Vodacom intends to exit is public knowledge. We are looking at it and we will just go through the process. So that is where we are. In relation to the repayment of loans from Iran, that is ongoing at this stage. There is no issue about it. That is taking place as per the arrangement, so there is nothing significant about it. In this last quarter there was nothing that was changed as far as the South African market distribution arrangements. |
| Chris Grundberg | Okay, thanks. |
| Operator | Our next question comes from Richard Barker of Credit Suisse. Please go ahead. |
| Richard Barker | Thanks very much. Just another M&A question, if that's okay. Sifiso, just going back to your comment after the interim results that you obviously would be quite pleased to get into North Africa. I wanted to take the opportunity to ask you in more general, broad terms about what your thinking is in terms of potential organic expansion in terms of how you see the balance essentially of excess capital on the balance sheet being deployed, how that splits between expansion opportunities and shareholder returns. And within your expansion plans or aspirations where your priorities are both geographically and I suppose also from a segmentation perspective in terms of customers as well. That would be extremely interesting. That's the first question. And the second question is just very quickly on capex. You said you expect 90% of the capex target to be capitalised in the year. I think I recall you saying something like you expect 80% to actually be translated into cash in this year. Is that still what your expectation is? |
| Nazir Patel | On the capex this year I can confirm that's what we said. There is no reason to change the belief that that will be more or less where we get to. We seem to be tracking towards that. I would imagine that based on the slow run rate in the first half there is a lot of catching up that we're currently busy with. And this is essentially the difference between the capitalised amount we pay for and that we will carry some under capital liabilities, hence the lower cash flow impact as we get to the end of the year. I'll leave the M&A question to Sifiso. |
| Sifiso Dabengwa | I guess on that question the answer is still more or less the same as we gave a few months back. We will continue looking for opportunities where we believe we can execute and be able to create value for our shareholders. It's an ongoing process. Nothing has changed |



| Speaker | Narrative |
|-------------------------------|--|
| | <p>significantly in terms of our views or our strategies. And also from a geographic point of view we are still looking in the present footprint and also in Asia. So nothing has significantly changed.</p> |
| <p>Richard Barker</p> | <p>In terms of your budget for M&A is it completely open-ended or have you got some constraints? And I suppose also do you have any particular hurdles that you look at in terms of returns?</p> |
| <p>Sifiso Dabengwa</p> | <p>I guess if one looks at it from a conceptual point of view we would expect to be able to get a meaningful return greater than whatever it costs us to get the capital there. But I'm not sure if I'm answering your question.</p> |
| <p>Richard Barker</p> | <p>You're kind of on the right lines. I'm interested to know what you think the cost of getting the capital there actually is.</p> |
| <p>Sifiso Dabengwa</p> | <p>It just depends on how we actually structure it. I am going to leave Nazir to comment on that.</p> |
| <p>Nazir Patel</p> | <p>We are fairly clear, as Sifiso has pointed out, in terms of the areas of interest. We have talked about that consistently in our half-year calls etc. Those generally represent what we call bolt-on type acquisitions. If you look at the landscape and kinds of targets we're interested in, none of these will be of the size and dimension that will cause us unnecessary concern in terms of fulfilling all the strategies that we have. In other words continually looking at ways to return capital to shareholders more efficiently and also manage the M&A strategy that has been put into place. So I think broadly you can still interpret the [inaudible segment] and the balance sheet should be under no pressure to ensure that we can deliver on any of these strategies.</p> |
| <p>Richard Barker</p> | <p>Okay. That's helpful. Apologies if the question is a repeat from the half year.</p> |
| <p>Debbie Miller</p> | <p>Are there any more questions?</p> |
| <p>Operator</p> | <p>We have one further question in the queue. This comes from Nik Kershaw of Deutsche Bank. It's a follow-up question. Please go ahead, sir.</p> |
| <p>Nik Kershaw</p> | <p>Sorry about that. Just two quick questions. Apologies if I missed this. In your guidance for Nigeria what does that imply around your expectations in December? Have you assumed zero net additions in December, or negative? That's the one question. Then secondly, you made some comments around data contribution from South Africa, the 21% and then 13% excluding SMS. That's almost the same as what you gave at the interim period, just rounded up slightly. Has there been any big improvement in the data market in South Africa over the quarter? Thanks.</p> |
| <p>Sifiso Dabengwa</p> | <p>[Unclear] The key issue in terms of Nigeria is one of the main issues that has already been mentioned, which is the kind of volatility that we experience in the market and rather unpredictable implications with respect to the SIM registration and the impact of SIM registration. But historically the last quarter, specifically November and December, has tended to be very strong in terms of acquisitions. We believe that will still apply, but the</p> |



| Speaker | Narrative |
|-------------------------|--|
| | issue is what the implications of the registration will be. |
| Ignatius Sehoole | The data, and I'm speaking under correction, I think it was somewhere in the region of 17% in the half year but it is now 21%. So it has gone up compared to the June one. |
| Nik Kershaw | Actually the half-year number for South Africa was 20.7% and it has gone to 21%. That's why I was trying to understand if it was just a rounding issue and nothing had really changed. |
| Debbie Millar | We will look at it. Nik, it was really just to say that data is still continuing to make a contribution. Obviously relative to the growth on the voice side it hasn't had a meaningful impact, but it is moving up. I don't have a decimal point on the 21%, so will have to get for you. |
| Nik Kershaw | That's fine. Thanks. |
| Operator | Ladies and gentlemen, we have had two further questions come into the queue. Would you like to take them? |
| Sifiso Dabengwa | The last two. |
| Operator | Thank you. Our next one comes from Edward Hill-Wood of Morgan Stanley. Please go ahead. |
| Edward Hill-Wood | Good afternoon. I'm sorry if this question has already been asked, but I wonder if you could comment on the on-net traffic fluctuations post the recent tariff changes in Nigeria, particularly post the tweaking in September, and whether there has been any deviation or change to normal trends there, and how we should think about that rate going into the fourth quarter. I missed some of the first part of the call. |
| Sifiso Dabengwa | At this stage it's probably too early to say if there are any significant implications. But as far as we are aware the on-net levels are still more or less the same as where they were, in the region of 82%. Ahmad, I don't know if you have an update? |
| Ahmad Farroukh | Correct. [Inaudible segment]. |
| Debbie Millar | He basically just confirmed what Sifiso said. Is there another question? |
| Operator | The other questioner has removed himself from the queue. Do you have any closing comments? |
| Sifiso Dabengwa | Thank you very much for spending the time with us. |
| Operator | Thank you, sir. On behalf of the MTN Group that concludes this conference. Thank you for joining us. You may now disconnect your lines. |

END OF TRANSCRIPT



| Speaker | Narrative |
|---------|-----------|
|---------|-----------|