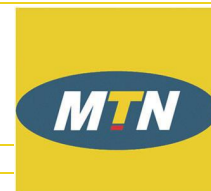




**MTN**  
**Investor Update**  
**Date: 27/12/2018**



Speaker

Narrative

**Operator**

Good day ladies and gentlemen and welcome to the MTN Group Ltd investor update. All participants will be in listen-only mode. There will be an opportunity to ask questions later during the conference. If you should need assistance during the call, please signal an operator by pressing star and then zero. Please note that this call is being recorded. I would now like to turn the conference over to Nik Kershaw. Please go ahead, sir.

**Nik Kershaw**

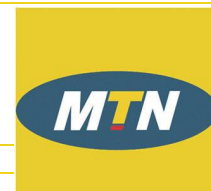
Morning everyone. Thanks so much for dialling in. With me on the call this morning is Rob Shuter, group CEO, and Ralph Mupita, group CFO. We would just like to give you a brief update on the Nigerian CBN matter. I think you would all have seen the press release we put out on Monday as well as the SENS which was released on the JSE this morning. With that I will hand over...Thanks very much.

**Rob Shuter**

Thanks Nik, and thanks everybody for joining over the festive season. So, I'm going to give a quick summary of where we are, and then hand over to Ralph for a couple of questions, and then we will take a Q&A. I think firstly a little bit of background. I think you're all aware obviously that on the 28<sup>th</sup> August we received out of the blue this instruction from the Central Bank of Nigeria to refund \$8 billion of historic dividends. A couple of days later we received a letter from the Nigerian Attorney General alleging unpaid back taxes.

This has been, obviously, a very difficult time for us. We have really maintained consistently that we didn't see any problem with our legacy dividends. We believed our tax affairs are fully up to date. And we still maintain that. But we've had a dual track the last few months, basically on the one hand using the Nigerian courts to protect us, to protect shareholders, to put some proper processes into the matter, and secondly engaging with the authorities, trying to understand their position, them understanding our position. And it is really this engagement that has put us in a situation today where we can communicate the resolution with the Central Bank of Nigeria.

So maybe to talk a little bit then about the CBN matter. I think it's important to go back to the very original problem in all of this, a capital restructure that was implemented in 2007. And I think we did describe this in one of our SENS announcements that we converted shareholder loans to preference shares. Approval in principle was granted subject to conditions. Conditions were met. And this has really been at the heart of the dispute between the company and the CBN, the validity of the CCIs, the certificates of capital importation, that relate to this conversion of loans to preference shares.



Speaker

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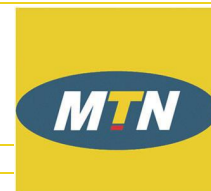
The first breakthrough was really convincing the Central Bank that the legacy dividends were in fact ordinary dividends. They used the CCIs. It was really nothing to do with that capital restructure. And you would have seen in our announcement that went out on SENS this morning and press release a few days ago that the Central Bank is no longer alleging any issues with the ordinary dividends.

But in the discussions with them over the last few months they have still been very focused on this conversion and the validity of the preference share CCIs. And what it has come down to is that the preference share CCIs were in fact used in the private placement that happened in 2008. The Central Bank is still maintaining that they provided an approval in principle. It was not ever converted to formal approval. We, on our side, of course say that we rely on the commercial banks to issue the CCIs. We were always of the view that the CCIs were valid. And we only became aware of some of the issues around these preference share CCIs earlier in 2018.

But to move the matter forward we have agreed with CBN to do what is described as a notional reversal of that private placement. And this comes at a net cost of ₦19,2 billion which is just short of \$53 million. Now, how exactly that is calculated unfortunately we have a confidentiality provision in this agreement with the CBN. It has been inserted on their request. But it is clearly taking into account different exchange rates from when the private placement proceeds were originally repatriated. It has taken into account various correspondence in 2009 with one of the commercial banks. And it is also taking into account that it was not only a one-way flow of funds. There was also some money in that private placement that came in from international investors.

As part of this resolution agreement, the Central Bank will regularise all of our historic CCIs, so all of the CCIs that arose from our \$402 million original investment in Nigeria, and we will basically draw a line in the sand on the CCI issues that have really dogged the company now over quite a few years going all the way back to the Senate investigation in 2016.

One of the key parts of this whole resolution is that we will continue to engage with our commercial banks. I think this is a very important point. In Nigeria, and in common with many other markets, the Central Bank is not dealing directly with corporates. They always deal through authorised dealers, authorised agents. And we feel very strongly that we have relied on these commercial banks not only when the CCIs were



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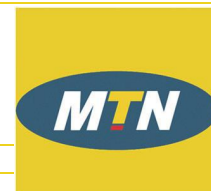
originally issued – and as I said earlier the conditions were met and we gave evidence of those conditions to the commercial banks – but also how the CCIs were in fact used in that private placement.

So, we have been pretty clear in our SENS that we will be engaging with the commercial banks in relation to the issues contained in the resolution agreement. And I think important there that we leave ourselves some space to have proper dialogue with the banks early in the new year. These are relationship banks with the group, partner banks, so we want to keep things cordial whilst we are still very much encouraging them to take responsibility for their part in what has happened.

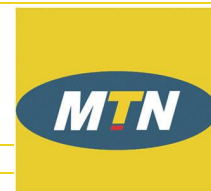
So, that is I guess a summary of what we have agreed with the CBN and our engagement with the banks going forward. Exactly how the agreement works, the first thing that needs to happen is that we make the payment because this is what regularises the private placement. That needs to happen within seven days of us signing the agreement. With public holidays and weekends, that would be early in the new year. The agreement will be lodged with the court. And then the Central Bank has a period of time to regularise the CCIs. So, this should all be done towards the middle or to the end of January.

Turning now to a quick update on the Attorney General matter. Again, a quick recap there. The tax authorities that we generally deal with in Nigeria are the Federal Inland Revenue Service and also Nigeria Customs. And we believe that our tax affairs are fully up to date under the normal process of lodging assessments, assessments being queried, disagreements about that, but nothing untoward. And so, we still remain a little bit bewildered that the Attorney General would come in now and basically start trying to re-assess various tax matters that in our opinion at least are not part of his responsibility.

So, again the dual track. We have the legal process where the hearing of that matter has now been postponed to the 7<sup>th</sup> of February. And we will also continue to engage with the Attorney General. But really again trying to get our position across that our tax affairs are fully up to date. And tax disputes can either get resolved very quickly or they can take a long time. So, we have taken the decision that we will regard this as a matter that we would pursue in the ordinary course, so we have hence lifted the cautionary completely because of the CBN resolution and because of the position we have taken on the AGF. We have not made any provision for extra taxes. We are not going to be putting any contingent liabilities in. We will simply be making our case that our tax affairs are up to date.

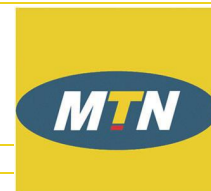


Speaker	Narrative
	<p>I guess the final comment from my side is we still remain very excited about our position in the Nigerian market. I think you saw in the Q3 trading update the business is doing really well. Positive momentum has continued into Q4. We are very excited about the new Mobile Money regulatory regime that the Central Bank announced where they will be licensing payment service banks. I can confirm that we have submitted our application for a payment service banking licence and we are very much hopeful that we will get regulatory approval for that early in the new year. And we will continue to invest in the business, invest in the country. It's a very important market for us and we are really pleased to at least put the CBN matter behind us. And I think our relationships with the Central Bank now are cordial and professional. I will hand over to Ralph now just to cover a couple of questions, and then at the end a few observations, and then obviously Q&amp;A.</p>
<b>Nik Kershaw</b>	<p>Rob, it seems we have lost Ralph, so maybe you want to cover those points and then we can carry on.</p>
<b>Rob Shuter</b>	<p>Okay. Apologies for that. Ralph is in Europe. I think there is not a great signal in the mountains. I think the three questions Ralph was going to cover was: firstly, the payment of \$53 million, how it will be funded and accounted for. So, it will come out of the normal operational cash flows of MTN Nigeria. Accounting, as far as we see it, it will be directly expensed so it will affect the margin particularly in Q4. But the business is performing very strongly, certainly ahead of our expectations, and I don't think this will have any major implications for the dividend upstreaming etc. It is just going to give a bit of a dent to the margin in Q4.</p> <p>The second thing we wanted to talk about was implications on the Nigerian listing. So, you may recall that we've made a commitment to list MTN Nigeria on the Nigerian Stock Exchange as part of the original settlement of the SIM-registration matter. This has been slowed down with the issues we've had more recently with the CBN and the AG, but we have kept the project rolling and I think we've made good progress. We have decided though to pursue the listing by means of a listing by introduction. It is phase one. So, this is important.</p> <p>It means that we will list the company in the initial phases without any public offer or sell-down or IPO. I think this will enable us to get the company listed whilst the market still digests the implications of what has happened over the last few months. Our shareholding in MTN Nigeria is around 78%. We have done some research on the Nigerian market. We believe that the ideal free float would be closer to 35%. So,</p>

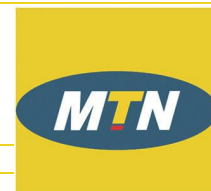


Speaker	Narrative
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	<p>we are going to communicate now that we will in phase two be doing a project to increase the Nigerian participation in MTN Nigeria, targeting more a free float of around 35% than the free float we have today which is around 20%. So, we aim to conclude at least the listing by introduction in the first half of 2019, pretty much as soon as we can, and then subject to market conditions, appetite and demand we would in phase two do the sell-down.</p> <p>And the third question some of you may have is implications now more generally on the group dividend. And I think there we wanted to say that we did announce the dividend policy. The dividend policy is a progressive dividend targeting R5 per share for this fiscal 2018, and then growing in a range going forward. And the dividend policy stands. The board in February will need to make its own assessments of what to do, but we really just wanted to say that the dividend policy is still in place. So hopefully that should all work out fine in 2019. So, with that let's hand over to Q&amp;A.</p>
<b>Operator</b>	<p>Thank you, sir. Ladies and gentlemen, if anyone would like to ask a question please press star then one on your touchtone phone. If you however wish to withdraw your question, please press star and then two to remove yourself from the question queue. If anyone would like to ask a question, please press star and then one. Our first question is from JP Davids of JP Morgan.</p>
<b>JP Davids</b>	<p>Good morning guys and congratulations on the settlement. A couple from me to get started, and then I've got a few more which I will circle back for later. Just firstly on the preference shares, in terms of the regularisation that has been done there, are those shares now free and clear of any sort of encumbrances around them? I guess what I'm trying to ask there is at some point in the future could that share capital be paid out to those who own it, i.e. redeemed at some point in the future, or is that a permanent share capital base? Is that how we should think about it? Then maybe you could just give us some thoughts around the actual dividends going forward from Nigeria. Obviously, this looks like everything is in place for those dividend flows to recommence. Any ideas on timing there? I guess they would still be subject to FX liquidity. But any thoughts around that would be appreciated. Thank you.</p>
<b>Rob Shuter</b>	<p>Okay. Thanks JP. Firstly, once the CCIs are regularised then of course both the ordinary shares and the preference shares have got valid CCIs. And that means that if you pursue the right process you could either pay dividends, , or potentially make an application to redeem the preference shares if that's what we wanted to do. We have made no decisions on that. They have been a permanent part of the capital</p>



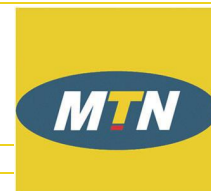
Speaker	Narrative
	<p>structure in Nigeria going back to 2008 or 2007. But I think as we move forward with the listing project we are going to have to decide what we do with the preference shares particularly in the listing, because for now they are coupled to the ordinary shares and that may not be the most efficient structure going forward. No final decisions have been made on that. And in terms of the dividend flows from Nigeria, we intend to go back to business as usual. We didn't declare a dividend for H1 of 2018 because of the situation we were in, but we would anticipate declaring a dividend for the full year early in the new year, ideally getting those proceeds towards the end of Q1.</p>
<b>JP Davids</b>	Thank you.
<b>Operator</b>	Our next question is from Chris Wood of Prudential.
<b>Chris Wood</b>	<p>Morning Rob. My question has basically been asked. I wanted to know about the dividends coming out of Nigeria as to whether there was an agreement with the CBN that you can apply for dividends to be repatriated and is that normal course of business. I think you have answered it.</p>
<b>Rob Shuter</b>	<p>Thanks Chris. And they are pretty clear on that also. The pattern for many years was that we declared dividends twice a year in Nigeria, accumulated naira, converted to dollars and repatriated. And I think we are going to go back to that pretty soon now.</p>
<b>Chris Wood</b>	Thanks.
<b>Operator</b>	Our next question is from Dalibor Vavrushka of Citigroup.
<b>Dalibor Vavrushka</b>	<p>Good morning Rob. I just wanted to ask a couple of questions if I may. One is can you make any comment about the other countries apart from Nigeria whether there are any issues concerning tax, capital structure or anything that you are aware of that could potentially lead to some issues like this or whether you could rule this out? My second question, I'm not sure if you can comment about how exactly this deal was negotiated, whether the South African government played any role in this or how this settlement was reached. And then also just for general understanding I know you mentioned the interim dividend, but if you can just make a comment about the dividend policy or as much as we can learn about what your intentions are regarding dividend. I think this will be a very important signal to the market about what you think about the future. Thank you.</p>
<b>Rob Shuter</b>	Thanks for that. The other countries, there is nothing specific that we



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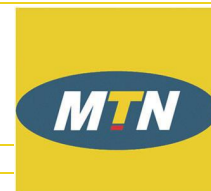
	<p>are aware of that is similar to the situation in Nigeria. I mean it was a very particular set of circumstances. Capital restructure in 2007, application for certificates to be transferred, some administrative issues in that going back ten years. So, no, I would like to think it is a black swan event. And for the other markets I think things are much more straightforward. If we have loans then we repay loans. We pay interest. We've got some management contracts in some markets. We pay dividends. So, I would say no, we don't really think that there is a big problem lurking out there in one of the other markets.</p> <p>The second comment, how it was negotiated, certainly our Nigerian directors have played a very instrumental role in bringing us to this resolution. They have been engaging comprehensively on the ground in Nigeria. Myself and Ralph have been very involved. The South African authorities have been very helpful in terms of reiterating trade links. South Africa and Nigeria still have to do business. But I would say it has been primarily driven by a combination of the MTN Nigeria directors and management and the executive directors here at MTN Group.</p> <p>On the dividend policy I don't think I can say much more than what I've said already. The policy is intact. The policy says R5 growing at a certain rate obviously subject to market conditions. The board will weigh all of that up early in the new year. But now that we've really got the Nigeria CBN claim and upstreaming resolved we would very much like to go back to business as usual, and that will include the dividend policy.</p>
<b>Dalibor Vavrushka</b>	That's very helpful. Thank you, Rob.
<b>Operator</b>	Our next question is a follow-up from JP Davids.
<b>JP Davids</b>	Hi. Thanks guys. I don't know if Ralph is able to jump back on, and maybe if he is not on, then maybe Nik can help. Just some directional guidance if possible just on the debt as we close the year. Obviously, the rand has depreciated a little bit into the latter part of the year. All else equal, should we expect a little bit of a negative revision to group net debt? Obviously, the Nigerian dividends will help, but only from 2019. Thanks.
<b>Ralph Mupita</b>	I'm back on line. Can you hear me?
<b>Nik Kershaw</b>	Yes, we can hear you, Ralph.
<b>Ralph Mupita</b>	Sorry about that. JP, as you would recall at the half year our HoldCo net debt did push out to 2.9x. We have settled about \$400 million of a US dollar term loan from proceeds both from Cyprus and the Ghana IPO.





Speaker	Narrative
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	<p>So, we reduced the net dollar debt and also we've had upstreaming from the markets. So, we are still of the view that we communicated at the half year results which is that the profile should improve from what you saw at the half year. I could only comment to that extent. I wouldn't want to be saying much more than that right now.</p>
<b>JP Davids</b>	<p>Okay. Thank you.</p>
<b>Operator</b>	<p>Our next question is from Pallavi Ambekar of Coronation.</p>
<b>Pallavi Ambekar</b>	<p>Hi guys. Just to reiterate, congratulations on settling this matter. I just wanted to follow up on phase two of the listing of the Nigerian business. You mentioned it might be subject to market conditions. And I wanted to understand if that has gotten buy-in from both the regulators, the NCC and the CBN, and would they be happy with that term 'subject to market conditions' or are there any hard time limits on listing or selling down your stake and increasing the free float? Thank you.</p>
<b>Ralph Mupita</b>	<p>Rob, maybe I should pick that one up.</p>
<b>Rob Shuter</b>	<p>Yes. Thanks Ralph.</p>
<b>Ralph Mupita</b>	<p>We have spoken to the SEC and then we have also spoken to the NSE. And we have explained to them the challenge that we have right now, which is that we don't believe that shareholders would get a proper valuation under current market conditions, and therefore we are taking this two-stage approach. So, they understand. Certainly, the NSE and the SEC understand that we would wait for market conditions more generally to be favourable before we do the public offer, and they say they understand and accept that. I have personally spoken to the NSE and the SEC and Ferdi has spoken to the NCC on that matter that we will be doing a much simpler listing, trying to do it before the end of May. So, we have been very clear that it is not timeline bound but it is more about us assessing that the market conditions are appropriate for a public offer.</p>
<b>Pallavi Ambekar</b>	<p>Thank you.</p>
<b>Operator</b>	<p>Our next question is from Jaynesh Bhana of Stanlib.</p>
<b>Jaynesh Bhana</b>	<p>Hi Rob. Thanks for taking the time out. One question on a comment you made about the banks taking some responsibility and the CBN operating via the banks rather than targeting a specific individual corporate. What exactly do you mean by the banks need to take some of this responsibility? Does that mean you can recuperate some of this</p>



Speaker

Narrative

**Rob Shuter**

from them? They have already been fined as I understand.

So, the CBN did fine the banks going all the way back to August. And I think [it] has already collected those fines from them. I think our position is a little bit different. We believe that the banks really had the primary responsibility to make sure the CCIs were valid before they issued them. And we were quite entitled to assume that our CCIs were valid. And the banks also had a responsibility to make sure the CCIs were properly utilised particularly in the private placement. And so, whilst we have agreed to implement the notional reversal and to fund it really to put the matter behind us with the Central Bank, we are going to be engaging with the banks. [Inaudible segment]. We do believe that they have some responsibility here. So, I wouldn't like to go into that in much more detail. Obviously, it's a sensitive matter. As I said, these are relationship banks for the group. And I think you will have to leave that with us for the next few months and we will see where we get to.

**Jaynesh Bhana**

Sure. Thanks.

**Operator**

Our next question is from Madhvendra Singh of Morgan Stanley.

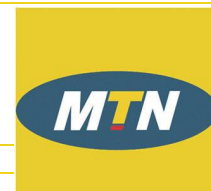
**Madhvendra Singh**

Hi. Once again congratulations, team MTN, for a job well done here. I wanted to follow up given this issue is resolved here but there are concerns about how we should think about the next four or five years and should we be worried about any further such issue arising again. Is MTN doing on its side any steps to reduce such risks in future, not only in Nigeria but elsewhere as well? Thank you.

**Rob Shuter**

Thanks for the question. It's a very valid question of course because we had the SIM-registration matter. Now we had these two big problems with the CBN and the AG. I guess our view is, firstly very tight operational management is super important, whether that is subscriber registration regulations, processes followed for repatriation. It is very important that we run these businesses with a very tight operational focus. And I think we have made a lot of progress in the last 18 months or so to put a much tighter management into the business. I think that's the first thing.

I think the second thing more particularly in Nigeria is I think it will be helpful to have more broad participation of Nigerian investors, retail investors post the listing. It is really important that the company feels much more integrated into the local market. Many of our other markets have got significant minority shareholders as well. Of course, we have got Ghana now listed on the Ghanaian Stock Exchange. So, I think that's the second part of the answer, having more meaningful local



Speaker	Narrative
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**Ralph Mupita**

participation in the businesses. And I guess thirdly, we have taken this opportunity to have a good look at all of the other markets just to make sure that there is nothing else lurking there and to get on top of all of our documentation etc. But I don't think it's ever a thing that I could say never again. We will run them tightly; we will increase the local participation. I think the risk framework is much more developed than it has been historically. Ralph, would you like to add?

Just to top and tail your point there, Rob, I think both for the Nigerian authorities and also in South Africa more broadly I think there is a sense that this has not been good for the Nigerian investment case in as much as it has also hurt out investment case while we had the issue overhanging. So, for sure there has been some reflection. Do we need to look at how we have the bilateral investment treaties working, having the bilateral commissions working again between Nigeria and South Africa? So those are the things outside of how we run the operation [that] authorities on both sides would like to look at. Certainly, in South Africa there is that sense that it's important that companies are able to invest in Nigeria, or Nigerian companies invest in South Africa in a very stable environmental context. So those are the things that will be ongoing. Certainly, we will speak to authorities on both sides, because it has also not been very favourable for the Nigerian economy more broadly.

**Madhvendra Singh**

Thank you. Thank you very much, and congrats once again. All the best for the next issues. Thank you.

**Operator**

Ladies and gentlemen, just a final reminder, if anyone would like to ask a question please press star and then one. We will pause a moment to see if we have any further questions.

**Rob Shuter**

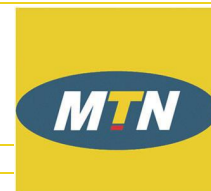
Perhaps, operator, if there are no more we can close the call and let everybody enjoy a little bit more of the holiday season. Just to say thank you again everybody for dialling in and a big thank you to my own team for the commitment they have shown in this difficult time. We look forward to a prosperous 2019. Thanks very much.

**Operator**

Thank you, sir. We have one last question, a follow-up from Chris Wood of Prudential.

**Chris Wood**

Hi guys. Sorry to delay the call. Just a follow-up on the AG matter versus the CBN matter. It was my understanding in previous discussions that the CBN matter obviously spanned nine years of dividends and that some of the documentary evidence was perhaps not as intact as you would like, and that made the negotiations difficult. Is it



Speaker	Narrative
<b>Rob Shuter</b>	<p>different with the AG matter? You have said on previously conference calls that you have documentary evidence and believe your tax affairs are in order. Are you quite confident in lifting the cautionary today that that matter can be resolved through the courts, or is it still your intention to negotiate? And can you give any indication of timelines to resolving the AG matter?</p> <p>So, there is a fixed prescription in the Nigerian system, so for sure we've got all the documentation we require to prove that our tax affairs are fully in order going back for six years. In fact, we have also some documentation going further back, but that I think is outside of what is required. I think our basic point is that it is really the tax authorities who should, if they wanted to, relook at assessments or reopen assessments. We should be dealing directly with them. So, part of the legal process is also going to really interrogate whether the AG has the regulatory standing to do what he's doing. So that will play out in the court process. In the engagement, as I said, we will continue to motivate that our tax affairs are up to date, which is confirmed by the tax authorities themselves. And you know it could be solved in a few months or we could be still arguing in a few years. But we're not going to trade under cautionary while somebody says you owe taxes that we think we've already paid. So, we are going to take a fairly firm stance on our taxes in Nigeria.</p>
<b>Chris Wood</b>	Okay. Thanks. I appreciate it.
<b>Rob Shuter</b>	I think that brings us to the end of the call for the second time. Thanks everybody and we look forward to engaging in the new year.
<b>Nik Kershaw</b>	Thanks very much.
<b>Rob Shuter</b>	Thank you. Bye.
<b>Operator</b>	Ladies and gentlemen, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT