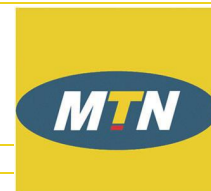




MTN
Investor Update
DATE: 04/09/2018





Speaker

Narrative

Operator

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

Nik Kershaw

Hi. Good afternoon everyone. Thanks very much for taking time to dial in to this call on short notice .I think you all would have seen the SENS that we issued a few hours ago. I'm just going to hand over to Rob who can get straight into things. Thanks very much. Over to you, Rob.

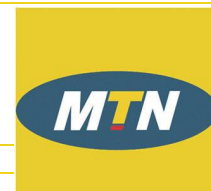
Rob Shuter

Thank you, Nik, and good afternoon to everybody. We've got a full MTN team on the call. So we have Jens, our COO. He is in South Africa minding the fort, pushing on the commercial agenda. Ralph, our CFO, and Nik are in the US visiting our US shareholders. And myself, Michael Fleischer and Ferdi Moolman are here in Lagos enjoying the pleasures of Nigeria. What I would like to do is just to take you through the cautionary, give you some colour on some of the issues. I've got some comments I would like to make in conclusion. We will have a little bit of time for Q&A, but unfortunately then we're going to need to drop off and carry on with the work we're busy with.

So maybe let's start with the first matter which is the Central Bank of Nigeria and the CCIs. So what we've done in the cautionary is just given a little bit more background on the CCIs, the fact that this is what is used by the Central Bank to monitor foreign investments in the country. We've explained that what is clear is that MTN and the original investors invested \$402 million between 2001 and 2006. Legacy CCIs were issued for those and confirmed. And that \$402.6 million has remained constant all the way through the history of the company.

We talk a little bit about what the CCIs are meant for. We have a concept in Nigeria called legislative intent, and the legislative intent of the CCIs was primarily actually to protect the investor who requires this documentary proof from the authorised dealers, requires in a short period of time to make sure that everything is above board in terms of conversion of foreign currency to Naira. And then we talk a little bit about what happened to the CCIs over the period. MTN Nigeria's capital structure did change and over time CCIs had to be reissued, consolidated. They were sometimes transferred from one bank to another. But the overall amount of \$402 million remained the same all the way through.

And then we move to the primary point of disagreement with the authorities, and that is the event of the conversion of the shareholder loans to the preference shares. This is the matter that is quoted in the letter we received from the Central Bank of Nigeria where they believed that this was not properly done. And we wanted to be crystal clear in the SENS firstly that we believe that was properly done, and secondly to make the point that the dividends paid historically actually have all been ordinary dividends and have been paid against the equity CCIs. And so in fact this conversion of



Speaker

Narrative

the shareholder loan to the preference share actually has no bearing on the legacy dividends to date.

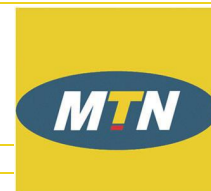
So clearly what we've done on the CCIs over the last few days is we've checked all the facts. We have reviewed our position. We have obtained legal advice. And we remain absolutely convinced that we've complied with all the regulations, that the conversion was properly done, that all communication that needed to be made was made, and that finally that nothing actually swings on it because the dividends declared were not dividends declared on the preference shares and were therefore unaffected by the conversion of the loans to the prefs. So this is the argument we will make very strongly to the authorities here in Nigeria. We have dispatched our formal response today to them and we will continue our efforts to persuade them that they are mistaken in the analysis that they have made.

The second item we wanted to touch on is the matter of the Attorney General's assessment of foreign tax compliance. Again we tried to set that out in the SENS. It's a relatively complicated matter, so maybe again a little bit of background. The Attorney General has been corresponding with us for the last while and they have been focussed on reviewing the taxes due on foreign payments and foreign imports. And these basically would be withholding taxes and VAT and also import duties. And what they have done is they have made their own high level assessment of what they think MTN Nigeria should have paid over the last ten years. It is not clear exactly how they did that or what information they used.

The relevant authority for these taxes, certainly for withholding taxes and VAT, is the Federal Inland Revenue Service, or FIRS, and for import duty is the Nigerian Customs Service. So these are the entities that we would deal with on a day to day basis insofar as these taxes are concerned. And they have very specific statutes set out for the rendering of returns, assessment, payments, adjudication of disputes. There are tribunals etc. So the Attorney General has really gone over all of that and made these high level calculations. And they asked us then to do our own assessment of what we should have paid and did pay, and to account for any difference.

Now, we communicate in the announcement that their high level calculation was approximately \$2 billion. I wanted to give you a bit of colour as to some of these very high level assumptions they have made. So for example on foreign payments they assumed a flat 10% withholding tax on all payments, whereas in fact withholding taxes vary from some categories at 0% because they are exempt, some at 7.5% and some at 10%. They also assumed a flat 5% VAT on all foreign payments, whereas many foreign payments are actually not vatable at all, including the most obvious one, being dividends.

On their high level calculations for foreign imports they used an average duty of around 15% whereas there are various rates for duty. Things like base stations for example are at 10%. They also assumed that there would be VAT on all of that, and parts of it are exempt. And then perhaps most curiously of all they made an analysis of the capex as recorded on our balance sheet, assumed that it was all foreign, and again put an average duty and VAT calculation onto it. So the numbers are not really reliable



Speaker

Narrative

and are inflated for some fairly obvious matters as I've described above.

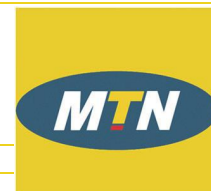
We have had our advisors helping us with this over the last weeks. We've done extensive work on it. When we say we dispatched documentation to them in fact this was more than 70 boxes of documents, because they actually asked for all the original documents, things like bills of lading. And our very detailed calculations show that the amount that should have been paid and was paid is approximately \$700 million. And we are very comfortable that that is an amount that will withstand a full adjudication should that be necessary.

I think what's most regrettable about the process with the office of the Attorney General is even though we've engaged constructively, even though we have sent all this documentation we got a very short letter back late last week that basically said that they didn't accept any of our motivations and that they announce that they're intending to proceed against us for the amount. So I think I need to be clear also on this matter that we've reviewed everything, we've taken advice, we think our position is secure. We have dispatched our formal response to the office of the Attorney General also today and we are absolutely convinced that we will be able to make the case that we have done everything we needed to do.

Finally in summation we say that it is both regrettable and disconcerting that these issues come up again. Particularly if you look at the CCI matter not only have these been the subject of all our engagement with the authorised banks over all the years, we also had a very detailed investigation by the senate and it's very odd that after all of that this comes up again. And similarly for the taxes on foreign payments and foreign imports these have been fully adjudicated, assessed, queried, paid with the relevant authorities over the last ten years, audited by our own auditors. And this again comes up ten years after the fact.

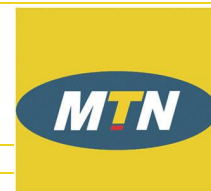
I think the second point is just to note that one of the differences between this situation and the situation with the regulatory sanction relating to SIM registration historically is that this is not only an MTN issue. Certainly on the CCI matter it is well known that this affects also the four banks including Citibank, Standard Chartered, Stanbic and Diamond Bank. And we are also aware that the Attorney General is in the process of similar adjudications with other large corporates. So we will all stand together and defend our reputation as professional and responsible citizens of the Federal Republic of Nigeria.

I think the final thing I would like to say is that we remain very committed to our position here in Nigeria. It's a large market. It's a frontier market. I think MTN Nigeria has been a core part of the development of the country over the last years. And despite our current challenges and despite some of the forces that appear to be stacked against us we are standing tall, we are standing strong, and we are going to defend our position. And in defending our position what we are doing is we are preparing everything to be able to convince the relevant authorities that we have not done anything wrong and that any suggestion of additional payments or fines or sanctions are completely unfounded. So I hope that you found that useful. Thanks for your attention. And we have a few minutes for Q&A.



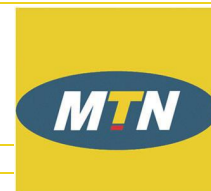
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Operator	Thank you sir. Ladies and gentlemen, if you wish to ask a question please press star and then one. Our first question is from Cesar Tiron of Bank of America.
Cesar Tiron	Hi everyone. Thanks for the call and for the opportunity to ask questions. I have three very quick questions. The first one, in the SENS release it suggests that you knew about the \$2 billion tax claim for a few weeks, but you haven't disclosed it last week on the call you hosted Thursday. Sorry to ask, but how can we be sure that all the potential liabilities have been disclosed on today's call and today's announcement? The second question, would you ever consider to use cash from the MTN Holdings to settle liabilities in Nigeria? And third question, I assume it is now clear that you will probably not be able to upstream cash from Nigeria up until the resolution of these matters. Last time when MTN was hit with the ₦1 trillion fine it took about eight months to settle the matter. So how long can you basically wait to inform the market if you do intend to make a change in your dividend policy given the fact that it is obviously that you will not be able to upstream cash from Nigeria? Thank you.
Rob Shuter	<p>Thanks Cesar. So on the first question, the documentation that we had received from the Attorney General historically was all around I think you should have paid this, please tell me what you did pay and let's see if there are any differences. And that's the process we've been going through for these last weeks. The letter that we received late last week was a letter where the tone changed from we're asking you to do a self-assessment to we now have an intention to claim this money from you. And it is that change in tone that we believe created the requirement to communicate to shareholders what was going on. It obviously took us a couple of days to get all our legal advice etc. And I think we tried to be upfront with the situation there.</p> <p>On your second question we have absolutely no intention of settling anything. We haven't done anything wrong. So we will continue as MTN Nigeria to defend our position. The third question around the upstreaming and potential effect on the dividend, I think it's really too early to tell. We're trading under cautionary. The situation is fluid. And we will just have to see how the situation develops over the next few months.</p>
Cesar Tiron	Thank you so much.
Operator	Thank you. The next question is from Jonathan Kennedy-Good of Standard Bank.
Jonathan Kennedy-Good	Good afternoon. Just three questions from me on your Nigerian Dollar debt. Given the impasse on the repatriation issue will you be able to service that Dollar debt from Nigerian cash flows at the moment or settle that debt using the Naira facility I believe the group was raising in Nigeria? Is that facility been raised and could it be used to settle Nigerian Dollar debt? And second of all, debt covenants on your US Dollar debt, have any of those been breached as the Rand has weakened substantially? And I guess the South African business must be the cross guarantor for a lot of that debt. And thirdly, given the significant share price declines is there any call that the banks could make on you regarding the BEE deal?



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Rob Shuter	<p>Okay. Thanks Jonathan. So the first question is yes, MTN Nigeria has sufficient resources to service the Dollar debt. So that is very self-contained. I mean the significant ZAR weakening we have seen in the last few days, obviously we need to digest that. But we don't believe that it has created any covenant breaches on the US Dollar debt. And the third question around the BEE deal, that's a long-term deal so it can withstand some ups and downs in the share price. It has still got many years to run. So we think that that situation is also stable.</p>
Jonathan Kennedy-Good	<p>Thanks. Just one follow-up on the Nigerian facility that you were talking about at the analyst day in April. Has that Naira facility – I believe it was going to be ₦470 billion – been secured?</p>
Rob Shuter	<p>It was a ₦300 billion and it has been secured.</p>
Jonathan Kennedy-Good	<p>Thanks.</p>
Operator	<p>Thank you. The next question is from [unclear] of Goldman Sachs. Please go ahead.</p>
Goldman Sachs	<p>Thanks for the call. A couple of questions. Firstly it seems like Central Bank of Nigeria is ready to compensate you with a Nigerian equivalent if you repatriate this \$8 billion cash back to the country. In your discussions with them do you understand if you are able to repatriate it back to South Africa if you hypothetically agree to do so? And secondly, what is the rough cash upstreaming from the countries excluding Nigeria, or maybe in other words how much your holding company's leverage would be if you exclude Nigeria from this? Thank you.</p>
Rob Shuter	<p>Okay. So on the first question we're really not particularly interested to go into that because we believe that the CCIs are valid. We believe that the dividends had in fact even nothing to do with the preference shares. So we don't believe there is any requirement to repatriate anything. And it is slightly odd that you would ask the company that paid the dividends to refund them. In the formal correspondence we've got from the Central Bank they say it must come back to the coffers of the Central Bank. There has been some press commentary that they say now that the money belongs to the company, but they have given us nothing in writing. And I think if they do want to change their letter then we'd urge them to do that as soon as possible.</p> <p>I think on the upstreaming question the cash flow from the Nigerian OpCo over the next few years will be a bit depressed by the last stages of the original fine repayment. So it's not that material in 2017 and 2018. But certainly it would have been more material than 2019 and 2020. But as I said earlier the situation is fluid and we're going to see how that unfolds before we make any changes to the guidance we've given on gearing and dividends.</p>
Goldman Sachs	<p>Okay. Thanks.</p>
Operator	<p>Thank you. The next question is from Steve Minnaar from Abax. Please go ahead.</p>
Steve Minnaar	<p>Hi gents. It's a pity we have to speak again so soon. Just a question on your covenants.</p>



Speaker	Narrative
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	<p>Do you have any covenants that mention the market cap or EV of MTN? Obviously after the fall in your share price one would wonder or worry that some of those covenants might be breached.</p>
<p>Rob Shuter</p>	<p>Thanks Steve. As far as I know, no. the covenants are not looking at the share price. They are looking at EBITDA and upstreaming and that sort of thing. I know Ralph is on the call. Ralph, are you aware of covenants that are looking at share price?</p>
<p>Ralph Mupita</p>	<p>Rob, the covenants for most of our facilities don't have a share price reference. I think in the Zakhele Futhi there is a reference to the share price, but even where the share is trading now we're not anywhere close to that level.</p>
<p>Steve Minnaar</p>	<p>Thank you gentlemen.</p>
<p>Operator</p>	<p>Thank you. The next question is from Edward Pienaar of Tantalum Capital. Please go ahead.</p>
<p>Ed Pienaar</p>	<p>Hi guys. Thanks for the call. Could I perhaps just as a starting question ask who are you meeting with in Nigeria at the moment on the government side to try and figure out what's going on?</p>
<p>Rob Shuter</p>	<p>We are primarily meeting with our internal resources in the company, our legal advisors. We are also meeting with our non-executive directors. We are arranging meetings with more senior authorities. But bear in mind that Nigeria has a large delegation in China on the FOCAC conference, so it is likely that those meetings will be only set up in the days ahead. And that's where we are on that.</p>
<p>Ed Pienaar</p>	<p>Okay. Cool. So you're basically waiting for the dignitaries to come back from China. Then just a follow-up in terms of the listing of MTN Nigeria. I know government wanted it to proceed. It is obviously going to be very difficult to do under present circumstances. How should we think about that process at the moment? Thank you very much.</p>
<p>Rob Shuter</p>	<p>Sure. I think on the listing it's always important to realise that even today MTN Group only owns 78% of MTN Nigeria. So we have a 22% minority. A large portion of those shares trade on an over the counter structure. And so we are going to digest the current situation and see what effect it has on the listing plans. We may need to rethink how we list. But we very much appreciate that this was one of the conditions of settlement of the fine. We very much take on board our commitment to move forward with the listing. And we are still going to see if we can get it to happen as soon as possible, ideally still this year. But clearly it has become a lot more complicated with the developments of the last week.</p>
<p>Ed Pienaar</p>	<p>Hundreds. Thanks very much guys. Good luck that side.</p>
<p>Rob Shuter</p>	<p>All right team. Unfortunately we need to wrap it up there. Thank you for your attention. I hope you found the call useful. I know it has been a difficult day for our shareholders particularly after the release of the SENS. Please be assured that your</p>



Speaker	Narrative
Operator	<p>management team are super committed, very focussed, professional, organised, disciplined, and we are going to absolutely protect our position in the situation as it unfolds. Thank you very much.</p> <p>Thank you very much, sir. Ladies and gentlemen, that concludes this conference call and you may now disconnect your lines.</p>

END OF TRANSCRIPT