

## SHELF PROSPECTUS

THIS DOCUMENT IS IMPORTANT AND YOU ARE ADVISED TO CAREFULLY READ AND UNDERSTAND ITS CONTENTS. IF YOU ARE IN DOUBT ABOUT ITS CONTENTS OR THE ACTION TO TAKE PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR AN INDEPENDENT INVESTMENT ADVISER FOR GUIDANCE IMMEDIATELY. THIS SHELF PROSPECTUS HAS BEEN SEEN AND APPROVED BY THE DIRECTORS OF MTN NIGERIA COMMUNICATIONS PLC AND THEY JOINTLY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION GIVEN AND CONFIRM THAT, AFTER HAVING MADE INQUIRIES WHICH ARE REASONABLE IN THE CIRCUMSTANCES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN INACCURATE OR MISLEADING.

FOR INFORMATION ABOUT CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" ON PAGES 70 TO 100.



**MTN NIGERIA COMMUNICATIONS PLC RC 395010**

# **₦478.2 BILLION EQUITY SHELF PROGRAMME (OFFER FOR SALE OF 2,814,830,718 ORDINARY SHARES OF ₦0.02 EACH)**

**Issuing House and Bookrunner**

**Chapel Hill Denham Advisory Limited**



**CHAPEL HILL DENHAM**

RC 1381308

THIS SHELF PROSPECTUS IS TO BE READ AND CONSTRUED IN CONJUNCTION WITH ANY SUPPLEMENT THERETO AND ALL DOCUMENTS WHICH ARE INCORPORATED HEREIN BY REFERENCE AND, IN RELATION TO ANY OFFER (AS DEFINED HEREIN), TOGETHER WITH THE APPLICABLE PRICING SUPPLEMENT. THIS SHELF PROSPECTUS SHALL BE READ AND CONSTRUED ON THE BASIS THAT SUCH DOCUMENTS ARE INCORPORATED HEREIN AND FORM PART OF THIS SHELF PROSPECTUS. THIS SHELF PROSPECTUS AND THE SECURITIES THAT IT OFFERS HAVE BEEN APPROVED AND REGISTERED BY THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION"). IT IS A CIVIL WRONG AND CRIMINAL OFFENCE UNDER THE INVESTMENTS & SECURITIES ACT (NO. 29 OF 2007) (AS AMENDED BY THE FEDERAL COMPETITION AND CONSUMER PROTECTION ACT, 2018) (THE "ACT" OR "ISA") TO ISSUE A PROSPECTUS WHICH CONTAINS FALSE OR MISLEADING INFORMATION. THE CLEARANCE AND REGISTRATION OF THIS SHELF PROSPECTUS AND THE SHARES TO BE SOLD THEREUNDER DO NOT RELIEVE THE PARTIES FROM ANY LIABILITY ARISING UNDER THE ACT FOR FALSE AND MISLEADING STATEMENTS CONTAINED HEREIN OR FOR ANY OMISSION OF A MATERIAL FACT.

THIS SHELF PROSPECTUS HAS BEEN ISSUED IN COMPLIANCE WITH PART IX OF THE ISA, RULE 279 OF THE RULES AND REGULATIONS OF THE COMMISSION, 2013 (AS AMENDED FROM TIME TO TIME) ("SEC RULES") AND CONTAINS PARTICULARS WHICH ARE COMPLIANT WITH THE REQUIREMENTS OF THE COMMISSION FOR THE PURPOSE OF GIVING INFORMATION WITH REGARDS TO THE ₦478.2 BILLION EQUITY SHELF PROGRAMME OF 2,814,830,718 ORDINARY SHARES OF ₦0.02 EACH (THE "PROGRAMME"). UNDER THE PROGRAMME, ORDINARY SHARES MAY BE SOLD PURSUANT TO SEVERAL OFFERS. THE SPECIFIC TERMS OF EACH OFFER WILL BE DETERMINED AT THE TIME OF THE SAID OFFER AND WILL BE SET OUT IN THE RELEVANT PRICING SUPPLEMENT/SUPPLEMENTARY SHELF PROSPECTUS.

THE REGISTRATION OF THIS SHELF PROSPECTUS, A SUPPLEMENTARY SHELF PROSPECTUS AND OR ANY PRICING SUPPLEMENT THEREAFTER DOES NOT IN ANY WAY WHATSOEVER SUGGEST THAT THE COMMISSION ENDORSES OR RECOMMENDS THE ORDINARY SHARES OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION OR REPORT EXPRESSED THEREIN. NO ORDINARY SHARES WILL BE ALLOTTED ON THE BASIS OF THIS SHELF PROSPECTUS READ TOGETHER WITH ANY SUPPLEMENTARY SHELF PROSPECTUS OR PRICING SUPPLEMENT LATER THAN THREE YEARS FROM THE DATE OF THIS SHELF PROSPECTUS UNLESS THE VALIDITY PERIOD (AS SUBSEQUENTLY DEFINED) IS RENEWED BY THE COMMISSION.

THE DIRECTORS OF MTN NIGERIA COMMUNICATIONS PLC ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS SHELF PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE AND BELIEF (HAVING MADE ALL REASONABLE INQUIRIES), THE DIRECTORS OF THE COMPANY CONFIRM THAT THIS SHELF PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE COMPANY AND THE PROGRAMME AND THAT THE INFORMATION CONTAINED IN THIS SHELF PROSPECTUS IS TRUE AND CORRECT IN ALL MATERIAL ASPECTS AND IS NOT MISLEADING IN ANY MATERIAL RESPECT. THE DIRECTORS ALSO CONFIRM THAT THE OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND THAT THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THIS SHELF PROSPECTUS AS A WHOLE OR ANY OF SUCH INFORMATION OR THE EXPRESSION OF ANY SUCH OPINIONS OR INTENTIONS, MISLEADING IN ANY MATERIAL RESPECT.

MTNI (AS HEREINAFTER DEFINED) ASSUMES RESPONSIBILITY ONLY FOR STATEMENTS INCLUDED IN THIS SHELF PROSPECTUS IN RELATION TO MTNI, TO THE EXTENT OF SUCH INFORMATION AND ITS RESPECTIVE PORTION OF EXISTING ORDINARY SHARES SOLD UNDER THE PROGRAMME AND ALSO ASSUMES RESPONSIBILITY THAT SUCH STATEMENTS ARE TRUE AND CORRECT IN ALL MATERIAL RESPECTS AND NOT MISLEADING IN ANY MATERIAL RESPECT. INVESTORS ARE ADVISED TO NOTE THAT LIABILITY FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS PROVIDED IN SECTIONS 85 AND 86 OF THE ISA.

INVESTORS MAY CONFIRM THE CLEARANCE OF THIS SHELF PROSPECTUS AND REGISTRATION OF THE SECURITIES SOLD THEREUNDER WITH THE COMMISSION BY CONTACTING THE COMMISSION ON [sec@sec.gov.ng](mailto:sec@sec.gov.ng) OR +234(0)94621100 OR +234(0) 94621168.

**THIS SHELF PROSPECTUS IS DATED THE 26<sup>TH</sup> DAY OF NOVEMBER 2021**

This Shelf prospectus will be available on the following websites throughout the Validity Period

[www.mtnonline.com](http://www.mtnonline.com)

[www.sec.gov.ng](http://www.sec.gov.ng)

In relation to the Programme, Chapel Hill Denham Advisory Limited (“**Chapel Hill Denham**”) has been appointed as issuing house (the “**Issuing House**”) and bookrunner (the “**Bookrunner**”).

In connection with the Programme and subject to applicable legal requirements, the Issuing House and any of its Affiliates acting as an investor for its own account may take up Ordinary Shares in an Offer and in that capacity may retain, purchase or sell for its own account, Ordinary Shares and any of the Company’s other securities or related investments and may offer or sell the Ordinary Shares or other investments otherwise than in connection with an Offer. Accordingly, references in this Shelf Prospectus to the Ordinary Shares being offered or placed should be read as including any offering or placement of securities to the Issuing House and any of its Affiliates acting in such capacity. None of the Issuing House or its Affiliates intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Issuing House or any of its Affiliates who is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Issuing House or its Affiliate on behalf of the Company in such jurisdiction.

The Issuing House is authorised and regulated in Nigeria as a capital market operator and is duly registered with the Securities and Exchange Commission of Nigeria (“**SEC**”). The Issuing House will, in respect of any specific issuance, act exclusively for the Company and the Selling Shareholder, and no one else in connection with the Offer and will not regard any other person (whether or not a recipient or reader of this Shelf Prospectus) as its clients in relation to the Offer and will not be responsible for providing the protections afforded to its clients nor for giving advice in relation to the Programme or any transaction, arrangement or other matter referred to in this Shelf Prospectus.

The Issuing House and any of its Affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholder for which it would have received customary fees. The Issuing House and any of its Affiliates may provide such services to the Company and the Selling Shareholder and any of its Affiliates in the future.

Recipients of this Shelf Prospectus are authorised solely to use it for the purpose of considering an investment in or a purchase of the Ordinary Shares and may not reproduce or distribute this Shelf Prospectus, in whole or in part, and may not disclose any of the contents of this Shelf Prospectus or use any information herein for any purpose other than considering an investment in or a purchase of the Ordinary Shares. Such recipients of this Shelf Prospectus agree to the foregoing by accepting delivery of this Shelf Prospectus. The Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. Prospective subscribers should read the selling restrictions contained in Part 16 (*Selling Restrictions*). Each subscriber for the Ordinary Shares will be deemed to have made the relevant representations made therein. This Shelf Prospectus does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Each person contemplating making an investment in or a purchase of the Ordinary Shares from time to time must make its own investigation and analysis of the creditworthiness of the Company and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

## **Definitions and glossary**

Certain terms used in this Shelf Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 1 (*Definitions and Glossary*). References to particular years are to the respective calendar years unless otherwise stated.

## **Information not contained in this Shelf Prospectus**

No person has been authorised to give any information or make any representation other than those contained in this Shelf Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Shelf Prospectus nor any purchase or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of MTN Nigeria since the date of this Shelf Prospectus or that the information in this Shelf Prospectus is correct as of any time subsequent to the date hereof.

## **Information regarding forward-looking statements**

This Shelf Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "proposes", "considers", "predicts", "continues", "assumes", "positioned", "guidance", "targets" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Shelf Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Company concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Company and the industry in which it operates.

These forward-looking statements and other statements contained in this Shelf Prospectus regarding matters that are not historical facts involve predictions. These statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. As such, no assurance can be given that such future results, including guidance provided by the Company, will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing MTN Nigeria. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such factors include, but are not limited to the risk factors set out in Part 11 (*Risk Factors*) (including changes in economic conditions, MTN Nigeria's competitive environment, MTN Nigeria's ability to execute its strategies, the legislative or regulatory regimes under which MTN Nigeria operates or the taxation regime applicable to MTN Nigeria), as well as other factors within and beyond the Company's control that may affect its planned strategies and operational initiatives, including actions taken by counterparties, such as the timing of orders.

Such forward-looking statements contained in this Shelf Prospectus speak only as of the date of this Shelf Prospectus. The Company does not undertake to publish updates as to its progress towards achieving any of the above targets, including as it may be impacted by events or circumstances existing or arising after the date of this Prospectus or to reflect the occurrence of unanticipated events or circumstances unless required to do so by applicable law or the SEC. Each of the Company, the Directors, the Selling Shareholder and the Issuing House expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law or the SEC.

## NOTICE TO OVERSEAS INVESTORS

The distribution of this Shelf Prospectus and the offer of the Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken or will be taken by the Company or the Issuing House to permit a public offering of the Ordinary Shares or to permit the possession or distribution of this Shelf Prospectus (or any other offering or publicity materials relating to the Ordinary Shares) outside the Federal Republic of Nigeria, including without limitation, the United States, the United Kingdom or any jurisdiction where action for that purpose may be required. Accordingly, neither this Shelf Prospectus nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

### *Service of process and enforcement of civil liabilities*

The Company is a public limited liability company incorporated under Nigerian law. The directors of the Company are citizens of Nigeria, South Africa and Germany, and substantially all of the Company's assets are located outside the United States. There are two statutory regimes for the enforcement of foreign judgments in Nigeria: (i) the Reciprocal Enforcement of Judgments Ordinance Chapter 175, Laws of the Federation of Nigeria and Lagos, 1958 (the "**Ordinance**") and (ii) the Foreign Judgments (Reciprocal Enforcement) Act, Chapter F35 LFN 2004 (the "**Act**").

### *United Kingdom and Irish Court Judgments*

The Ordinance applies to judgments obtained (a) in the High Courts of England or Ireland, or in the Court of Session in Scotland or in any territory under Her Majesty's dominions to which the Ordinance is extended by proclamation; or (b) in the superior court(s) of any country covered by the Ordinance. A judgment is defined under the Ordinance as any judgment or order given or made by a court in any civil proceedings, whether before or after the commencement of the Ordinance, whether any sum of money is made payable, and includes an award in proceedings or an arbitration if the award has, in pursuance of the law in force in the place where it was made, become enforceable in the same manner as a judgment given by the court. Subject to certain exceptions, judgments obtained in these jurisdictions are enforceable by registration under the Ordinance. To be enforceable, such judgments must be registered within twelve months after the date of the judgment or such longer period as may be allowed by a High Court or other superior court in Nigeria. In addition, the judgment must: (i) derive from civil proceedings; (ii) be final and capable of execution in the country of delivery; (iii) must not have been wholly satisfied; and (iv) not suffer from want of jurisdiction, lack of fair hearing or fraud, be contrary to public policy or have been discontinued because the issue had already been decided by another competent court before its determination by the foreign court. Provided that the judgment satisfies these requirements, it will be recognised, registered and enforced in Nigeria in the currency of that judgment.

Accordingly, under the Ordinance, foreign judgments relating to the Company are registrable and enforceable in Nigeria if such judgments are obtained in (a) the High Courts of England or Ireland or in the Court of Session in Scotland or in other parts of Her Majesty's control to which the Ordinance is extended by proclamation; or (b) the superior court of any of the countries covered by the Ordinance. However, such judgments are not registrable or enforceable in Nigeria where: (i) the foreign court acted without jurisdiction; (ii) the judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the foreign court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; (iii) the judgment debtor was not duly served with the process of the foreign court, and did not appear, notwithstanding that he was ordinarily resident or was carrying on business within the jurisdiction of the foreign court; (iv) the judgment was obtained by fraud; (v) the judgment debtor satisfies the registering court that an appeal is pending against the judgment or that he is entitled, and intends, to appeal against the judgment; or (vi) the judgment was in respect of a cause of action which could not have been entertained by the registering court for reasons of public policy or for some other similar reason. In this regard, notwithstanding that a judgment emanates from a jurisdiction to which the Ordinance applies, such judgment will not be registrable or enforceable in Nigeria if the judgment falls within any of the exceptions enumerated in items (i) to (vi) above.

### *United States and Other Jurisdictions Court Judgments*

Part 1 of the Act applies to judgments obtained in the superior courts of any country (other than Nigeria). For the Act to be applicable to any foreign judgment, the Minister of Justice and Attorney General of the Federation (the "**Minister of Justice**") must have issued an order extending the provisions of Part 1 of the Act to the judgments obtained from the superior courts of the relevant foreign jurisdiction from where the judgment emanated. In extending the provisions of Part 1 of the Act to the judgments of any superior courts of any country, the Minister of Justice has to be satisfied that substantial reciprocity of treatment will be accorded in that country to judgments given by superior courts in Nigeria. Once the Minister of Justice has exercised his power by issuing an order extending the provisions of Part 1 of the Act to any country, judgment creditors of judgments from the superior

courts of such country will be able to apply to a High Court of a State of the Federation of Nigeria, or a High Court of the Federal Capital Territory, Abuja, or the Federal High Court (a “**Nigerian High Court**”) within a period of six years from the date of the judgment, or where there have been proceedings by way of appeal against the judgment, within six years after the date of the last judgment given in those proceedings for the enforcement of the judgment.

However, since the promulgation of the Act, the Minister of Justice has not issued any order extending Part 1 of the Act to any foreign jurisdiction. Section 10(a) of the Act, however, provides that a judgment issued before the commencement of the Minister of Justice’s order extending Part 1 of the Act to the foreign country where the judgment was given may be registered within a period of twelve months from the date of the judgment or such longer period as may be allowed by a superior court in Nigeria. To be registered and enforced, the judgment must: (i) derive from civil proceedings; (ii) be final and conclusive as between the parties thereto and capable of execution in the country of delivery; (iii) not have been wholly satisfied; and (iv) be a judgment where there is a sum of money payable thereunder, not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty (the “**Additional Requirements**”).

Notwithstanding the above, Nigerian courts are permitted by virtue of section 10(a) of the Act to register foreign judgments obtained prior to the commencement of the order of the Minister of Justice extending Part 1 of the Act to the country in which such judgment emanated, provided that the registration application is brought within twelve months after the date of such judgments or such longer period extended by the court. The relevant foreign judgment must, however, satisfy the Additional Requirements.

In the case of a registration of a foreign judgment by a superior court in Nigeria pursuant to Part 1 of the Act, the registering court may, upon the filing of an application by any party against whom such a registered judgment may be enforced, set aside the registration of such judgment where the court is satisfied that: (i) the judgment is not a judgment to which Part 1 of the Act applies or was registered in contravention of the provisions of the Act; (ii) the courts of the country of the original court had no jurisdiction in the circumstances of the case; (iii) the judgment debtor, being the defendant in the proceedings in the original court, did not (notwithstanding that process may have been duly served on him in accordance with the law of the country of the original court) receive notice of those proceedings in sufficient time to enable him to defend the proceedings and did not appear; (iv) the judgment was obtained by fraud; (v) the enforcement of the judgment would be contrary to public policy in Nigeria; or (vi) the rights under the judgment are not vested in the person by whom the application for registration was made. The registering court may also set aside a registration pursuant to Part 1 of the Act if it is satisfied that the matter in dispute in the proceedings in the original court had, previously on the date of the judgment, been the subject of a final and conclusive judgment by a court having jurisdiction in the matter.

There is currently no treaty between the United States and Nigeria providing for reciprocal enforcement of judgments and the Minister of Justice has not ordered the application of Part 1 of the Act to judgments obtained from United States’ superior courts or to the courts of any other country. Thus, as of the date hereof, judgments from courts in the United States or the courts of any other country (apart from (a) the High Courts in England or Ireland, the Court of Session in Scotland and the courts in any territory under Her Majesty’s dominions to which the Ordinance is extended by proclamation; or (b) the superior court(s) of any country covered by the Ordinance) can be enforced in Nigeria by registration pursuant to section 10(a) of the Act if such judgments are registered within twelve months after the date of the judgment or such longer periods as may be allowed by a Nigerian High Court and they satisfy the Additional Requirements.

Accordingly, investors will only be able to register and enforce judgments obtained against the Company in a United States court or the courts of certain other foreign jurisdictions if the requirements of section 10(a) of the Act as set out above are complied with, see Part 11 (*Risk Factors*) - “*It may not be possible for investors to enforce foreign judgments against MTN Nigeria or its management*”.

#### *Enforcement of Arbitral Awards in Nigeria*

Arbitral awards are enforceable pursuant to the Arbitration and Conciliation Act, Chapter A18, LFN 2004 (the “**ACA**”) which domesticated the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

However, by section 52 of the ACA, the court where recognition or enforcement of an award is sought or where an application for the refusal of recognition or enforcement thereof is brought, may in certain circumstances refuse to recognise or enforce an award.

### *Common Law Action on Foreign Judgment*

In addition to the registration regimes described above, a foreign judgment may be enforced in Nigeria under English common law. A person seeking to enforce a foreign judgment through such means would be required to commence a civil action before a court of competent jurisdiction in Nigeria, with the foreign judgment as the cause of action. An action brought in this way may also be heard and determined summarily in accordance with the applicable rules of the relevant Nigerian court.

### *Currency of Judgment*

Based on the provisions of the Ordinance and Nigerian case law, foreign judgments can be enforced and recovered in Nigerian superior courts in a foreign currency. Further, pursuant to Paragraph 10 of Memorandum 14 of the CBN Foreign Exchange Manual (Revised Edition) 2018, Authorised Dealers are permitted to approve payments of judgment debt in foreign currency by residents of Nigeria to non-resident judgment creditors subject to obtaining the approval-in-principle of the CBN and the presentation of certain documentation requirements including but not limited to a certified true copy of the judgment with the court proceedings.

In contrast, Part 1 of the Act provides that a foreign judgment to which Part 1 of the Act applies may only be enforceable in Nigeria in Naira. The relevant provisions of Part 1 of the Act will only become effective when the Minister of Justice makes an order to the effect that the Act shall apply to judgments of superior courts of a particular country that accords reciprocal treatment to judgments of superior courts of Nigeria. Given that the Minister of Justice is yet to issue any order extending the application of Part 1 of the Act to judgments of superior courts of any country, and until such order is made, there is no restriction on Nigerian courts to allow foreign judgments to be registered, enforced and recovered in foreign currency based on the Ordinance or section 10(a) of the Act (as the case may be).

### *Effect of Registration of Foreign Judgments in Nigeria*

The legal effect of registration of any foreign judgment under the Ordinance or the Act is that the foreign judgment becomes the judgment of the registering court for the limited purpose of enforcement of the foreign judgment in Nigeria. By virtue of the Constitution of the Federal Republic of Nigeria, 1999 (as amended) (the “**Constitution**”), decisions of superior courts of Nigeria are enforceable in all parts of the Federation. Therefore, no party may appeal the merits of a foreign judgment registered by a Nigerian High Court before an appellate court in Nigeria merely on the basis that such a foreign judgment has been registered in Nigeria. A party may only appeal the decision of a Nigerian High Court to register or not to register the foreign judgment.

### *Notice to US Investors*

The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”). The Ordinary Shares offered by this Shelf Prospectus may not be offered or sold in the United States, except to persons reasonably believed to be qualified institutional buyers (“**QIBs**”), as defined in, and in reliance on, the exemption from the registration requirements of the US Securities Act provided by Rule 144A thereunder (“**Rule 144A**”) or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY OTHER FEDERAL OR STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFER OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS SHELF PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

For so long as any of the Ordinary Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is neither subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “**US Exchange Act**”), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an Ordinary Share, or to any prospective purchaser of an Ordinary Share designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

### *Notice to UK Investors*

In the United Kingdom, this Shelf Prospectus is being distributed only to and is directed only at qualified investors (as defined below) who are also: (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) persons to whom it would otherwise be lawful to distribute it (all such persons together being referred to as “**relevant persons**”). Any person who is within the United Kingdom and not a relevant person should not act or rely on this Shelf Prospectus or any of its contents.

### *Notice to European Economic Area Investors*

In member states of the European Economic Area (“**EEA**”), this Shelf Prospectus is only addressed to and directed at persons that are “qualified investors” as defined under Regulation (EU) 2017/1129 and amendments thereto (the “**Prospectus Regulation**”). Any person in any member state of the EEA who is not such a qualified investor should not act or rely on this Shelf Prospectus or any of its contents.

### **INFORMATION TO DISTRIBUTORS**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

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## PART 1: DEFINITIONS AND GLOSSARY

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“2G” .....	second-generation wireless networks
“3G” .....	third-generation wireless networks
“4G” or “4G LTE” .....	fourth-generation long-term evolution wireless networks
“5G” .....	fifth-generation wireless networks
“ABC” .....	Anti-Bribery and Corruption
“Affiliate” .....	a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
“Ambition 2025” .....	MTN Nigeria’s strategy (which replaced the BRIGHT strategy) which is anchored on building the largest and most valuable platform business with a clear focus on Africa.
“AML” .....	Anti-Money Laundering
“AMPS” .....	Advanced Mobile Phone System
“AOL Regulations” .....	Annual Operating Levy Regulations, 2014
“ARPU” .....	Average Revenue Per User
“Articles” .....	the articles of association of the Company
“ATM” .....	Automated Teller Machines
“Authorised Dealer” .....	A Nigerian bank licensed by the CBN to deal in foreign exchange
“Board” or “Directors” .....	board of directors of the Company
“Bookrunner” .....	Chapel Hill Denham
“Bookbuild” .....	A process of price and demand discovery through which the Bookrunner seeks to determine the price at which securities should be sold, based on the demand from Qualified Investors
“BRIGHT” .....	Best Returns Ignite Growth Hearts Technological; an acronym for MTN Nigeria’s strategy aimed at fully expressing its mission to make the lives of its customers brighter, which was replaced by the Ambition 2025
“BVN” .....	Bank Verification Number
“CAC” .....	Corporate Affairs Commission, Nigeria
“CAMA” .....	Companies and Allied Matters Act No. 3 of 2020 (as amended)
“CBN” .....	Central Bank of Nigeria
“CEAFON” .....	Cancer Education and Advocacy Foundation of Nigeria
“CFT” .....	Countering Financing of Terrorism

“Chapel Hill Denham” .....	Chapel Hill Denham Advisory Limited
“CHN” .....	Clearing House Number
“Company”, “MTN Nigeria” or “MTNN” .....	MTN Nigeria Communications PLC
“CSCS” .....	Central Securities Clearing System, operated by Central Securities Clearing System PLC
“CSR” .....	corporate social responsibility
“CST” .....	Communication Service Tax
“Daily Official List” .....	Daily Official List of the NGX which, on a daily basis, provides details of transactions that take place on the floor of the NGX
“DND” .....	“Do Not Disturb” directive implemented by the NCC
“DTT” .....	Digital Terrestrial Television
“EBITDA” .....	Earnings for the period before interest, taxation, depreciation, amortisation and the impact of the NCC Fine
“EDGE” .....	Enhanced data rates for GSM evolution
“EFCC” .....	Economic and Financial Crimes Commission
“EU” .....	The European Union
“EVP” .....	Employee Value Proposition
“Executive Directors” .....	Executive directors of the Company
“Existing Ordinary Shares” .....	Existing Ordinary Shares held by the shareholders of MTN Nigeria as at the date of this Shelf Prospectus
“FCCPA” .....	Federal Competition and Consumer Protection Act, 2018
“FCCPC” .....	Federal Competition and Consumer Protection Commission
“FDI” .....	Foreign Direct Investment
“FIRS” .....	Federal Inland Revenue Service, Nigeria
“FGN” or “Federal Government” .....	Federal Government of Nigeria
“FTE” .....	Full-Time Equivalent Employee
“GAN NSO” .....	Group Aligned Notional Share Scheme
“GDP” .....	Gross Domestic Product
“GHz” .....	Gigahertz
“GlobalData” .....	GlobalData Plc (formerly Pyramid Research)
“GPRS” .....	General Packet Radio Service

“GSM” .....	Global System for Mobile Communications
“High Net Worth Investor” .....	Persons who are High Net Worth Investors within the meaning of the SEC Rules
“HSUPA” .....	High-Speed Uplink Packet Access
“IASB” .....	International Accounting Standards Board
“ICT” .....	Information and Communications Technology
“IFRS” .....	International Financial Reporting Standards, as issued by the IASB
“IHS” .....	IHS Holding Limited
“Institutional Offer” .....	The tranche of an Offer available to QIBs, Qualified Investors, High Net Worth Individuals and Qualified Institutional Investors, as defined by the SEC Rules
“ISA” .....	Investments and Securities Act No. 29 of 2007 (as amended by the FCCPA)
“ISON” .....	International Scientific Optical Network
“IT” .....	Information Technology
“LAN NSO” .....	Locally Aligned Notional Share Scheme
“Issuing House” .....	Chapel Hill Denham
“LFN 2004” .....	Laws of the Federation of Nigeria, 2004
“MB” .....	Megabyte
“Mbps” .....	Megabits per second
“MHz” .....	Megahertz
“MPR” .....	Monetary Policy Rate
“MTNF” or “MTN Foundation” .....	MTN Nigeria Foundation Limited by Guarantee
“MTN Group” .....	MTN Group Limited and its subsidiaries
“MTNI” .....	MTN International (Mauritius) Limited
“MTN NIC” .....	Mobile Telephone Network NIC B.V., a company incorporated in the Netherlands
“MTN Nigeria Group” or “Group” .....	MTN Nigeria and its subsidiaries
“Naira” or “₦” .....	Nigerian Naira, the lawful currency of Nigeria
“NBC” .....	National Broadcasting Commission
“NCC” .....	Nigerian Communications Commission
“NCC Fine” .....	a fine imposed on the Company by the NCC, described in more detail in Part 15 ( <i>Statutory and General Information</i> )

“NDPR” .....	Nigeria Data Protection Regulation, 2019 issued by NITDA
“NERC” .....	Nigerian Electricity Regulatory Commission
“NERGP” .....	National Economic Recovery and Growth Plan
“NESREA” .....	National Environmental Standards and Regulations Enforcement Agency
“NGX” .....	Nigerian Exchange Limited
“NIBOR” .....	Nigerian Inter-Bank Offered Rate
“NIBSS” .....	Nigerian Inter-Bank Settlement System
“Nigeria” .....	The Federal Republic of Nigeria
“NIPP” .....	National Integrated Power Project
“NITDA” .....	National Information Technology Development Agency, Nigeria
“Non-Executive Directors” .....	Non-Executive Directors of the Company
“NSO Scheme” .....	MTN Nigeria’s Notional Share Options Incentive Scheme
“OEM” .....	Original Equipment Manufacturer
“Offer” .....	An Offer for Sale
“Offer for Sale” .....	An offer for sale of Existing Ordinary Shares by the Selling Shareholder under the Programme described in Part 8 ( <i>Particulars of the Programme</i> )
“Ordinary Shares” .....	Ordinary shares of the Company, having the rights set out in the Articles
“OTT” .....	“Over the Top” internet-based alternatives to traditional telephony services
“Over-allotment Option” .....	Option granted to the Stabilising Manager to purchase, or procure purchasers for, additional Ordinary Shares as described in Part 8 ( <i>Particulars of the Programme</i> )
“Over-allotment Shares” .....	Ordinary Shares that are the subject of the Over-allotment Option in accordance with the NGX Rules for Price Stabilisation of Securities, 2019; within the limit of the Programme Size.
“Over-subscription Shares” .....	Additional Ordinary Shares not exceeding 15% of the Ordinary Shares in an Offer for Sale which may be sold subject to the approval of the SEC
“Ovum” .....	Ovum Forecaster
“PIN” .....	Personal Identification Number
“Preference Shares” .....	Convertible Redeemable Cumulative Preference Shares
“Pricing Supplement” .....	the document(s) to be issued pursuant to this Shelf Prospectus which shall provide the specific and final terms of an Offer; and

which shall be read in conjunction with this Shelf Prospectus and any Supplementary Shelf Prospectus

“Programme” .....	the programme established pursuant to this Shelf Prospectus
“Programme Size” .....	<del>₦</del> 478.2 Billion Equity Shelf Programme of 2,814,830,718 Ordinary Shares of <del>₦</del> 0.02 each
“Prospectus” or “Shelf Prospectus” .....	this shelf prospectus issued by the Company and registered with the SEC
“Prospectus Regulation” .....	Regulation (EU) 2017/1129 and amendments thereto
“Qualified Investors” .....	Qualified Institutional Buyers, Qualified Institutional Investors and High Net worth Investors
“Qualified Institutional Buyers” or “QIBs” .....	Qualified Institutional Buyers as defined in Rule 144A under the US Securities Act
“Qualified Institutional Investors” .....	persons who are “qualified investors” within the meaning of the SEC Rules and also refers to Qualified Investors per Article 2(1)(e) of the Prospectus Regulation
“real GDP” .....	nominal GDP adjusted for inflation
“Receiving Bank” .....	Citibank Nigeria Limited
“Registrar” .....	Coronation Registrars Limited
“Regulation S” .....	Regulation S under the US Securities Act
“Retail Offer” .....	Tranche of the Offer available for retail investors (i.e. investors other than Qualified Institutional Investors) in Nigeria
“RIN” .....	Registrar Identification Number
“Rule 144A” .....	Rule 144A under the US Securities Act
“SEC” or the “Commission” .....	the Securities and Exchange Commission of Nigeria
“SEC Rules” .....	Rules and Regulations of the SEC, 2013 (as amended) issued by the SEC pursuant to the ISA
“Second NIP” .....	Second National Implementation Plan
“Selling Shareholder” .....	MTNI
“Shareholders” .....	Holders of Ordinary Shares in the capital of the Company
“SIM” .....	Subscriber Identity Module
“SME” .....	Small and Medium Enterprises
“SMS” .....	Short Message Service
“Stabilising Manager” .....	Chapel Hill Denham Securities Limited
“Stockbroker” .....	Chapel Hill Denham Securities Limited

“Supplementary Shelf Prospectus”.....	the document(s) which may be issued in order to update any information in this Shelf Prospectus as may be required; and which shall be read in conjunction with this Shelf Prospectus
“TAT” .....	Tax Appeal Tribunal
“Transformation Agenda” .....	Transformation Agenda developed by the FGN in 2011
“UASL” .....	Unified Access Service Licence
“UK” .....	the United Kingdom of Great Britain and Northern Ireland
“UMTS” .....	Universal Mobile Telecommunications System
“United States”, “U.S.” or “US” .....	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“US Exchange Act” .....	the United States Securities Exchange Act of 1934, as amended
“USSD” .....	Unstructured Supplementary Service Data, a communication technology that is used to send text between a mobile phone and an application program on the network
“US Securities Act” .....	United States Securities Act of 1933 (as amended)
“Validity Period” .....	A period of three years from the date of this Shelf Prospectus or such additional period approved by the SEC
“VAS” .....	Value Added Service
“VAT” .....	Value Added Tax
“VAT Act” .....	Value Added Tax Act, Chapter V1 LFN 2004 (as amended)
“Visafone” .....	Visafone Communications Limited
“Vision 20:2020” .....	a framework economic transformation plan developed in 2009 that sets forth key objectives and targets to achieve sustained economic and socio-economic development of Nigeria
“WACS” .....	West African Cable System
“WiMAX” .....	Worldwide Interoperability for Microwave Access, a wireless communications standard designed to provide 30 to 40Mbps data rates, with the 2011 update providing up to 1Gbps for fixed stations
“Working day” .....	Any day other than a Saturday, Sunday or public holiday declared by the FGN from time to time
“YDFS” .....	Y’ello Digital Financial Services Limited

## **PART 2: IMPORTANT NOTICE**

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This Shelf Prospectus has been registered with the SEC. No person has been authorised to give any information or to make any representation other than those contained in this Shelf Prospectus in connection with the Programme and, if given or made, such information or representations must not be relied upon as having been authorised.

Neither this Shelf Prospectus nor any other information supplied in connection with the Programme (i) is intended to provide the basis of any subscription, purchase or other evaluation or (ii) should be considered as a recommendation by the Issuing House that any recipient of this Shelf Prospectus or any other information supplied in connection with the Programme should purchase the Ordinary Shares. It is the responsibility of a prospective investor to make its own independent investigation of the financial condition and affairs of the Company.

## **PRESENTATION OF INFORMATION**

### **Third Party Information**

The Company has obtained certain statistical and market information that is presented in this Shelf Prospectus from certain government and other third-party sources described herein. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Prospective investors should note that some of the Company's estimates are based on such third-party information. Neither of the Company, the Selling Shareholder nor the Issuing House have independently verified the figures, market data or other information on which third parties have based their studies.

Certain statistical information reported herein has been derived from official publications of, and information supplied by, a number of Government agencies and ministries, including the CBN, the Debt Management Office, Nigeria ("DMO") and the National Bureau of Statistics ("NBS"). Official data published by the Nigerian government may be substantially less complete or researched than those of more developed countries. Nigeria has attempted to address some inadequacies in its national statistics through the adoption of the Statistics Act of 2007, which established the National Statistical System and created the NBS (which came into existence as a result of the merger of the Federal Office of Statistics and the National Data Bank) as its coordinator.

### **Rounding**

Certain figures included in this Shelf Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **PART 3: DOCUMENTS INCORPORATED BY REFERENCE**

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This Shelf Prospectus should be read and construed in conjunction with:

1. The Company's Audited Annual Report for the financial year ended 31 December 2020 comprising the audited annual financial statements of the Company and prepared in compliance with the IFRS as issued by the IASB.
2. Any Supplementary Shelf Prospectus issued pursuant to this Shelf Prospectus; and
3. Each Pricing Supplement issued pursuant to this Shelf Prospectus.

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Shelf Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Shelf Prospectus.



#### **PART 4: ISSUE OF PRICING SUPPLEMENT AND SUPPLEMENTARY SHELF PROSPECTUS**

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Following the registration of this Shelf Prospectus with the SEC, a Pricing Supplement will be prepared by the Company and the Issuing House in relation to any specific Offer, for the approval of the SEC in accordance with the SEC Rules.

In addition, the information stated in this Shelf Prospectus may be updated by the issuance of a Supplementary Shelf Prospectus pursuant to the SEC Rules. A Supplementary Shelf Prospectus may be issued for purposes of providing updated information on matters pertaining to the Company or the transaction described in this document as would be required by the ISA, the SEC Rules or the listing requirements of a recognised securities exchange to be disclosed in this Shelf Prospectus to reflect any significant change affecting a matter disclosed in this Shelf Prospectus or update this Shelf Prospectus where a statement or information contains a material omission.

Statements contained in any Pricing Supplement or Supplementary Shelf Prospectus issued in connection with the Programme, shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Shelf Prospectus.

## **PART 5: CORPORATE DIRECTORY OF MTN NIGERIA**

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### **Head Office:**

MTN Plaza  
Falomo, Ikoyi  
Lagos

### **Regional Offices:**

4 Aromire Road  
Ikoyi  
Lagos

4 Madeira Street  
Maitama  
Abuja

5 Benjamin Opara Street  
Off Olu Obasanjo Road  
Port Harcourt  
Rivers State

### **Website:**

[www.mtnonline.com](http://www.mtnonline.com)

### **Contact telephone number and email:**

(+234) 0803 902 0186

[investorrelations.ng@mtn.com](mailto:investorrelations.ng@mtn.com)

## **PART 6: DIRECTORS, COMPANY SECRETARY AND OTHER PARTIES TO THE OFFER**

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### **Directors:**

**Ernest Ndukwe, OFR (Chairman) (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Ifueko M. Omoigui Okauru, MFR (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Karl Toriola (Chief Executive Officer) (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Ferdinand Moolman (South African)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Modupe Kadri (Chief Financial Officer) (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Tsholofelo Molefe (South African)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Ralph Mupita (South African)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Charles Molapisi (South African)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Company Secretary:**

Uto Ukpanah  
MTN Plaza  
Falomo, Ikoyi  
Lagos

**Registered Office:**

4 Aromire Road  
Ikoyi  
Lagos

**Michael Onochie Ajukwu (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Muhammad K. Ahmad, OON (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Andrew Alli (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Omobola Johnson (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Rhidwaan Gasant (South African)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Jens Schulte-Bockum (German)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**A.B. Mahmoud, SAN, OON (Nigerian)**

MTN Plaza  
Falomo, Ikoyi  
Lagos

**Issuing House and Bookrunner:**

Chapel Hill Denham Advisory Limited  
10 Bankole Oki Street  
Ikoyi  
Lagos

**Joint Solicitors to the Company:**

Banwo & Ighodalo  
48, Awolowo Road  
South-West Ikoyi  
Lagos

F. O. Akinrele & Co.  
188, Awolowo Road,  
Ikoyi,  
Lagos

**Solicitors to the Transaction:**

G. Elias & Co.  
6, Broad Street  
Lagos

**Receiving Bank:**

Citibank Nigeria Limited  
27, Kofo Abayomi Street  
Victoria Island  
Lagos

**Stockbroker:**

Chapel Hill Denham Securities Limited  
10 Bankole Oki Street  
Ikoyi  
Lagos

**Auditors:**

Ernst & Young Professional Services  
10<sup>th</sup> Floor, UBA House  
57, Marina Road, Lagos Island  
Lagos

**Reporting Accountants:**

SIAO Partners  
18B, Olu Holloway Road (Former Temple Road)  
Ikoyi  
Lagos

**Registrar:**

Coronation Registrars Limited  
Plot 009, Amodu Ojikutu Street  
Off Saka Tinubu Street, Victoria Island  
Lagos



**Members of the Statutory Audit Committee of MTN Nigeria**

*Shareholder representatives*

Oye Hassan-Odukale  
Nornah Awoh  
Col. Ayegbeni Peters (Rtd.)

*Board representatives*

Rhidwaan Gasant  
Ifueko M Omoigui Okauru, MFR

**Members of the Board Audit Committee of MTN Nigeria**

Rhidwaan Gasant (Chairman of the Committee)  
Ifueko M Omoigui Okauru, MFR  
Muhammad K. Ahmad, OON  
Tsholofelo Molefe

## **PART 7: THE PROGRAMME**

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A copy of this Shelf Prospectus and the documents specified herein have been delivered to, and subsequently registered with and approved by the SEC.

This Shelf Prospectus is being issued in compliance with the provisions of the ISA, the SEC Rules and the listing requirements of the NGX and contains particulars in compliance with the requirements of the SEC for the purpose of giving information to the public with regards to the Programme.

The Directors have taken all reasonable care to ensure that the information concerning the Company and the Selling Shareholder, as contained in this Shelf Prospectus, is true and accurate in all material respects on the date of this Shelf Prospectus and that as of the date hereof, there are no other material facts in relation to the Company and the Selling Shareholder, the omission of which would make misleading any statement herein, whether in fact or opinion.

### **ISSUING HOUSE AND BOOKRUNNER**

Chapel Hill Denham Advisory Limited

is authorised to distribute this Shelf Prospectus in respect of

**MTN NIGERIA COMMUNICATIONS PLC RC 395010**

**₦478.2 BILLION EQUITY SHELF PROGRAMME**

**(OFFER FOR SALE OF 2,814,830,718 ORDINARY SHARES OF ₦0.02 EACH)**

This Shelf Prospectus has been registered with the SEC. The registration of this Shelf Prospectus and any Supplementary Shelf Prospectus and/or Pricing Supplement shall not be taken to indicate that the SEC endorses or recommends the Ordinary Shares or assumes responsibility for the correctness of any statements made or opinions or reports included herein.

This Shelf Prospectus must be read in conjunction with the relevant Pricing Supplement and/or Supplementary Shelf Prospectus to be issued by the Company from time to time within the Validity Period. No Ordinary Shares will be sold on the basis of this Shelf Prospectus read together with any Pricing Supplement and/or Supplementary Shelf Prospectus later than three (3) years after the issue date indicated on the cover of this Shelf Prospectus unless the Validity Period is renewed by the SEC.

This Shelf Prospectus contains:

1. on page 122, the Reporting Accountant's Report on the Company's historic financial information for the 5-year period ended 31 December 2020, prepared by SIAO Partners.
2. on pages 135 to 136, details of the claims and litigation involving the Company prepared by the Solicitors to the Transaction, G. Elias & Co.
3. on page 70 to 100 details on risk factors to be considered by prospective investors.

## **PART 8: PARTICULARS OF THE PROGRAMME**

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### **8.1 VALIDITY PERIOD OF THE SHELF PROSPECTUS**

This Shelf Prospectus is valid for a period of 3 (three) years from the date of this Shelf Prospectus, and may be renewed for a further period with the approval of the SEC. No Shares shall be sold on the basis of this Shelf Prospectus read together with any Supplementary Shelf Prospectus and relevant Pricing Supplement(s) after the expiration of the Validity Period unless the Validity Period is renewed by the SEC.

### **8.2 SUMMARY OF THE PROGRAMME**

The following summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Shelf Prospectus and, in relation to an Offer, by the relevant Pricing Supplement.

<b>COMPANY:</b>	MTN Nigeria Communications Plc
<b>SELLING SHAREHOLDER:</b>	MTNI, selling Existing Ordinary Shares under an Offer for Sale
<b>ISSUING HOUSE AND BOOKRUNNER:</b>	Chapel Hill Denham Advisory Limited and/or such other joint issuing house specified in the relevant Pricing Supplement.
<b>STOCKBROKER:</b>	Chapel Hill Denham Securities Limited and/or such other joint stockbroker specified in the relevant Pricing Supplement
<b>RECEIVING BANK:</b>	Citibank Nigeria Limited and/or such other receiving bank specified in the relevant Pricing Supplement
<b>REGISTRAR:</b>	Coronation Registrars Limited
<b>OBJECTIVE OF THE PROGRAMME</b>	<p>The Company's intention is to increase its free float from its current level of 21.2% to 35% over time, subject to conducive market conditions. Depending on global and domestic market conditions, the Company anticipates that the Programme may need to be implemented in Series. While market conditions have been impacted by recent events, the Company is intent on achieving its objective of introducing a wider base of Nigerian shareholders in its ownership.</p>
<b>PROGRAMME DESCRIPTION:</b>	<p>The Programme's objective is a free float of up to 35% in MTN Nigeria. To achieve this, MTN Group will sell (via an Offer for Sale) 2,814,830,718 Ordinary Shares via one or more offers, the specific terms of which will be specified in the relevant Pricing Supplement; including an option to upsize the base size of any offer within the limit of the Programme Size.</p> <p>In any event, during the life of this Programme, the total number of shares in the Programme will remain unchanged at a maximum of 2,814,830,718 Ordinary Shares.</p> <p>The Programme shall subsist for the Validity Period and has been registered with the SEC. No shares shall be sold on the basis of this Shelf Prospectus after the expiration of the Validity Period unless the Validity Period is renewed by the SEC.</p>

**OFFER FOR SALE:**

Through the sale of Existing Ordinary Shares pursuant to an Offer for Sale, as shall be specified in relevant Pricing Supplements, the Selling Shareholder will receive the net proceeds of such Offer for Sale after the deduction of the costs of the issuance.

As may be specified in relevant Pricing Supplements, Over-allotment Shares may be made available by the Selling Shareholder pursuant to the Over-allotment Option under the Programme, in accordance with the NGX Rules for Stabilisation of Securities so as to ensure price stability for the Ordinary Shares for a period of 30 (thirty) days, post-Offer. However, stabilisation may not necessarily occur. Any stabilisation action or Over-allotment Option must be conducted by the Stabilising Manager in accordance with all applicable laws and rules.

The Selling Shareholder has agreed with the Issuing House that, subject to certain customary exceptions, during a period to be agreed between the Selling Shareholder and the Issuing House, and as contained in the relevant Pricing Supplement following an Offer, they will not, without the prior written consent of the Issuing House, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Ordinary Shares (or any interest therein in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

In the event of an over-subscription, additional Existing Shares, not exceeding 15% of the Ordinary Shares in an Offer, may be issued subject to the approval of the SEC.

**LISTING:**

The Existing Ordinary Shares are, and will remain, listed on NGX.

**PROGRAMME SIZE:**

~~₦~~478.2 billion Equity Shelf Programme representing an Offer for Sale of 2,814,830,718 Ordinary Shares.

The Programme Size has been determined on the basis of the market price of the shares as at 31 December 2020. This price is not necessarily a reflection of the price at which shares of the Company may be offered to the public (and should not be considered to be price at which any shares will be sold).

The price at which each tranche is to be sold will be determined at the time of the transaction; based on the then prevailing market price and any other terms and conditions specified in the applicable Pricing Supplement issued.

**AVAILABILITY:**

The Programme will be available during the Validity Period.

**METHODS OF ISSUE:**

Under the Programme, Existing Ordinary Shares will be sold via an Offer for Sale as described in the applicable Pricing Supplement and as approved by the SEC.

**BOOKBUILDING:**

After the close of the Bookbuild, the total amount payable per share with respect to each Offer will be determined by the Selling Shareholder, in consultation with the Bookrunner.

In determining the amount payable per share by Qualified Investors, the Selling Shareholder will consider the level of demand for Existing Ordinary Shares in the bookbuild, prevailing market conditions, the desire for an orderly after-



market, the market price of MTN Nigeria's shares prior to the close of the bookbuild, the volume-weighted average price (VWAP) over the previous week and month, and an ownership base of long-term shareholders.

#### **APPLICATION PROCESS**

Application for, and the allotment of, Existing Ordinary Shares in connection with any Offer for Sale under the Programme will be submitted via the Issuing House or Receiving Agents, as disclosed in the relevant Pricing Supplement.

For allotments, applicants without CHN and CSCS accounts will be able to open a stockbroking account through any of the stockbroking firms mandated in respect of the relevant Offer. Applicants can also have CSCS accounts opened for them on the basis of the information provided. It is advisable that CHN and CSCS accounts be obtained before completing the application form.

In accordance with the SEC Directive on Dematerialization of Share Certificates, investors and/or subscribers who do not provide valid CHN and CSCS account numbers will have their shares credited at the CSCS using a RIN. A RIN is a number allocated to shareholders who do not have valid CHN and CSCS account numbers in order to warehouse their units of shareholding in public companies listed on the NGX under the Registrar's custody at the CSCS. The allotted shares will be transferred to the stockbroking account of the shareholder once valid CHN and CSCS account numbers are provided.

#### **PROCEEDS:**

The proceeds from each Offer shall be specified in the relevant Pricing Supplement.

The net proceeds of any offer for sale under the Programme will be disbursed to the Selling Shareholder.

The Company will not receive any portion of the net proceeds from the sale of: (i) Existing Ordinary Shares or (ii) Over-allotment Shares pursuant to any exercise of the Over-allotment Option.

#### **UNDERWRITING:**

Where any Offer shall be underwritten, the terms and conditions of such underwriting (e.g. whether partial or full underwriting on a standby or firm basis) shall be as specified in the relevant Pricing Supplement.

#### **TRANSACTION DOCUMENTS:**

Shelf Prospectus;  
Supplementary Shelf Prospectus (in respect of any amendments to the Shelf Prospectus);  
Pricing Supplement (in respect of an Offer);  
Vending Agreement (in respect of an Offer); and  
Any other agreement executed in connection with the Programme.

#### **STATEMENT OF INDEBTEDNESS:**

Details of all indebtedness of the Company at the time of an Offer will be disclosed in the applicable Pricing Supplement.

## **PART 9: CHAIRMAN'S LETTER**

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The following is the text of a letter from Dr. Ernest Ndukwe, OFR, Chairman, Board of Directors of the Company.

August 31, 2021

Dear Investor,

### **MTN NIGERIA COMMUNICATIONS PLC - EQUITY SHELF PROGRAMME REGISTRATION OF AN OFFER FOR SALE OF 2,814,830,718 ORDINARY SHARES OF ₦0.02 EACH**

On behalf of the Board of MTN Nigeria Communications Plc (“**MTN Nigeria**” or “**the Company**”), I am pleased to provide the following information relating to the proposed registration of an equity shelf programme of 2,814,830,718 of the ordinary shares of MTN Nigeria, which will be issued by way of an offer for sale by MTN International (Mauritius) Limited (“**MTNI**” or the “**Selling Shareholder**”) (“**Offer for Sale**” or the “**Offer**”).

#### **ABOUT MTN NIGERIA**

Globally, mobile telecommunications have brought about radical changes in the way people live, learn, work and conduct business. The Company believes that telecommunications (mobility and high-speed internet access in particular) has a major role to play in solving the world's major challenges – ending poverty and hunger, ensuring universal access to basic services and making the transition to a low-carbon economy. The Telecommunications & Information Services sector has over the years, driven socio-economic growth in Nigeria and is reported to have grown by 15.9% in 2020 from 11.41% in 2019, according to the National Bureau of Statistics (“**NBS**”). According to the NBS, the Information and Communications Technology sector contributed over ₦4 trillion (9.91%) to Nigeria's GDP in Q1 2021 (which is lower compared to the 10.31% recorded in the same quarter of 2020). The sector recorded a higher contribution to GDP compared to the oil sector which contributed 9.25%.

With approximately 80.8 million mobile subscribers as of 31 December 2020 (according to the NCC), 32.5 million active data users and approximately 30,000km of fibre network coverage as of December 2019, MTN Nigeria has one of the largest mobile networks in Africa and is a market leader in the telecommunications industry. Driven by our belief that everyone deserves the benefits of a modern connected life, MTN Nigeria strives to connect Nigerians and Nigeria through digital and financial inclusion. The Company is inspired by the potential for innovation in Nigeria and buoyed by its purpose - to drive leading digital solutions for Africa's progress.

A proudly Nigerian company, MTN Nigeria is deeply committed to the growth of the Nigerian economy and the progress of its people. Anchored in the philosophy of shared prosperity, the Company understands that the success and growth of its business is tied to the inclusive socioeconomic growth and development of Nigeria and Nigerians. Following the Company's successful Listing by Introduction on the Premium Board of The Nigerian Exchange Limited (“**NGX**”), the Offer marks an important milestone towards expanding the Company's investor reach, deepening the Nigerian capital markets, and further developing the Nigerian economy. By leveraging the Company's scale and continuing to enhance its offerings, MTN Nigeria is well placed to make the most of the country's favourable demographics, low broadband data penetration and usage, as well as the significant potential for media-rich services.

MTN Nigeria recognises its ability and responsibility to assist in addressing the considerable gaps in access to connectivity, building a vibrant digital economy, creating jobs and enriching lives. For example, through the Company's subsidiary - Y'ello Digital Financial Services Limited (“**YDFS**”), MTN Nigeria is building an agent network to extend the frontier of financial services it provides to the over 50 million unbanked customers in Nigeria, and also empower thousands of people with jobs as agents in their communities. As of 30 June 2021, the Company employed 1,737 people. The Company also indirectly provides employment to more than 500,000 Nigerians through its supply chain network. In addition, our technology has empowered millions of people and businesses in rural and urban areas. This has helped to fuel innovation, expand market access, build capability, enhance local content and drive prosperity, social inclusion and sustainability in Nigeria.

Over the past 20 years, the Company has developed one of sub-Saharan Africa's largest telecommunications network and the Company's extensive ICT infrastructure is the backbone that powers various critical sectors of the Nigerian economy such as banking, insurance, e-commerce and oil and gas. Thus far, MTN Nigeria has invested more than

₦2.5 trillion (source: Company data) into the Nigerian economy and will continue investing to meet the changing, growing and dynamic needs of its customers, its communities and Nigeria.

MTN Nigeria believes that it is indeed a critical enabler of socio-economic growth and a significant contributor to the Nigerian economy. Factors underscoring MTN Nigeria's central role in the country's development include:

- The Company is the country's largest provider of access to communication services and ICT solutions through the Company's 2G, 3G and 4G LTE services;
- The Company is the first telecommunications network in Nigeria to successfully demonstrate 5G network capability. The Company successfully conducted 5G network trials using temporary spectrum allocated to it by the NCC;
- The Company's 2G, 3G and 4G network reaches approximately 89.22%, 81.63% and 65.12% of the population across 223 cities and towns in Nigeria (source: Company data), enabling Nigerians to start, build and maintain relationships with one another and the world;
- As a critical enabler of business, the Company has built one of the largest fibre networks in Africa spanning over 30,000km;
- The Company's innovative products and services continue to improve the way Nigerians live, work and play;
- Since incorporation, the Company has paid more than ₦2.7 trillion in taxes, levies and other regulatory fees;
- Through the MTN Nigeria Foundation Limited by Guarantee ("MTNF"), the Company has invested approximately ₦22.7 billion in corporate social responsibility initiatives supporting health, empowerment, arts and culture in Nigeria as at 31 December 2020;
- The Company provided support in the sum of approximately ₦25 billion to its broad base of stakeholders through its Y'ello Hope Initiatives, including donations to the Coalition Against COVID-19 (CACOVID) in 2021, and ₦250 million worth of personal protective equipment donated to the Nigeria Centre for Disease Control through the MTN Nigeria Foundation.
- As one of the largest corporate donors in Nigeria, the Company's initiatives have impacted the lives of millions of people across Nigeria.

At the heart of the Company is a diverse group of committed directors, senior management staff and employees. The Company's people drive its success and exemplify leadership, innovation, relationships, integrity and a 'can-do' spirit – MTN's core values.

## HISTORY OF MTN NIGERIA

MTN Nigeria, which was incorporated in 2000, is part of the MTN Group, Africa's leading cellular telecommunications company. In 2001, MTN Nigeria acquired a digital mobile licence which had embedded frequency spectrum in the 900MHz and 1,800MHz spectrum bands. This allowed MTN Nigeria to commence providing mobile services in Nigeria. On 16 May 2001, the Company became the first GSM network to make a call following the Nigerian GSM auction conducted by the Nigerian Communications Commission ("NCC") earlier in the year. Thereafter, MTN Nigeria launched full commercial operations beginning with Lagos, Abuja and Port Harcourt. In 2003, MTN Nigeria reached over one million subscribers, increasing to over 10 million subscribers in 2006 and over 50 million subscribers by 2013. In 2007, MTN Nigeria acquired a 3G spectrum licence and was awarded a Unified Access Service Licence (UASL) in 2006 for a period of ten years, providing an international gateway. The UASL was renewed for a further period and will expire on 31 August 2021. Engagements are underway between the Company and the NCC towards renewal of the UASL 900MHz and 1800MHz spectrum licences. In March 2021, the NCC approved the transfer of 2x 10MHz of Intercellular Nigeria Limited ("Intercellular")'s 800MHz spectrum band to MTN and the spectrum licence expires on December 31, 2030.

In 2010, the Company acquired an International Submarine Cable Infrastructure and Landing Station Licence for a duration of 20 years to expire in 2029. MTN Nigeria has been a major contributor to the development of the Nigerian telecommunications infrastructure since 2001. The Company undertook capital expenditures of almost ₦1.5 trillion across Nigeria between 2015 and 2020.

MTN Nigeria's digital microwave transmission backbone, which stretches over 2,900 km, was commissioned by then President Olusegun Obasanjo in January 2003 and represents extensive digital microwave transmission infrastructure. MTN Nigeria has also expanded its network capacity to include a new numbering range<sup>1</sup>, making it the first GSM network in Nigeria to have adopted an additional numbering system, having exhausted its initial subscriber numbering ranges.

In April 2013, the NCC declared that MTN Nigeria was a “dominant operator” in the retail and wholesale mobile voice segment of the Nigerian telecommunications market. This placed certain obligations on the Company, including the requirement that the Company refrain from offering differential on-net and off-net pricing for mobile voice services while non-dominant operators were not restricted from offering differential prices thereby placing the Company at a competitive disadvantage relative to some of its competitors. Similarly, in 2013 MTN Nigeria and Globacom (another GSM operator in Nigeria) were designated by the NCC as “jointly dominant” in the upstream segment of the Nigerian telecommunications market, where the NCC noted that both companies dominated the wholesale leased lines and transmission capacity market (Source: NCC). As a result, a cost-based regime with price caps was imposed on the Company's service offerings in that segment.

In October 2015, the NCC imposed a ₦1.04 trillion fine on the Company in connection with the Company's failure to timeously disconnect 5.1 million individuals' mobile telephone lines following the NCC's introduction of a SIM registration process. In June 2016, MTN Nigeria reached a negotiated resolution with the Nigerian authorities (under the auspices of the NCC) whereby the fine was reduced to a total cash amount of ₦330 billion. As of the date of this Prospectus, the NCC fine has been fully discharged, as the final instalment was paid in May 2019.

In the second quarter of 2016, Visafone submitted an application to the NCC for the transfer of its spectrum to MTN Nigeria. After securing the requisite approvals from both the NCC and the SEC in December 2015, the Company acquired a 100% equity interest in Visafone Communications Limited (“**Visafone**”), which holds an assignment in the 800MHz spectrum band, ultimately enabling MTN to leverage this spectrum to offer ICT and infrastructure, device, leased line and other services nationwide. The Company undertook a massive roll-out of its 4G LTE services across Nigeria in states including Lagos, Abuja and Port Harcourt in 2019. As of March 2021, the Company's 4G LTE services were recorded to cover over 60% of the Nigerian population. The Company also operates one of the largest fibre networks in Africa with over 30,000 km of fibre to support its 4G LTE services and mobile broadband growth.

In June 2016, MTN Nigeria submitted a bid for the 2.6GHz band and was subsequently awarded the 2x 30MHz band in the 2.6GHz spectrum as the sole approved bidder. Furthermore, the Company's subsidiary, YDFS obtained regulatory approval from the CBN in 2019 as a Super-Agent. The Super-Agent licence will empower the Company to establish an agent network and extend financial services to the huge unbanked segment in Nigeria. The prerequisites for the renewal of YDFS' Super-Agent Licence have been fulfilled and formal application has been made to the CBN.

MTN Nigeria, in a bid to ensure consumer satisfaction and consumer-friendly products and services, revamped its data prices in 2019, resulting in increased usage of data by new and existing customers. Furthermore, the Company applied for a Payment Service Bank (“**PSB**”) licence which will allow it to undertake certain banking operations (targeted at rural areas in Nigeria), in accordance with the relevant CBN guidelines and guidance notes.

MTN Nigeria converted from a private limited liability company to a public limited liability company in April 2019 and in May 2019 became the first telecommunications company to be listed on the Premium Board of NGX. The Company paid its first dividend as a public limited liability company in the third quarter of 2019.

In 2019, MTN Nigeria obtained investment grade credit ratings from Agosto & Co. (AA+) and Global Credit Rating Co. (“**GCR**”) (AA+) and was also included in the Morgan Stanley Capital International Frontier Index in the third quarter of 2019. In 2021 GCR upgraded the national scale long-term issuer rating of MTN Nigeria to AAA and affirmed the national scale short-term rating of A1+ with a stable outlook. In addition, GCR upgraded the national scale long-term rating of the ₦110 billion Series 1 Senior Unsecured Bond issued by MTN Nigeria to AAA with a stable outlook. These represent the highest possible long-term and short-term ratings on GCR's national rating scale.

In addition, the Company launched its music-streaming platform, MusicTime, which offers users a listening experience in local and international music and allows users to instantly stream music even without data on their mobile phones. The Company also launched its own instant messaging application, Ayoba, which also allow users to join any channel for trending news updates, covering topics ranging from food to music and sports.

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<sup>1</sup> MTN Nigeria, since the launch of its 0803 numbering range, has expanded its network capacity to the following number ranges: 0703, 0903, 0806, 0706, 0813, 0810, 0814, 0816 and 0704.

To improve corporate governance, MTN Nigeria's pioneer chairman and five other non-executive directors retired from the Board following the expiration of their tenure in September 2019. With regard to the Company's shareholding structure, the Board in April 2019 authorised the redemption of all the Preference Shares in the share capital of the Company and upon receiving relevant regulatory approvals, the Company redeemed the Preference Shares and paid the redemption amount on 30 December 2019.

The Company has continued to bolster its service offerings and also promote corporate social responsibility initiatives in Nigeria. Since its launch in August 2001, MTN Nigeria has steadily deployed its services across Nigeria. It now provides services across more than 10,000 villages and communities and a growing number of highways across the country, spanning the 36 states of the Federal Republic of Nigeria and the Federal Capital Territory, Abuja. Many of these villages and communities are being connected to the world of telecommunications for the first time ever. MTN Nigeria's overriding mission is to improve its customers' quality of life by delivering relevant, accessible, high-quality telecommunications solutions whilst acting as a catalyst for Nigeria's economic growth. The Company also seeks to support initiatives that enhance the lives of Nigerians and strengthen the Nigerian economy, such as the National Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme ("RITC"), which the Company currently participates in. This is in response to Federal Government's drive towards public-private partnerships in the rehabilitation of critical road infrastructure in Nigeria. The Company intends to participate in the restoration and refurbishment of the Enugu-Onitsha Expressway and conversations in this regard have commenced. We also seek to achieve this through the provision of world-class communications and innovative and sustainable corporate social responsibility ("CSR") initiatives.

In line with our desire to plant deeper and more permanent roots in Nigeria, we have also initiated plans to commission a purpose-built, state of the art MTN Head Office, designed to act as a central hub for our network, a catalyst for creativity and innovation, and a showcase for the flexible working structures that are driving efficiency gains in this new normal working environment. Aligned with our wider commitment to environmental sustainability, it will meet the highest global environmental standards, demonstrating the role of green technology in our future.

## CORPORATE STRUCTURE OF MTN NIGERIA

MTN Nigeria has three subsidiaries, namely: XS Broadband Limited, YDFS and Visafone Communications Limited ("Visafone"). The Company also established the MTNF in 2004 for the purpose of undertaking relevant CSR initiatives aimed at reducing poverty and fostering sustainable development in Nigeria.

The MTN Nigeria Group's holding company is MTN International (Mauritius) Limited, and its ultimate holding company is MTN Group, a company incorporated in South Africa.

## COMPETITIVE STRENGTHS

The following reflect what MTN Nigeria believes are its key competitive strengths:

- **Largest African economy and telecommunications market:** According to the CIA World Factbook, as of 2020, Nigeria had a population of approximately 211 million people, making it the most populated country in Africa and the 7<sup>th</sup> most populated country globally (source: United Nations). This figure is expected to increase by approximately 2.5% (being the compound annual growth rate) from 2020 to 2025 (source: Worldometers). According to the NBS, in 2020, Nigeria's GDP declined by 1.9% year-on-year compared to 2019 which recorded a GDP growth rate of 2.3%. Nigeria's aggregate GDP for the fourth quarter of 2020 stood at approximately ₦43.6 trillion compared to ₦39.6 trillion for the fourth quarter of 2019. Real GDP growth is projected to rise to 3.3% in 2021 (source: Africa Development Bank). The decline in Nigeria's GDP in 2020 was largely attributable to significantly lower levels of both domestic and international economic activity which resulted from nationwide shutdown efforts aimed at containing the COVID-19 pandemic. According to the NBS, Nigeria's GDP grew by 0.51% percent year-on-year, in real terms in the first quarter of 2021, marking two consecutive quarters of growth following the negative growth rates recorded in the second and third quarters of 2020. In total, the aggregate GDP stood at circa ₦40 trillion in nominal terms. This performance is higher when compared to the first quarter of 2020 which recorded aggregate GDP of ₦35.6 trillion. As of 31 December 2020, Nigeria recorded a mobile penetration rate of approximately 90.59% compared to 90% as of December 2019 and 88.1% as of December 2018 (source: WCIS). Nigeria is the largest mobile telecommunications market in Africa, with total mobile subscribers estimated at approximately 204 million as of 31 December 2020, according to the NCC.
- **Largest distribution network in Nigeria:** As of 30 June 2021, MTN Nigeria had the largest distribution network in Nigeria with over one million retail touchpoints (source: Company Data). This further enables the Company to take advantage of subscriber acquisition strategies which can be leveraged across all its business segments. The Company also has a fast-growing digital distribution network and leverages avenues such as POS terminals, ATMs, USSD and the myMTN App to provide customer-friendly digital services.

- **Market leader in mobile services in Nigeria:** MTN Nigeria is associated with high quality, availability, competitive pricing, customer service and innovation. The Company has, over the years, introduced effective, affordable and reliable products and service offerings tailored to the Nigerian market. MTN Nigeria is the largest commercially owned telecommunications service provider in Nigeria by number of customers, with approximately 80.8 million mobile subscribers in Nigeria as of 31 December 2020 (source: NCC). MTN Nigeria had a market share of approximately 39.5% (by number of subscribers) as of 31 December 2020 according to the NCC. As of 31 December 2020, the Company had 42% of the market share by data users, according to the NCC. The Company's size and market share offer significant benefits and allow it to leverage economies of scale through various means, including without limitation, centralisation of procurement functions and standardisation of technology and back-office functions, without increasing costs and therefore reducing margins.
- **Fast-growing young population and mobile penetration upside:** Nigeria is at a relatively early stage of telecommunications usage with a young population and low mobile data penetration versus European peers. Nigeria is beginning to shift from a voice-centric to data-centric market, which provides the Company with further growth opportunities. In Nigeria, data usage is shifting towards global trends in which data traffic is dominated by content such as video, music and other digital content. This relatively young population, supported by growing population density and urbanisation, creates significant potential for customer and revenue growth and the rapid adoption of mobile and digital services.
- **Significant mobile penetration growth driven by rural expansion:** As of December 2020, approximately 199 million people in Nigeria live in rural areas, which are currently underpenetrated by mobile voice and data access, creating opportunities for significant future expansion into these areas (source: World Bank). As of 31 December 2020, 75% of the Company's mobile subscribers and 76% of its data subscribers were located in urban areas, with the remainder of its customer base located in rural areas. The Company also leverages on its partnerships with third parties in rural areas in order to provide services to Nigerians who previously had no access to any of the mobile networks in Nigeria.
- **Data usage upside driven by growth from smartphone and mobile data:** MTN Nigeria had approximately 65.4 million data users (source: NCC) (including active, incidental and dormant data users) and approximately 35.1 million smartphone users as of 31 December 2020. The Company recorded a growth in data usage (MB per active user per month) from 1,737 MB in 2019 to 2,850 MB in 2020, representing a 64% growth rate. The Company, in 2020, achieved a 4G coverage by population of ~60.1% and a smartphone penetration of 49.6%, and expects further increases in mobile data penetration, data usage per user and increasing smartphone adoption in the near future. The limited to fixed broadband penetration in Nigeria provides MTN Nigeria with an opportunity to use mobile to rapidly expand.
- **Fintech and digital present a key opportunity for MTN Nigeria:** Beyond its growth in mobile telephony, data and new technologies, MTN Nigeria is positioned to address the gap in inclusive banking in Nigeria. For example, as at 2018, approximately 60.3% of the Nigerian adult population did not have bank accounts. However, mobile phone ownership was 68.9% (source: EFINA). Although the CBN targeted an 80% inclusion rate by 2020, as of February 2020, according to EFINA 36.8% of the Nigerian population remains unbanked. MTN Nigeria's subsidiary, YDFS currently extends access to basic financial services to customers in Nigeria, with about 550,000 unique customers using its agent network in December 2019 alone. As of 31 December 2020, MTN Nigeria had approximately 395,100 agents. These agents processed over 14.6 million transactions in 2020.

Furthermore, YDFS aims to capture opportunities in financial services through strategic and scalable rollout of the MoMo Agent network and expansion of the service offerings to include transfer services, airtime/data sales and other e-commerce services. MoMo Agents are retail outlets which provide agency financial services to customers by sending and receiving money everywhere in Nigeria without the need for a bank account. As of 31 December 2020, the Company had 2.8 million MoMo subscribers.

- **Leading Nigerian mobile and fibre network coverage and high-quality network:** MTN Nigeria's network was ranked #1 in net promoter score, among its peers in June 2019 (source: Company data); and as of 30 June 2021 reached approximately 89.2% (2G) of the population across 223 cities and towns in Nigeria (source: Company data). The Company also provides 3G and 4G coverage to approximately 81.63% and 65.12% of the Nigerian population, respectively, and has a 4G LTE spectrum advantage over its peers, being the only GSM operator with allocated 700MHz and 800MHz spectrum licences. This has allowed the Company to roll out a competitive range of 4G LTE services in over 149 cities in Nigeria. The Company believes that its infrastructure and access to the 3.5GHz spectrum, as well as its successful 5G network demonstrations using temporary spectrum allocated to it by the NCC, give it a competitive edge to provide 5G services in the long term. MTN

Nigeria has one of the largest fibre networks in Africa with over 30,000km of fibre, nearly three times larger in terms of on-land fibre kilometres than its closest competitor in Nigeria. MTN Nigeria's competitive position is enhanced through its on-going investment in infrastructure. The Company's capital expenditure programme seeks to improve network quality, further coverage and capacity, and support higher voice and data traffic and to produce data solutions and digital services beyond traditional voice offerings.

- **Leading brand in Africa:** MTN's status as a leading and one of the biggest brands in Nigeria is evidenced by the numerous awards received by the Company in recognition for its operational excellence and social investments. These include the award for Most valuable multinational Brand; Telecom brand of the year and Most Responsive Organisation to the COVID-19 crisis. MTN's overall brand strategy is hinged on "Progress" and this influences MTN's ways of doing business and communication to engender brand appeal and emotional connection across all market segments.

The Company's key focus and approach seeks to position the brand as an entity that provides opportunities for a level playing field to enable progress. Key initiatives targeted at bringing this goal to live include the development of strong emotional advertising campaigns to inspire Nigerians; competitive offers on product and services; superior Network quality and coverage; excellent brand experience across customer touch points and high impact CSR initiatives to deepen brand love. Vehicles to convey MTN's brand messaging includes TV, radio, print, digital, outdoor, sponsorships, retail and direct customer engagement. To deepen communication and brand appeal in the grassroots and fringes, focus is hinged on using Nigerian popular lingos, local languages, localized visuals to appeal to ethnic groups, ensuring narratives portray cultural nuances to engender brand stickiness, etc. Overall, the goal for MTN is to be the number Youthful brand and the brand of the people in order to secure future growth from first time users whilst deepening brand loyalty amongst existing customers.

- The Company's marketing campaigns are transmitted via TV, radio, print, outdoor signage, digital and social media advertising, flyers, word of mouth and sponsorship. MTN Nigeria regionally differentiates its marketing (by ethnicity, language and relevant local themes) to maximise brand appeal and impact. Additionally, the Company employs strategic marketing, particularly in respect of the mass market, which requires a targeted approach. The Company believes its marketing and customer service initiatives have resulted in a positive and improving market perception. The Company's high impact visibility and purposeful CSR initiatives have also further enhanced its brand for premium positioning in the market. The Company has received numerous awards in recognition of its brand excellence and operational feats such as the Telco Partner of the year award for the year 2019 granted by the CBN & NIBSS. The Company was also recently awarded the Best Innovation for Enterprise Service (2019) and Social Impact Award (2019) by the Nigeria Tech Innovation and Telecom Awards (NTITA).
- **Loyal, high-value customer base:** MTN Nigeria's focus on high-value customers has driven high returns per customer, with an ARPU of ₦1,501 as of 31 December 2020. MTN Nigeria's ARPU growth has been driven by increased data penetration and usage, improvement in MTN Nigeria's share of wallet as well as customer value management. The Company's 2G data users also provide a significant customer segment to whom the Company can provide 3G and faster data services in the future.
- **Commercial fundamentals in place for future growth:** The Company has adopted an optimised consumer proposition that it believes will enable it to benefit from future industry growth. Accessibility through an extensive distribution network aids MTN Nigeria in customer retention, innovation and growth in the prepaid mobile market. The Company has a wide distribution network, with the majority of its airtime sold through physical locations, including approximately 500 stores, 2,139 activation points and more than 1,000,000 retail touchpoints, as of 30 June 2021. Additionally, the Company distributes its products through digital distribution networks, including the MTN on Demand (4%), Bank on Demand (49%), myMTN app/web (0.2%) and point-of-sale terminals (2.4%). The shift to digital distribution benefits customers through ease of use, convenience and reduced top-up times. About 60% of product distribution is done through the Company's 40 trade partners, operating in over 65 territories. These trade partners have extensive distribution footprints and service over one million retailers nationwide. In addition to sale of airtime and data products, the trade partners are involved in customer acquisition, data and device activation, mobile electricity and agency banking services. Most of these services are done through the New Dawn Shops – a service/data experience shop owned by each of the trade partners.

38 convenience channel partners offer direct to consumer sales using banking channels, USSD, web, POS Terminals and apps and they contributed about 45% of electronic airtime sales of the Company for the year ended 30 June 2021. Furthermore, the Company has over 200 data trade partners who are seasoned and experienced resellers of data devices. In partnership with MTN Nigeria, these data trade partners are responsible

for device activation on the network. The Company, as of June 2021, had about 50 SIM registration agencies spread over Nigeria who are responsible for new customer acquisition.

MTN Nigeria's operations benefit from extensive use of automation, using telecommunications industry-specific platforms for both billing and charging. The billing of post-paid voice and data services is performed using a single application, which is completely integrated into the charging platform. The Company also offers customer support through social media i.e. Facebook, Instagram, Twitter, LinkedIn, TikTok and YouTube, where it engages with a total of approximately 7.1 million followers, as of 30 June 2021.

- **Strong Financial Profile and Growth Potential:** The Company believes that it is well-positioned to deliver cash flow growth, benefiting from increasing net customer addition and strong expected growth in data revenue. In this regard, some of the Company's key highlights include the increase of its (modernised) customer base by 12.2 million in 2020. As of 31 December 2020, MTN Nigeria had increased its smartphone users by 8.2 million to 35.1 million representing an increase of 30.3%. The Company aims to continue to invest strongly in its capital expenditure programmes to support and grow its operations. For the years ended 31 December 2017, 2018, 2019 and 2020, the Company's capital expenditures were ₦225 billion, ₦184 billion, ₦208.3 billion and ₦240.1 billion, respectively. The Company's well-invested network and rapid revenue growth allow it to reduce capital expenditure intensity while maintaining investments. The Company made considerable progress, despite the COVID-19 pandemic, to connect 12.2 million new subscribers in the year 2020. This provided support for voice revenue, which accounted for 67.1% of service revenue and rose by 5.9% year-on-year. Data revenue gained positive momentum from the second quarter in 2020, following the easing of the COVID-19 pandemic restrictions, to grow by 51.2% over the prior year. The data revenue performance was led by a combination of increased subscribers, usage per active user (up 48.2%, year-on-year) and overall traffic growth (126.5%), supported by increased network capacity and 4G penetration.

In 2020, the Company's growth in voice revenue was driven by increased traffic. Data usage per active user expanded by 48.2% (year-on-year) resulting in an overall data traffic growth of 126.5%, despite 33.1% decline in effective tariff. Other positives for the Company include double-digit revenue growth in Fintech and a marked improvement of 107.2% in digital revenues. The Company's improved performance in 2020 reflected in its total dividend pay-out of ₦9.40 per share, representing 18.7% increase over the previous year pay-out. Overall, MTN Nigeria has demonstrated strong operational execution and believe that it is on the path to sustainable growth.

- **Strong management team:** MTN Nigeria has a seasoned management team comprising personnel with extensive telecommunications industry experience and a track-record of operational excellence in developing markets. The management team of the Company has over the years helped drive its robust transformation. The Company believes that its management team's composition and organisation place MTN Nigeria in a strong position to successfully implement its growth strategy and focus on improving the business performance of the Company while retaining appropriate levels of oversight of the Company's operations. Significant improvements in corporate governance policies of the Company coupled with a highly experienced board of directors, strategically positions MTN Nigeria to be an industry leader.

MTN Nigeria also benefits from the strong support and expertise of MTN Group, a leading telecommunications service provider operating in 21 markets across Africa and the Middle East, with over 278 million subscribers as of 31 March 2021. MTN Nigeria leverages MTN Group's scale, technological innovation, efficient procurement and talent management, among other benefits. MTN Nigeria remains a key market for the MTN Group.

## **BRIGHT Strategy**

MTN Nigeria's BRIGHT strategy is aimed to wholly express the Company's mission to make the lives of its customers a whole lot brighter. BRIGHT stands for (a) **B**est customer experience; (b) **R**eturns and efficiency focus; (c) **I**gnite commercial performance; (d) **G**rowth through data and digital services; (e) **H**earts and minds; and (f) **T**echnological excellence. Its core emphasis is a customer-centric business model where the entire enterprise is aligned to exceed customers' expectation across all the value delivery chains. The MTN BRIGHT strategy is strongly hinged on execution excellence, with an inspiring philosophy that is clearly situated within the daily operations of the business in ways that seek to drive measurable impact on revenue, cost and efficiency. The operationalisation of this strategic thrust is geared to deliver value to customers with a focus on quality, deliver the best-in-class customer experience and ignite commercial performance, in each case underpinned by a market-leading network and team.

This approach aims to further strengthen the Company's positioning while maintaining profitability by investing in and improving its current assets and offerings. The BRIGHT strategy is further simplified into an experiential essence



of what it means to the customer at the last mile through the concept of “EPIC” customer proposition: Easy, Personalised, In-control and Connected. The Company’s focus is to entrench a pro-consumer approach across all functions of MTN Nigeria in order to ensure a holistic customer experience at all touchpoints. Given the fact that there are commonalities in the industry in technology and suppliers, MTN Nigeria intends to enhance brand differentiation and efficiency for its customers.

The Company aims to provide the best network coverage and quality, innovation, value offerings, superior customer experiences while winning the hearts and minds of customers and end-users of its products and service offerings. MTN Nigeria’s strategy is to create distinctive customer advantages in these categories by ensuring it provides tailored offerings that give value for money, innovative product designs that are simple to use as well as digitizing its entire customer journeys for increased customer satisfaction and convenience. MTN Nigeria aims to continuously provide an intuitive and appealing customer experience through easy access to products and services via its numerous points of sale, direct sales channels and most importantly the convenience of accessing the Company’s range of affordable prepaid and post-paid offerings. The Company believes that accessibility through an extensive distribution network coupled with process improvements are key to customer retention, innovation and growth in a predominantly prepaid mobile market.

- ***Best customer experience***

The Company has tailored the BRIGHT strategy to provide a distinct and differentiated experience for its customers. MTN Nigeria intends to strengthen its market position further while maintaining profitability by investing in and improving its current offerings with a view to digitising the customer experience for increasing customer convenience and satisfaction. The Company aims to continue providing an intuitive, value-oriented and appealing customer experience through easy access to its products via its numerous points of sale, increasing its direct sales channels as well as its range of affordable prepaid and post-paid offerings and retaining and continuously improving its simple activation processes.

- ***Returns and efficiency focus***

BRIGHT supports sustainable value creation by providing levers of operational efficiency and optimal return for the Company’s stakeholders, including investors and employees. By ensuring that its operations are managed cost-effectively and efficiently in terms of operating costs, cash flow financing costs and capital expenditures, the Company aims to generate sustainable returns for its stakeholders within a prudent capital structure. MTN Nigeria also expects to further focus on developing new digital and fintech offerings for its customers and continue to improve its customer service performance.

- ***Ignite commercial performance***

The BRIGHT strategy is a value-maximizing business model that is geared towards accelerated business growth and market leadership hinged on innovation, customer personalization and customized experience. The Company intends to continue driving sustainable growth through new product offerings, revision of its cost structures, new data and digital services offerings and by further utilising real-time predictive analytics to strengthen the customer experience. MTN Nigeria plans to support its infrastructure by investing in network improvements in high-value urban areas first, as well as expanding its fibre-optic networks.

In recent years, the Company has made progress on cost optimisation across the business. A number of initiatives recently implemented have already resulted in cost benefits including, for example, the realignment of the Company’s airtime distributor commission structure.

- ***Growth through data and digital services***

MTN Nigeria’s customer-centric strategy drives a proactive integration of data, digital and fintech offerings to meet and exceed the lifestyle needs of its customers across all demographic segments. The Company aims to increase the number of customers using data services, as well as the speed of its data services and the amount of data consumption per customer. MTN Nigeria believes that the market and demographic dynamics in Nigeria support this growth. Nigeria is at a relatively early stage of telecommunications usage in terms of its mobile penetration compared to its African peers, and is beginning to shift from a voice-centric to data-centric market, which provides the Company with an excellent base for further growth.

- ***Hearts and minds***

At the core of strategy are MTN Nigeria’s skilled employees who are motivated by their work and driven by the Company’s objective to lead the delivery of the new bold digital world. The Company therefore strives to be an

employer of choice to attract candidates and retain key staff and skilled personnel. MTN Nigeria aims to foster an inclusive and dynamic working environment to enhance productivity in the workforce. The Company recognises that the diversity of its people is a constant source of inspiration, creativity, learning and innovation, and believes that the health, knowledge, skills, experience, drive and inventiveness of its employees are key to its success. MTN Nigeria's employees are offered competitive pay and compensation benefits.

In addition, the Company believes that governance and control are critical to maintaining profitability and business continuity, and therefore strives to maintain and enhance sound governance practices that reflect prevailing international governance standards and the evolving legislative landscape. These practices are founded on values of responsibility, accountability, fairness and transparency. The Company is fully committed to implementing best practice and corporate governance standards.

- ***Technological excellence***

MTN Nigeria's BRIGHT strategy is enabled and facilitated by world-class and cutting-edge technologies that delight the customers with ease, speed and simplicity. The Company aims to provide its customers with the most technologically advanced telecommunication services appropriate to the Nigerian market by investing in and upgrading its infrastructure. In this regard, MTN Nigeria seeks to improve the quality, coverage and reliability of its services and provide customers with reliable data access, additional digital and financial services and complementary products and services based on the Nigerian market's need.

MTN Nigeria believes that its innovative digital services and its customer-focused solutions underpin its strong market position. The Company aims to leverage its experience to anticipate the needs of its customers and to develop innovative products and services tailored to meet those needs.

## **AMBITION 2025**

The achievements of the BRIGHT strategy (in the past four years) are the foundation for our new strategy – **Ambition 2025**. BRIGHT delivered a sharply improved core business with stronger and more consistent operational performance. The Ambition 2025 strategy ("**Ambition 2025**") provides the focus for the next five years, ensuring that MTN Nigeria continues to evolve and stay relevant, harnessing opportunities to create and preserve value for our stakeholders. Ambition 2025 rests on four pillars and the five vital enablers are key to operationalising our strategy. The strategic pillars are as follows:

- **Build the largest and most valuable platforms:** pivot products currently embedded in our GSM business as standalone businesses to expose them more as platforms to unlock the underlying potentials of these businesses, attracting the capital into these businesses through partnerships.
- **Drive industry leading connectivity operation:** strengthening our connectivity networks and operations to deliver "second to none" performance that will effectively enable future data, digital and platforms propositions. Drive effectiveness and efficiencies in the business through smart decisions.
- **Create shared value:** understand what really matters to our stakeholders in the communities that we are operating and to design products and programs that meet these needs for the long-term sustainability of our business. We are also able to better align our priorities to those of our stakeholders and in particular to government's development agenda as we strive to create greater shared value.
- **Accelerate portfolio transformation:** Reveal and crystallise the value of our infrastructure assets and platforms, through structural separation.

The vital enablers to bring to life the Company's ambitions are:

- **Leading customer experience:** We will develop a Customer led and Digitally enabled approach.
- **Best talent, culture & future skills:** We will Create work-life balance through Work Enablement Initiatives.
- **Value based capital allocation:** To deliver efficiencies to fund returns growth.

- **ESG (Environment, Social & Government) at the core:** By being a champion for citizens, through our #Goodtogether campaign.
- **Technology platforms second to none:** To enable the leading platforms business in Africa.

Taking advantage of MTN Nigeria’s existing platforms and assets, we are well-positioned to accelerate long term growth as we monitor the impact of the pandemic.

## OVERVIEW OF MTN NIGERIA’S BUSINESS

MTN Nigeria has been offering mobile communications services in Nigeria for over 20 years and has leveraged its relationship with MTN Group to expand its product, service and technology offerings. The Company offers an integrated suite of communications products and services to its customers, including mobile voice, data and digital services, with 2G, 3G and 4G LTE technology available in Nigeria.

In November 2019, MTN Nigeria became the first telecommunications network provider in Nigeria to demonstrate successfully the capacity of 5G technology. The Directors of the Company believe that the mobile communications services industry in Nigeria will continue to grow due to a combination of factors, including limited fixed-line coverage and penetration, the relatively high cost of fixed-line infrastructure deployment and low current mobile data penetration, setting the stage for increased mobile penetration in the future. The Company operates a predominantly prepaid business with approximately 99% of its customers on prepaid plans as at 31 December 2019.

MTN Nigeria aims to significantly expand the revenue contribution of data access and digital services in Nigeria as the market for these services continues to grow. To achieve this, the Company is investing and growing its 3G and 4G LTE capacity and coverage to provide data solutions to its subscribers and support growing data traffic, with an increasing focus on high-value customers. The Company’s spectrum licence holdings have given it a clear 4G spectrum advantage over its peers. The Company operates the largest fibre network in Nigeria and one of the largest fibre networks in Africa with over 30,000km of fibre covering all major cities in Nigeria, supporting 4G and mobile broadband growth. Furthermore, the Company continues to benefit from the extensive investments it has made in its network in Nigeria including improving data network speeds in major cities, which has resulted in improved network quality for its customers.

The telecommunications environment in Nigeria is rapidly changing. There has been a significant increase in the number of non-conventional and Over-the-Top (“OTT”) players (internet-based alternatives to traditional telephony services) in the market such as social networking sites and messaging applications, and this poses a threat to traditional telecommunications revenue streams such as voice subscriptions. However, the advent of new technologies and services has also provided the Company with an opportunity to pursue long-term sustainable growth through the provision of both digital and financial services, as well as the potential for strategic partnerships with OTT players.

MTN Nigeria offers digital services, region-specific content, entertainment, lifestyle and general content and e-commerce, directly and via strategic partners. The Company offers a range of digital and financial services to its customers by leveraging its technology and distribution footprint to maximise the opportunity presented by low internet penetration in Nigeria. The number of internet users in Nigeria increased by 19 million between 2020 and January 2021. Internet penetration in Nigeria stood at 50.0% in January 2021. In 2019, MTN Nigeria launched a digital transformation strategy, “OXYGEN”, aimed at driving technological excellence and efficiency on the journey to becoming a true digital operator. This strategy adopts the use of a digital workspace to leverage on unified communication and collaboration and a paperless environment.

As at 30 June 2021, MTN Nigeria employed 1,737 people. The Company offers an integrated suite of communications products and services to its customers, including mobile voice, data and digital services, fintech and business solutions with 2G, 3G and 4G LTE technology available in Nigeria. MTN Nigeria is well-positioned as the network with the widest voice and data network coverage underpinning its brand tagline “*Everywhere you go*”.

MTN Nigeria believes that the mobile communications services industry in Nigeria will continue to grow due to a combination of factors, including limited fixed-line coverage and penetration, growing youth population, the relatively high cost of fixed-line infrastructure deployment and currently low mobile (data) penetration, setting the stage for increased mobile penetration in the future. The Company operates a predominantly prepaid business with approximately 99% of its customers on prepaid plans as of 31 December 2020. MTN Nigeria plans to invest and grow its 3G and 4G LTE capacity and coverage, as well as continue investing in advanced technologies to provide data solutions to its subscribers and support growing data traffic, with an increasing focus on high-value customers and youths in the longer term.

The table below presents certain key financial and operating measures and data of MTN Nigeria:<sup>2</sup>

	Year ended 31-Dec				
	2020	2019	2018	2017	2016
<i>(₦ billion, unless otherwise indicated)</i>					
Active mobile subscribers (million)	76.5	64.3	58.2 <sup>(1)</sup>	52.3	62.0
Churn (% of active mobile subscribers)	2.69%	2.30%	2.10%	2.20%	1.83%
ARPU (₦ per user)	1,501	1,519	1,503	1,411	1,071
Revenue <sup>(2)</sup>	1,346.4	1,169.7	1,039.1	887.2	793.6
Voice revenue	897.9	848.3	782.3	657.6	507.7
Data revenue	332	219.9	154.4	107.3	67.9
Digital revenue	9.5	4.6	20	60.3	87.6
Fintech revenue	44.8	35.2	28.6	21.5	-
Wholesale revenue	11.8	12.1	5.5	4.6	-
Other revenue <sup>(3)</sup>	49.9	49.6	48.3	35.9	-
EBITDA <sup>(4)</sup>	685.7	625.0	433.9	345.6	376.1
EBITDA margin (% of revenue)	50.93%	53.43%	41.80%	39.00%	47.39%
Capital expenditure <sup>(5)</sup>	298.6	250.0 <sup>(5)</sup>	184.2	225.4	196
Capital expenditure margin (% of revenue)	22.18%	21.37%	17.70%	25.50%	24.70%
AFCF <sup>(6)</sup>	429.8	418.8	223.3	143	208.9
AFCF margin (% of revenue)	31.92%	35.80%	21.50%	16.20%	26.32%

**Notes:**

- (1) In June 2017, MTN Nigeria implemented an active subscriber redefinition to accurately reflect the Group's active customer base and to exclude customers whose transactions are limited to incoming SMS messages, incoming calls on its network and airtime refills from the "active subscriber" definition.
- (2) MTN Nigeria presents revenue segmentation in its audited accounts by the nature of the product or service in accordance with the "Annual Operating Levy Regulations" issued by the NCC in 2014, which require separate disclosure of the portion of the revenue generated from VAS payable to VAS providers. The revenue segmentation reflected in the MTN Nigeria Group's internal financial systems, and here presented, reflects the MTN Nigeria Group's revenue by six key revenue sources and, the Board believes, is a useful metric for understanding how the MTN Nigeria Group monitors its revenue generation. For a comparison to the revenue segmentation included in the MTN Nigeria Group's audited accounts, see the discussion of revenue in "Results of Operations" below.
- (3) Includes revenue from SMS, ICT and infrastructure, handsets, accessories and other non-service revenues.
- (4) EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) IFRS 16 relating to accounting for leases was implemented in 2019 and EBITDA relating to periods prior to 2019 was prepared on an IAS 17 basis where lease expenses were included in EBITDA.
- (5) On an IFRS 16 basis (excluding the impact of IFRS 16, ₦208.3 billion (2019); ₦240.1 billion (2020)).
- (6) AFCF excludes non-cash transactions.

The table below sets forth details of MTN Nigeria's full-time employees as at the periods indicated:

31 December 2020	31 December 2019	31 December 2018	31 December 2017
1,856	1,870	1,698	1,551

As of 30 June 2021, the Company had 1,737 employees. The Company recognises the importance of skilled and talented employees. As such, it has implemented several strategic recruitment and retention initiatives to ensure that it attracts and retains talent, including:

- the design and implementation of a robust Employee Value Proposition ("EVP"), aimed at optimising the "MTN" brand within the labour market. The Company's EVP encapsulates its brand strength and leadership, the investments in staff, diversity and inclusion and total reward. Consistent focus has been given to ensure that the Company's EVP is constantly refreshed with attractive initiatives that aim to make MTN Nigeria a "Great Place to Work";
- the implementation of a Graduate Development Programme, as part of an MTN Group initiative designed to refresh and build a long-term sustainable talent and leadership pipeline to achieve MTN Nigeria's vision and mission.

<sup>2</sup> 2018 and 2019 accounts of the Company have different accounting bases as the 2019 accounts reflect the adoption of accounting policies upon the adoption of IFRS 16.

- a continuous focus on the enhancement of people management practices and standards, which has enabled the Company to achieve a platinum-level accreditation from “Investors in People” a UK-based organisation which recognises the strength of the Company’s people management practices.

### ***Employee share scheme***

The Company also offers participation in the MTN Nigeria Notional Share Options Incentive Scheme (the “**NSO Scheme**”) to qualifying employees. The NSO Scheme is a notional share incentive scheme established in December 2004. It is a long-term incentive scheme which rewards tenure, loyalty, dedication and contribution to business success and growth. The NSO Scheme is divided into two categories: (i) the Locally Aligned Notional Share Scheme (the “**LAN NSO**”) and the Group Aligned Notional Share Scheme (the “**GAN NSO**”).

The price at which LAN NSO notional shares are offered to a participant is determined by the trading price of the shares of the Company on the trading floor of NGX. The price at which a GAN NSO notional share will be offered to a participant is the closing share price of MTN Group on the day preceding the allocation date of MTN Group’s shares as traded on the Johannesburg Stock Exchange and converted to Naira.

### **(a) Current trading and future plans**

The Company expects price stability in voice service in the medium term as current voice rates are already close to the voice floor price. However, there is still some potential for the Company to leverage on new geographies and customers buying SIM cards for the first time.

The strong demand for data is expected to accelerate significantly as operators move to expand network bandwidth and 3G and 4G coverage. Given the relatively low data and smartphone penetration in Nigeria, the Company believes there is a large window of opportunity to significantly increase data uptake and drive usage over the short, medium and long terms. The Company aims to leverage its 4G network to provide reliable and high-speed internet services and opportunity for market differentiation via improved customer experience in the data and digital segments. The Company is also engaged in ongoing efforts to provide affordable smartphones via strategic partnerships with OEMs, including Samsung, Apple and Transsion.

In March 2019, MTN Nigeria launched the new Smart feature phone initiative to bridge the gap between basic and expensive smartphones. MTN Nigeria also works closely with entities and companies such as GSM Association (GSMA), Google and Facebook in order to focus on consumer education (from a CSR perspective) to drive home the benefits of internet access to all Nigerians. In November 2019, MTN Nigeria became the first telecommunications service provider in Nigeria to successfully demonstrate 5G network.

### **(b) Products and Services**

The Company operates across 6 main business service lines, namely: voice, data, digital, financial technology services, wholesale and enterprise business.

#### ***Voice***

The Company’s comprehensive voice offerings target the full spectrum of subscribers, from high value to mass market and youth segment. MTN Nigeria’s voice services include local, national and international calls. The Company provides clearly defined tariff plans tailored to the needs of the three key segments: High value, Youth and Mass. Apart from person to person voice call service, MTN Nigeria also provides the following additional voice-based services:

- Call forwarding;
- International;
- Roaming;
- Call me back; and
- Conference call
- Voice Optimization Suite and Beep Call

#### ***Service Plans***

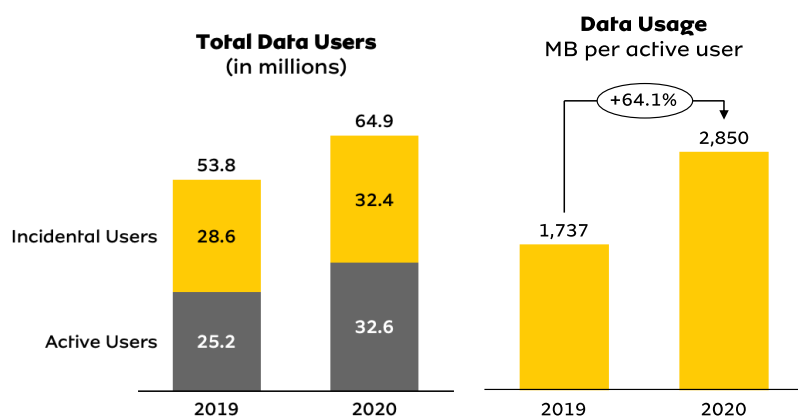
Prepaid services require the prepayment of a fee (that includes connection charges and a charge for a SIM card). Prepaid customers pay in advance for a fixed amount of airtime and services and recharge their account when they run out of airtime. There are various methods through which customers can purchase airtime, including physical distribution (e.g. through the purchase of vouchers that provide a PIN that the customer enters into his or her phone in order to purchase airtime), and digital distribution (e.g. through his or her MTN account, bank channels and debit cards). The Company also regularly offers both SIM card and airtime promotions to its customers. For the Company's post-paid services, the customer is billed on a monthly basis (including a monthly subscription charge which is dependent upon the plan to which the customer subscribes). The Company provides different incentives and seeks to drive smartphone adoption and penetration including but not limited to data bonus for new smartphones users and device financing schemes, but no subsidies.

### Data

The Company's data services include all data communication services using 2G, 3G and 4G LTE technologies, and other value-added services for mobile subscribers. MTN Nigeria's mobile data service offerings focus on mobile broadband offerings over its 3G and 4G networks, which may be bundled with its voice service offerings. The customer can use mobile broadband either on a prepaid basis or under a mobile data post-paid subscription package. Data services are increasingly important contributors to the Company's mobile business, as digitisation accelerates rapidly in Nigeria, driven by video and social media, messaging and Voice Over Internet Protocol (VoIP) services. The Company's data strategy is designed to increase value for existing users while encouraging non-data customers to become data customers using dual data strategy. The Company's dual data strategy involves increasing usage for existing active data users whilst procuring non-data users / incidental users to become active data users through targeted data packages and bundles. The Company aims to deliver high capacity 4G services in cities and 3G coverage in rural areas thereby addressing the high-value data segment (typically high-end smartphone users) and the mass market (typically low-cost handset users).

The Company focuses on maximising utility for existing data users, growing usage for incidental data users and converting non-data users into first-time data users. The Company seeks to achieve this by offering lifestyle bundles, affordable smart feature phones, campaigns to trigger conversions (such as free data, discounted bundles, etc.) and awareness campaigns and consumer education. MTN Nigeria also offers targeted, apps-specific bundles (e.g. bundles which allow a customer to use discounted data for a specific app such as YouTube).

The diagrams below reflect (i) the Company's total data users as of 31 December 2019 and 2020; and (ii) active data usage (MB per user per month) for the same periods:



### Digital

#### Digital and VAS

The Company provides its customers with a variety of entertainment, information and lifestyle digital content solutions. The Company's digital portfolio comprises of 4 key categories, namely: Music, Video, Gaming and Infotainment and lifestyle-based services.

In 2019, the Company launched MusicTime, a flagship digital service that offers time-based music streaming services to customers. The MusicTime service had digital subscriptions of about 2.1 million users as at 31 December 2019 and enables customers to download and stream music from their mobile devices for a fixed subscription fee. Music offering is typically bundled with mobile data to enable a seamless customer music experience. Customers are able to select and listen from a wide range of musical genres including local and international music contents.

The MTN Video service allows customers to stream and download a wide range of local and international movies and video content on their mobile devices. Through partnership with relevant content owners and aggregators, the service offers rich video contents covering entertainment, documentary, drama and information. The service is supported by the extensive 3G and 4G data network to provide entertainment to the Company's customers.

In partnership with the Company's ecosystem partners, MTN Nigeria's gaming services provide a rich array of basic and premium rated games. The Company offers regular promotions and application development contests to drive adoption and penetration. MTN Nigeria continues to explore opportunities in order to improve its rich media services and grow its presence and market share. The Company seeks to develop a compelling value proposition for consumers and enterprises alike, to grow its digital services and VAS business.

Further to the issuance of a Value Added Services Aggregator Framework (the "**Framework**") by the NCC, network operators are obliged to provide connectivity and access to their customers for the licenced aggregators. The implementation of the Framework could negatively impact the revenue of the Company generated from its digital service offerings. The Company leverages its relationship with its community of partners to bring innovative services to its customers. The Company's infotainment and lifestyles services include caller tunes, mobile news, sport betting and lottery services. These services are delivered through access channels such as USSD, SMS, IVR and the myMTN app.

The Company has partnerships with independent developers such as Jumia, one of Africa's leading e-commerce platforms with over 40,000 active merchants and 1.2 billion consumers in Africa. The Company's partnership with Jumia allows for direct launches and distribution of MTN devices through the Jumia platform, as well as cross-selling and cross-marketing exposure. Additionally, the Lumos Mobile Electricity service, an initiative birthed from a partnership between MTN Nigeria and Nova Lumos, provides solar-powered electricity and enables payments to be made via mobile phone. This service had over 155,000 subscribers as at 31 December 2020. The Company also offers the following services to its customers:

- Information and Communications Technology ("**ICT**") and infrastructure services: The Company is a provider of ICT enterprise services to corporate and government customers in Nigeria; and
- Roaming and devices: The Company's other business line also includes revenue generated from providing roaming services to other telecommunications providers and from bundled device sales.

### ***Fintech***

In 2019, MTN Nigeria's subsidiary, YDFS, was granted approval from the CBN to operate as a Super-Agent which allows MTN Nigeria, through YDFS, to build and manage an agent network that offers financial service products to both banked and unbanked customers, on behalf of partner banks and other financial institutions. The Super-Agent licence expired in July 2020. YDFS applied for a renewal of the Super-Agent licence by filing an application for renewal with the CBN in March 2020 and awaits the CBN's approval.

Furthermore, following the release of the Payment Service Bank ("**PSB**") guidelines by the CBN, the Company applied for a PSB licence which will allow it to undertake broader financial service operations, in accordance with the relevant CBN guidelines. The Company's application is being processed by the CBN.

### ***Enterprise and Wholesale Services***

The Company is a provider of mobile and fixed connectivity information and communication technology solutions and services to corporate, wholesale, SME and government entities in Nigeria, delivering end-to-end solutions and serving as the single point of contact for all their telecommunication needs. The Company offers a full suite of enterprise services, including corporate data solutions, connectivity, infrastructure, networking, unified communications, system security, internet of things and cloud computing. The Company leverages its mobile network operations, which offer a state-of-the-art national and international long-distance network infrastructure, including submarine cables, fibre and microwave infrastructure, to provide connectivity services to its business customers within Nigeria and internationally. In the markets the Company serves, it strives to be more than a solution provider but a partner for growth through market and/or geographical expansion.

The Company's enterprise offerings bring together technology, solutions development, business intelligence and customer management functions to enable its customers achieve their business objectives. The Company's unique positioning as the only network operator which provides services across the information and communication technology value chain allows it to be its customers' preferred end-to-end communications solutions provider.

MTN Nigeria's offerings for its enterprise and wholesale customers include:

- *Enterprise and wholesale plans and bundles*: post-paid tariff plans and bundle offerings customised to the needs of the customer;

- *Add-on services*: including tariffs, data plans and smart devices which strengthen the Company’s offerings and cater to the voice and data needs of its customers;
- *Fixed connectivity solutions*: including VPN, IP/MPLS, dedicated internet, LAN/WAN, Wi-Fi and E1-PRI;
- *Cloud and Data Hosting Services*: including cloud-based infrastructure, platforms and databases; and
- *Mobile Advertising*: The Company’s mobile advertising service offers certain MTN communications channels (SMS, USSD and notifications, as well as other digital channels), as an advertising medium for enterprises to serve and reach their customers. This is achieved through strategic (user) analytics. These channels have also been integrated into a self-service platform for easy access and flexible campaign management by SMEs, corporates and media agencies.

Further, MTN Nigeria’s dedicated business solutions unit works closely with key enterprise customers across its operations and acts as a communications consultant for its corporate and SME clients. With MTN Nigeria’s services designed to deepen market access, improve productivity, drive operational efficiencies and deliver consistent quality of experience to its business customers, its goal is to remain the partner of choice in the delivery of bespoke technology solutions to the enterprise market.

(c) **Operations**

***Pricing and customers***

The Company believes that it offers a significant value proposition in the Nigerian telecommunications market. The core principles of the Company’s pricing are simplicity, freedom, flexibility and ease of communication. The Company’s operational philosophy is centred on providing its subscribers with higher network functionality as compared to its competitors, including network quality, coverage and capacity. The Company services high value, mid-market & youth and mass-market as well as corporate and SME customers. The Company’s pricing strategy varies for each customer segment.

- High-value customers include the top 20% of subscribers. For high-value customers, the Company’s focus is on convenience, service quality and personalised offers including international roaming. These customers are quality conscious and tend to prefer consumer-focused service. These customers also engage in significant digital activity and tend to utilize a number of internet services.
- Nigeria is one of the fastest growing youth markets in Africa. For MTN Nigeria’s mid-market & youth customers, the Company offers competitive, value-based offers with a strong focus on data services. Most of the Company’s customers in this segment are millennials who require a lot of data for their OTT applications. The Company also focuses on data as an “anchor” product, with lifestyle and digital service bundles increasing in importance. Customers in this segment also heavily consume content in all formats and are generally quick adopters of new technologies.
- The Company also has a huge segment of mass-market customers who tend to be highly price-conscious and have limited spending power. This segment is more voice-service driven and aspire to go online. For this segment, bonus and value are major drivers. Most of the customers within this segment live in non-urban areas where MTN Nigeria has used innovative and regional pricing to cater to their needs.

The Company’s customer acquisition strategy focuses on compliance with regulatory requirements, reaching out to rural areas and providing a data-led ecosystem. This is supported by a well-trained team and appropriate governance. Additionally, the Company’s customer relationship platform enables comprehensive and efficient customer management through big data systems. The Company partners with leading data analytics providers to develop highly targeted, personalised offers.

***Marketing***

MTN Nigeria runs innovative marketing and promotional campaigns (such as bonuses and bundle options) across Nigeria. The Company continually reviews and refreshes promotional offers to engage subscribers to purchase airtime, data and additional services. The Company tailors its marketing approach to the following customer and demographic segments: high-value, mid-market & youth and the mass market, advertising certain services to specific demographics, for example, music and video services to the mid-market & youth segment. MTN also strongly believes in giving tailor-made offers to every customer through the MTN4me platform.

The Company seeks to connect with its customers through engaging and thematic marketing content which aims to build deep, emotional connections by focusing on the relevant themes of family, female empowerment, music and football. The Company also engages with consumers through its campaign of giving back to the community via the



MTNF and its Season of Surprises giveaways to citizens across Nigeria (including, for example, giveaways of free toll gate access, bus and train tickets and supermarket vouchers).

The Company’s marketing campaigns are transmitted via TV, radio, print, outdoor signage, digital and social media advertising, flyers, word of mouth and sponsorship. MTN Nigeria regionally differentiates its marketing (by Geography, language and relevant local themes) to maximise brand appeal and impact. Additionally, the Company employs strategic marketing, particularly in respect of the mass market, which requires a targeted approach. The Company believes its marketing and customer service initiatives have resulted in a positive and improving market perception.

(d) **Awards and Recognition**

Below are some of MTN Nigeria’s brand awards:



Furthermore, below is a table of the awards received by MTN Nigeria from 2017 to 2020:

CAMPAIGN/PRODUCT	DESCRIPTION OF AWARD	CATEGORY	LOCATION
Most Responsive Organisation to the COVID-19 Crisis	Award presented by Nigeria Risk Awards, 2020	N/A	Nigeria
NECA’s Employer’s Excellence Awards: Employer of the Year in Telecommunications (GSM) sector	Award presented by NECA, 2020	N/A	Lagos, Nigeria
NECA’s 2020 Employer’s Excellence Awards: Overall Employer of the Year	Award presented by NECA, 2020	N/A	Lagos, Nigeria
Africa Top 50 HR Leaders	Award presented by Africa Human Resources Innovation Awards, 2020	N/A	Lagos, Nigeria
Employer of the Year 2020	Award presented by iIP Global: Award for people management excellence to a company with over 250 employees, 2020	Platinum	Virtual (United Kingdom)
Most Valuable Multinational Brand	Award presented by Top 50 Brands Nigeria, 2020	N/A	Nigeria
Brand of the Year	Award presented by Marketing Edge Awards, 2020	N/A	Nigeria
Employer of the Year – Platinum Category	Award presented by Investors In People, 2020	N/A	Nigeria
Telco Partner for the Year	Award presented by NIBSS for Outstanding Performance, 2019	N/A	Lagos, Nigeria
Payment Innovation Driver: Telecom of Year	Award presented by Interswitch Limited, 2019	N/A	Lagos, Nigeria
Investors in People – Platinum Award	Award presented by iIP, 2019	N/A	Lagos, Nigeria
HR Champion	Award presented by Peoples Awards, 2019	N/A	Lagos, Nigeria
HR Leader of the Year	Award presented by Peoples Awards, 2019	N/A	Lagos, Nigeria
Social Impact Award	Nigerian Tech Innovation and Telecom (NTITA) Awards 2019	N/A	Lagos, Nigeria
Best Innovation for Enterprise Services	Nigerian Tech Innovation and Telecom (NTITA) Awards 2019	N/A	Lagos, Nigeria
Corporate Social Responsibility	ADVAN Awards for Marketing Excellence (ADVAN), 2018	Silver	Lagos, Nigeria

Mobile Operator of the Year	Nigerian Tech Innovation and Telecom (NTITA) Awards 2017	N/A	Lagos, Nigeria
LTE/4G Provider of the Year	Nigerian Tech Innovation and Telecom (NTITA) Awards 2017	N/A	Lagos, Nigeria
Customer Experience	Nigerian Tech Innovation and Telecom (NTITA) Awards 2017	N/A	Lagos, Nigeria
Innovative Project of the Year	Nigerian Tech Innovation and Telecom (NTITA) Awards 2017	N/A	Lagos, Nigeria
Best Innovation	ADVAN Awards for Marketing Excellence (ADVAN), 2017	Gold	Lagos, Nigeria
Corporate Social Responsibility	ADVAN Awards for Marketing Excellence (ADVAN), 2017	Silver	Lagos, Nigeria

(e) **Voice and data technology**

MTN Nigeria’s mobile network currently utilises 2G, 3G and 4G LTE technology. MTN Nigeria started its operations with 2G Technology (which was primarily voice-driven), General Packet Radio Service (“GPRS”), Enhanced Data Rates for GSM evolution (“EDGE”) and EDGE Evolution. The Company officially launched its 3G and 4G technologies in Nigeria in 2008 and 2016, respectively whilst the rollout of its 4G LTE services commenced in 2019.

MTN Nigeria’s 3G technology has enabled it to offer its users a wide range of advanced services, including data services, such as mobile broadband while achieving greater network capacity through improved spectral efficiency. 3G enables MTN Nigeria to offer new services to its users like video calls, mobile broadband data and a full internet experience with richer mobile content. The Company’s 3G networks also give it more capacity to provide data and voice services than its 2G networks using its current spectrum. MTN Nigeria’s 3G networks are normally co-located with existing 2G infrastructure allowing faster and cost-effective network deployment. MTN Nigeria has also expanded its 3G networks using high-speed uplink packet access (“HSUPA”), high-speed downlink packet access (“HSDPA”) and evolved high-speed packet access (“HSPA+”) technologies with speeds of up to 42Mbps. Additionally, MTN Nigeria has over 30,000km of fibre supporting its network with further support provided through third party partnerships. The Company’s network equipment is supplied by leading telecommunication manufacturers.

The Company has implemented a cost-efficient radio access network which minimises the impact of network infrastructure on the environment by utilising extended cell features that require fewer base stations per cell, as well as technologies that conserve energy by shutting down hardware during periods of low mobile traffic. In addition, the Company aims to reduce its dependency on diesel, which is generally used to power the network when grid power is unavailable, by introducing hybrid power solutions to replace generators and connecting rural base stations to the national power grid.

MTN Nigeria’s 4G technology has allowed it to offer faster upload and download speeds as compared to its 3G technology. 4G enables MTN Nigeria to offer its users fast access to high definition video streaming, video conferencing, multiple chatting, instant uploading of photos and other data-intensive applications. The Company believes that with additional availability of 4G LTE enabled handsets in the market, the rollout of 4G is supporting a “data revolution” in Nigeria, driving fundamental changes in lifestyles, business and society and will also support economic growth in rural areas by enhancing the reach of e-governance, e-health and e-education services, and will be a significant source of revenue in the longer term.

In 2019, MTN Nigeria, in partnership with Huawei, ZTE and Ericsson (multinational networking and telecommunications companies) conducted 5G network trials with live demonstrations including speed tests and fixed wireless access tests as well as other real-life use cases, using temporary spectrum allocated to it by the NCC. 5G technology offers tremendous benefits in terms of speed, latency (less delays) and efficiency.

Further to the Company having successfully addressed concerns raised by the National Assembly regarding the health and safety considerations related to the use of 5G technology, the NCC issued a consultation document for deployment of 5G technology. The NCC also established a committee to develop the Information Memorandum for the Auction of Spectrum which will be used for early deployment of 5G services in Nigeria, as well as development of the spectrum award process.

(f) **Network Infrastructure**

MTN Nigeria had the leading 3G and 4G LTE download speeds in Nigeria (including in Lagos and other major cities), according to an independent audit carried out in the second quarter of 2020 by a third-party professional company. The Company continues to focus on its operational assurance as well as its ongoing 3G densification and 4G LTE rollout.

The table below sets out MTN Nigeria’s key areas of network investment from 2017 to 2020:

	2017	2018	2019	2020
<b>2G and 3G</b>	<ul style="list-style-type: none"> <li>• 2G and 3G coverage expansions</li> <li>• Add sectors for existing 3G sites</li> </ul>	<ul style="list-style-type: none"> <li>• 2G and 3G coverage expansions</li> <li>• Focus on U900</li> <li>• Additional 3G sectorisation</li> <li>• Capacity enhancement</li> <li>• Network modernisation</li> </ul>	<ul style="list-style-type: none"> <li>• 2G and 3G coverage expansions</li> <li>• Focus on U900</li> <li>• Multi-sectors on 3G</li> <li>• Network modernisation</li> </ul>	<ul style="list-style-type: none"> <li>• 3G coverage expansion, upgrade of all physical sites to a minimum of 2G + 3G configuration</li> <li>• Network Modernisation</li> </ul>
<b>4G</b>	<ul style="list-style-type: none"> <li>• Trial for L2600 and Roll-out for L800 bands</li> </ul>	<ul style="list-style-type: none"> <li>• 4G coverage expansion and Spectrum re-farming</li> </ul>	<ul style="list-style-type: none"> <li>• L1800 re-farming</li> <li>• L800 activation and expansion</li> <li>• L2600 expansion</li> <li>• Carrier aggregation (4G+)</li> </ul>	<ul style="list-style-type: none"> <li>• L1800 re-farming</li> <li>• L2600 and L800 expansion</li> <li>• Carrier aggregation (4G+)</li> <li>• Cleared 700 MHz spectrum for deployment</li> </ul>
<b>Spectrum</b>			NCC approves use of Visafone 800 MHz Spectrum for MTN 4G Subscribers.	
<b>Fibre network</b>	<ul style="list-style-type: none"> <li>• Added 3,404km of fibre</li> <li>• Connected 440 sites to fibre</li> </ul>	<ul style="list-style-type: none"> <li>• Added 493km of fibre</li> <li>• Connected 490 sites to fibre</li> </ul>	<ul style="list-style-type: none"> <li>• Added 3,435 km of fibre</li> <li>• Connected 374 sites to fibre.</li> </ul>	<ul style="list-style-type: none"> <li>• Added 305km of fibre</li> <li>• Connected 69 sites to fibre.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Lagos: Facility infrastructure and network elements deployment</li> <li>• Abuja: Network elements</li> <li>• Port Harcourt: Facility infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Lagos: Facility infrastructure and network elements deployment</li> <li>• Abuja: Network elements</li> <li>• Port Harcourt: Facility infrastructure</li> </ul>		

### ***Rural Telephony Initiative***

MTN Nigeria launched the Rural Telephony project in the fourth quarter of 2018 in order to provide coverage to over 2,000 villages using a mix of revenue sharing, capital expenditures and operating expenditures with third-party partners. The Company plans to deploy 1,100 sites using the revenue share model in 2020. As of 31 December 2020, over 91 villages have been covered using innovative low-cost coverage solutions which operate and are powered by solar energy. This initiative provides services to Nigerians who hitherto had no access to any of the mobile networks in Nigeria.

### ***Mobile network***

MTN Nigeria’s mobile infrastructure is designed using standardised technologies specifically tailored to be upgradable along an evolutionary path towards developing technologies such as 4G LTE, LTE-Advanced and 5G. The Company has implemented the latest high-performance mobile data technologies including HSDPA, HSUPA,

HSPA+, and Dual Carrier HSPA+ on its 3G network, and GPRS and EDGE on its 2G network and has also launched LTE in major cities. MTN Nigeria has designed sustainable cost-efficient radio access networks, which aim to minimise adverse impact on the environment by utilising extended cell features that require fewer base stations per cell, as well as technologies that conserve energy by operating at ambient temperatures without the need for air conditioning. Further cost saving is achieved by the automatic shutting down of hardware during periods of low mobile traffic.

MTN Nigeria uses common hardware technology platforms and has deployed over 45,000 radio base stations (in addition to 13 switch sites and 1 landing station), as of December 2019, of which a high percentage is software definable in terms of its assortment of 2G, 3G and 4G LTE capabilities, thereby minimising disruptions to subscribers during network upgrades. Co-locating radio base stations for 2G, 3G and 4G LTE capability reduces capital expenditure and operating expenditure, as well as power consumption and the physical impact on the environment.

The Company's 2G, 3G and 4G network reaches approximately 89.22%, 81.63% and 65.12% of the population across 223 cities and towns in Nigeria (source: Company data). Additionally, the table below shows the Company's network population coverage across Nigeria from 2017 to 2020, and June 2021:

KPI	Dec-17	Dec-18	Dec-19	Dec-20	June 2021
<b>2G Sites</b>	13,439	13,906	14,945	16,574	17,059
<b>3G Sites:</b>	12,185	14,484	15,641	16,870	17,139
<b>4G Sites</b>	2,360	3,691	7,125	9,982	11,475
<b>Fibre to the Site (FTTS)</b>	1,731	2,271	2,622	2,278	2,363
<b>Fibre Long-haul (KM)</b>	24,558	26,055	29,520	29,856	30,443.3
<b>2G POP Cov (%)</b>	89.7%	90.1%	**87.8%	88.94%	89.22%
<b>3G POP Cov (%)</b>	68.8%	70%	78.2%	80.37%	81.63%
<b>4G POP Cov (%)</b>	13.4%	15%	43.8%	60.10%	65.12%

\* 2018 Fibre (KM) updated to reflect actual KMs.

\*\* 2G POP Company for Dec-19 updated to reflect the new population censor calculation.

#### **4G Advantage**

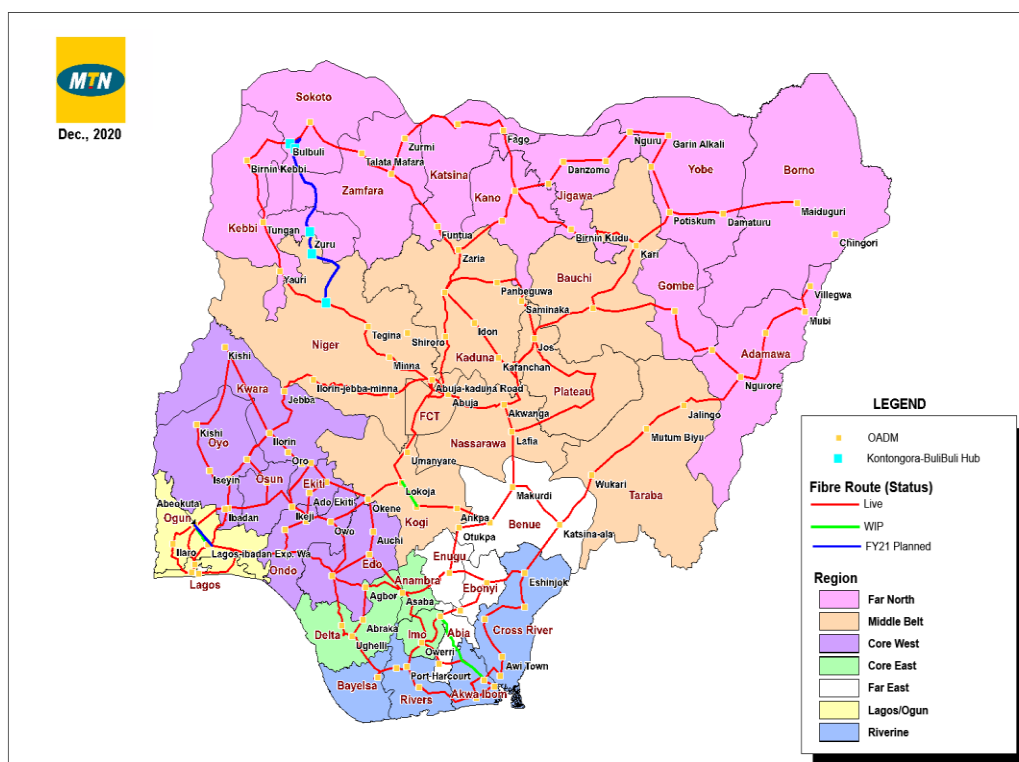
4G LTE deployment is a priority for MTN Nigeria as it will improve overall data network performance and will drive data volume growth. The Company's 4G LTE services launched in 2016 using its 2600MHz spectrum advantage and LTE1800 was launched in 2019 by refarming 2 x 5MHz of the existing 1800MHz spectrum. Following the approval of the transfer of Visafone's 2 x 10MHz in the 800MHz spectrum band, MTN Nigeria commenced offering of 4G LTE services on the said band. As of 31 December 2020, MTN Nigeria's 4G network covered approximately 60.1% of the Nigerian population (source: Company data). MTN Nigeria expects to further benefit from its 800MHz spectrum holding in the future.

#### **Fixed-line and internet networks**

In order to ensure fast connectivity between the Company's base stations and the rest of the network, the Company operates on one of the largest fibre networks in Africa. The Company has multiple long-distance fibre connections between cities in various operations. The Company intends to expand its rural coverage with over 1,100 rural telephone sites along its microwave transmission backbone, which stretches over 2,900 km. The Company also leases fibre to other telecommunications operators. As MTN Nigeria utilises less than 37% of its current backbone capacity, the Company is able to monetise and sell excess capacity to other telecommunications operators. Through MTN Nigeria's ICT enterprise business, last-mile fibre installations are built to connect corporations, business campuses and office parks.

The chart below shows the coverage of the Company's fibre network as at December 2020:

**MTNN FIBRE BACKBONE NETWORK (PROJECT BLAZE)**



### **Satellite connectivity**

MTN Nigeria's satellite capacity is procured through MTN Group's global carrier services capability based in Dubai and directly from Intelsat, which provides mainly C-band capacity. Satellite capacity is used for connectivity to remote locations.

### **Backbone network and supporting infrastructure**

MTN Nigeria has deployed a state-of-the-art next-generation Multiprotocol Label Switching ("MPLS") network that ensures improved quality of service, high reliability and simplified operation, and most importantly, provides low latency scalable networks. MTN Nigeria's MPLS network delivers dynamic, secured and future-ready services with both centralised and de-centralised network applications, both locally and internationally. As of 31 December 2020, MTN Nigeria had 14 switching centres across Nigeria, including its data centres in Ojota, Ikoji and Owo.

### **(g) Other Network Partners**

MTN Nigeria generally outsources the management and operation of its infrastructure to the OEM or technology provider, who is contractually obligated to meet specified performance targets and to scale its operations within defined parameters to align with the Company's strategy. The management service contracts with MTN Nigeria's OEMs and technology providers are typically for durations of three to five years, and MTN Nigeria has the ability to terminate if certain criteria are not met.

### **Equipment and technology partners**

MTN Nigeria has forged long-term strategic partnerships with other businesses in its sector, including equipment and technology companies at the forefront of technologies that are critical to its business. The Company believes that its strategy of engagement has enabled it to partner with global leaders who share its objective of co-creating innovative and tailor-made solutions for Nigeria. MTN Nigeria has maintained strategic partnerships with several organisations for its business and enterprise IT system needs, including Ericsson, Huawei and Microsoft, amongst others.

### **Customer care partners**

MTN Nigeria's customer care partners help it provide an excellent customer experience across various channels including self-care applications, digital channels, contact centres and stores. Its customer care partners include ISON BPO International, Tecnotree and Nokia, amongst others. ISON BPO is the Company's call centre strategic partner,

managing multilingual call centres across the country to support the Company’s customers. Tecnotree provides MTN Nigeria with an innovative convergent billing and customer management platform that is able to fully service convergent products and services. Nokia provides customer experience management solutions to help the Company and support customer experiences with great detail. MTN Nigeria also has a network of franchised customer care/retail centres operated by local franchise partners.

***Content and VAS partners***

MTN Nigeria works with leading organisations such as Huawei, IMIMobile, Rembrandt, OnMobile and Twinpine, providing each of its customers with a unique experience in VAS such as caller ring back tone, music on demand, email services and other applications. The Company has revenue-sharing agreements in place with most of these content partners. MTN Nigeria also has partnerships with independent developers including, as previously noted, a partnership with Jumia, one of the world’s largest e-commerce-focused venture capital firms. MTN Nigeria believes these relationships will be valuable as it continues to increase its presence in the digital space.

(h) **Licences**

The table below sets forth details of the spectrum licences held by the Company as at the date of the Shelf Prospectus:

<b>Frequency Band / Bandwidth</b>	<b>Spectrum Acquisition</b>	<b>Current / Future Usage</b>	<b>Comment</b>
<b>2600MHz / 30MHz (Jul 2026)</b>	In June 2016, through official auction, NCC declared MTN Nigeria as the winner of the 2.6GHz Spectrum auction	Mobile LTE – broadband services	Current deployment utilises 20MHz  Required to be renewed by 31 December 2027.
<b>2,100MHz / 10MHz (Apr 2022)</b>	In 2007, 3G licence awarded to MTN Nigeria and renewed in 2015	MBB services, WCDMA	This is the main 3G spectrum used by MTN Nigeria  Required to be renewed by 30 April 2022.
<b>1,800MHz / 15MHz (Sep 2021)</b>	In 2014, NCC renewed MTN Nigeria's 1,800 MHz frequency bands	Voice and GSM services and potentially MBB, WCDMA, Mobile LTE broadband services	Approval obtained to refarm 5MHz of the spectrum for LTE nationwide.  Licence required to be renewed by 31 August 2021.
<b>900MHz / 5Mhz (Sep 2021)</b>	In 2014, MTN continued to operate 900 MHz frequency bands by gaining a further renewal by NCC	Voice and GSM services and potentially MBB and WCDMA services	Required to be renewed by 31 August 2021.
<b>800MHz / 10MHz (Dec 2025)</b>	In 2016, MTN Nigeria acquired LTE-suitable frequencies in the 800MHz via the takeover of CDMA network operator Visafone Communications Limited	Mobile and, potentially, Fixed LTE broadband services	Approval recently obtained to transfer the spectrum licence to MTN Nigeria.  Licence required to be renewed by 31 December 2025.

700MHz / 10MHz	In September 2015, NBC awarded spectrum in the 700MHz band to MTN Nigeria	Mobile LTE broadband services, Digital TV Broadcast, Video on Demand service	Licence regularised for use to provide telecommunication services.  Licence tenor communicated by the NBC was 5 years in the first instance and automatic renewal for another 5 years.
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In 2015, the NBC issued MTN Nigeria a national DTT in consideration for a N34.1 billion licence fee. In May 2016, the Company launched and transmitted a broadcasting service which jointly operated on the broadband network and a terrestrial broadcast network. In 2018, following consultation with the NBC, NCC and NFMC, the 700MHz allocated by the NBC for the broadcasting service was regularized for the provision of telecommunications services by the NCC.

In connection with the 700MHz spectrum, existing broadcasting licensees are yet to vacate the spectrum. MTN Nigeria engaged the regulatory agencies on the clearance of the 700MHz spectrum to enable it utilize the spectrum in the deployment of broadband services. In this regard, the NCC set-up a committee comprising stakeholders including the NBC and the National Frequency Management Council (NFMC). Consequently, an agreement was reached for MTN Nigeria to pay the existing licensees on behalf of the Federal Government of Nigeria settlement sums for the vacation of the 700MHz spectrum. As a result, N367 million and N4.57 million were paid to TV Business Channel Limited and Imo Television, respectively, by MTN Nigeria on behalf of the Federal Government of Nigeria. A credit note is expected to be issued to MTN Nigeria by the NCC for both sums. The spectrum is now available for the Company's use.

In line with 3GPP specifications on replanning of 3.5GHz and the identification of the band at the 2019 World Radio Communications Conference (WRC-19) for IMT 20 (5G), the NCC notified MTN Nigeria of its intention to align with global practices and stated that it will not be renewing the annual frequency license for 3.5GHz issued to MTN Nigeria for the next 1 year term commencing 1 January 2021. The NCC also requested that MTN Nigeria vacate the band no later than 30 June 2021. Consequently, the Company complied with the NCC's directive and as such, no longer uses the said frequency for its services.

(i) **Information technology**

The Company has invested substantially in its state-of-the-art IT infrastructure and believes that its network is both scalable and adaptable to its commercial strategy and new business activities. MTN Nigeria's IT systems and services comprise operational support systems (which support its telecommunications network and includes processes such as maintaining network inventory, provisioning services, configuring network components and managing faults) and business support systems (which support processes related to the Company's customers, such as taking orders, processing bills, collecting payments and customer relationship management, etc.).

MTN Nigeria also maintains disaster recovery systems to enable the recovery and continuation of its technology infrastructure following potential disruptive events, such as power outages, natural disasters or terrorism. The Company also has procedures in place to either back-up critical data on-site and automatically copy this backed-up data to off-site storage; or to back-up and replicate critical data directly to off-site storage. Ensuring business resilience is an important aspect of the IT operations and delivery functions of the Company.

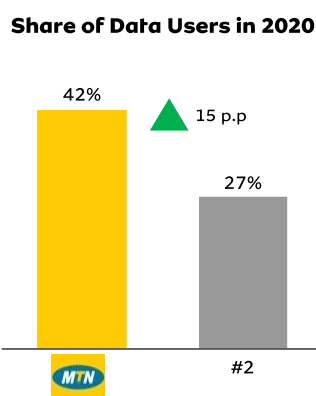
A number of key programmes are in progress and planned as part of the Company's investment in digital transformation, focusing on delivering on a scalable IT architecture through a set of defined objectives to improve the customer experience and customer interactions with MTN Nigeria. These include the transformation to a digital service provider with specific focus on customer management, product lifecycle management, order management and billing lifecycle management, adoption of a cloud-first storage plan and the implementation of an open source big data platform to deliver on real-time analytics in support of the Company's BRIGHT strategy, which has now been replaced by the Company's Ambition 2025 strategy.

(j) **Insurance**

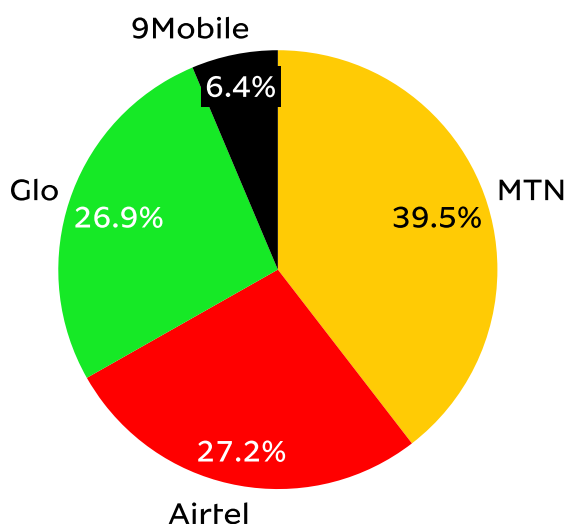
MTN Nigeria’s operations are subject to a wide variety of operational and other risks, including accidents, fire and weather-related hazards. In mitigating these risks, the Company maintains various types of insurance policies customary to the industry in which it operates, to protect against financial impact arising from unexpected events when the amount of the potential loss would be significant enough to prevent normal business operations. MTN Nigeria believes that its existing insurance is sufficient in light of identified risks and is consistent with industry standards based on the scope of its operations.

(k) **Competition**

MTN Nigeria and the former Econet Wireless Nigeria Limited (now Airtel) were the first two operators to launch GSM services in 2001. Over the years, the number of telecom operators has increased to 4 mobile GSM/3G operators, as well as several small players offering a range of services including voice, data, digital and enterprise services. The diagrams below show the market share of MTN Nigeria data users in the telecommunications market as of 31 December 2020:



The chart below shows the market share of MTN Nigeria and its competitors as of December 2020 according to the NCC:



Due to price competition, pricing levels have generally declined over the last five years as operators employ various pricing levers (promotions, discounts, free trials, etc.) in a bid to gain market share. Looking ahead, the Company does not expect any significant price cuts on voice as the current voice rates are already close to the price floor. With regards to data, there has been steady decline in prices to drive deeper penetration and stimulate additional usage. This trend is expected to continue in the short to medium term which is expected to help unlock more usage and adoption. Furthermore, the Nigerian Federal Competition and Consumer Protection Act, 2018, which regulates commercial activities within or having effect within Nigeria was enacted in January 2019. This legislation established the Federal Competition and Consumer Protection Commission, a regulatory body having supervening powers with respect to anti-competitive practices, pricing and mergers and acquisitions in Nigeria amongst others; and which



could further restrict actions by the Company and other players in the market relating to pricing or other competition and consumer-related matters. See Part 11 (*Risk Factors*) - “*Current and future antitrust and competition laws may limit the Company’s growth and subject it to antitrust and other investigations or legal proceedings*” for more information in this regard.

(l) **Property, Plants and Equipment**

The property, plant and equipment that MTN Nigeria owns include administrative and commercial office buildings, business centres and technical properties, such as switching centres, data centres, international exchanges, transmission equipment, mobile base stations, cabling and other technical equipment. Other properties include retail stores, warehouses and technical workshops. The properties the Company considers material to its business are its 14 switching centres in Nigeria including the three data centres in Ojota, Ikoyi and Owo. MTN Nigeria also has a disaster recovery centre in Owo to ensure business continuity in the event of network outages.

(m) **Corporate Social Responsibility**

In 2004, MTN Nigeria established the MTNF for the purpose of driving its CSR efforts aimed at contributing to the reduction of poverty and fostering sustainable development in Nigeria. Prior to starting MTNF, MTN Nigeria consulted with a broad group of stakeholders across Nigeria. This process enabled the development of a focused strategy under the following thematic areas: education, health and economic empowerment.

Together with local and international partner organisations, MTN Nigeria has remained committed to implementing projects and initiatives that positively impact the lives of communities while creating economic value. As of 31 December 2020, MTN Nigeria had invested approximately ₦22.7 billion to fund various corporate social responsibility initiatives across Nigeria. These projects which have benefited over 2,400 communities across the country range from provision of community development projects (such as electricity transformers, water supply equipment, healthcare and school support infrastructure and medical outreaches) youth empowerment initiatives (i.e. scholarship schemes, IT and business trainings) and Arts and Culture programmes.

MTNF has been recognised for its contributions to society, as evidenced in the numerous awards it has received over the years such as:

1. Bales of Mercy Orphanage certificate of appreciation for support, 2021;
2. LaPriga Award for Excellence in Community Relations, 2020;
3. MUSON Diploma Students Association, Appreciation Award, to the Board of Trustees, MTNF, 2019;
4. AFRISAFE Campaign of the year award 2019 for exemplary contribution towards the improvement of Health, Safety, Environment and Wellbeing in Africa, 2019;
5. Award in recognition of MTNF’s contribution to Music Education in Nigeria (MUSON), 2018;
6. Award of Honour in the pursuit of excellent standards in Maternal and Child Health in Abia State (Abia State Ministry of Health), 2018;
7. Award in recognition of MTNF’s valuable support to CEAFON and her activities in improving the state of Cancer Care in Nigeria (Cancer Education and Advocacy Foundation of Nigeria), 2018;
8. Outstanding Organisation Award for the HIV & AIDS Response in Lagos State on the 1<sup>st</sup> LSACA Awards and Dinner (Lagos State AIDS Control Agency – LSACA), 2018;
9. Corporate Support Recognition for support of their annual brain bowl (DeltaAfrik Charitable Foundation), 2018;
10. Award of excellence in humanitarian service (Matured Minds Initiative), 2018;
11. Award of excellence for support in the reawakening of Arts and Culture in Nigeria (Legends), 2018; and
12. Beeta Recognition award for immense contribution to the development of Arts and Culture in Nigeria (Beeta Universal Arts Foundation), 2018.

(n) **Environmental matters**

MTN Nigeria has not been subject to any material fines or regulatory action involving non-compliance with environmental regulations. Other than claims by NESREA (See Part 11 (*Risk Factors*) – “*Environmental Disputes and Claims*”, the Company is not aware of any non-compliance in any material respect with applicable environmental regulations. The Company maintains environmental regulatory standards as they pertain to its business. Also see Part 11 (*Risk Factors*) – “*Changes in relevant and applicable Nigerian laws, regulations or policies could materially adversely affect the Company’s business, financial condition, results of operations and prospects*”.

## PROFILE OF MTN NIGERIA'S DIRECTORS

The MTN Nigeria Board has broad experience across geographies and sectors and is well-placed to provide guidance and oversight to the Company. MTN Group representation on the MTN Nigeria Board signals commitment to MTN Nigeria and reflects the importance of MTN Nigeria to MTN Group. Recent changes to the Board have sought to improve overall corporate governance and oversight. The directors have undergone specific and relevant corporate governance training.

In compliance with relevant codes of corporate governance including but not limited to the National Code of Corporate Governance, 2018 and the SEC Corporate Governance Guidelines, 2020 (SCGG), the Company ensures that the Board is accountable and responsible for the affairs of the Company in conducting all its operations and transactions in a transparent manner on terms that are commercially at arm's length. Furthermore, to ensure alignment with the tenure and other board composition requirements of the NCC Code of Corporate Governance for the telecommunications industry, the Board ensures continuity and periodic rotation to the membership of the Board. The Company has a compliance and ethics team, responsible for ensuring that the Company complies with applicable laws, regulations, directives and both internal and external policies.

The Board adopts good corporate governance practices by ensuring effective communication with its shareholders, ensuring that ethical standards are maintained and putting in place sufficient internal control systems to assure effective running of the Company's day-to-day activities, amongst others.

The Board is currently comprised of 13 Non-Executive Directors and 2 Executive Directors. Of the 13 Non-Executive Directors, there are 3 Independent Directors. Pursuant to the Company's Articles of Association, the Directors retire by rotation in accordance with the provisions of the CAMA.

- ***Dr. Ernest Ndukwe, OFR (Chairman)(Nigerian)***

Dr. Ndukwe is the Chairman of Openmedia Group as well as a part-time member of the Faculty at the Lagos Business School, where he heads the Centre for Infrastructure Policy, Regulation and Advancement. He is a Fellow of the Nigerian Society of Engineers; Nigerian Institute of Management and Nigerian Academy of Engineers. Dr. Ndukwe serves on several boards including Systemspecs Limited and served as Executive Vice Chairman and Chief Executive Officer of the Nigerian Communications Commission (2000 to 2010). He obtained a Bachelor of Science (B.Sc) degree in Electronic/Electrical Engineering from Obafemi Awolowo University, Ile Ife in 1975; Certificate in Satellite Communication (1975) and an Advanced Certificate in Satellite Communication (1977) from Harris Corporation Training School, Melbourne, Florida; Chief Executive Programme (CEP) at Lagos Business School (1994). He began his professional career with Radio Communications Nigeria (RCN) Limited in 1976 where he rose to the position of a maintenance supervisor in 1978 and later assistant engineering manager in 1979. He later joined GEC Telecommunications as Engineering Manager in 1980 and quickly rose to become the Commercial Director of the company in 1988 and Managing Director in 1989. He subsequently served as President of the Association of Telecommunications Companies of Nigeria (ATCON). Dr. Ndukwe has received various awards from several local and global organisations including the International Telecommunications Union (ITU) for his contributions to the communications industry. He joined the Board in June 2018.

- ***Karl Olutokun Toriola (Chief Executive Officer) (Nigerian)***

Mr. Toriola was appointed as MTN Nigeria's Chief Executive Officer effective from March 1, 2021. He has served in various executive roles within the MTN Group, including as Chief Executive Officer of MTN Cameroon from December 2011 to March 2015. Prior to joining MTN Group, Mr. Toriola was the chief operations and regional officer for Vmobile Nigeria (now Airtel Nigeria) from April 2004 to July 2006. In this role, he was responsible for operations which included network rollout, network planning and optimisation, maintenance, site acquisition and property development. Mr. Toriola holds a Bachelor's degree in Electronic and Electrical Engineering from the University of Ife, Ile-Ife in 1994 and a Master's degree in Communication Systems from the University of Wales, Swansea (1996). He is an alumnus of the London Business School (2009), the Harvard Business School (2008), and the Institute of Management Development in Switzerland (2006). He joined the Board in January 2016.

- ***Modupe Kadri (Chief Financial Officer) (Nigerian)***

Mr. Kadri was appointed Chief Financial Officer of MTN Nigeria, effective March 2, 2020. Prior to this, he was with MTN Ghana as the Chief Financial Officer since August 2014. He previously joined MTN Nigeria in September 2007 as the General Manager Financial Operations and then General Manager Financial Planning. Prior to his career with MTN, he worked at Lafarge Africa PLC (WAPCO Nigeria) from 2003 to 2007. In 1988 Mr Kadri obtained a Bachelor's degree in Economics (with honours) from University of Lagos and a Master's degree in Management from the same university. He is a Fellow of both the Association of Chartered Certified Accountants (ACCA) and Institute of Chartered Accountants of Nigeria (ICAN). He is an alumnus of INSEAD (2007), Columbia Business

School (2010), Institute of Management Development in Switzerland (2015), and Kellogg School of Management (2020). Mr. Kadri serves on the boards of MTN Mobilemoney Limited (Ghana) and YDFS.

- ***Ferdinand Moolman (South African)***

Mr. Moolman was appointed to the Board in July 2014 and was MTN Nigeria's Chief Executive Officer from December 2015 to February 2021. He is currently the MTN Group Chief Risk Officer. He has served in various other executive roles within the MTN Group, including as Chief Financial Officer of MTN Nigeria and Chief Operating Officer of MTN Irancell until 2014, where he was responsible for overseeing the Network Group, Information Systems (IS), Capital Programme Group (CPG) and Consumer Relations (CR) functions. Earlier in his career, Mr. Moolman was a senior manager at PricewaterhouseCoopers, an internal audit manager at Momentum Life and an assistant auditor at the office of the Auditor General, South Africa. Mr. Moolman holds a Bachelor's degree in Commerce from the University of Pretoria (1987), a Bachelor's degree in Accounting Science and a diploma in Accounting Theory from the University of South Africa (1990). He is a certified member of the South African Institute of Chartered Accountants.

- ***Muhammad K. Ahmad, OON (Independent) (Nigerian)***

Mr. M.K Ahmad is a seasoned public sector executive with over 35 years of experience traversing the financial services industry and the public sector. He actively advocates and supports institution building based on the highest corporate governance and ethical standards and has served on various boards and committees, including banks and not for profit organizations. He was a pioneer staff of the Nigeria Deposit Insurance Company (NDIC) where he rose to become a Director. He later served as the pioneer Director-General and Chief Executive Officer of the National Pension Commission (PENCOM). Mr. Ahmad worked at the Central Bank of Liberia as the Advisor and Technical Director on Bank Supervision under an International Monetary Fund (IMF) Programme. He coordinated the development of the Federal Government strategy document for the rebuilding of the North East that led to the constitution of the Presidential Committee on the North-East Initiative (PCNI). Mr. Ahmad served as Chairman, Technical Committee on the Nigerian Code of Corporate Governance 2018 and currently chairs the boards of Polaris Bank (former Skye Bank); Taj Bank, Credent Capital Advisory and FATE Foundation. He serves on the Interim Board of International Energy Assurance Plc. He is the founder of Jewel Development Foundation, a graduate assistance programme; and Certium Consulting, a strategic advisory and business applications company. Mr. Ahmad holds a BSc. in Accounting from Ahmadu Bello University and a Masters Diploma in Innovation & Strategy, University of Oxford. He is an Associate, Toronto Center for Global Leadership in Financial Supervision, Canada.

- ***Michael Onochie Ajukwu (Independent) (Nigerian)***

Mr. Michael Onochie Ajukwu has over 21 years of experience in the banking industry with specialty in the Energy and Multinational sectors. He has extensive business experience in Africa and particularly in Nigeria. Mr. Ajukwu served as Executive Director, Corporate Banking of United Bank for Africa PLC up till 2002 and thereafter served as a Director of Keystone Bank Limited. Mr. Ajukwu has extensive board experience and serves as Chairman of Altech West Africa Limited, Munca Properties Limited and Mobax Nigeria Ltd. Mr. Ajukwu has been an Independent Director of Sterling Bank Plc since June 2018 and of Tiger Brands Limited since 31 March 2015. He also sits as a Non-Executive Director on the boards of Intafact Beverages Ltd, a subsidiary of SABMiller in Nigeria and Novotel, a member of Accor Hotels group. Mr. Ajukwu holds a B.Sc. in Finance from the University of Lagos and an MBA in Accounting and Finance from New York University.

- ***Andrew Alli (Nigerian)***

Mr. Andrew Alli qualified as a Chartered Accountant with Coopers & Lybrand (PricewaterhouseCoopers) in the United Kingdom. He worked for over a decade at the International Finance Corporation ("**IFC**") in different positions including Country Manager for Southern Africa and Nigeria. During that period, he represented the IFC on the board of MTN Nigeria. He was subsequently appointed CEO of the nascent Africa Finance Corporation ("**AFC**"), which he built into a robust development finance institution focusing on African infrastructure, natural resources and heavy industry. During his tenure as CEO, AFC made cumulative investments of over USD4 billion in 30 African countries and achieved the second-highest credit rating for an African lending institution. In December 2018, Mr. Alli was appointed CEO of SouthBridge, a Pan-African financial services firm focused on Investment Banking and Sovereign advisory, as well as on serving African and global corporates. He served as Non-Executive Director on the boards of ARM Cement Limited (October 2012 - March 24, 2017) and Guaranty Trust Bank Plc (June 2008 - June 30, 2016). He currently serves as an Independent Non-Executive Director, Development Bank of Nigeria. He is a Member of the Advisory Board, Lagos Business School. He holds a BEng in Electronics and Electrical Engineering from King's College, University of London, and an MBA from INSEAD, France.

- ***Dr. Omobola Johnson (Nigerian)***

Dr. Omobola Johnson served as Nigeria's Minister of Communication and Technology from 2011 to 2015. She pioneered the Federal Government's involvement in a venture capital fund and a network of start-up incubators and participated in the launching and execution of the National Broadband Plan. Prior to her Ministerial appointment, she was country Managing Director for Accenture. She currently chairs the board of Custodian and Allied Insurance Limited and sits on the boards of Guinness Nigeria Plc as well as World Wide Web Foundation. Dr. Johnson is the founding Chairperson of Women in Management and Business. She is a member of the World Economic Forum's Global Agenda Council on Africa; UNDP's Broadband Commission Working Group on Gender and the International Telecommunication Union's Powering Development Advisory Board. Since 2015, she has served as Honorary Chairperson of the Global Alliance for Affordable Internet. Dr. Johnson attended the University of Manchester where she obtained BEng, Electrical and Electronic Engineering and King's College London (MSc, Digital Electronics). She has a Doctorate in Business Administration from Cranfield University and is a Fellow of the Aspen Global Leadership Network.

- ***Rhidwaan Gasant (South African)***

Mr. Gasant was the Managing Director and Chief Executive Officer of Energy Africa Limited, an oil and gas exploration and production group; and also served as Finance Director of Engen Limited. He obtained a Bachelor's of Accountancy Degree from the University of South Africa in 1983. He currently serves on the board of MTN Cameroon, AngloGold Ashanti Limited and Growthpoint Properties Limited. Mr. Gasant is a qualified chartered accountant in South Africa and a chartered management accountant in the United Kingdom. He completed the Executive Development Program at the University of the Witwatersrand in 1980. He was appointed to the Board of MTN Nigeria in April 2015.

- ***A.B. Mahmoud, SAN (OON) (Nigerian)***

Mr. Mahmoud (SAN) is the Managing Partner and one of the founding partners of the law firm of Dikko & Mahmoud. He was elevated to the rank of Senior Advocate of Nigeria in 2001 and is a Life Bencher of the Body of Benchers. A former Kano State Attorney General and Commissioner for Justice, he was in the public service from 1979 to 1993 during which time he held various positions including Director Litigation, Public Prosecution and Solicitor-General at the Ministry of Justice, Kano. Mr. Mahmoud (SAN) is a past President of the Nigerian Bar Association, a Member of the International Chamber of Commerce (ICC), London Court of International Arbitration (LCIA) and was accepted into the Energy Arbitrators List (EAL) in 2013. He is a Council Member of NGX. He chaired the Committee that drafted the SEC Code of Corporate Governance for Public Companies 2011. Mr. Mahmoud SAN sits on the boards of various companies and charities including Stanbic IBTC Pension Managers Limited and Aliko Dangote Foundation. He holds LL.B and LL.M (Company and Labour Law) degrees from Ahmadu Bello University. In addition, he attended the Summer Institute in Corporate Law and Business, Northwestern University School of Law. He also obtained a Certificate in Techniques of Privatization, Harvard Institute of International Development as well as Certificate in Law and Development, International Development Law Institute.

- ***Tsholofelo Molefe (South African)***

Ms. Tsholofelo Molefe was appointed a Non-Executive Director of the Company effective 3rd May 2021. Ms. Molefe assumed the role of Chief Financial Officer of MTN Group Limited in April 2021. She joined MTN Group Limited from Telkom SA SOC Limited where she held the positions of Deputy Chief Financial Officer as well as Group Risk and Compliance Officer, prior to her appointment as the Group Chief Financial officer in 2018. Before joining Telkom, Ms. Molefe was employed as a Finance Director of Eskom Holdings SOC Limited (Africa's largest electricity utility) and an Executive Director of the company's main board. She also held various other roles at Eskom Holdings. In addition to her extensive telecommunications industry experience, Ms. Molefe has also worked in the banking and financial services sector. She brings with her extensive financial strategy, financial management and accounting experience, with a strong background in enterprise risk management and financial controls. Ms. Molefe is a chartered accountant and a member of the South African Institute of Chartered Accountants (SAICA). Ms. Molefe was awarded the British Council Scholarship from 1988 to 1992 to study in the United Kingdom, where she completed a BA Honours in Accounting and Finance, before qualifying as a Chartered Accountant in South Africa.

- ***Ralph Mupita (South African)***

Mr. Mupita has been the Group President and Chief Executive Officer of the Company since September 2020. He is a former Chief Executive Officer of Old Mutual Emerging Markets (2012 to 2017) and has extensive experience in financial services operations in Africa, Asia and Latin America markets. Mr. Mupita currently serves on the board of several of MTN Group's subsidiaries and is an independent non-executive director of Rand Merchant Investment

Holdings Limited and Rand Merchant Bank Holdings Limited. He previously served on the boards of various Old Mutual entities and joint ventures, as well as industry bodies such as Business Leadership South Africa, Association of Savings and Investments South Africa and UCT Graduate School of Business. Mr. Mupita holds a Bachelor's Degree in Engineering (Hons) and Masters in Business Administration, both from the University of Cape Town (1996 and 2000, respectively). He is an alumnus of executive programs at London Business School, INSEAD and Harvard Business School (2007). He joined the Board in April 2017. The appointment of Ralph as the new MTN Group President and CEO will become effective on 1 September 2020.

- ***Charles Molapisi (South African)***

Mr. Molapisi was appointed as a Non-Executive Director of the Company effective August 2, 2021; and is MTN Group Chief Technology and Information Officer, a position he has held since January 1, 2019. In this role, he is responsible for technology strategy, governance and implementation across the MTN Group. Mr Molapisi holds a Bachelor's degree in Commerce from the University of the Witwatersrand and a Master's degree in Business Leadership from the University of South Africa. He has also completed executive programmes with IMD Business School (Switzerland), Harvard Business School (USA), Columbia Business School (USA) and INSEAD (France).

- ***Ifueko M. Omoigui Okauru, MFR (Nigerian)***

Mrs. Ifueko M. Omoigui Okauru, MFR is a Chartered Accountant, Chartered Tax Practitioner and Management Consultant. She served as Executive Chairman of the FIRS and as the Chairman, Joint Tax Board between 2004 and 2012. She also served as a Member and Coordinator, Sub-Committee on Capacity Building; United Nations Committee of Experts on International Cooperation in Tax Matters (August 2008 - July 2012). Ifueko attended the University of Lagos from 1980 to 1983 graduating as the valedictorian of the 1983 class with a Bachelor of Science in Accounting (First Class Honours). She attended Imperial College, University of London from 1985 to 1986 where she obtained a Master's of Science Degree in Management Science as well as a Diploma of the Imperial College. She holds a Master's degree in Public Administration from Harvard University and she is a Fellow of both the Institute of Chartered Accountants of Nigeria and the Chartered Institute of Taxation of Nigeria. She is the Founder and Director of ReStraL Limited (Leadership and Management Consultants) as well as Managing Partner of Compliance Professionals Plc. Mrs. Okauru serves as an Independent Non-Executive Director on the board of Nigerian Breweries Plc. She is also the Chief Program Officer, Dagomo Foundation Nigeria Ltd/Gte. Mrs. Okauru is currently engaged as an associate with the Harvard University Faculty of Arts and Science (FAS) undertaking research in Leadership, Social Enterprise, Culture and the Nigerian Nation. She is a graduate of the University of Lagos, Nigeria, Imperial College, London and Harvard Kennedy School of Government.

- ***Jens Schulte-Bockum (German)***

Mr. Schulte-Bockum has extensive experience in the consumer business, as well as the area of large scale transformation in a convergent operation. He held various executive roles at Vodafone, including Chief Executive Officer of Vodafone GmbH, Germany, Chief Executive Officer of Netherlands at Vodafone Libertel BV and Chief Operating Officer of Vodafone Germany. Before joining Vodafone, Mr. Schulte-Bockum was a partner at McKinsey & Company and served as the office manager of its Hamburg office. He is a member of the advisory board of Delta Comfort BV, a regional Dutch cable and multi-utility provider held by EQT Partners, a Trustee of the Bankinter Foundation of Innovation, Madrid, and a member of the advisory board to the School of Business and Economics at Maastricht University, The Netherlands. Mr. Schulte-Bockum holds a Master's degree in Economics from The University of Chicago (1993), a Diplom-Volkswirt in Economics from Christian Albrechts Universität Kiel (1992) and studied Liberal Arts at Emory University (1987). He was appointed to the Board of MTN Nigeria in April 2017.

***Currently, Ralph Mupita, Tsholofelo Molefe, Jens Schulte-Bockum, Ferdinand Moolman, Charles Molapisi, Karl Toriola and Modupe Kadri act as representatives of MTN Group on the Company's Board of Directors.***

### **Corporate Governance Statement**

The Company is fully committed to implementing best practice corporate governance standards. The Company recognises that corporate governance practices must achieve two goals: protecting the interest of Shareholders and guiding the Board and management to direct and manage the affairs of the Company effectively and efficiently. The Board has committed substantial time and resources towards the development and implementation of a Code of Corporate Business Principles for directors, managers and employees of MTN Nigeria which incorporates best practice principles.

To enhance corporate governance, the Board has established the following committees with delegated authorities:

- The Board Audit Committee is headed by Rhidwaan Gasant. Other members of this committee are Muhammad K. Ahmad, OON, Ifueko M. Omoigui Okauru MFR and Tsholofelo Molefe.
- The Risk Management and Compliance Committee is headed by Dr. Omobola Johnson. Other members of this committee are Andrew Alli, Rhidwaan Gasant, Tsholofelo Molefe, Michael Ajukwu and A.B. Mahmoud, SAN (OON).
- The Remuneration, Human Resources and Social and Ethics Committee is headed by Muhammad K. Ahmad, OON. Other members of this committee are Ifueko M. Omoigui Okauru MFR, Ralph Mupita, Andrew Alli and Jens Schulte-Bockum.
- The Board Nomination and Governance Committee is headed by Mr. Michael Ajukwu with A.B. Mahmoud, SAN (OON). Other members of this committee are Dr. Omobola Johnson and Ralph Mupita.

Board committees are constituted to assist the Board properly assess management reports, proposals, effectively exercise oversight functions and make recommendations to the Board. In addition to its overall responsibility for corporate governance, the Board's duties include setting the Company's strategy and values and overseeing and supporting the management team in its day-to-day running of the business. The Company believes that the Board has the requisite knowledge, diversity, skills and independence to enable it to successfully discharge its duties. The Company is dedicated to the protection and promotion of shareholders' interests and recognises the importance of the adoption of superior management principles, its valuable contribution to long-term business prosperity and accountability to its shareholders.

The Board recognises the need for the directors, managers and employees of MTN Nigeria, as well as external consultants and contractors that may from time to time be engaged by MTN Nigeria, to observe the highest standards of behaviour and business ethics. The Board has adopted a formal code of conduct applying to the Board and all managers, employees and external consultants and contractors, requiring them to act in accordance with the highest ethical standards. The Board takes ultimate responsibility for these matters.

In compliance with relevant codes of corporate governance including the National Code of Corporate Governance, 2018, the Company ensures that the Board is accountable and responsible for the affairs of the Company in conducting all its operations and transactions in a transparent manner on terms that are commercially at arm's length. The Board adopts good corporate governance practices by ensuring effective communication with its shareholders, ensuring that ethical standards are maintained and putting in place sufficient internal control systems to assure effective running of the Company's day-to-day activities, amongst others.

In order to uphold global corporate governance practices, the Board comprises of a mix of executive and non-executive directors and is headed by a chairman. Also, all directorships held by members of the Board on the boards of other companies are disclosed to the Board. Furthermore, the Company Secretary, Mrs. Uto Ukpanah, possesses the relevant competence and skill to discharge the duties of her office.

The Board meets at least once every quarter to deliberate and address relevant issues which affect the Company's affairs and business. The Board, in carrying out its functions requires that Directors disclose any real or potential conflict of interest where such arises.

In furtherance of its aim of reducing overall corporate management risks, in 2016, the NCC made compliance with its Code of Corporate Governance for the Telecommunications Industry mandatory for all licensees that meet certain criteria, including MTN Nigeria. The Company has a compliance and ethics team, responsible for ensuring that the Company complies with laws, regulations, directives and both internal and external policies.

## MANAGEMENT

All members of the Company's senior management team and management team have substantial breadth and depth of experience in various areas including stakeholder management, internal consulting, corporate financial management, analytics and digital. Together, they have a combined experience of over 180 years, with 82 years within MTN Group.

## ***SENIOR MANAGEMENT***

In addition to its Chief Executive Officer (Karl Toriola) and Chief Financial Officer (Modupe Kadri), MTN Nigeria is managed by the following senior management team. The senior management team reports directly to the Chief Executive Officer:

- ***Mazen Mroue (Chief Operating Officer)***

Mr. Mroue was appointed Chief Operating Officer of MTN Nigeria effective August 2018. He joined MTN Ghana in 1998 as Business Support Manager and rose to the position of IT Director and subsequently Chief Information Officer & Head of Enterprise Business. Mr. Mroue was appointed CEO of MTN Liberia in April 2011 and CEO of MTN Uganda from June 2012 to June 2014. He served as COO MTN Irancell from July 2014 to July 2018 and also served concurrently as a Non-Executive Director of MTN Cyprus from 2015 to July 2018. He began his career in 1996 as a Systems Engineer. In 1996 Mr. Mroue obtained a Master's Degree in Engineering, Intellectual Systems and Networks from the National Aviation University, Ukraine, and is certified in Leadership Development and Finance from Harvard Business School and INSEAD respectively. In September 2018, Mr. Mroue was appointed as a member of the board of the MTNF.

- ***Uto Ukpanah (Company Secretary)***

Mrs. Ukpanah was appointed as Company Secretary for MTN Nigeria in July 2005. Prior to that, she was Assistant Company Secretary for United Bank for Africa Plc, a company she worked for from 1998 to June 2005. She was a Senior Associate at Paul Usoro & Co, a law firm in Nigeria, from 1997 to 1998. She is a Fellow and Member of the Council of the Chartered Institute of Secretaries and Administrators of Nigeria (2014 to date). Mrs. Ukpanah served as a member of the Committee that drafted the Securities and Exchange Commission Code of Corporate Governance for Public Companies 2011. She was a member of the Technical Committee on the Nigerian Code of Corporate Governance set up by the Financial Reporting Council of Nigeria (2018). Mrs. Ukpanah is a Certified Ethics Officer of the Ethics Institute/ University of Stellenbosch. In 1989 Mrs. Ukpanah obtained a Bachelor of Laws degree from the University of Cross River State (now University of Uyo) and was called to the Nigerian Bar in 1990.

- ***Tobechukwu Okigbo (Chief Corporate Services Officer)***

Mr. Okigbo was appointed as Chief Corporate Services Officer for MTN Nigeria in 2017. Previously, he was the Chief Corporate Services Officer for Smile Communications (2015 to 2017). Prior to that he was the General Manager, Government and Environmental Affairs at Airtel Nigeria (2010 to 2014). He also held various leadership positions from 2003 to 2010 at Vmobile, Celtel and Zain. He worked with the Negotiation & Conflict Management Group (NCMG) as the manager responsible for Northern Nigeria between 2003 and 2005. Mr. Okigbo obtained a Bachelor of Laws degree from the University of Maiduguri in 1989 and was admitted to the Nigerian Bar in 1990. He obtained a Master's in Business Administration in 2010 from the University of Liverpool. In September 2017 and March 2018, Mr. Okigbo was appointed to the boards of MTNF and YDFS, respectively. He is a certified dispute resolution professional.

- ***Esther Akinnukawe (Chief Human Resources Officer)***

Mrs. Akinnukawe was appointed as Chief Human Resources Officer in December 2017. She joined MTN Nigeria in 2012 as General Manager Business Partnering and Services. Prior to that, she was the Head of HR Services at First City Monument Bank Plc from 2010 to 2012, a Lecturer at Lagos Business School (Pan African University) (2003 to 2009) and Head of Human Capital Management at Trust Bank for Africa from 2001 to 2003. She began her career in 1993 with Andersen Consulting (now Accenture). Mrs. Akinnukawe obtained a B.Sc in International Relations from Obafemi Awolowo University, Ile-Ife, Osun State in 1991, and an MBA from IESE Business School, Barcelona, Spain in 2000.

- ***Cyril Ilok (Chief Risk and Compliance Officer)***

Mr. Ilok was appointed as Chief Risk and Compliance Officer on 3 December 2018. Prior to that, he was General Manager, Business Risk Management from 2014 to November 2018. He joined MTN Nigeria in 2002 as Senior Internal Auditor and rose through the ranks to the position of Senior Manager, Process Audit (2007 to 2013) and Senior Manager, Enterprise Risk Management at MTN Nigeria (2013 to 2014). Prior to joining MTN Nigeria in 2002, Mr. Ilok worked with Standard Trust Bank Ltd (now UBA Plc) between 1999 and October 2002, where he served as Regional Manager, Internal Control for the Western Region. Mr. Ilok obtained a B.Sc in Accounting from the University of Calabar in 1992 and an MBA from University of Benin in 2002. Mr. Ilok is a Fellow of

the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Taxation of Nigeria (CITN). He is also a Certified Member of the Institute of Risk Management (UK), a Certified Compliance Officer (GAFM) (USA) and a Certified Ethics Officer of the Ethics Institute, South Africa.

- ***Ibe Etea (General Manager, Internal Audit and Fraud Management)***

Mr. Etea was appointed General Manager, Internal Audit & Fraud Management of MTN Nigeria in August 2019. He started his career in 2003 as an Executive Trainee with the now defunct Intercontinental Bank, before joining KPMG as a Senior Auditor that same year. In this role, he was seconded to MTN Nigeria as a Project Consultant from July to September 2004. Between 2008 and 2013, he worked with Helios Towers Nigeria as Head, Internal Audit. In October 2013, Mr. Etea joined Siemens as Regional Compliance and Data Privacy Officer responsible for the Nigerian and Ghana Operations from where he joined MTN Nigeria in August 2019. At Siemens, he was the pioneer Head of Sustainability/CSR. Mr. Etea holds a B.Sc. in Biochemistry from the University of Lagos and a Master's in Business Administration, specializing in Strategic Planning, from Heriot Watts University, Edinburgh, UK. He is a certified fraud examiner, certified internal auditor, forensic accountant, certified information systems auditor, certified risk management professional and a chartered accountant.

The following management team members report to the Chief Operating Officer:

- ***Olubayo Adekanmbi (Chief Transformation Officer)***

Mr. Adekanmbi was appointed as Chief Transformation Officer for MTN Nigeria in January 2017. He joined MTN Nigeria in April 2011 as Senior Manager Customer Insight & Information Management. He also served the Company as the General Manager, Business Intelligence and Chief Marketing Officer, MTN Nigeria (2014 to 2016). Prior to joining MTN Nigeria, he was the Global Marketing Strategist with the MTN Group. He began his career in 1999 as a DNA/Biomolecular Research Statistician and Perl Programmer at Union Beverages. He is a Chartered Marketer of South Africa (CMSA). In 2013, Mr. Adekanmbi obtained an MBA from the University of Reading in the United Kingdom.

- ***Adekunle Adebisi (Chief Sales and Distribution Officer)***

Mr. Adebisi was appointed Chief Sales and Distribution Officer for MTN Nigeria in March 2018. He joined MTN Nigeria in 2012 as General Manager Sales in the Sales & Distribution Division. Since then, he has served as the General Manager, Regional Operations, Northern Region and General Manager, Enterprise Sales in the Enterprise Business Unit. Prior to his career with MTN Nigeria, he was the Sales Director Visafone Communications Limited (2007 to 2012) and Head of Commercial in Econet Wireless up until 2007. He started his career at Pfizer Products Plc from 1993 to 2001. In 1991, Mr. Adebisi obtained a Bachelor's degree in Agriculture from Obafemi Awolowo University, Ile-Ife and a Master's in Business Administration from the University of Benin.

- ***Mohammed Rufai (Chief Technical Officer)***

Mr. Rufai was appointed Chief Technical Officer of MTN Nigeria in April 2019. He has over 18 years' professional experience in Information and Communication Technology, of which 12 years were at senior management roles in MTN Group including network planning, services and operations. He became the General Manager Technology, South-East Africa and Ghana (SEAGHA) with MTN Group in 2018. Mr. Rufai obtained a B.Sc (Hons) Degree in Computer Science from Abubakar Tafawa Balewa University, Bauchi State and is an alumnus of Cranfield University (General Management Program), DUKE CE (Global Advance Programme) and Lagos Business School (Senior Management Program). With years of experience spanning Telecoms, Information and Communication Technology, Mr. Rufai built expertise, rising through the ranks in positions at MTN Nigeria and MTN Ghana and Prior to joining MTN Nigeria in 2019, he was responsible for Technology in SEAGHA (South-East Africa and Ghana), MTN Group.

- ***Srinivas Rao (Chief Digital Officer)***

Mr. Rao was appointed Chief Digital Officer of MTN Nigeria in June 2019 and has over 20 years' experience in Executive Management, Information Technology, Digital Transformation & Business Strategy, 17 years of which have been in the Telecoms Sector. He served as the Chief Information Officer (ITS Division) and Innovation & Development Director with one of the largest operations of MTN in the Middle East. Before that he was the General Manager, Infrastructure Operations in MTN Ghana. Mr. Rao graduated from Delhi University, India with B. Com (H) Degree in Commerce in 1999 and also obtained a Diploma from the National Institute of Information Technology, Delhi, India. He also holds an Advanced Diploma in Accounting and



Business from ACCA, UK. He is a certified Project Manager, and also holds certifications from Oracle, Microsoft and Cisco.

- ***Lynda Saint-Nwafor (Chief Enterprise Business Officer)***

Mrs. Saint-Nwafor was appointed Chief Enterprise Business Officer of MTN Nigeria in June 2016. Prior to that, she was the Chief Technical Officer from December 2011 to May 2016. She joined MTN Nigeria in 2002 as Systems Planning Engineer in Networks Division. Prior to her career with MTN Nigeria, in 2001, she was Head of Department Engineering, Development & Project Management at EMIS Telecoms Nigeria. She also worked at Data Sciences, UNDP as Systems Engineer 1994 to 1997. She began her career in 1994 as a Trainee System Analyst with DATA Sciences Nigeria Limited. In 1996, Mrs. Saint-Nwafor obtained a Bachelor of Engineering degree from Enugu State University.

- ***Anthony Obi (Acting Chief Marketing Officer)***

Mr. Obi was appointed Acting Chief Marketing Executive for MTN Nigeria in November 2020 . He has over 20 years' experience in the Telecom and Financial service industries. Prior to the current role, Anthony was the General Manager, Business intelligence and Strategy where he was responsible for insight and strategy development, product pricing and commercial planning. He started his career in the banking sector in 2001 before joining MTN Nigeria in 2005 as a Pricing analyst. Anthony holds an MBA (with Distinction) from Durham university business school UK and has attended several leadership and professional training programs.

- ***Shoyinka Shodunke (Chief Information Officer)***

Mr. Shodunke was appointed as Chief Information Officer of MTN Nigeria from August 1, 2021. He began his career in 1995 with Texaco Overseas Petroleum Company (now Chevron Nigeria) as a Systems Analyst and joined the MTN Group in 2001, where he has held various positions including Senior Applications Manager. In 2008, he became the Chief Information Officer of MTN Zambia and in 2012, became the General Manager, IT Service Delivery. Mr. Shodunke has also served in MTN Cameroun and Vodafone Ghana. He holds a Bachelor of Technology in Mathematics Statistic/Operations Research which he obtained from the Federal University of Technology Yola, Nigeria and a Masters in Business Administration from the University of Northampton, United Kingdom. He also obtained a Post Graduate Diploma from the University of Salford Manchester, United Kingdom.

- ***Ugonwa Nwoye (Chief Customer Relations Officer)***

Ms. Nwoye was appointed Chief Customer Relations Officer of MTN Nigeria in February 2014. She joined MTN Nigeria as Product & Services Manager in 2003 and rose to the level of General Manager Products & Services MTN Nigeria in 2008. Prior to that, she worked at Bain & Company Inc. SA as a Strategy Consultant. Ms. Nwoye also worked at Harvard Kennedy School of Government in the United States as Researcher and Associate at Mercer Management Consulting in San Francisco, California in the summers of 2000 and 2001 respectively. In her early career, she worked as a Senior Field Engineer at Schlumberger (Gabon, Nigeria & Indonesia) from 1995 to 1999. Ms. Nwoye has a Bachelor of Engineering Degree from the University of Nigeria, and a Masters in Business Administration from Harvard Business School.

- ***Kolawole Oyeyemi (General Manager, Customer Experience)***

Mr. Oyeyemi was appointed General Manager Customer Experience MTN Nigeria in September 2017. Prior to that, he was the General Manager, Business Development in the Sales & Distribution division from November 2014 to 2017 and General Manager Consumer Marketing in the Marketing function from 2007 to 2014. He joined MTN Nigeria in March 2002 as Brand Manager Business Market, Marketing Division. Prior to his career with MTN Nigeria, he worked at Cadbury Nigeria Plc from 1996 to 2000 and Sunrise Marketing Communications Ltd from 1992 to 1996. He began his career at The Quadrant Company as a Media Relations Executive in 1991. In 1989, Mr. Oyeyemi obtained a bachelor's degree in English Studies from Obafemi Awolowo University, Ile-Ife. Mr. Oyeyemi has various post-graduate executive education qualifications in Management and Leadership. He is an alumnus of Columbia Business School, Cranfield School Of Management and Lagos Business School. He is also a fellow of the Marketing Institute in Nigeria

- ***Usoro Anthony Usoro (General Manager, Fintech)***

Mr. Usoro joined MTN Nigeria as General Manager, Mobile Money in October 2011 and was appointed as the Chief Executive Officer of YDFS in September 2019. Prior to his MTN career, he was the Head, Cards at Stanbic

IBTC Bank Plc from 2010 to 2011. Before this time, he held leadership roles in other financial institutions in Nigeria including United Bank for Africa Plc, Standard Trust Bank Plc and Diamond Bank Plc. He began his career in 2000 with Diamond Bank Plc as a System Administrator. Mr. Usoro obtained a BSC in Computer Science from the University of Uyo and is an alumnus of the Lagos Business School and IMD Business School, Switzerland. He is also an associate member of the Institute of Directors of Nigeria.

MTN Nigeria has, in the past, undertaken broad restructuring of its management structure and reporting channels, for example, by including direct reporting of the management team to the MTN Nigeria Board to improve management efficiency. Additionally, pursuant to this restructuring, the Company Secretary now continually reports to the Board and the CEO with a view to maximising compliance with all corporate and regulatory frameworks. Also, in accordance with the governance requirements of the Company, the General Manager (Internal Audit and Fraud Management) reports directly to the CEO. Furthermore, the Company's Compliance and Ethics function seeks to ensure proactive exposure management and full compliance with applicable laws and regulations.

### **Historical Financial Summary**

The table below provides a summary of the key financials of the Company over the last five financial years:<sup>3</sup>

	<b>For the Years ended 31 December</b>				
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<i>₦ billion (Audited)</i>				
Revenue.....	1,346	1,170	1,039	887	794
Profit/(loss) before tax .....	298	290	221	108	127
Profit/(loss) after tax .....	205	202	146	81	89
Total assets.....	1,963	1,526	942	970	1,027
EBITDA.....	685	625	434	346	356
Capital expenditure.....	298	250	184	225	196

### **OFFERS UNDER THE PROGRAMME AND USE OF PROCEEDS**

Any offer under the Programme is expected to ultimately increase the free float of MTN Nigeria from its current level of 21.2% to 35%, and support the creation of a liquid market in the Ordinary Shares for existing and future shareholders of MTN Nigeria. The proceeds of any offer for sale under the Programme (less transaction expenses) will be disbursed to the Selling Shareholder .

The Company will not receive any portion of the net proceeds from the sale of: (i) Existing Ordinary Shares in any offer; or (ii) Over-allotment Shares pursuant to any exercise of the Over-allotment Option. Where, as part of any offers under the Programme, the Selling Shareholder undertakes to make the Existing Ordinary Shares available in the international market, Citigroup Global Markets Limited, Freshfields Bruckhaus Deringer LLP and Allen & Overy LLP will provide advisory services in connection with such an offer, in their respective capacities.

### **CONCLUSION**

I therefore wish to invite prospective investors to consider participating in the opportunity which any future Offers under the Programme present. Thank you.

Yours faithfully,



**Dr. Ernest Ndukwe, OFR**  
**CHAIRMAN**

<sup>3</sup> 2018 and 2019 accounts of the Company have different accounting bases as the 2019 accounts reflect the adoption of accounting policies upon the adoption of IFRS 16.

## **PART 10: NIGERIAN TELECOMMUNICATIONS INDUSTRY AND REGULATORY OVERVIEW**

*The following information relating to Nigeria and the telecommunications industry has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this section in conjunction with the more detailed information contained elsewhere in this Shelf Prospectus.*

### **OVERVIEW**

MTN Nigeria believes there is significant growth potential in Nigeria, driven by a young and rapidly growing population and the significance of the Nigerian economy in Africa. According to the NBS, Nigeria's GDP contracted by 1.92% in 2020, compared to previous growth of 2.27% in 2019. The decline was largely attributable to the impact of the COVID-19 pandemic, including the closure of businesses and the restrictions on travel, which adversely impacted the Nigerian economy. GDP growth in recent years has been supported by growth in non-oil and gas GDP, which was 0.22% in 2016, 0.47% in 2017, 2.0% in 2018 and 2.1% in 2019, before contracting by 1.3% in 2020. The biggest drivers for this growth have historically been agriculture, telecommunications, manufacturing and trade.

For the year ended 31 December 2020, Nigeria's total real GDP was ₦70.0 trillion (or approximately U.S.\$184.5 billion, at the central exchange rate of ₦379.5/U.S.\$1), a contraction of 1.92% compared to the year ended 31 December 2019.

### **MACROECONOMIC ENVIRONMENT (2016 TILL 2020)**

In 2016, Nigeria experienced a significant fall in the value of the Naira due to consistent decline in the price of crude oil which is the main source of revenue for the country and the Federal Government confirmed that Nigeria had technically entered into a recession, experiencing a 1.2% contraction in GDP in the first six months of 2016. According to the NBS, Nigeria's GDP declined significantly in 2016, with real GDP contracting by 1.5% (compared to GDP growth of 2.8% in 2015). Such declines resulted primarily from delays in passing the national budget, fuel shortages, decline in crude oil prices globally, substantial inflation and security risks in certain areas of the country. Nigeria's GDP growth in recent years has been supported by growth in non-oil and gas GDP, and such growth played a significant role in the emergence of the economy from recession.

In 2017, the Nigerian economy began to recover following a commodities-related decline. The recovery was driven by non-oil business. Nigeria's GDP returned to positive growth in mid-2017, foreign exchange rates stabilised and the inflation rate steadily reduced. Oil reserves and natural gas reserves continue to be a source of support for the Nigerian economy. According to OPEC's Annual Statistical Bulletin 2019, Nigeria's proven crude oil reserves stood at 36.97 billion barrels of oil. Proven crude oil reserves include developed and undeveloped volumes that are recoverable at current prices and forecast future prices, respectively.

There has been increased focus on developing the agricultural, mining and services sectors in Nigeria and the country is also expected to remain a regional hub for technology and entertainment entrepreneurs. Despite a generally strong macroeconomic performance over the past decade, poverty remains high in Nigeria. According to the NBS, as of 31 December 2019, 40.1% of the total population were classified as poor. In other words, on average 4 out of 10 individuals in Nigeria has real per capita expenditures below ₦137,430 per year. This translates to over 82.9 million Nigerians who are considered poor by national standards. This data excludes Borno State.

The Federal Government is pursuing various fiscal reforms to control expenditure and to improve the Nigerian tax system, in particular, as well as cutting public spending by reducing oil-related subsidies and the public payroll. The framework for these economic and fiscal reforms is set forth in Vision 20:2020, the framework economic transformation plan developed in 2009 that outlines key objectives and targets to achieve sustained economic and socio-economic development.

The NERGP, which was published in March 2017, seeks to implement the objectives of Vision 20:2020 and to further the country's ongoing recovery from economic recession. The achievement of medium-to-long-term objectives for economic and fiscal reforms, such as those set forth in Vision 20:2020 and the NERGP, depends on a number of factors, including political support across the Nigerian society and multiple government administrations, adequate funding, improved security, power sector reform, availability of human capital and significant coordination.

As a result of health and economic downturns occasioned by the outbreak of COVID-19 pandemic, on 30 March 2020, President Buhari inaugurated the Economic Sustainability Committee to develop an Economic Sustainability Plan (the "ESP") as a response to the challenges posed by COVID-19 pandemic. The ESP identifies fiscal measures for improving the distribution of oil and gas revenue, enhancing non-oil revenue and reducing non-essential spending, geared towards recovering more funds to finance the ESP, as well as other monetary policy measures in support of the plan. The ESP is developed on three pillars, namely real sector measures, fiscal and monetary measures, and implementation strategies. The general objectives of the ESP include the stimulation of the Nigerian economy, creating of jobs in key areas like agriculture, facility maintenance, housing and promotion of manufacturing and local production at all levels, amongst others.

In September 2020, President Buhari announced the inauguration of a steering committee to oversee the development of Nigeria's Agenda 2050 and the Medium Term National Development Plan 2021-2025 (the "**MTNDP 2025**"), to succeed Vision 20:2020 and the ERGP, which were both due to end in December 2020. The main objectives of Agenda 2050 are to lift 100 million Nigerians out of poverty within the next 10 years. Agenda 2050 will be designed to sustain national development, as well as support regional and global strategic interests, as outlined in the African Union Agenda 2063, the ECOWAS Integration Agenda 2050 and the Sustainable Development Goals 2030. The said agenda is currently undergoing consultation, involving 26 technical working groups to ensure a participatory and inclusive process involving all segments of society and sectors of the economy.

The MTNDP 2025 succeeds the ERGP, which ended in December 2020 and seeks to drive broad-based economic development across Nigeria and lift 25 million Nigerian's out of poverty; whilst generating 10 million jobs from direct growth in addition to sector specific strategies by 2025.

Furthermore, the Finance Acts of 2019 and 2020, an act of the National Assembly was recently passed into law and amends relevant tax laws in Nigeria relating to stamp duties, companies income tax, value added tax petroleum profit tax and personal income tax, amongst others. Notably, the Finance Act, 2019 amends the VAT rate on eligible goods and services from 5% to 7.5%.

The Vision 20:2020 sets a target to grow installed power generation capacity from 6,000MW in 2009 to 20,000MW by 2015 and 35,000MW by 2020. However, as of 31 December 2019, according to the Nigerian Electricity Regulatory Commission, Nigeria only had a total installed generation capacity of 10,396 MW and available generation capacity of 6,056 MW.

In February and April 2017 respectively, the Federal Government successfully launched a U.S.\$1 billion Eurobond issue and a U.S.\$500 million follow-on bond issue. The Federal Government also successfully completed and launched U.S.\$3.0 billion and U.S.\$2.5 billion issuances of Eurobonds in the international capital market in November 2017 and February 2018, respectively. In a bid to promote the development of infrastructure in the country, the Federal Government, in September 2017 also launched its first ever Sukuk in the sum of ₦100 billion in the domestic capital market to raise funds for the construction and development of roads. This was followed by another issuance of ₦100 billion sukuk. The Federal Government issued a further ₦150 billion sukuk in 2020 directed towards rehabilitation of road infrastructure. The DMO has expressed that the Federal Government intends to undertake further capital sourcing from the international capital market through the issuance of Eurobonds and such funds are to be applied towards funding budgetary expenditures.

### ***Foreign Exchange***

In April 2017, the CBN, via a circular dated 21 April 2017 (the "**Circular**"), introduced the I&E Window, a special foreign currency exchange window for investors, exporters and end-users. The exchange window aims to increase liquidity in the foreign exchange market in Nigeria and ensure timely execution of settlement of eligible transactions. Eligible transactions provided for by the Circular include invisible transactions, trade-related payment obligations (at the instance of the customer) and bills for collection. The Circular defines "Invisible Transactions" to include loan repayments, loan interest payments, consultancy fees, personal home remittances and technology transfer agreements amongst others. The foreign exchange made available to the end-users stipulated under the Circular are supplied through portfolio investors, exporters, Authorised Dealers and other parties with foreign currency to exchange to Naira.

On 24 April 2017, the CBN mandated Deposit Money Banks ("**DMBs**") to commence the sale of foreign exchange to their respective customers at a rate of not more than ₦360 to U.S.\$1. By this directive, customers requesting foreign exchange for personal use such as transport allowance, tuition and medical fees could then only obtain same from Bureau de Change ("**BDC**") while the CBN sold to DMBs at ₦357 per U.S.\$1.

In March 2020, global oil prices fell drastically as a result of the increased supply by Saudi Arabia and Russia in the global crude oil market as well as decreased global demand in response to the Coronavirus pandemic. As a result, the Naira traded at ₦380 to U.S.\$1 at the I&E Window after the CBN announced that it had allowed the currency mirror developments in the market-determined I&E Window and had adjusted the exchange rate accordingly.

In May 2021, the CBN removed the official exchange rate of N379:US\$1 from its website, in a bid to unify Nigeria's foreign exchange rates; and effectively adopted the NAFEX rate as the official exchange rate for the Naira, effectively devaluing the currency by 7.6%. Furthermore, at the CBN's July 2021 Monetary Policy Committee meeting, the CBN decided against further sale of foreign exchange to BDCs. This has further adjusted the Naira to United States Dollar exchange to about N505 per \$1.

## *Infrastructure in Nigeria*

The contributions of the electricity, gas, steam and air conditioning sectors to real GDP remained constant at 0.4% in 2020, 2019, 2018 and 2017, and 0.3% in 2016. The sector declined by 2.9% in 2020, compared to a contraction of 4.9% in 2019, and growth of 7.3% and 16.4% in 2018 and 2017, respectively. In 2016, the sector declined by 15.0%.

From 2005 to 2013, the generation, transmission and distribution of electricity in Nigeria were largely managed by the PHCN, the Government-owned power sector utility company. The PHCN and state governments produced approximately 75% of the country's electricity in 2012, whilst approximately 25% was produced by independent power producers, including joint ventures between the NNPC and international oil companies.

Demand for electricity in Nigeria substantially exceeds supply. A study by a major European engineering firm has estimated that demand will rise from around 33 terawatt hours in 2011 to between 56 and 95 terawatt hours by 2025. This will result in an increase in peak load demand from around 5,000MW in 2011 to between 10,000MW and 15,000MW by 2020 and 2025, respectively. The NBS reported that the total energy generated in Nigeria during 2019 was approximately 3,871 MW, compared to approximately 3,663 MW in 2017.

In 2020, the NERC published its Fourth Quarter Report for 2019 which highlights that there are 26 grid-connected generating plants in operation in the Nigerian Electricity Supply Industry (“**NESI**”).

As of March 2021, Nigeria has an installed electricity generation capacity for supply to the national grid of 10,396 MW. Nigeria's estimated available capacity from the grid, of 6,056 MW, meets only approximately one-third of the estimated current demand for power from the grid.

The Federal Government has identified the improvement of electricity generation, transmission and distribution infrastructure as a critical element required to enable the country meet its economic growth and development objectives. The Federal Government has implemented a number of significant policy initiatives including those set forth in the First National Implementation Plan, the Transformation Agenda, the NERGP, the Roadmap for Power Sector Reform (the “**Roadmap**”) and the Power Sector Recovery Programme (“**PSRP**”).

In August 2010, the Federal Government launched the Roadmap with the objective of removing obstacles to private sector investment in the power sector; continuing the privatisation of generation and distribution companies; facilitating the construction of new transmission networks, and reforming the fuel-to-power sector with the goal of achieving 40,000MW of electricity generation capacity by the end of 2020. In furtherance of the Roadmap, the Federal Government facilitated the privatisation of the unbundled Power Holding Company of Nigeria (“**PHCN**”) successor companies, which resulted in the sale of a minimum of 51% equity interest in 16 of the PHCN successor companies (comprising electricity generation and distribution companies) to private sector investors with ascertained technical and financial capabilities. Whilst the Federal Government is in the process of completing the sale of Afam Power Plc, one of the successor PHCN companies with 776MW installed generation capacity, it has retained control over the Transmission Company of Nigeria (“**TCN**”), another PHCN successor company, which owns and operates the national grid. The TCN presently oversees the implementation of the Transmission Rehabilitation and Expansion Programme (“**TREP**”) which aims to increase Nigeria's bulk power transmission wheeling capacity to 20,000MW by 2021. The Federal Government also developed a plan for the upgrade and maintenance of 10 NIPP plants which it is seeking to divest its interest to private investors.

To eliminate the obstacles to private sector investment in the electricity sector, the FGN, among other measures, (i) sought to establish an appropriate pricing regime; (ii) incorporated the Nigerian Bulk Electricity Trading Plc (“**NBET**”), a bulk power purchaser to undertake contract management and bulk trading; and (iii) through the CBN provided credit enhancement to NBET in the form of a ₦701 billion Payment Assurance Guarantee, to enable NBET meet its payment obligations to electricity generation companies, which in turn will become able to pay feedstock gas suppliers.

The PSRP was launched in March 2017 to address challenges relating to infrastructure, liquidity and governance affecting the performance of the power sector, and to build on the successes recorded under the Roadmap. The key objectives of the PSRP include improving power supply reliability to meet growing demand; promoting investor confidence; and establishing a contract-based electricity market. Notable measures proposed by the FGN under the PSRP include developing mechanisms for settlement of accumulated debt, restoring sector financial viability, addressing infrastructure gaps, addressing gas pipeline vandalism, and enabling electricity market business continuity.

Furthermore, to improve power supply reliability, the FGN executed an Implementation Agreement for the Nigeria Electrification Roadmap with Siemens Limited in July 2019 for the rehabilitation, upgrade and expansion of transmission and distribution networks and power generation facilities. Also, the Federal Government has in recent years held discussions with organisations such as the World Bank and Africa Development Bank -with the objective of securing financial support for the Nigerian power sector.

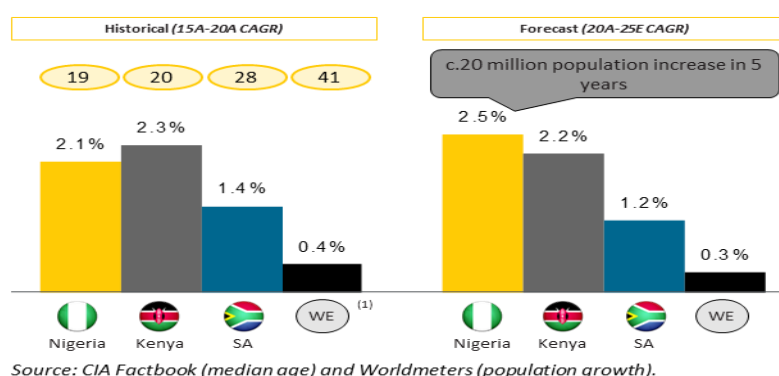
In March 2020, the National Assembly approved the 2016 – 2018 Federal Government External Borrowing (Rolling) Plan, pursuant to which the Federal Government will obtain foreign loans to be disbursed towards various infrastructure projects across Nigeria.

Nigeria has witnessed some improvement in power supply in the recent past due to ongoing reforms in the power sector, government support for gas infrastructure development, the growing involvement of the private sector in gas processing and transportation facilities and the increase in the number of independent power projects and embedded power generators supplying power on and off the national grid. Efforts are also being made to attract investment into the off-grid and renewable energy sector through the offers of tax incentives and other benefits available to investors under the Nigerian Renewable Energy Efficiency Policy. Additionally, the Rural Electrification Agency (“REA”) presently supervises the implementation of the Energizing Economies Initiative, a policy initiative of the Federal Government through which it supports the deployment of off-grid electricity solutions to small and medium scale enterprises in identified economic clusters in Nigeria.

## THE NIGERIAN TELECOMMUNICATIONS INDUSTRY

### i. Mobile market overview

Nigeria is the largest mobile telecommunications market in Africa by subscribers with approximately 204 million mobile subscribers (source: NCC) as of 31 December 2020 and has the largest population in Africa. The Country’s population is expected to increase by approximately 2.5% (being the compound annual growth rate) from 2020 to 2025 (source: Worldometers). The diagram below reflects Nigeria’s rapid population growth forecast:



There has been rapid growth in the number of mobile users in Nigeria, partly in response to the shortcomings of the fixed-line network. MTN Nigeria seeks to be the leading telecommunications company in Nigeria with best-in-class distribution capabilities to benefit from these trends. As a result, the telecommunications market is dominated by the mobile segment and the rapid growth of mobile handsets as the market is switching to smartphones. Smartphone penetration increased from 19% in 2015 to 31% in 2017 to 49.6% in 2020 (source: Company Data), and the Company believes there is significant potential for future data growth.

Data has been and is expected to continue to be a major contributor to mobile growth, as mobile voice growth is slowing down due to cannibalisation by data and OTT services. The Company’s ARPU stood at ₦1,501 as of 31 December 2020, and the growth of same has been driven by increased data penetration and usage, and customer value management initiatives.

### ii. Mobile money market overview

Nigeria’s mobile money market is still at a nascent stage, with rapid transformation expected in the coming years as a result of the Payment Service Banking regulation issued by the CBN in October 2018, which enables mobile operators to offer mobile money services. One of the key factors behind the relatively slow uptake of mobile money in Nigeria is that the country has historically adopted a bank-led mobile money system in contrast to a telecommunications operator-led system, as with some other African markets.

According to NBS, the telecommunications & information services sector grew by 7.69% in the first quarter of 2021 from 17.64% in the fourth quarter of 2020, and 9.71% in first quarter of 2020. The sector contributed approximately 23% to Nigeria’s GDP in 2019.

According to EFINA, there were approximately 48.4 million banked customers in Nigeria (including customers served by commercial and microfinance banks and Mobile Money Operators) in Nigeria as of 31 December 2018. Mobile financial services fundamentals in Nigeria are expected to improve as the number of agents increases in the future. The payments service and mobile money sector in Nigeria is generally governed by the CBN, which is responsible for issuing licences for the provision of MFS such as mobile money payments and acceptance of deposits.

Other players in the mobile market include Airtel, Globacom and 9Mobile. However, MTN Nigeria is the largest telecommunications player in Nigeria by subscriber base, market share and spectrum range. Also see: “Regulatory Framework for the MFS Sector” section below regarding the regulatory framework for the payments service and mobile money sector in Nigeria.

The increasing presence of OTT players, data (3G and 4G) network expansion and smartphone penetration are expected to continue to drive data usage and revenues. Intense competition is expected to remain in the data space, though data margins will remain a concern. New entrants and smaller players in the telecommunications market are expected to continue to advocate for a data price floor to be imposed on the bigger players to gain further market share. Furthermore, MTN Nigeria expects the telecommunications market to be driven by strategic partnerships among operators.

### iii. Network and Infrastructure

In Nigeria, MTN Nigeria holds the largest spectrum with most of those spectrums being in high bands. With MTN Nigeria’s wide range of spectrum holdings, it is the only Mobile Network Operator (“MNO”) with 2,600MHz spectrum and 3,500MHz spectrum with nationwide coverage. The Company has also unlocked its 800MHz spectrum and undertook a massive roll-out of its 4G LTE services across Nigeria in several states including Lagos, Abuja and Port Harcourt in 2019 which resulted in MTN Nigeria’s 4G LTE services reaching over 65% of the Nigerian population. Based on the foregoing and following the Company’s successful demonstration of its 5G network, it is well-positioned to provide 5G and other value-added services in Nigeria in the future. With regard to future spectrum, the Company is confident that, subject to obtaining relevant approvals, it is in a position to further expand its spectrum capacity.

The table below reflects the spectrum holdings of major players in the sector as of 30 June 2021:

	MTN NIGERIA	9 MOBILE	GLO	AIRTEL	NTEL	INTERCELLULAR	SMILE
2,600MHz	2x30						
2,100MHz	2x10	2x10	2x10	2x10			
1,800MHz	2x15	2x15	2x15	2x15	2x15		
900MHz	2x5	2x5	2x5	2x15	2x5		
800MHz	2x20						2x10
700MHz	2x10		2x10				

## TELECOMMUNICATIONS REGULATION IN NIGERIA

MTN Nigeria is subject to the policy and regulatory supervision of the Federal Ministry of Communications and Digital Economy, the NCC, the NBC and the CBN.

### i. Federal Ministry of Communications and Digital Economy

The Federal Ministry of Communications and Digital Economy is responsible for policy formulation as it pertains to the information and communications technology sector. Its policy direction drives activities and developments within the sector. This Ministry is mandated to facilitate universal, ubiquitous and cost-effective access to communications infrastructure and to utilise information and communications for job creation, economic growth and transparency in governance.

### ii. Nigerian Communications Commission

The NCC is the independent national regulatory authority for the telecommunications industry in Nigeria. It is responsible for stimulating investments in the sector and creating an enabling environment for competition among operators in the industry. The NCC is mandated to monitor all significant matters relating to the performance of all licenced telecommunications service providers and publish annual reports. The powers of the NCC range from the issuance of various licences relating to the provision of communications services, equipment and products, to regulating competition, issuing spectrum and numbering resources for the industry.

The NCC was established pursuant to the Nigerian Communications Act 2003 (“NCC Act”). Other pertinent sector regulators are the NITDA and the NBC. The NCC’s mandate includes: (i) protection and promotion of the interests of consumers against unfair practices; (ii) promotion of fair competition in the communications industry; (iii)

granting and renewing communications licences and enforcing compliance with licence terms and conditions by licensees; (iv) fixing and collecting fees for grant of communication operations and spectrum licences and other regulatory services provided by the NCC; (v) development and monitoring of performance standards and indices relating to the quality of telephone and other communications services and facilities supplied to consumers; (vi) management and administration of frequency spectrum for the telecommunications sector; and (vii) preparation and implementation of programmes and plans that promote and ensure the development of the communications industry. The NCC enforces the NCC Act and regulations made pursuant to the NCC Act.

### *iii. National Broadcasting Commission*

The NBC is responsible for enabling the emergence of a sustainable broadcasting industry by regulating the broadcasting industry in Nigeria. The NBC is a parastatal of the Federal Government established by the National Broadcasting Commission Act, Chapter N11, LFN 2004 and it advises the Federal Government in connection with the implementation of the National Mass Communication Policy and radio and television services within Nigeria. The NBC is also responsible for undertaking research in the broadcast industry and setting standards with regards to the contents and quality of all broadcast material. The NBC is empowered to receive, process and consider applications for the ownership of radio and television stations including cable television services direct satellite broadcast and any other medium of broadcasting, amongst others.

### *iv. Central Bank of Nigeria*

The CBN was established pursuant to the Central Bank Act of 1958. As a result of various amendments to the original act, the CBN was placed under the authority of the Ministry of Finance. Today, the CBN operates as an independent body in the discharge of its functions pursuant to the Central Bank of Nigeria Act No 7 of 2007 (the “**CBN Act**”), which repealed the earlier act and all of its amendments. Pursuant to the CBN Act, the CBN was established as an independent body in the discharge of its functions thereunder and in accordance with the Banks and Other Financial Institutions Act, 2020 (“**BOFIA**”), with the objective of ensuring monetary and price stability, the issuance of legal tender currency in Nigeria, the maintenance of external reserves and the promotion of a sound financial system. Pursuant to the BOFIA, the CBN also has the power to issue licences to banks, regulate and supervise banks and to withdraw licenses of distressed banks and appoint liquidators of such banks.

## **REGULATORY MATTERS**

Below is a summary of regulatory matters which have impacted or may impact the Company in the future.

### *Regulatory framework for the Telecommunications Sector*

- **Context and overview of the NCC Act:** The primary statute and set of regulations governing the telecommunications sector in Nigeria is the NCC Act. Also relevant are the Wireless Telegraphy Act 1966, as amended (the “**WT Act**”), Cybercrimes (Prohibition Prevention, Etc.) Act 2015, the National Information Technology Development Agency Act 2007 and, to the extent that telecommunications companies may wish to use spectra ordinarily reserved for broadcast, the National Broadcast Commission Act 1992 and the respective regulations made under these statutes. The NCC is charged with the responsibility of granting and renewing communications spectrum and operating licences and the promotion of fair competition in the communications industry. With regard to its consumer protection, anti-trust and anti-competition related activities, the FCCPC established pursuant to the FCCPA is the supervening regulator in Nigeria responsible for regulating competition related issues, transactions and arrangements in Nigeria.

The NCC has rule-making powers imposed on it pursuant to the NCC Act and the power to enforce such regulations and rules made by it. The Federal Government’s role, as it relates to the telecommunications sector, is restricted to policy formulation and sector regulation. This has in turn resulted in massive private sector involvement and investment in the sector and improved availability and quality of services. Policies established by the NCC and the FCCPC aim to engender a competitive market and to prevent monopolies and the abuse of dominant position by any telecommunications company.

- **Anti-Money Laundering Act and Anti-Money Laundering Regulations:** Section 1 of the Money Laundering (Prohibition) Act, 2011 (as amended) (the “**MLA**”) provides that no body corporate shall, except in a transaction concluded through a financial institution, make or accept cash payment of a sum exceeding ₦10 million. The MLA also imposes reporting obligations on bodies corporate transferring funds or securities exceeding U.S.\$10,000 or its equivalent to or from a foreign country. The relevant body corporate is required to report in writing, within seven days of the transaction, to the CBN, SEC and relevant financial crimes agencies in Nigeria.



## *Licensing Framework for the Telecommunications Sector*

The NCC Act empowers the NCC to issue communication licences for the operation and provision of communication services or facilities by way of class or individual licence on such terms and conditions as the NCC may from time to time determine. No person can operate telecommunications facilities or provide communications services in Nigeria unless authorised to do so by the NCC. The NCC also issues an ‘international sub-marine cable infrastructure landing station services licence’, which allows the licensee to land, install, operate and manage submarine cable infrastructure in Nigeria. The licence is typically valid for a period of 20 years or such other period as may be imposed by the regulator.

### *Key industry regulatory issues*

- **Spectrum allocation:** The NCC Act, the WT Act and the respective regulations made thereunder govern the allocation of spectrum licences to telecommunications service providers in Nigeria. The NCC Act and the WT Act confer on the NCC the exclusive power to manage and administer the frequency spectrum for telecommunications in Nigeria, to grant spectrum licences to operators and to regulate the use of frequency spectrum. Pursuant to the NCC Act, there are no restrictions on the indirect transfer of shares below 10%. However, failure to obtain the prior consent/approval of the NCC where so required incurs a fine of ₦100,000 per day from the date the transaction is consummated and payable for as long as the contravention persists. A frequency spectrum licensee must submit an annual report on the usage of the frequency spectrum it has been allocated or assigned. Every frequency spectrum allocated by the NCC shall be utilised or used up within a period of one year or such other validity period as the NCC may specify. Accordingly, any spectrum frequency not utilised in the designated manner may be revoked by the NCC. Any licence fee paid in respect of a revoked spectrum licence is not refundable. The NCC Spectrum Trading Guidelines, 2018 (the “**Spectrum Guidelines**”) governs spectrum transfer, leasing and sharing by telecommunication operators. The Spectrum Guidelines permit spectrum trading between licensees subject to the NCC’s written consent and compliance with the provisions of the Spectrum Guidelines.
- **Interconnection:** Interconnection among telecommunications operators in Nigeria is governed by the NCC Act and regulations issued by the NCC from time to time. The NCC Act mandates all service or facility providers to accede to requests for interconnection from other licensees pursuant to the terms and conditions negotiated by the parties in good faith. The Telecommunication Networks Interconnection Regulations 2007 (the “**Interconnection Regulations**”) state that a licenced telecommunications operator shall, for each geographic tier for which it has been allocated coverage by the NCC, designate a minimum of one point of interconnection located in each geographic tier by a notice in writing to the NCC. Further, interconnection agreements between licensees must be in writing and comply with the NCC Act and the Interconnection Regulations.
- **Tariff setting:** The NCC Act regulates tariff setting by telecommunication service providers and prohibits licensees from imposing tariffs or charges for the provision of services unless the NCC has approved such tariff rates and charges. Licensees shall provide services in conformity with tariffs and charges set by the NCC from time to time and shall not depart therefrom without the prior written approval of the NCC. Licensees are required to publish the tariff rates charged by them and any modifications thereto as may be approved by the NCC from time to time. Tariff setting shall be guided by the principles of fairness and non-discrimination and shall be cost-oriented.
- **Technical Standards and duties to end customers:** The NCC is also empowered to publish technical codes and specifications for telecommunication equipment and facilities to be used in Nigeria. The NCC regularly publishes technical standards applicable to telecommunications equipment to be used in Nigeria on its website, as well as other equipment that has been tested and approved by the NCC for use in Nigeria.
- **Universal service obligations:** The NCC Act empowers the NCC to design, manage and implement a universal service system that promotes widespread availability and usage of network services and application services throughout Nigeria. The NCC furthers this objective by encouraging the installation of network facilities and the provision of network services and applications to institutions in underserved areas and communities. A Universal Services Provision Fund (the “**USP Fund**”) is established under the NCC Act to be funded from contributions from the NCC based on the annual levies payable by licensees, amongst others. The Universal Access and Universal Service Regulations, 2007 empowers the NCC to establish a fee to be called the Universal Services Provision Levy (the “**USP Levy**”) where it determines that its contributions to the USP Fund are insufficient to meet the financing needs of the USP Fund. The USP Levy shall not exceed 1% of the net revenues of the licensees from which the NCC collects annual levies.

- **Approvals and/or consents to be obtained from the NCC:** Section 38 of the NCC Act provides that the prior written approval of the NCC must be obtained for any transfer or assignment of a licence. Further, Regulation 28 of the Competition Practices Regulations, 2007 (the “**Competition Regulation**”) provides that the prior notification and the approval of the NCC in respect of (i) transactions that involve the acquisition of more than 10% of the shares of a licensee or (ii) any other transaction that results in a change in control of the licensee or (iii) any transaction that results in the direct or indirect transfer or acquisition of any individual licence, previously granted by the NCC under the NCC Act and (iv) where the NCC determines, based on the preliminary information provided by a licensee in its initial transaction notification, that the transaction may result in a substantial lessening of competition in one or more communications markets or may, result in the licensee or any successor company having a dominant position in one or more communications markets. Failure to obtain the prior consent/approval of the NCC where so required incurs a fine of ₦100,000 per day from the date the transaction is consummated and payable for as long as the contravention persists. Where a transaction involving a telecommunications operator amounts to a merger within the meaning of the FCCPA, the approval of the FCCPC will be required.
- **Regulatory Framework for the MFS Sector:** The payments service and mobile money sector in Nigeria is generally governed by the CBN in accordance with the CBN Act, 2007, the CBN Guidelines on Mobile Money Services in Nigeria, 2021, the Regulatory Framework for Mobile Money Services in Nigeria, 2021, the Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria, 2020 and the Supervisory Framework for Payment Services Banks in Nigeria, 2021 (the “**Supervisory Framework**”). These regulations empower the CBN to issue licences to companies to set up subsidiaries which the CBN may grant licences to for the provision of services including mobile money payments and acceptance of deposits.

The CBN and the NCC regulate entities that render mobile financial services in Nigeria. Whilst the CBN is responsible for the issue of a mobile money licence, the NCC assigns unique short codes to licensees. The provision of mobile money services in Nigeria may require a mobile money licence, a payment service provider licence, a payment service bank licence and an international mobile money service licence. The requirements for the issuance of a mobile money licence are provided for in the CBN Guidelines on Mobile Money Services in Nigeria. The PSB Guidelines and the Supervisory Framework seek to promote the provision of MFS in rural or unbanked areas with a view to improving financial inclusion. Other licensing regimes regulated by the CBN relate to the provision of direct payment and settlement system, inbound and outbound remittance of money and the provision of credit, microloans or other financial services.

### ***PSB Licence Application***

Following the publication of PSB Guidelines by the CBN in 2018, the Company applied for a PSB licence which will allow it to undertake certain banking operations, in accordance with the relevant CBN guidelines. The application is being processed. While the Company continues to engage with CBN to procure the PSB license, the Company is fully engaged in building its agent network under the Super-Agent license which has over 395,100 registered agents as at 31 December 2020. Over ₦4 billion worth of airtime has been sold through these agents and about one million people are serviced on the channel.

### ***Dominant operator classification***

In April 2013, the NCC declared that MTN Nigeria was a “dominant operator” in the retail and wholesale mobile voice segment of the Nigerian telecommunications market. This placed certain obligations on the Company, including the requirement that the Company refrain from offering differential on-net and off-net pricing for mobile voice services while non-dominant operators were not restricted from offering differential prices thereby placing it at a competitive disadvantage relative to some of its competitors. Similarly, in 2013 MTN Nigeria and Globacom, another GSM operator in Nigeria, were designated by the NCC as “jointly dominant” in the upstream segment of the Nigerian telecommunications market, where the NCC noted that both companies dominated the wholesale leased lines and transmission capacity market, as a result of which a cost-based regime with price caps was imposed on the Company’s service offerings in that segment. Given the classification as a “dominant operator,” the Company is subject to greater regulatory scrutiny in obtaining governmental licences, permits or approvals. This has in the past and may in the future prohibit the Company from introducing, or otherwise adversely impact the Company’s time to market, the introduction of certain services and promotional plans. In addition, violations of antitrust and competition laws and policies could expose the Company to administrative proceedings, civil lawsuits or criminal prosecution, including fines and imprisonment, and the payment of punitive damages. See Part 11 (*Risk Factors*) - “*Current and future antitrust and competition laws may limit the Company’s growth and subject the Company to antitrust and other investigations or legal proceedings*”.

As a result of MTN Nigeria’s ‘dominant operator’ status, some ex-ante obligations were imposed on it including offering on-net and off-net retail tariffs at par. The NCC through another regulatory intervention imposed a ban on

promotions which was lifted in mid-September 2014. From July 2015 to March 2016, the NCC suspended the Company's access to regulatory services as a result of certain violations (primarily related to its failure to withdraw certain tariffs and promotions), which also precluded it from obtaining regulatory approval for and thereby offering any new plans and promotions during that period. This resulted in the Company's operations being uncompetitive during that period which negatively impacted its revenues and margins. This was resolved in March 2016 and regulatory services resumed thereafter. The Company continues to engage with the NCC in respect of matters relating to the "dominant operator" determination.

### ***NCC Fine***

In October 2015, the NCC imposed a ₦1.04 trillion fine on MTN Nigeria related to the failure to timeously disconnect 5.1 million individuals following the Nigerian regulator's introduction of a SIM registration process. In June 2016, MTN Nigeria reached a negotiated resolution with the Nigerian authorities (under the auspices of the NCC) whereby the fine was then reduced to a total cash amount of ₦330 billion. As of the date of this Prospectus, the NCC fine has been fully discharged, as the final instalment was paid in May 2019.

### ***Subscriber SIM registration requirements***

In the fourth quarter of 2016, the NCC issued a directive, which became effective on 1 February 2017, requiring all mobile operators to provide a controlled environment for registration of SIM cards. According to the directive, SIM registration may only be carried out in a controlled environment (a permanent structure with logos of the operators in place) that must be operated by a clearly-identified employee of the operator or an approved dealer/agent with a valid means of identification issued by the operator. The NCC subsequently reviewed the directive allowing the use of kiosks and other structures, provided however that they are affixed to the ground. The directive has resulted in a reduction in registration contact points and a corresponding impact on the volume of subscriber activations, as well as an increase in the costs for setting up registration contact points. The NCC also conducts periodic audits on telecommunication network operators (including MTN Nigeria) in connection with their compliance with its regulations and policies regarding SIM card registration requirements and other related matters.

### ***VAS regulation***

In March 2018, the NCC issued an "Amended Value Added Services and Aggregator Framework". The framework seeks to regulate the VAS industry and introduce a new regulatory regime (the VAS Aggregator). When implemented, the framework could also restrict MTN Nigeria's ability to offer VAS offerings to its customers or play the role of a VAS Aggregator. Since the Amended VAS and Aggregator Framework was issued by the NCC, the NCC has awarded VAS Aggregator licenses to more companies and has promoted competition in the VAS segment of the telecommunications industry by unlocking potential in the telecoms VAS market. Some of the companies that have been granted VAS licences include 21st Century Technologies Limited, Cognys Systems Limited, HML Consulting Limited and I-Cell Multimedia Limited.

### ***DND directive***

In March 2017, the NCC launched campaign programs following its declaration of 2017 as the "year of the consumer". A key focus of the campaign has been the protection of consumer rights and consumer education. In April 2016, the NCC issued a directive requiring operators to implement a DND list which enables customers who do not wish to receive unsolicited messages to opt into the service. MTN Nigeria has created a DND database and has provided a platform which enables its customer to opt into the service.

### ***DTT***

In 2015, the NBC issued to MTN Nigeria a Digital Terrestrial Television broadcast licence ("DTT"), in consideration for a U.S.\$171 million licence fee. In May 2016, MTN Nigeria launched and transmitted a broadcasting service which jointly operated on the broadband network and a terrestrial broadcast network. This pilot was in fulfilment of the Company's DTT licence conditions, which mandated commercial launch within 12 months of the issuance of the licence, and also as a precursor to full commercial operations. The spectrum on which this service operated (700MHz) has subsequently been regularised for the use of telecommunications services.

The NCC has also been focused on establishing rules and a regulatory framework for interconnection between fixed and mobile networks, including mobile termination (*i.e.*, the ability of a telecommunications provider to terminate a call on another operator's network or calling between networks) and the related pricing mechanisms (*i.e.*, mobile termination rates). For example, the NCC undertook a study to review and determine new mobile voice termination

rates for both domestic and international traffics, with a view to ensuring that interconnection services are fairly priced, non-discriminatory, and reflect the real cost of providing such services in the market.

### ***FCCPA***

The FCCPA, which came into force on 30 January 2019 regulates undertakings and commercial activities carried out within Nigeria or carried out offshore and having effect within Nigeria. The FCCPC was established under the FCCPA and has supervening powers with respect to anti-competitive practices, pricing and mergers and acquisitions in Nigeria. Prior to the FCCPA coming into force, the SEC regulated mergers and acquisitions in Nigeria as well as competition issues related thereto.

The FCCPC could prohibit and/or restrict the Company from providing services if the FCCPC determines that the services are priced unfairly. The FCCPC could also prohibit and/or restrict the Company from making further acquisitions or continuing to engage in particular practices, to the extent that the FCCPC determines that the Company holds a significant market share (mindful of the dominant status of MTN Nigeria as declared by the NCC). The tribunal established under the FCCPA also has powers to review the decisions of other regulators (for example, the CBN and NCC) in respect of competition and consumer protection matters. It also has the power to impose fines and other penalties, direct an entity to divest its interest in another company if there is a violation of the FCCPA, with no other remedies being available. The FCCPC, in November 2020, issued the Merger Review Regulations, 2020 (as amended by the Merger Review (Amended) Regulations, 2021) which sets out specific and more detailed regulations for mergers in Nigeria.

### ***NDPR and Data Protection Laws***

The NDPR regulates all processing of personal data of natural persons in Nigeria. The NDPR was issued by NITDA in 2019 and seeks to provide a framework to safeguard the rights of natural persons to data privacy and prohibit the manipulation of personal data. The NDPR applies to all transactions intended for the processing of personal data and the actual processing of personal data, notwithstanding the means by which the data processing is conducted or intended to be conducted, and in respect of natural persons present in Nigeria and natural persons residing in Nigeria or residing outside Nigeria but of Nigerian descent (the “**Data Subject**”). The NDPR imposes a duty of care on anyone entrusted with or in possession (“**Data Controller**”) of any information relating to a Data Subject (including but not limited to names, bank details, posts on social networking sites, etc. (“**Personal Data**”). The NDPR prescribes conditions with respect to the procurement of consent of the Data Subject, transfer of personal data outside Nigeria and rights of Data Subjects.

The NDPR also provides that relevant organizations shall conduct a detailed audit of their privacy and data protection practices. Such audits are required to contain certain statements, in accordance with the provisions of the NDPR, such as, the purpose for which the personally identifiable information is collected and access given to individuals to review, amend, correct, supplement, or delete personal information relating to that individual and the policies and practices of the organization for the security of personally identifiable information, amongst others. Furthermore, Data Controllers who process the personal data of more than 2,000 (two thousand) Data Subjects in a period of 12 months are required to, not later than March 15 of the following year, submit a summary of their data protection audits to NITDA. Any breach of the NDPR can result in criminal liability, in addition to the imposition of fines.

In relation to data protection in Nigeria, the Consumer Code of Practice Regulations, 2007 (“**CCP Regulations**”) issued by the NCC regulates data protection in the telecommunications sector. The CCP Regulations obligate NCC licensees to take all steps reasonable to prevent the “inappropriate” and “inadvertent” disclosure of customers’ information. The CCP Regulations prohibit the transfer of the information of customers to third parties except as consented to by the customers or as permitted or required by the NCC or other applicable legal or regulatory requirements. Licensees that collect customers’ information are required to adopt and implement a policy regarding the proper collection, use and protection of such information and ensure that other licensees to whom they disclose such information have adopted the consumer information policy.

### ***National Roaming and Active Infrastructure Sharing***

The NCC expects that the National Roaming and Active Infrastructure Sharing framework in Nigeria would end rural-urban digital divide as the framework aims to allow subscribers roam on the network of other service providers where their own service provider is unavailable or has limited network coverage. The benefits of active infrastructure sharing will ultimately promote improved services for consumers. Overall, these two key areas (i.e. (i) national roaming; and (ii) infrastructure sharing) will, if successfully utilized, achieve improved coverage, cost reduction and the efficient utilisation of scarce network resources by regulatory agencies.

## **National Broadband Plan 2020-2025**

The NCC, in 2019, announced the release of the National Broadband Plan for 2020 to 2025 (the “**Plan**”) and also announced its proposal for a target of approximately ₦263 billion to be invested in the country’s broadband infrastructure over the next four years. The NCC has expressed that the Plan is designed to assist in boosting Nigeria’s economy, amongst other goals, and explained that the Plan will be implemented as a Public-Private Partnership between the Nigerian government and six private infrastructure companies. As part of the Plan, an estimated 30,000 km of fibre are to be added to the national infrastructure which, according to the NCC, measure about 41,000 km across Nigeria. The proposed expansion is expected to ensure that sufficient connectivity infrastructure is in place by 2024.

According to the Minister of Communications and Digital Economy, the focus on building solid infrastructure to advance the digital economy is aligned with the National Policy for Digital Economy and Strategy. Ultimately, the NCC aims to ensure that the Plan will result in an increase in access to Nigeria’s circa 211 million population by as much as 68% in 2024.

## **National Identification Number**

With effect from 1 January 2019, the Federal Government directed the implementation of mandatory use of the National Identification Number (“**NIN**”) issued by the National Identity Management Commission (the “**NIN Directive**”). Accordingly, all persons are required to present their NIN for certain transactions including but not limited to application for and issuance of a passport and opening of individual and or personal bank account(s). The NIN is also required for SIM purchase and registration. Furthermore, to the extent that certain of the collected data might not be compliant with standards imposed by the NCC and compliance will not be verified until such data has been provided to the NCC, telecommunication operators (including the Company) may be required to re-register such subscribers.

Furthermore, the Minister of Communication and Digital Economy, recently issued a policy directive to the NCC requiring that the NIN becomes a prerequisite for Nigerians registering new SIM cards (while for foreigners, their passports and visas should be used). The said policy also stated that all already registered cards are to be updated with NINs before 1 December 2020. In addition, the policy suggested that the maximum number of SIM cards that can be tied to a single individual should not be more than three. In furtherance of the directive, the NCC in February 2020 gave MTN Nigeria notice of its intention to issue a Direction on NIN which would require that all new subscribers shall be registered amongst other requirements with their National Identity Number before their SIM is activated. In the case of foreign nationals, their international passports shall be a mandatory requirement for the registration of their SIMs. MTN Nigeria was given an opportunity to submit comments by 20 March 2020 and has provided comments on the said Direction to the NCC.

In July 2021, the Federal Government of Nigeria, via a joint statement issued by the NCC and the Nigeria Identity Management Commission, extended the deadline for the NIN-SIM data verification to October 31, 2021. The Company is actively supporting the Federal Government’s NIN enrolment programme with more than 380 points of enrolment active across the country; and is working with National Identity Management Commission (NIMC) to complete bulk verification of the NINs collected and increase the enrolment centres to provide an access point for as many Nigerian as possible. MTN Nigeria has acquired over 40,000 enrolment devices, which are being configured for this purpose. As of 26 July 2021, approximately 37 million subscribers have submitted their NINs, representing around 54% of MTN Nigeria’s subscriber base and 65% of service revenue.

## **PART 11: RISK FACTORS**

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*Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should carefully consider the risk factors associated with any investment in the Ordinary Shares, MTN Nigeria's business and the industry in which it operates, together with all other information contained in this Shelf Prospectus including, in particular, the risk factors described below. Following the occurrence of any such event, the value of the Ordinary Shares could decline, and investors could lose all or part of their investment.*

*The risk factors described below are not an exhaustive list or explanation of all risks which may impact the Company's business, results of operations, financial condition and future prospects and should be used as guidance only. The factors listed under a single heading may not provide a comprehensive view of all risks relevant to the subject to which the heading relates. Additional risks and uncertainties relating to MTN Nigeria that are not currently known to the Company, or that the Company currently deems immaterial, may individually or cumulatively also have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment. An investment in the Ordinary Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Shelf Prospectus and their personal circumstances and, if they are in any doubt, should consult with an independent financial or other adviser authorised in their jurisdiction who specialises in advising on the acquisition of shares. The risk factors described below are not ordered by reference to materiality or importance to MTN Nigeria's business, financial condition, results of operations and prospects.*

*The information contained in this Shelf Prospectus is based on current legislation and tax practice and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Ordinary Shares.*

### **RISKS RELATING TO MTN NIGERIA'S BUSINESS OPERATIONS**

***i. Diseases, Epidemics and Pandemics such as the COVID-19 pandemic may have a material adverse impact on the Company's business operations***

The continued spread of the coronavirus disease (COVID-19), which has been classified by the World Health Organisation as a global pandemic, has resulted in disruptive effects on the Nigerian economy and global economies and has also adversely impacted the Company's business operations particularly in relation to supply chain disruptions, local currency devaluation, foreign exchange shortages; and slow-down in economic activities impacting the disposable income of the Company's customers. The COVID-19 pandemic has disrupted global supply chains of manufacturers and distributors of technology and other IT products such as mobile phones, tablets, smart-devices and machinery required for telecommunication companies. Manufacturers globally have been forced to decrease production in their plants as a result of the disease and in some cases, factories have been shut down completely. As a result, relevant machinery and equipment required by the Company for its operations have been difficult to source during the intervening period. Furthermore, though lockdown and business restrictions are gradually being eased globally, the attendant effect of the lockdown remains and businesses in most jurisdictions still operate below full capacity.

In Nigeria, in the past 1 year, various state governments announced different pandemic-related containment measures including reductions in the number of people allowed in public gatherings such as churches, mosques and other religious places of worship, to prevent further spread of the Coronavirus. Prior to this, the Federal Government had mandated the temporary closure of public and private schools to safeguard the lives of all relevant stakeholders including students, teachers and administrators. The Government, through the Presidential Task Force on COVID-19 also ordered the prohibition of international and inter-state travel. The Federal Government however authorised inter-state movement outside earlier communicated curfew hours with effect from 1 July 2020. The lockdowns imposed by the Federal Government did not extend to the operations of the Company as telecommunication services were deemed 'essential services', and as such were permitted to continue operations albeit within prescribed rules issued by the Federal Government.

The pandemic has significantly reduced Nigeria's international trade and overall economic activity within the country. The safety measures referred to above adversely affect foreign trade, tourism and investment in Nigeria in the short term and may have a long-term material adverse effect on the Nigerian economy. These adverse consequences could ultimately have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***ii. The COVID-19 pandemic may have a material adverse impact on the Company's revenues***

In response to the COVID-19 pandemic, governments across the world have put in place policies regarding isolation, self-quarantine, treatment, restriction of movement and travel as well as interim practices to be observed by people living in such affected countries. In Nigeria, the Federal Government's policies in response to the pandemic have resulted in MTN Nigeria adopting social distancing and other COVID-19 safety protocols in its branches; and MTN Nigeria employees, agents and officers being unable to physically come to the workplace since March 2020. Although the Company has employed work-from-home initiatives (to the extent possible), there can be no assurance that the negative impacts of these restrictions will not have a materially adverse effect on the Company's financial position, outlook, revenues and operations. Various governments around the world have commenced the vaccination of their citizens against COVID-19. Availability of vaccines in Nigeria is very limited as less than 3% of its population has been fully vaccinated, as of 30 June 2021. The absence of large-scale vaccination schemes that would enable a return to normalcy and growth in economic activities may materially affect the Company's financial position, outlook, revenues and operations.

***iii. If MTN Nigeria does not continue to provide products or services that are technologically current and otherwise useful and attractive to its customers, it may not remain competitive and its business, financial condition, results of operations and prospects may be materially adversely affected.***

MTN Nigeria's commercial success depends on its ability to provide services such as mobile voice, data access and digital services to its customers at a competitive cost. Many of the services offered by the Company are technology-intensive and the development or acceptance of new technologies may render such services non-competitive, replace such services or reduce prices for such services. The telecommunications industry is characterised by an increasing pace of technological change and advancement in existing mobile systems and industry standards combined with ongoing improvements in the capacity and quality of technology to cater to changing customer needs. As new technologies develop, the Company's equipment may need to be replaced or upgraded, the Company may need to acquire additional licences, increase its equipment capacity and/or its networks may need to be rebuilt in whole or in part, or significantly upgraded, in order to sustain the quality of MTN Nigeria's networks and its competitive position as a market leader. The Company may require substantial capital expenditures and access to related or enabling technologies in order to integrate the new technology with its existing technology. If the Company is unable to anticipate customer preferences or industry or technological changes, or if it is unable to modify its service offerings on a timely and cost-effective basis, the Company may lose customers.

As convergence of services accelerates, the Company has, and will have, to continue to make substantial additional investments in new technologies to remain competitive; and changes in technology and services as well as regulations and policies governing the use and operation of such technology, may lead the Company to compete with new competitors including both emerging players as well as established technology companies entering the telecommunications sector (see Part 11 (*Risk Factors*) - "*The Company may face increased competition from established telecommunications operations and non-traditional OTT telecommunications players*"). MTN Nigeria's operating results will also be negatively impacted if its new products and services are not responsive to the needs of its customers, are not appropriately timed with market opportunities, are not effectively brought to market or are not priced competitively. The new technologies MTN Nigeria chooses may not prove to be commercially successful or profitable. MTN Nigeria's revenue stream mix directly impacts its operating margins, so if it is not able to offer compelling products and services across its segments, its business, financial condition, results of operations and prospects could be materially adversely affected.

The Company cannot assume that existing, proposed or undeveloped technologies will not become dormant, commercially unviable or non-profitable in the future or that MTN Nigeria will be successful in responding in a timely and cost-effective way to keep up with new developments. As telecommunications technology continues to develop, MTN Nigeria's competitors may be able to offer telecommunications products and services that are, or that are perceived to be, substantially similar to or better than those offered by the Company. This could have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects. If the Company is not successful in anticipating and responding to technological change and resulting consumer preferences in a timely and cost-effective manner, its quality of services, business, financial condition, results of operations and prospects could be materially adversely affected.

***iv. MTN Nigeria may face increased competition from established telecommunications operations and non-traditional OTT telecommunications players.***

The Company operates in an increasingly competitive environment in relation to established telecommunications operators, particularly relating to pricing, which may materially adversely affect its revenue and margins. The Company's traditional competitors generally fall into two broad categories: (i) international diversified telecommunications companies; and (ii) local and regional telecommunications companies. Some of the Company's

competitors may have greater financial personnel, technical, marketing and other resources. Additionally, violations by competitor carriers and network operators of existing rules and regulations could, if undetected, give them an unfair competitive advantage and result in a significant loss of market share and revenue for MTN Nigeria.

Increasing competition in the Nigerian telecommunications market has also led to the decline in the prices for MTN Nigeria's services, particularly as network providers who have been classified as new entrants or with less than 7.5% of the market share are authorised to offer retail voice services below the minimum price set for voice services. The Company competes on the basis of price, services offered, advertising and brand image, quality and reliability of service and coverage area, with price competition for mobile services being significant. Certain mobile service offerings are largely commoditised due to the limited ability to differentiate these services among telecom operators. This increased pricing pressure could impact the Company's profitability, especially in competitive markets across the Company's footprint.

Increased competition may lead to increased customer churn, a reduction in the rate at which the Company is able to add new customers, a decline in customer numbers and a decrease in the Company's market share as customers purchase telecommunications services, or other competing services, from other providers and/or increasingly switch between providers based on pricing and/or the products and services that are offered. There can be no assurance that MTN Nigeria will not experience increases in churn rates, reflecting increased numbers of customer deactivations and inactivity, particularly as competition for existing customers intensifies. An increase in churn rates may result in lower revenue and may consequently have a material adverse effect on the Company's business, its financial condition, results of operations and prospects.

The continuing trend toward business combinations, consolidation and strategic alliances in the telecommunications and media industries may create increased competition, including from non-conventional and OTT players (internet-based alternatives to traditional telephony services) such as social networking sites, voice, video and messaging applications, and video-on-demand services, which pose a threat to traditional telecommunication revenue streams such as prepaid mobile voice services. As MTN Nigeria continues to offer financial services to its customers, it may also face competition from traditional consumer finance business as well as from non-traditional fintech services providers. Additionally, although new laws and regulatory initiatives may provide MTN Nigeria with increased business opportunities by removing or substantially reducing certain barriers to business opportunities, they also create a more competitive business environment and may encourage new entrants, which could materially adversely affect MTN Nigeria's business, its financial condition, results of operations and prospects.

The Company may face further competition from existing or new telecommunications service providers who may offer similar or more sophisticated services than the Company currently offers. Furthermore, MTN Nigeria's dominance in terms of its network capability may be reduced or whittled down as a result of other telecoms service providers offering similar services or the Company's competitors procuring additional or improved cellular spectrum.

Any failure to compete effectively, including in terms of pricing of services, acquisition of new customers and retention of existing customers, could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

***v. A failure in the operations of the Company's networks, gateways to its networks or the networks of other operators could materially adversely affect its business, financial condition, results of operations and prospects.***

MTN Nigeria depends, to a significant degree, on the uninterrupted operation of the Company's networks to provide services to its customers. From time to time, customers have experienced dropped calls or slow data speeds because of network capacity constraints. MTN Nigeria may not be able to improve or maintain these relevant networks at current levels, particularly if the Company's traffic volume grows significantly beyond its capacity. For example, growth in data services and consequently data revenue has at times been constrained in Nigeria as a result of slow data speeds resulting from increasing subscriber use, amongst other factors. Additionally, spectrum capacity may not become available, which may result in an increase to MTN Nigeria's capital expenditure in order to densify networks ahead of customer demand. In particular, since the Nigerian market is predominantly a prepaid market with only a very small proportion of fixed-term contracts, network outages or other issues can have a particularly significant impact as customers may choose an alternative service provider, and MTN Nigeria may need to engage in costly marketing and promotional activities to attract, retain or re-acquire customers. This risk is exacerbated in Nigeria because users can easily switch ('port') to alternative service providers and undertake registration with such alternative service providers. Furthermore, a large number of subscribers have dual SIM devices or more than one device that enable them to use multiple service providers at the same time. According to the NCC, in 2020, the total number of porting activities i.e. cumulative port-in and port-out amongst MTN Nigeria, Globacom, Airtel and 9Mobile was 370,140 with a cumulative of 182,958 port-ins and 187,182 port-outs across the above-mentioned networks. According to the NCC, in 2020, MTN Nigeria had a total of 37,027 numbers ported into its network and



38,500 numbers ported out of its network. Accordingly, if the Company is unable to maintain stability and provision of its services to its customers, such customers may port to other (competing) networks.

The Company also relies on interconnection with the networks of other telecommunications operators and carriers to transmit calls from its customers to the customers of fixed-line operators and other mobile operators, both within Nigeria and internationally. While the Company has interconnection and international roaming agreements in place with a number of other telecommunications operators, it has no direct control over the quality of these networks and the interconnections and international roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to the Company on a consistent basis, could result in a loss of subscribers or a decrease in traffic, which could materially adversely affect the business of the Company, its financial condition, results of operations and prospects.

Additionally, in December 2014, MTN Nigeria transferred a significant portion of its tower portfolio (approximately 9,000 towers) to a company owned by both MTN Group and IHS. Any difficulties or breakdown in the commercial relationship with IHS or the other tower companies with which the Company has relationships or the failure of IHS or other tower companies to provide reliable services to MTN Nigeria on a consistent basis could materially adversely affect MTN Nigeria's business, its financial condition, results of operations and prospects. See also Part 11 (*Risk Factors*) - "*Termination of relationships with key suppliers could materially adversely affect the Company's business, financial condition, results of operations and prospects*" and "*IHS being the major supplier of MTN Nigeria's towers is a concentration risk*".

MTN Nigeria's network, including its information systems, information technology and infrastructure, and the networks of other operators with whom its customers interconnect, are vulnerable to damage or interruptions in operation from a variety of sources including earthquakes, fires, floods, power loss, equipment failure, network software flaws, transmission cable disruption or other similar events (see Part 11 (*Risk Factors*) - "*Nigeria experiences electricity shortages and power outages*"). Any interruption in the operations of the Company or the provision of any service, including for a short period of time, whether from operational disruption, natural disaster or otherwise, could damage the Company's ability to attract and retain customers, cause significant customer dissatisfaction and have a material adverse effect on the Company's brand, business, financial condition, results of operations and prospects.

***vi. MTN Nigeria's voice service offerings may be impacted by changes to the industry over time.***

Demand for traditional voice services is generally declining across the telecommunications industry, due to increased use of OTT and other data-based voice services. At the same time, there is an upward demand for data services. As a percentage of total revenue, revenue from voice made up 75%, 62% and 57% of MTN Nigeria's revenue in the years ended 31 December 2018, 2019 and 2020, respectively.

Revenue contribution from data services for the years ended 31 December 2018, 2019 and 2020 was 15%, 18.7% and 24.7%, respectively. A decline in demand for voice services across the industry may also lower the revenues MTN Nigeria generates from interconnect services. Any further decline in demand for traditional voice services could have a material adverse effect on the Company's business, financial condition, results of operations, prospects and revenue stream mix.

***vii. Any decline in demand for or revenue from data services or digital services could harm the Company's business.***

In recent years, there has been an increase in demand for data and digital services, driven primarily by rising smartphone and tablet penetration and usage, usage of video and other multimedia services, as well as improvements in mobile network capability across Nigeria. Although the Company has identified data revenue as one of the most important drivers for future profit growth, there can be no assurance that demand for data will continue to grow at its current pace or at all, for different reasons such as weakening sales of smartphones, delayed 3G and/or 4G coverage expansion, adoption of the UMTS standard or shift to higher fixed broadband penetration from current low levels, among other things. There can also be no assurance that the Company will be able to successfully monetise the expected increase in data traffic or be able to respond to changing customer requirements in a timely manner.

Furthermore, changes in the Company's pricing of its products and services may lead to a decline in the demand for such services and ultimately have a material adverse effect on the Company's revenue and prospects. In October 2019, for example, the Company confirmed that, following consultation with industry stakeholders, the new charging model for access to banking services via the USSD channel had not gone into effect. This followed the directive given by the Minister of Communications and Digital Economy calling on the NCC to ensure that the planned implementation of end-user billing for the USSD banking services are suspended. MTN Nigeria complied with the

order and confirmed that the Company did not commence the implementation. The CBN had also directed commercial banks and other financial institutions in Nigeria to refrain from any action linked to telecommunication companies' imposition of charges on USSD services until the resolution of the impasse between both industries.

In 2021, significant progress was made towards resolving the protracted USSD pricing dispute, as negotiations between the telecommunications operators and commercial banks (based on the guidance of the CBN and NCC, as well as the Honourable Minister of Communications and Digital Economy) yielded positive outcomes. The said negotiations resulted in parties reaching an agreement that the pricing for USSD services rendered to commercial banks and other financial institutions in Nigeria by telecommunications companies (such as MTN Nigeria) be charged at a flat fee of N6.98 per transaction. Pending the deployment of the automated collection solution whereby commercial banks and other financial institutions directly debit users, an interim manual collection model will be employed whereby telecommunications operators will aggregate financial transactions on their respective USSD channels for onward transmission to the respective financial institutions on a monthly basis.

Notwithstanding the foregoing, any increase in the revenue generated from data and digital services may not be sufficient to offset the substantial capital expenditures required to upgrade MTN Nigeria's networks to handle increased data traffic as well as any decline in voice services revenue, which could result in lower margins for the Company and thereby have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***viii. MTN Nigeria is exposed to certain risks in respect of the development, expansion and maintenance of its telecommunications networks.***

MTN Nigeria's ability to increase its subscriber base and revenue depends in part upon the success of the expansion and management of its telecommunications networks, including in respect of the Company's rollout of 4G and 4G LTE services, nationwide. The expansion of MTN Nigeria's networks is subject to risks and uncertainties which could delay the introduction of services in some areas and increase the cost of network construction. Network expansion and infrastructure projects, including those in the Company's development pipeline, typically require substantial capital expenditure throughout the planning and construction phases and it may take months or years before the Company can obtain the necessary permits and approvals and for any new sites to become operational. During the planning and expansion process, MTN Nigeria is subject to a number of construction, financing, operating, regulatory and other risks, some of which are beyond the Company's control, including without limitation:

- shortages or unavailability of materials, equipment and skilled and unskilled labour;
- access to foreign currencies for financing activities;
- increases in capital and/or operating costs, including as a result of foreign exchange rate movements;
- changes in demand for the Company's services;
- labour disputes and disputes with contractors and sub-contractors;
- inadequate engineering, project management, capacity or infrastructure, including as a result of failure by third parties to fulfil their obligations relating to the provision of utilities and equipment that are necessary or desirable for the successful operation of a project;
- inability to renew (key) leases;
- electricity and power interruptions due to electricity load-shedding and/or blackouts, and energy shortages;
- difficulties in obtaining and/or meeting project development permission or requisite governmental licences, permits or approvals;
- governmental interception of subscriber calls or other usage of the Company's networks;
- adverse weather conditions and natural disasters;
- environmental regulations, including the need to perform feasibility studies and conduct remedial activities;
- political, social and economic conditions, including terrorist incidents;
- fraud, accidents or theft and malfeasance;
- difficulties or delays in site acquisition, which is generally outsourced to third parties; and
- changes in tax law, rules, regulations, governmental priorities and regulatory regimes.

The occurrence of any of these events may have a material adverse effect on the Company's ability to complete its current or future network expansion projects on schedule or within budget, if at all, and may prevent it from achieving its projected revenues, internal rates of return or capacity associated with such projects. There can be no assurance that the Company will be able to generate revenues or profits from its expansion projects that meet its planned targets and objectives, or that such revenues will be sufficient to cover the associated construction and development costs, either of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***ix. The Company is, and may in the future be, involved in disputes and litigation, the ultimate outcome of which is uncertain.***

MTN Nigeria is subject to numerous risks relating to legal and regulatory proceedings to which it is currently a party or which could develop in the future. The Company's involvement in litigation and regulatory proceedings may materially adversely affect its reputation. Furthermore, litigation and regulatory proceedings are unpredictable and legal or regulatory proceedings in which MTN Nigeria is or may become involved (or settlements thereof) may have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects. For a description of current litigation and disputes, see "*Claims and litigation*" (Statutory and General Information).

In addition, MTN Nigeria has in the past faced litigation and has recently been subject to a number of petitions, complaints and threats of class-action and other lawsuits by competitors, suppliers and subscribers, in relation to unsolicited marketing message content delivered to such subscribers. Furthermore, MTN Nigeria has previously been the subject of complaints by customers in relation to SIM swap scams carried out by phone scammers, who seek to obtain people's private information to defraud them. If the Company is subject to any such litigation or regulatory proceedings in the future and is found guilty of conduct that results in the imposition of a fine, it could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***x. The Company may be sued by third parties for alleged infringement of their proprietary rights, which could harm its business.***

MTN Nigeria may be sued by third parties for alleged infringement of their proprietary rights. MTN Nigeria's competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to MTN Nigeria. From time to time, third parties may claim that MTN Nigeria is infringing on their intellectual property rights, and the Company may be found to be infringing on such rights. In the future, third parties may claim that MTN Nigeria's intellectual property infringes or violates their intellectual property rights.

Any claims or litigation could cause the Company to incur significant expenses and, if successfully asserted against it, could require that the Company pay substantial damages or ongoing royalty payments, prevent the Company from using such intellectual property or require that the Company comply with other unfavourable terms to use or licence such intellectual property. MTN Nigeria may also be obligated to indemnify parties or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licences, modify applications or refund fees, which could be costly. Even if the Company were to prevail in such a dispute, any litigation regarding intellectual property could be costly and time-consuming and divert the attention of the Company's management and key personnel from the Company's business operations. Any of these risks could have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects.

***xi. The Company may not be successful in realising its growth strategy***

MTN Nigeria's ability to grow profitably will depend in part on its ability to continue to grow its business and offer its customers appealing voice, data, financial and digital services. The success of MTN Nigeria's growth strategy depends on the ability of management to identify investment targets, to assess the value, strengths, weaknesses, contingent or other liabilities and potential profitability of such expansion. The Company's growth strategy also depends on its ability to obtain and renew the appropriate regulatory and governmental approvals, licences, spectrum allocation and registrations, and may be limited by regulatory constraints due to antitrust and competition laws, asset control laws or political conflicts in Nigeria. Furthermore, due to its classification as a dominant operator in Nigeria, MTN Nigeria (has in the past experienced and) may experience restrictions on its operations and access to regulatory services by the NCC, which may negatively impact its ability to implement its growth strategy. See Part 10 (*Nigerian Telecommunications Industry and Regulatory Overview*)—*Regulatory matters — "Dominant operator classification"*. Regulatory policy changes, particularly as they relate to pricing, billing and data, could limit the Company's ability to grow its business and expand its products' financial potential. In addition, the success of MTN Nigeria's growth will depend on and may be limited by, its ability to finance appropriate capital expenditure and other investments, which may be limited by its overall level of indebtedness and liquidity profile, restrictions contained in the Company's existing and future financing arrangements and one-off events.

MTN Nigeria's investment plans are influenced by its modelling of anticipated investment returns. The Company uses the results of its modelling to identify and execute potential investment strategies, such as acquisitions or greenfield network development. These models rely on certain assumptions of market fundamentals, such as macroeconomic assumptions about the market, economic growth forecasts, pricing and competition in determining a given investment's timing, cost and expected profitability for the Company. If actual market conditions deviate from the assumptions underlying these models, the Company could be required to modify, scale back or delay its expansion plans. If the Company is not able to modify its plans, this could have a material adverse effect on its business, financial condition, results of operations and prospects.

Furthermore, the Company's failure to successfully implement its Ambition 2025 strategy or its general growth strategy may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***xii. If the Company's risk management and loss limitation methods fail to manage adequately its exposure to losses, the losses the Company incurs could be materially higher than its expectations; and its business, financial condition, results of operations and prospects could be materially adversely affected.***

Historically, the Company has sought, and will in the future seek, to manage its exposure to losses through internal risk management procedures. These methods may not predict future exposures, which could be significantly greater than anticipated. MTN Nigeria's risk management methods depend on the evaluation of information that is publicly available or otherwise accessible by the Company and its successful implementation of risk policies. This information may not always be accurate, complete, up-to-date or properly evaluated. Any upgrades or changes to MTN Nigeria's risk management methods might not be successful. Furthermore, insufficient resources and cost-optimisation initiatives could adversely impact MTN Nigeria's ability to implement its risk framework and manage the risks to which its business is subject. Accordingly, if the estimates and assumptions that the Company uses in its risk models are incorrect, if such models prove to be an inaccurate forecasting tool or if the Company fails to successfully implement the risk policies and framework, the losses the Company might incur could be materially higher than its expectation of losses, and its business, financial condition, results of operations and prospects could be materially adversely affected.

The Company has processes that involve human diligence and compliance and may be subject to lapses in judgment and breakdowns resulting from human error. In addition, these processes can be circumvented by collusion or improper management oversight. MTN Nigeria has, in the past, had issues with risk elevation and corporate compliance, and has since undertaken remedial actions to strengthen its risk elevation and corporate compliance functions, including anti-bribery and corruption and sanctions compliance. A failure to detect or correct deficiencies and weaknesses in a timely manner could have an adverse effect on the accuracy of financial reporting. A failure to adequately monitor compliance with applicable laws and regulations could have a material adverse effect on MTN Nigeria's brand, business, financial condition, results of operations and prospects. Although the Company has undertaken organisational changes to strengthen its compliance with laws and regulations, as indicated below, there can be no assurance that such changes will eliminate the risk of a failure in risk elevation and corporate compliance or prevent enforcement actions by regulators, impositions of fines, or reputational damage, among others. There can be no assurance that the measures put in place by the Company will adequately manage its exposure to losses, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

***xiii. Termination of relationships with key suppliers could materially adversely affect the Company's business, financial condition, results of operations and prospects.***

MTN Nigeria's business is dependent on third party suppliers for fibre, computers, software, transmission electronics and related components as well as providers of network co-location facilities that are integrated into the Company's network, some of which are critical to the operation of its business. Any significant disruption or other adverse event affecting MTN Nigeria's relationship with any of its major suppliers could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Company needs to replace any of its major suppliers, it may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of MTN Nigeria's major suppliers in a timely manner and on commercially reasonable terms, or at all, could have a material adverse effect on its business, financial condition, results of operations and prospects. If any of these critical relationships is terminated or a material supplier fails to provide key services or equipment and the Company is unable to reach suitable alternative arrangements in a timely manner and on commercially reasonable terms, or at all, the Company may experience significant additional costs and/or may not be able to provide certain services to customers, which could, in turn, have a material adverse effect on its business, financial condition, results of operations and prospects.

Continued cooperation between the Company and its key equipment and service providers is important to maintain its telecommunications operations. Once a manufacturer of telecommunications equipment has designed and installed its equipment within MTN Nigeria's system, the Company will often be reliant on the manufacturer for continued service and supply. MTN Nigeria outsources the management and operation of much of its infrastructure to third parties.

The Company's ability to maintain and grow its subscriber base depends in part on its ability to source adequate supplies of network equipment and on the effective management and operation of its network equipment by third parties. The Company does not have direct operational or financial control over its key equipment providers and key service providers (including the service providers with whom the Company has entered into sale and lease-back transactions in respect of its tower infrastructure) and has limited influence with respect to the manner in which its key equipment and service providers conduct their businesses. The Company's reliance on these equipment and service providers subjects it to risks resulting from any delays in the delivery of services. MTN Nigeria cannot assure investors and its shareholders that its key equipment and service providers will continue to provide equipment and services to it at attractive prices and beyond the current negotiated contractual term, or that the Company will be able to obtain such equipment and services in the future from these or other providers on that scale within the time frames required, if at all. The inability or unwillingness of key equipment and service providers to provide MTN Nigeria's operations with adequate equipment and supplies on a timely basis and to manage its infrastructure in accordance with best practices, including at attractive prices, could materially adversely impact the ability of these operations to retain and attract subscribers or provide attractive product offerings, either of which could materially adversely affect MTN Nigeria's business, financial condition, results of operations and prospects.

***xiv. Policies affecting key suppliers could materially adversely affect the Company's business, financial condition, results of operations and prospects***

In May 2019, the United States Department of Commerce added Huawei Technologies Co. Ltd. ("**Huawei**") to the Commerce Department Entity List (the "**Entity List**"), with additional affiliates added in August 2019, on the basis that Huawei was engaged in activities contrary to U.S. security and foreign policy interests. On May 15, 2020, the U.S. Department of Commerce amended the Export Administrative Regulations ("**EAR**") Direct Product Rule to the effect that products designed and produced with U.S. technologies and intended for delivery to Huawei are subject to EAR approvals. As a result, Huawei's ability to produce or develop products using certain U.S. software and technology will be limited. Ultimately, Huawei will be restricted from sharing its semi-conductor model designs or relying on foreign factories/foundries to manufacture semi-conductors using U.S. software and technology. Many of the foreign chip manufacturers that Huawei uses, still depend on U.S. equipment, software, and technology to design, develop and produce Huawei chipsets used across its telecom equipment and smartphones business lines. The EAR Product Rule became effective on May 15, 2020. Huawei equipment is deployed in about 58% of MTN Nigeria's radio footprint. Any further denial order imposed on Huawei or implementation of a policy similar to that imposed by the EAR Direct Product rule may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Furthermore, current U.S.-China tensions have the potential to disrupt supply chains including those related to the telecommunication sector. MTN has exposure to Chinese telecommunication suppliers for continuity of operations. While we have contingency planning in place to deal with such situations, our operations may be negatively impacted in the event of unanticipated actions by the U.S., China or any other country that disrupts the supply chain.

***xv. Managed Service contract appointing Huawei as the sole vendor for HSDP and VAS Cloud platform is a significant concentration risk which may affect the Company's business, financial condition, results of operations and prospects***

As a result of Huawei being the sole vendor of MTN Nigeria in connection with HSDP and VAS cloud platform services, there is a risk that any disruption to Huawei's services may have a significant material adverse effect on the Company's business, financial condition, results of operations and prospects. Where such adverse event occurs, the Company's ability to render certain VAS, USSD and SMS services may be significantly affected.

***xvi. Exposure to key vendor risk as call center technology and operations are being managed by a single vendor***

There is a key vendor risk to MTN Nigeria's call centre operations as the call centre technology and operations are provided by a single vendor, iSON BPO ("**iSON**"). In view of the fact that iSON is the sole supplier of call centre services to MTN Nigeria, any difficulties experienced by iSON or failure in the provision of its services or a breakdown in the commercial relationship between iSON and MTN Nigeria on a consistent basis could materially adversely affect MTN Nigeria's business, its financial condition, results of operations and prospects.

***xvii. IHS being the major supplier of MTN Nigeria's towers is a concentration risk***

The Company, Global Independent Connect Limited, INT Towers Limited, IHS (Nigeria) Limited and IHS Towers NG Limited (the affiliates of IHS) have reached an agreement to expand the scope of their current service agreements, and amend the currency conversion provision for tower services. MTN Nigeria leases the majority of the tower/site space required for its network equipment from IHS and has concluded a renegotiation of certain terms of its tower rental agreements. These include an increased focus on rural connectivity and fibre deployment. The changes will result in improved cost for future technology evolution and backhaul in the network, which are expected to be beneficial in the longer term. MTN Nigeria and IHS have also agreed to move the reference rates for conversions to Naira from the CBN's official rate to the NAFEX. MTN Nigeria's operations rely significantly on the efficiency of tower services. As a result of IHS being a major supplier to MTN Nigeria, any difficulties or breakdown in the commercial relationship with IHS or the failure of IHS to provide reliable services to MTN Nigeria on a consistent basis could materially adversely affect MTN Nigeria's business, its financial condition, results of operations and prospects.

***xviii. Telecommunications businesses require substantial capital investment and the Company may not be able to obtain sufficient financing on favourable terms, or at all.***

MTN Nigeria operates in a capital-intensive industry that requires a substantial amount of capital and other long-term expenditures, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks in Nigeria. MTN Nigeria's capital expenditure was ₦298 billion and ₦252 billion for the years ended 31 December 2020 and 2019, respectively.

In the past, MTN Nigeria financed its expenditures primarily through a combination of syndicated banking facilities and internally generated cash flows, which it expects to continue, in addition to exploring other financing options including but not limited to the issuance of commercial papers. In 2016 and the first half of 2017, the Company was unable to fully meet its intended capital expenditures due to foreign currency shortages. Furthermore, the COVID-19 pandemic has also resulted in foreign exchange shortages, capital expenditure reductions and reduced economic activities impacting disposable income of customers. Further devaluation of the Naira by the CBN on 7 July 2020 and 24 May 2021 have also affected the national economy. Further currency fluctuations and foreign currency scarcity may result in the Company being unable to make anticipated capital expenditures in the future.

MTN Nigeria's ability to arrange external financing and the cost of such financing depend on numerous factors including its current and future financial condition and results of operations, general economic and capital market conditions in Nigeria and internationally, interest rates, credit availability from banks and other lenders, investor and lender confidence in the Company, applicable provisions of tax and securities laws and political and economic conditions in Nigeria. Adverse changes in these factors, such as the increase in interest rates as reflected in the increase in the Company's borrowing rate, could individually or in aggregate affect its ability to secure external financing or affect the cost of such financing.

***xix. The Company may be unable to fully monetise and leverage some of its licences and spectrum.***

After securing the requisite approvals from both the NCC and the SEC in December 2015, the Company acquired a 100% equity interest in Visafone. This acquisition was driven in part by the objective to acquire the 800MHz spectrum held by Visafone, which has enabled the Company to rollout 4G LTE services nationwide. However, following a decision by the NCC that MTN Nigeria would require an additional 'licence transfer' approval to directly utilize Visafone's 800MHz spectrum, the Company procured the NCC's approval for same in April 2019. Under the laws and regulations currently in effect in Nigeria, a spectrum licence cannot be shared, transferred or reallocated except with the prior consent of the NCC. In the second quarter of 2016, Visafone submitted a request to the NCC for the transfer of its spectrum to MTN Nigeria, or, alternatively, for the joint use of the spectrum by Visafone and MTN Nigeria. The NCC stipulated a number of interim measures in this regard, which the Company implemented, and subsequently, the NCC approved the use by the Company of Visafone's 800MHz Spectrum.

Further to receiving the NCC's approval, the Company has accessed and now utilises Visafone's 800MHz spectrum. Nonetheless, there can be no assurance that the Company will be able to fully leverage the 800MHz spectrum. Additionally, the Company acquired spectrum licences which it expects to be utilised for future service offerings. In 2007, the Company acquired a licence for the 3.5GHz spectrum, which it expects to use to offer 5G services once commercially available. However, there is no assurance that the Company will be able to utilise the 3.5GHz spectrum for 5G offerings in the future due to regulatory or other restrictions. Any such restrictions could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***xx. Spectrum Cost and Availability***

The Company largely requires the procurement of spectrum for its telecommunication operations and this is a crucial aspect to its business. Where MTN Nigeria is unable to obtain the relevant regulatory approvals for the procurement of a spectrum or where it is unable to purchase same as a result of inadequate capital, it may be prevented from leveraging on other existing spectrums it owns. Furthermore, where the Company is unable to procure spectrum as a result of the unavailability of same, this could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***xxi. The Company is exposed to a significant counterparty credit risk.***

MTN Nigeria is a party to traffic interconnection and roaming agreements with a number of network operators in Nigeria and internationally. Interconnect and Roaming revenue amounted to ₦125.04 billion and ₦133.1 billion for the years ended 31 December 2019 and 2020, respectively. Restrictions on international travel imposed by various national governments across the globe in order to combat the spread of the COVID-19 disease may have an adverse impact on the Company's roaming revenues. A significant downturn in the business or financial condition of one or more of the operators from which the Company obtains interconnect revenue exposes it to the risk of default on contractual agreements and receivables. These risks may be increased by macro-economic conditions, which have in the past adversely affected consumer spending and consequently the businesses and financial conditions of a number of network operators in Nigeria. There can be no assurance that MTN Nigeria will be successful in recovering the relevant amounts with minimal delay or at all. In addition, a weakened financial condition of some of MTN Nigeria's competitors may deepen its "dominant" position, which in turn could trigger further regulatory oversight. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***xxii. If the Company fails to attract and retain qualified and experienced employees, its business may be harmed.***

If the Company is unable to attract and retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or if the Company fails to recruit skilled professional and technical staff at a pace consistent with its growth, its business, financial condition, results of operations and prospects may be materially adversely affected. Experienced and capable personnel in the Nigerian telecommunications industry remain in high demand and there is continuous competition for their talents. The loss of some members of the Company's senior management team or any significant number of its mid-level managers and skilled professionals may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives, such as expansion of capacity or acquisitions and investments. These adverse consequences could, individually or in the aggregate, have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***xxiii. The Company must maintain internal controls and procedures appropriate for a publicly listed company.***

Consistent with Nigerian legal and statutory requirements, the Company has taken and will continue to take steps to enhance its financial reporting and internal control environment. In view of the Company's status as a publicly listed entity, the Company has put in place requisite governance committees and the appropriate disclosure policies for a listed company, implemented policies regarding and monitoring related-party transactions and implemented accounting policies with respect to acquisitions and fraud detection.

In view of the fact that the Company only became listed on the Premium Board of the NGX in May 2019, its reporting procedures, practices and internal controls are evolving. There can be no assurance that relevant reporting procedures will function as designed, which could materially adversely affect the Company's business, financial condition and results of operations.

***xxiv. MTN Nigeria has applied for a Payment Service Bank licence, and any failure to obtain or subsequently maintain this licence in Nigeria could have a material adverse effect on MTN Nigeria's financial condition, results of operations and prospects***

In October 2018, the CBN published Guidelines for Licensing and Regulation of PSBs in Nigeria, which empower the CBN to issue PSB licences that would enable companies offer specific banking services such as facilitating mobile money payments and accepting deposits. The Guidelines for Licensing and Regulation of PSBs in Nigeria was revised and reissued on 27 August 2020. Furthermore, the CBN issued the Supervisory Framework for PSBs in Nigeria in 2021.

The said licence, however, does not permit licensees to grant loans to customers or undertake foreign currency remittances. The Company has made a formal application for the grant of a PSB licence which is still being processed by the CBN.

As of 27 August 2021, the CBN had granted final approvals to three PSB licence applicants namely Moneymaster PSB, Hope PSB and 9 PSB. Two out of three institutions which have been granted PSB licences by the CBN are owned by telecommunication companies in Nigeria. Moneymaster PSB is owned by Globacom and 9 PSB is owned by 9Mobile, whilst Hope PSB is owned by Unified Payments.

There can be no assurance that the Company will receive a PSB licence, which would see MTN Nigeria fail to capitalise on a value-creation opportunity. Furthermore, MTN Nigeria Group may face increased competition, from companies such as Globacom and 9Mobile, as well as other (telecommunications) companies, for certain of its products and services, since PSBs may create new mobile money, digital wallets and other solutions, which could have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects.

Also, if the Company is granted a PSB licence, it will be required to maintain a paid-up capital of at least ₦5,000,000,000 (Five Billion Naira) at all times and maintain statutory reserves and a capital adequacy ratio of 10 per cent or such other ratio as may be prescribed by the CBN from time to time. It will also be required to serve a minimum of 25 per cent of customers in rural areas and comply with the CBN Code of Corporate Governance for Banks and Discount Houses. There can however be no assurance that the products and services offered through the PSB licence when obtained, will be successful or attract more customers than PSB-licensed competitors, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***xxv. Actual or perceived health risks or other problems relating to the use of mobile handsets or network transmissions or infrastructure could lead to litigation or decreased mobile communications usage.***

Public perception of possible health risks associated with cellular and other wireless (communication) technology could negatively impact the demand for wireless services, which could, in turn, lead to a reduction in the Company's revenue or to a decline in its revenue growth. The potential connection between radio frequency emissions and certain negative health effects as a result of mobile phone use has been the subject of substantial study by the scientific community and relevant stakeholders in recent years and numerous health-related lawsuits have been filed around the world against wireless carriers and wireless device manufacturers. Negative public perception of, and regulations regarding, any perceived health risks of mobile phone use could slow the market acceptance of wireless communications services and increase opposition to the development and expansion of wireless network coverage. If a conclusive scientific study or court decision resulted in a finding that radio frequency emissions pose significant health risks to consumers, it could negatively impact the market for wireless services, as well as the Company's wireless carrier customers, which could materially adversely affect the Company's business, results of operations, financial condition and prospects.

***xxvi. System failure, security breach or cyber-attacks could significantly disrupt the Company's ability to operate its business***

MTN Nigeria is increasingly exposed to the risk that third parties or malicious insiders may attempt to use cyber-techniques, including distributed denial of service attacks to disrupt the availability, confidentiality and integrity of its IT systems, which could result in disruption to key operations, make it difficult to recover critical services, and damage assets. Moreover, if the Company is exposed to a cyber-attack, its systems may be subjected to down-time in an effort to prevent a security breach. Such an outage may lead to reputational damage or customer confusion, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects or reputation. The risks associated with cyber-attacks, where an individual or group seeks to exploit vulnerabilities in IT systems for financial gain or to disrupt services, are a material risk to the Company. Any failure of the Company's IT systems or controls could result in significant financial losses and have a material adverse effect on the Company's operational performance and reputation.

***xxvii. MTN Nigeria operates a large distribution and channel network and is reliant on good working relationships with its partners and other third-party distributors***

MTN Nigeria sells its services through various locations including but not limited to 38 convenience channel partners (who offer direct to consumer sales using banking channels, USSD, Web, POS terminals, ATMs and Apps) and 220 trade partners who are responsible for the distribution of MTN Nigeria products across a footprint of over 1 million retailers across Nigeria. As of 30 June 2021, MTN Nigeria had about 50 SIM Registration Agencies who are primarily responsible for new acquisitions and 131 Mobile Money ("MoMo") strategic financial partners who drive Cash-in and Cash-out business for MTN Nigeria through over 515,000 MoMo Agents across Nigeria. There can be no assurance that the Company's current or future partners will elect to conduct or continue to conduct business with it on an ongoing basis. If any of the relevant stakeholders decide to give preference to the Company's competitors or cease to do business with the Company, it could have a material adverse effect on the Company's business, results of operations and financial condition.



***xxviii. Transactions undertaken by MTN Nigeria may not meet the expectations of certain stakeholders***

The Company, from time to time, undertakes commercial transactions as may be required for its operations or as may be required of it under law or lawful order. Although some of these transactions or corporate arrangements may be in the best interest of the Company, they may not meet the expectations of other stakeholders. For example, the listing by way of introduction of the Ordinary Shares of the Company on the Premium Board of the NGX in May 2019 was a landmark transaction for the Company but was reported to not meet the expectations of the investing public, leading to negative sentiments against the Company. Such perceptions as well as negative reports in the press relating to the Company could have a material adverse effect on the Company's reputation, business, financial condition, results of operations and prospects.

***xxix. MTN Nigeria's operational equipment may not perform optimally at all times***

The Company's operations are largely dependent on the performance of certain equipment. Failure of such equipment to perform optimally at all times may materially affect the Company's ability to provide products and services to its customers. For example, the Company's disaster recovery systems may not be fully tested and may experience redundancy as a result. Any underperformance by the Company's equipment or systems could result in significant financial losses and have a material adverse effect on the Company's operational performance and reputation.

## **RISKS RELATING TO MTN GROUP**

***i. Conditions in the price of the shares of MTN Group on the Johannesburg Stock Exchange ("JSE") may affect the price and liquidity of the Ordinary Shares on the NGX***

The JSE has in the past, experienced problems which have affected the prices and liquidity of listed securities of South African companies such as MTN Group. These problems include but are not limited to market volatility, regulatory actions, civil disturbances and strikes by stockbrokers. Any fluctuation in the price of MTN Group securities on the JSE could lead to volatility in or materially adversely affect the prices of the Ordinary Shares on NGX.

***ii. MTN Group will continue to retain majority control over the Company after the Offer which will allow MTN Group to determine the outcome of matters submitted to shareholders for approval***

Offers under the Programme shall be by way of offers for sale of Existing Ordinary Shares by the Selling Shareholder. As a result, MTN Group may have the ability to, to an extent, control the Company's business including matters relating to any sale of all or substantially all of MTN Nigeria's assets, the timing and distribution of dividends and the election or termination of appointment of key officers and directors of the Company. This has the potential to delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise even if it is in the Company's best interest.

Furthermore, as long as MTN Group continues to exercise significant control over the Company, it could influence the material policies of the Company in a manner that could conflict with the interests of other Shareholders. MTN Group may have interests that are adverse to the interests of the other Shareholders and may take positions with which such Shareholders do not necessarily agree with.

***iii. MTN Group may decide not to proceed with the Offer at any time before Allotment and if that happens after the Opening Date but before Allotment, the refund of application amounts deposited will be subject to compliance with applicable Nigerian laws***

Where MTN Group does not proceed with the Offer at any time before the Allotment, it will be required to refund all amounts already deposited to the Investors and may be required by the SEC to pay interest / penalty. If that happens, the fluctuation in exchange rate could affect the amount that a foreign Investor may receive.

***iv. Any substantial sales of Existing Ordinary Shares by MTN Group could adversely affect the market price of the Ordinary Shares***

Whilst the Offers under the Programme shall be undertaken in tranches (over the lifetime of the Programme), these transactions and any other substantial sale of Existing Ordinary Shares by MTN Group could materially adversely affect the price of the Company's shares.

In addition, any perception that any such sale may occur could cause the market price of the Ordinary Shares to decrease. This uncertainty may make it more difficult for Shareholders to sell their Ordinary Shares at a time and price that they deem appropriate and could also impede the Company's ability to issue equity securities in the future. The market price of an Ordinary Share and the trading volume thereof could be subject to significant fluctuations following the Offer.

**v. *MTN Group may terminate related parties' transactions with MTN Nigeria which could have a material adverse effect on the Company's business***

MTN Group has contractual arrangements with the Company on the basis of which it provides various services to MTN Nigeria. MTN Group could terminate these arrangements. Where that happens, it could materially adversely affect the Company's operations and result in the Company not being profitable.

**vi. *Shareholders in the United States or certain other jurisdictions may not be able to participate in future equity offerings by the Company***

The securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in future equity offerings. In particular, Shareholders resident in the United States may not be entitled to exercise certain rights unless either the Ordinary Shares and any other securities that are offered and sold are registered under the US Securities Act, or the Ordinary Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available or that the Company will be able to utilise any such exemption.

## **RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY**

**i. *The Company could experience breaches in privacy laws and other information security requirements, which may materially adversely affect its reputation, lead to subscriber lawsuits and loss of subscribers, or hinder its ability to gain new subscribers and thereby materially adversely affect its business.***

Mobile network operators are subject to stringent requirements in relation to privacy, data and customer protection laws. The Company may breach or be adjudged to have breached any data protection or privacy laws and other information security requirements. Such breaches could result in the unauthorised dissemination of information about its subscribers, including their names, addresses, home phone numbers, passport details and financial information. The breach of the Company's security database and illegal transfer of its subscribers' personal information could materially adversely impact the Company's reputation, prompt lawsuits against it by individual and corporate subscribers, lead to adverse actions by the NCC, the NITDA or other regulators, lead to a loss in subscribers and hinder its ability to attract new subscribers.

If severe customer data security breaches are detected, the NCC and/or the NITDA can sanction the Company, and such sanctions can include the imposition of fines. These factors, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company is subject to the NDPR, which regulates all processing of personal data of natural persons in Nigeria. The Company has engaged the services of a NITDA licenced Data Protection Compliance Organisation, to conduct a data audit on the Company's data collection and processing procedures and has made relevant filings with the NITDA. Additionally, the Company will be required to, on a continuous basis, implement additional amendments to contracts, procedures and policies to maintain compliance with the NDPR. There can be no assurance that the NITDA will agree with the data privacy and data protection processes of the Company and the NITDA could impose penalties or fines on the Company, which would have a material adverse effect on its business, financial condition, results of operations and prospects. Any breach of the NDPR can result in criminal liability, in addition to (i) fines up to the higher of 2% of the annual gross revenue of the preceding year or payment of the sum of ₦10 million or (ii) fines up to the higher of 1% of the annual gross revenue of the preceding year or payment of the sum of ₦2 million, depending on the extent of information involved.

The Company may also be required by the Federal Government to institute processes in respect of its systems and product offerings designed to prevent terrorist attacks. However, there can be no assurance that procedures and controls adopted by the Company will be followed at all times or will effectively detect and prevent breaches in privacy laws and other information security requirements.

In particular, in respect of some processing of personal data relating to subscribers, employees or other individuals, the Company is likely to be subject to the General Data Protection Regulation (EU) 2016/679 (the "GDPR"). Cognizant of emerging international data protection regulations, concerns and contributions of stakeholders in this

regard, the Company has taken steps to, comply with the requirements of the GDPR, where required and implement additional measures to achieve and maintain GDPR compliance. Ensuring compliance with the GDPR is an ongoing process and it is possible that, despite the Company's efforts, supervisory authorities or third parties will assert that the Company's practices do not comply with certain requirements of the GDPR. Where such assertions are made and successfully proven, the Company may be subject to significant fines and reputational harm. In particular, serious breaches of the GDPR can result in administrative fines of up to the higher of 4% of annual worldwide turnover or EUR20 million.

**ii. *MTN Nigeria's telecommunications licences, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal, any of which may result in modification or early termination. In addition, the Company's inability to obtain new licences and permits could materially adversely affect its business.***

The terms of MTN Nigeria's licences, permits and frequency allocations are subject to finite terms, ongoing review and/or periodic renewal and, in some cases, are subject to modification or early termination or may require renewal with the NCC. Some of MTN Nigeria's licences are due for renewal in the short-term. For example, the UASL, 900MHz and 1800 MHz spectrum licences are due for renewal on 31 August 2021, and the Company is engaging the NCC regarding the renewal of these licences. The Company's 3G spectrum licence will also fall due for renewal in April 2022. There can be no assurance that the licences held by the Company or its subsidiaries will in all cases be renewed on equivalent or satisfactory terms, or at all. Upon termination, some of its licences and assets may revert to governmental or telecommunications operators, in some cases, without adequate or any compensation being paid to MTN Nigeria.

MTN Nigeria has in the past paid significant amounts for certain telecommunications licences and the competition for these licences has historically been relatively high. The Company anticipates that it may have to continue to pay substantial licence fees and incur substantial costs to meet specified network build-out requirements that it commits to in acquiring certain new licences. There can be no assurance that MTN Nigeria will be successful in obtaining or funding these licences or, if licences are awarded, that they can be obtained on terms acceptable to the Company. If MTN Nigeria obtains or renews further licences, it may need to seek future funding through additional borrowings or equity offerings. There can be no assurance that such funding will be obtained on satisfactory terms, or at all. Failure to obtain financing on satisfactory terms or at all may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**iii. *The Company's operations could be adversely affected by natural disasters or other events beyond its control.***

MTN Nigeria's business operations, technical infrastructure (including its network infrastructure) and development projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes, fires or typhoons) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to predominant natural weather, hydrologic and climatic patterns;
- major accidents, including chemical or other material environmental contamination;
- acts of terrorism and communal violence;
- vandalism, including in respect of the Company's fibre network or the tower sites which support its network;
- construction and repair work carried out by third parties without proper care;
- power loss or insufficient power supply;
- strikes or lock-outs or other industrial action by workers or employers; and
- medical pandemics or disease outbreaks (such as the occurrence and spread of the Coronavirus). See Part 11 (*Risk Factors*) - "*Diseases, Epidemics and Pandemics such as the Coronavirus may have a material adverse impact on the Company's business operations*" for more information in this regard.

The occurrence of any of these or similar events may cause disruptions to the Company's operations in part or in whole, may increase the costs associated with providing services as a result of, among other things, costs associated with remedial work, may subject the Company to liability or impact its corporate brand and reputation and may otherwise hinder the normal operation of its business, which could materially adversely affect its business, financial condition, results of operations and prospects.

In addition, MTN Nigeria's technical infrastructure is vulnerable to damage or interruption from information and telecommunications technology failures, acts of war, terrorism, intentional wrongdoing, human error and other similar events. Unanticipated problems affecting any part of the Company's telecommunications network, such as system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of its services and cause service interruptions. Any of these occurrences could result in reduced user traffic and reduced revenues and could harm the Company's operations.

Further, any security breaches, such as misappropriation, misuse, penetration by viruses, worms or other destructive or disruptive software, leakage, falsification or accidental release or loss of information (including customer, personnel and vendor data) maintained in MTN Nigeria's information technology systems and networks or those of MTN Nigeria's business partners could damage its reputation, result in legal and/or regulatory action against the Company, and require it to expend significant capital and other resources to remedy any such security breach.

The effect of any of these events on the Company's business, financial condition, results of operations and prospects may be worsened to the extent that any such event involves risks for which the Company is uninsured or not fully insured, or which are not currently insurable in Nigeria on commercially reasonable terms or at all, such as acts of war and terrorism. See "Insurance" in Part 9 (*Chairman's Letter*).

***iv. Failure in the Company's information and technology systems could result in interruptions in its business operations.***

The Company's information and technology systems are designed to enable it use its infrastructure resources as effectively as possible and to monitor and control all aspects of its operations. Any failure or breakdown in the Company's systems could interrupt the normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could dramatically impact the Company's ability to offer services to its customers, which could have a material adverse effect on its business, financial condition, results of operations and prospects. For example, MTN Nigeria depends on certain technologically sophisticated management information systems and other systems, such as its customer billing system, to enable it to conduct its operations.

In addition, the Company relies on third-party vendors to supply and maintain much of its information technology and operational equipment. In the event that one or more of the third-party vendors that the Company engages to provide support and upgrades with respect to components of its information technology ceases operations or becomes otherwise unable or unwilling to meet its needs, there can be no assurance that the Company would be able to replace any such vendor promptly or on commercially reasonable terms, if at all. Delay or failure in finding a suitable replacement could materially adversely affect the Company's business, financial condition, results of operations and prospects.

***v. Industrial action or adverse labour relations could disrupt the Company's business operations and have an adverse effect on its operating results.***

About 70% of MTN Nigeria's employees are eligible to join labour unions and be subject to collective bargaining or similar labour agreements. The Company has inaugurated a branch of the Private Telecommunication and Communications Senior Staff Association of Nigeria (the "Union") and employees are elected to represent enrolled members. As of 31 December 2020, about 10% of eligible employees of the Company have elected to join the Union.

In addition, the MTN Nigeria Employee Council (an advocacy group for non-managerial grade employees) (the "Council") exists. Both the Union and Council hold scheduled meetings respectively and employees are free to associate with the group of their choice to represent them. In the event that there is a potential dispute with the Union, there are established channels for escalating such disputes and resolving same with identified stakeholders; and such channels are known to all relevant stakeholders.

If MTN Nigeria is unable to negotiate acceptable labour agreements in the future or maintain satisfactory employee relations, the Company may experience work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs), which individually or in the aggregate could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Such actions could adversely affect the Company's reputation, brand and goodwill and cause disruptions, which may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

## **RISKS RELATING TO LAWS AND REGULATIONS**

***i. Changes in relevant and applicable Nigerian laws, regulations or policies could materially adversely affect the Company's business, financial condition, results of operations and prospects.***

The NCC is the independent regulatory authority for the telecommunications industry in Nigeria. The NCC is charged with the responsibility for, amongst other things, regulating the supply of telecommunications services and facilities, promoting competition within the telecommunications industry, and setting performance standards for telecommunication services in the country, amongst others. By law, the NCC consults with interested parties prior to issuing regulations. It has the power to vary its own decisions and its decisions are subject to judicial review. Regulatory actions by the NCC have had, and may in the future have, a significant impact on the Company's business,

financial condition, results of operations and prospects whether in respect of ongoing issues or potential future non-compliance. For more information on the regulatory regime in Nigeria, see “Telecommunications regulation” in Part 10 (*Nigerian Telecommunications Industry and Regulatory Overview*).

Below are a number of key recent regulatory developments that have impacted MTN Nigeria:

- *Determination of Dominance:* In April 2013, further to a market study undertaken by the NCC, MTN Nigeria was declared dominant in the retail mobile voice market segment and jointly dominant in the wholesale leased lines and transmission capacity market sub-segments. Key impacts of the determination were the obligation for MTN Nigeria to collapse the then existing differential between its on-net and off-net voice tariffs, as well as the application of a more stringent *ex ante* (before implementation) product approval regulation regime. Following the introduction of this regime, some product approval requests have been denied on the basis of “competition considerations”. There can be no assurance that the NCC will adopt a less restrictive approach in its regulation of dominance and thereby create improved competitive market conditions.
- *Withdrawal of Regulatory Services:* In July 2015, the NCC suspended the rendering of regulatory approvals to the Company which precluded it from obtaining regulatory approval for new tariff plans and promotions amongst other regulatory services. This negatively impacted the Company’s revenues and margins during the period of the regulatory suspension. The withdrawal was premised on disputes around the Company offering certain products without approval and non-compliance with the NCC’s withdrawal of the 30% differential between on-net and off-net tariffs earlier granted to MTN Nigeria. The said differential had previously been granted to MTN Nigeria by the NCC in response to the Company’s arguments on the onerous and anti-competitive impact of the 2013 dominance determination obligation to collapse the Company’s on-net and off-net tariffs. Following engagement with the NCC, regulatory services were restored to MTN Nigeria in March 2016.
- *NCC Fine.* In October 2015, the NCC imposed a ₦1.04 trillion fine on MTN Nigeria related to the failure to timeously disconnect 5.1 million SIM cards following the Nigerian regulator’s introduction of SIM registration regulations. In June 2016, MTN Nigeria reached a negotiated resolution with the Nigerian authorities (under the auspices of the NCC) whereby the fine was then reduced to a total cash amount of ₦330 billion, which has since been fully paid.
- *Data bundle regulation.* In 2015, the NCC directed all operators to seek consent from customers prior to charging out-of-bundle rates upon the depletion of data bundles which adversely affected MTN Nigeria’s data revenue. Related to this, in April 2018, the NCC issued a directive requiring all operators to rollover any subscriber’s unused data upon a renewal being undertaken by the subscriber within a specified period following the expiration of a data plan. For subscribers on data plans with validity periods of 30 days and above, above one day but less than 30 days and one day; the applicable renewable period will be seven (7) days, three (3) days and one (1) day respectively. The directive has the impact of extending the validity period of data bundles for a significant portion of the Company’s active subscriber base and has adversely impacted its data revenues.
- *DND list requirements.* In April 2016, the NCC issued a directive requiring operators to implement a DND directive which enables customers who do not wish to receive unsolicited messages to opt into the service. MTN Nigeria has created a DND database and has provided a platform which enables its customers to opt into the service. If the Company fails to comply with the DND directive requirements, this could result in fines or other regulatory action being taken against it and impact the Company’s revenue from its digital and VAS products.
- *SIM registration requirements.* In the fourth quarter of 2016, the NCC issued a directive requiring all mobile operators, effective from 1 February 2017, to provide a controlled environment for registration of SIM cards. According to the directive, SIM registration may only be carried out in a controlled environment (a permanent structure with logos of the operators in place) that must be operated by a clearly-identified employee of the operator or an approved dealer/agent with a valid means of identification issued by the operator. The NCC subsequently permitted the use of kiosks and other structures affixed to the ground. The directive has resulted in a reduction in registration contact points and a corresponding impact on the volume of subscriber activations, as well as an increase in the costs for setting up registration contact points.
- *USSD Price Determination:* The NCC issued a determination on USSD Pricing in July 2019, which amongst others set USSD sessions at 20 seconds; and set a price floor and price cap for such 20-second USSD service services at ₦1.63 and ₦4.89, respectively. In compliance with the determination, MTN Nigeria adjusted its rates for USSD services upwards and notified customers of the change. However, commercial banks in Nigeria, being the primary consumers for USSD infrastructure, rejected the price review and requested for a change in the billing model from corporate to end-user billing. An attempt to implement the end-user billing was opposed to by consumers who were not aware of the USSD charges and the fact that the said banks previously bore

responsibility for the charges. This resulted in an impasse and culminated in the intervention of the Minister for Communication and the Digital Economy, who directed suspension of the application of the revised rates. Engagement is ongoing amongst relevant stakeholders towards reaching a mutually acceptable solution. In 2021, significant progress was made towards resolving the protracted USSD pricing dispute, as negotiations between the telecommunications operators and commercial banks (based on the guidance of the CBN and NCC, as well as the Honourable Minister of Communications and Digital Economy) yielded positive outcomes. The said negotiations resulted in parties reaching an agreement that the pricing for USSD services rendered to commercial banks and other financial institutions in Nigeria by telecommunications companies (such as MTN Nigeria) be charged at a flat fee of N6.98 per transaction. Pending the deployment of the automated collection solution whereby commercial banks and other financial institutions directly debit users, an interim manual collection model will be employed whereby telecommunications operators will aggregate financial transactions on their respective USSD channels for onward transmission to the respective financial institutions on a monthly basis.

- *NIN Directive:* With effect from 1 January 2019, the Federal Government directed the implementation of mandatory use of the National Identification Number (“**NIN**”) issued by the National Identity Management Commission (the “**NIN Directive**”). Accordingly, all persons are required to present their NIN for certain transactions including but not limited to application for and issuance of a passport and opening of individual and or personal bank account(s). The NIN is also required for SIM purchase and registration. Furthermore, to the extent that certain of the collected data might not be compliant with standards imposed by the NCC and compliance will not be verified until such data has been provided to the NCC, the Company may be required to re-register such subscribers. In an extreme case, this might attract sanctions, including payment of fines.

There is a risk that the enforcement of the NIN Directive may adversely impact activations on the network, and ultimately MTN Nigeria’s revenues. Furthermore, changes to relevant policies affecting SIM registration could have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

The Minister of Communication and Digital Economy, in 2020, issued a broad policy Directive to the NCC requiring that the NIN become a prerequisite for Nigerians registering new SIM cards (while for foreigners, their passports and visas should be used). The policy also states that all already registered cards are to be updated with NINs before 1 December 2020. In addition, the policy suggested that the maximum number of SIM cards that can be tied to a single individual should not be more than three. In furtherance to the directive, the NCC, in February 2020, gave MTN Nigeria notice of its intention to issue a Direction on NIN which would require all new subscribers to be registered amongst other requirements with their National Identity Number before their SIM is activated. In the case of foreign nationals, their International Passports shall be a mandatory requirement for the registration of their SIM. In 2021, the Federal Government of Nigeria extended the deadline for compliance with the said directive to October 31, 2021.

- *VAS Aggregator Framework.* In March 2018, the NCC issued an “Amended Value Added Services and Aggregator Framework”. The framework seeks to regulate the VAS industry and introduce a new regulatory regime (the VAS Aggregator). When implemented, the framework could also restrict MTN Nigeria’s ability to offer VAS offerings to its customers or play the role of a VAS Aggregator and thereby have a material adverse effect on the Company’s revenue, business, financial condition, results of operations and prospects.
- *Data management.* The Company’s operating environment is prone to challenges with data management, as Nigeria’s identity management system and framework are only developing and as such are still subject to risks, including challenges to adequately ensure data integrity. The NCC created the SIM Registration Industry Task Force (the “**Task Force**”) to address the challenges facing operators around subscriber identification and registration. Further to the establishment of the Task Force, several resolutions including the Industry Working Group on harmonisation of SIM registration process with the NIMC were reached to ensure a clean SIM database. The NCC, in June 2019, commenced the second round of comprehensive verification audit of MNOs’ SIM card registrations. This audit exercise was concluded in August 2019. The audit was specifically to ensure strict adherence by telecom operators to the provisions of the Telephone Subscribers Registration Regulations, 2011. Following a September 2019 Ministerial directive, the NCC, within a week, intensified efforts by reducing the number of improperly-registered SIM cards from 9.2 million to 2.2 million (source: NCC).
- *National Broadcasting Commission:* In 2015, the NBC issued to MTN Nigeria a DTT broadcast licence, for a ₦34.1 billion licence fee. In May 2016, the Company launched and transmitted a broadcasting service which jointly operated on the broadband network and a terrestrial broadcast network. This pilot was in fulfilment of MTN Nigeria’s DTT broadcast licence conditions, which mandated commercial launch within 12 months of the issuance of the licence, and also as a precursor to full commercial operations. The spectrum on which this service operated (700MHz) has subsequently been regularised for the use of telecommunications services. The NCC has also been recently focused on establishing rules and a regulatory framework for interconnection between fixed

and mobile networks, including mobile termination (*i.e.* the ability of a telecommunications provider to terminate a call on another operator's network or calling between networks) and the related pricing mechanisms (*i.e.*, mobile termination rates).

- **Environmental Disputes and Claims:** The Company, in its operations, employs the use of network base stations which produce certain (non-ionising) emissions which may have an adverse impact on the environment. The National Environmental Standards and Regulations Enforcement Agency (“**NESREA**”) established pursuant to the NESREA (Establishment) Act of 2007 is responsible for enforcing environmental standards, regulations, rules and policies, and brought an action against the Company in the FHC, Abuja, alleging that the use and operation of its network base station, generator sets and diesel storage tanks at a site located in Abuja were a threat to human life and the environment in those residential areas. As part of the claim, NESREA claimed the sum of ₦500 million as general damages against the Company. The Company filed a notice of preliminary objection asking the FHC to strike out the suit brought by NESREA on the grounds that NESREA lacked the locus standi to bring the action against the Company and that the FHC lacked the jurisdiction to hear the matter, amongst others. The Company's preliminary objection was dismissed by the FHC after which the Company filed an appeal against the ruling of the FHC dismissing the Company's preliminary objection. The FHC upheld the Company's motion for stay of proceedings pending the determination of the Company's appeal to the Court of Appeal. Nonetheless, the Company is in the process of resolving such environmental issues. Failure to address these allegations by the NESREA could have a material adverse effect on the Company's business, financial condition and results of operations.

Further changes in the regulatory environment affecting the telecommunications industry could have a material adverse effect on MTN Nigeria's business, financial condition, results of operations, prospects and revenue stream mix, depending on how they are implemented. Some of these potential changes include:

- the level of competition in selected telecommunications markets;
- the introduction of new regulations in relation to retail price floors for voice USSD or data services;
- determination of cost-based pricing for Fixed Transmission services;
- determination of cost-based pricing for Retail Broadband and Data services;
- new international termination rates; and
- active network sharing and national roaming guidelines.

Such regulatory interventions may limit MTN Nigeria's pricing flexibility, raise its costs, reduce its retail or wholesale revenues or confer greater pricing flexibility on its competitors. Furthermore, the impact of the changes to the termination rates are expected to have a market-wide effect on all operators in the telecommunications sector.

*ii. Current and future antitrust and competition laws may limit the Company's growth and subject it to antitrust and other investigations or legal proceedings.*

The current antitrust and competition laws and related regulatory policies in Nigeria generally favour tighter competition oversight in the telecommunications industry and, as such, may prohibit the Company from making further acquisitions or continuing to engage in particular practices. These laws and policies aim to safeguard the interests of consumers and the general public by preventing monopolies and anti-competitive behaviour. The NCC is particularly focused on establishing rules and a regulatory framework for interconnection between networks (*i.e.*, the ability of a telecommunications provider to terminate a call on another operator's network) and the related pricing mechanisms between network operators for such calls (*i.e.* mobile termination rates).

On 1 June 2018, the NCC issued its Determination of Mobile (Voice) Termination Rate circular (the “**2018 Circular**”) as part of its commitment to undertake regular reviews of the interconnection rates, and in the light of recent developments in the Nigerian communications market. The NCC decided to review the rates set in its 2013 Determination and retained PricewaterhouseCoopers (“**PwC**”) to assist it undertake an in-depth cost study of Mobile (Voice) Termination Rates (“**MTR**”).

By the 2018 Circular, the NCC determined that the termination rates for voice services provided by one operator in Nigeria to another operator in Nigeria for terminating a call in their network are as follows:

- i. Generic 2G/3G/4G operators - ₦3.90 (Three Naira, Ninety Kobo) per minute;
- ii. New entrant (LTE) operators – ₦4.70 (Four Naira, Seventy Kobo) per minute; and
- iii. Clearing Houses - Payment/Volume discounts as negotiated.

Furthermore, the International Termination Rate of ₦24.40 determined in 2016 will continue to apply until a new determination is made and issued by the NCC. The 2018 Circular took effect on 1 July 2018, and remains valid and

binding on relevant licensees until further reviewed by the NCC. Imposition of such termination rates may adversely impact MTN Nigeria's revenues and accordingly have a material effect on its business, financial condition, results of operations and prospects.

According to the NBS Telecoms Data: Active Voice and Internet per State, Porting and Tariff Information Report for the third quarter of 2019, MTN Nigeria had the highest share of voice and internet subscription in Nigeria. In 2013, the NCC declared that MTN Nigeria was a "dominant operator" in the retail mobile voice market of the Nigerian telecommunications market. This placed certain obligations on the Company, including the requirement that it refrain from offering differential on-net and off-net pricing for mobile voice services while non-dominant operators were not restricted from offering differential prices thereby placing the Company at a competitive disadvantage relative to some of its competitors. Similarly, in 2013 MTN Nigeria and Globacom were designated by the NCC as "jointly dominant" in the upstream segment of the Nigerian telecommunications market, where the NCC noted that both companies dominated the wholesale leased lines and transmission capacity market, as a result of which a cost-based regime with price caps was imposed on all service offerings in that segment. Given the classification as a "dominant operator", MTN Nigeria is subject to greater regulatory scrutiny and may accordingly experience difficulties and delays in obtaining governmental licences, permits or approvals. This has in the past, and may in the future, prohibit the Company from introducing, or otherwise adversely impact MTN Nigeria's time to market on, the introduction of, certain services and promotional plans. In addition, violations of antitrust and competition laws and policies could expose the Company to administrative proceedings, civil lawsuits or criminal prosecution, including fines and imprisonment, and the payment of punitive damages.

Regulation to address potential or perceived anti-competitive behaviour in the telecommunications industry may also impact the Company. Requests for approvals to launch products might be refused because of the belief that it will negatively impact competition. MTN Nigeria might thus be prevented from being adequately competitive in its product and service offerings. For example, subject to certain limited exemptions, MTN Nigeria is typically regulated through ex ante (before implementation) as opposed to ex post (after implementation) interventions. Further to obtaining the approval of the NCC in April 2019, the Company has since been authorised to deliver 4G services to its customers using Visafone's 800MHz spectrum. This had a positive impact on MTN Nigeria's growth in the data services market segment.

In January 2019, the President signed into law the FCCPA which, amongst others, seeks to promote competitive markets in the Nigerian economy, protect the interests and welfare of consumers in Nigeria and prohibit restrictive or unfair business practices which may distort competition or constitute an abuse of a dominant position. The FCCPA applies to all undertakings and commercial activities carried out in Nigeria as well as commercial activities carried out offshore but having effect in Nigeria. The FCCPA also established the FCCPC as well as the Competition and Consumer Protection Tribunal. The FCCPC exercises regulatory powers over companies in Nigeria and transactions affecting companies in Nigeria, including those operating in the Nigerian telecommunications sector regarding competition-related matters and has precedence over and above the NCC in this regard. Furthermore, the FCCPC is empowered to administer and enforce the provisions of the FCCPA and ensure the promotion and protection of consumer rights in Nigeria. This competition regulation regime may result in further restriction of MTN Nigeria's operations and render less effective its leading market position and a material adverse effect on the Company's business, financial condition, results of operations and prospects. Furthermore, the FCCPC is empowered with regulatory oversight over approval of mergers and as such could exercise its powers, within the provisions of the FCCPA, to prevent the Company from engaging in further acquisitions.

Antitrust and competition laws in Nigeria are subject to change and existing or future laws may be implemented or enforced in a manner that is materially detrimental to the Company. The Company cannot predict the effect that current or any future lawsuits, appeals or investigations by regulatory bodies or by any third party would have on its business, financial condition, results of operations or prospects. There can be no assurance that antitrust or competition related lawsuits will not occur and, as a result, cause the Company material losses and expenses. In addition, any fines or other penalties imposed by an antitrust or competition authority as a result of any such investigation, or any prohibition on the Company engaging in certain types of business, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***iii. The Company is exposed to the risk of violations of anti-corruption laws, sanctions or other similar regulations.***

Companies operating in Nigeria, as in many developing markets, are at risk of fraud, bribery and corruption. The disciplinary matrix has requisite on disciplinary measures in case of a breach of the policies and procedures. The Company currently has an ABC and AML compliance team in place.



Additionally, the Company's equipment suppliers or service providers may become subject to restrictions under export controls or sanctions laws or regulations administered or enforced by the United States, the United Nations or other jurisdictions in which the Company or its suppliers operate. For example, on 15 April 2018, ZTE Corporation, ZTE Kangxun Telecommunications Ltd., and entities acting on their behalf ("**ZTE**"), which provide the Company with certain telecommunications equipment and services became subject to a denial order imposed by US Department of Commerce's Bureau of Industry and Security ("**BIS**") resulting from violations of a settlement agreement with the US government relating to sanctions violations. This denial order was lifted in July 2018, in view of ZTE's deposit of \$400 million in escrow at a U.S. bank to provide a form of security that ZTE will comply with its continuing obligations under a June 2018 superseding settlement agreement. Similarly, Huawei, another major equipment supplier, has recently been the subject of US investigations, criticism and certain actions relating to the security of its telecoms platforms as well its dealings with certain sanctioned countries. A denial order or similar restriction on any of these equipment suppliers or service providers may have a severe impact on the supply chain of the Company, and the global telecoms industry. If the Company is unable to obtain equipment from key suppliers due to export controls rules, and it is unable to replace a key supplier in a timely manner and on commercially reasonable terms, or at all, this could, in turn, have a material adverse effect on its business, financial condition, results of operations and prospects.

There can be no assurance that the AML and ABC policies of the Company will be followed at all times or will effectively detect and prevent all violations of the applicable laws and every instance of fraud, bribery and corruption. MTN Nigeria periodically receives reports relating to such matters from whistle-blowers; which are investigated using internal and external resources in line with its policies. The Company can give no assurance that whistle-blower reports will not be made in the future or that violations of applicable ABC laws will not occur under the relevant applicable laws which may have material adverse consequences on its business, financial condition, results of operations and prospects. In addition, such violations could also negatively impact the Company's reputation and, consequently, its ability to win future business. Any such violation by competitors, if undetected or unaddressed, could give them an unfair advantage when bidding for contracts. The consequences that the Company may suffer due to any of the foregoing could have a material adverse effect on its business, financial condition, results of operations and prospects.

## **RISKS RELATING TO FOREIGN EXCHANGE**

### ***i. The Company is exposed to foreign exchange risks, which may be material.***

MTN Nigeria prepares its financial statements in Naira and derives revenue and/or incurs costs predominantly in Naira and U.S. dollars (among other foreign currencies less material to its business). Between February 2015 and May 2016, the Naira was pegged to the U.S. dollar at a fixed exchange rate and consequently foreign exchange loss diminished during this period. However, in June 2016, the CBN de-pegged the exchange rate, which resulted in the devaluation of the Naira against the US dollar of more than 40%. Under this CBN policy, the CBN could intervene in the single market (for the primary purposes of seeking to improve liquidity and manage volatility) by purchasing or selling foreign exchange at no predetermined or maximum spread through the two-way quote system. As part of the new exchange rate policy, the CBN introduced Foreign Exchange Primary Dealers, which are registered authorised dealers designated to transact large trades with the CBN on a two-way quote basis. Although Bureaux de Change operators also participate in the single market, they are permitted to only disburse funds in cash for certain eligible retail transactions. On the day of the CBN's June 2016 announcement, the official rate fell approximately 30% in value to ₦280 to the U.S. dollar.

The CBN adjusted the CBN exchange rate when it moved it from ₦360 to U.S.\$1, to ₦380 to U.S.\$1 dollar at the Investors and Exporters FX Window ("**I&E Window**") on 20 March 2020. As of July 2020, the CBN exchange rate for most government transactions was ₦361 to U.S.\$1 while the Nigerian Autonomous Foreign Exchange Fixing Mechanism ("**NAFEX**") exchange rate for most private counterparties transactions, according to the FMDQ OTC Securities Exchange ("**FMDQ**"), was ₦386.93 to U.S.\$1 as at 28 August 2020. Furthermore, the CBN in June 2020, confirmed that it will continue to pursue unification around its NAFEX. In May 2021, the CBN removed the official exchange rate of N379:US\$1 from its website, in a bid to unify Nigeria's foreign exchange rates; and effectively adopted the NAFEX rate as the official exchange rate for the Naira, effectively devaluing the currency by 7.6%. Furthermore, at the CBN's July 2021 Monetary Policy Committee meeting, the CBN decided against the further sale of foreign exchange to BDCs.

MTN Nigeria has long-term contracts with, among others, tower companies with significant portions of the cost linked to the U.S. Dollar and therefore the Company's associated costs are sensitive to fluctuations in the Naira to U.S. dollar exchange rate. Further depreciation of the Naira could have a negative effect on MTN Nigeria's results of operations and financial condition to the extent that it has a mismatch between its earnings in any foreign currency and its costs that are denominated in that currency. Additionally, further currency fluctuations or the scarcity of

foreign currency may negatively affect the Nigerian economy in general and, as a result, have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Only a limited array of hedging instruments are available in the Nigerian market to hedge currency risk and there is no guarantee that the Company will be successful with this strategy. Accordingly, any future unhedged interest rate risk may result in an increase in MTN Nigeria's interest expense and may have a material adverse effect on its business, financial condition, results of operations and prospects. If MTN Nigeria fails to adequately protect against currency exchange risk, the costs of servicing its debt obligations and providing its services may increase, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

In April 2017, the CBN, via a circular dated 21 April 2017 (the "**Circular**"), introduced the NAFEX (and established what is commonly known as the "Investors' and Exporters" foreign exchange window), a special foreign currency exchange window for investors, exporters and end-users which aims to increase liquidity in the foreign exchange market in Nigeria and ensure timely execution of settlement of eligible transactions. The I&E Window is the foreign exchange market through which parties are able to buy and sell foreign exchange at a near market-determined exchange rate. Despite the measures implemented by the CBN towards the gradual convergence of foreign exchange rates, there continues to be a difference between the official rate and rates available on the unofficial parallel markets. Notwithstanding CBN's measures, private individuals regularly participate in the unofficial parallel markets.

The CBN foreign exchange ("**FX**") rate is the rate obtainable at the CBN official FX window reserved for accessing U.S. Dollar to import critical raw materials and machinery for manufacturing. The CBN is the major supplier of U.S. Dollar at this window and the critical sectors that can access this window are the manufacturing sector and petroleum products importers. The NAFEX is the FMDQ benchmark rate for FX spot operations in the I&E Window. This window is for all FX transactions except the excluded 43 items by the CBN and it is the official FX market for loans, dividends, interest payments and personal income remittances.

In view of the foregoing, there can be no assurance that the Nigerian FX regime will not undergo further changes, which may materially adversely affect the Company's operations, procedure for sourcing required FX for its purchases, services and/or transactions, or otherwise, be altered in a manner that may be detrimental to the Company.

**ii. *Fluctuations in interest and exchange rates could increase the Company's finance costs and/or make it difficult to meet its obligations under finance facilities.***

MTN Nigeria's finance costs are highly sensitive to many factors beyond its control, including the interest rate, exchange rate and other monetary policies of the Federal Government and/or the CBN. Approximately 8.2% of MTN Nigeria's debt as at 31 December 2019 was denominated in U.S. dollars with the remainder denominated in Naira. Further depreciation of the Naira may occur in the near term due to muted global oil prices. There can be no assurance that such rates will not be negatively affected by adverse financial, economic, political or other events. A significant depreciation of the Naira relative to the U.S. dollar could materially adversely affect MTN Nigeria's ability to repay or refinance its U.S. dollar denominated financial indebtedness, which in turn could have a material adverse impact on the Company's business, financial condition, results of operations and prospects.

Furthermore, the floating rate portion of MTN Nigeria's loans and borrowings is subject to interest rate risk resulting from fluctuations in the relevant reference rates underlying such debt. Consequently, because a significant portion of the Company's debt is subject to floating interest rates, any increase in such reference rates will result in an increase in MTN Nigeria's interest rate expense and may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**iii. *The imposition of exchange controls in Nigeria due to illiquidity of Foreign Exchange leading to delays in settlement of foreign-denominated obligations.***

Prior to the introduction of the I&E Window by the CBN in April 2017 (which boosted liquidity in the FX market and allows for timely execution and settlement of eligible transactions at the near market-determined exchange rates), the CBN had adopted stringent exchange controls as a way of conserving foreign reserve due to the decline in Federal Government's foreign exchange earnings from crude oil export as a result of the drop in crude oil price and the attendant declining foreign reserve at the time.

There was short supply of FX into the market with the CBN as the sole supplier through the Secondary Market Intervention Sale (SMIS) window and introduction of controls such as the restriction of 43 items from participating in the Nigerian FX Market and prioritisation of FX allocation to transactions considered as essential imports and payments. In February 2020, the CBN imposed a foreign exchange restriction on the importation of milk and dairy products into Nigeria. The CBN however, approved six companies whom the aforementioned restriction will not

apply to, namely: FrieslandCampina WAMCO Nigeria PLC; Chi Limited; TG Arla Dairy Products Limited; Promasidor Nigeria Limited; Nestle Nigeria Plc and Integrated Dairies Limited.

The CBN prioritised FX allocation to the airline, agriculture, petroleum, raw material/machineries subsectors with the exception of the Telecoms and Services subsector in the period of FX illiquidity. The controls impacted MTN's ability to promptly execute foreign-denominated capital expenditure which necessitated the use of trade line facilities with banks as a way out; while slight delays were experienced in the settling of foreign debts.

Between March 2015 and June 2016, the Naira was pegged to the U.S. dollar at a fixed exchange rate. However, in June 2016, the CBN de-pegged the exchange rate, which resulted in a significant fall in the value of the Naira against the U.S. dollar. This resulted in foreign exchange denominated contracts being negatively impacted and making it more difficult for MTN Nigeria to pay its foreign-denominated debts and increased its operational and capital expenditure costs, a significant amount of which are incurred or linked to U.S. dollars. As a result, the Company was unable to make U.S. dollar payments, resulting in reduced capital expenditure for 2016 and for the first half of 2017. After the introduction of the I&E Window, the Company's capital expenditure returned to normal levels. However, further changes in regulatory policies concerning exchange controls and limits (all of which the Company is unable to accurately predict) may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and the Company is unable to predict the future course of such policies.

***iv. The Nigerian Naira may become subject to further devaluation which may materially affect the Company's financial condition.***

MTN Nigeria derives revenue and/or incurs costs predominantly in Naira and U.S. dollars (among other foreign currencies less material to its business). In March 2020, global oil prices fell drastically as a result of the increased supply by Saudi Arabia and Russia in the global crude oil market as well as decreased global demand in response to the COVID-19 pandemic. This ultimately affected Nigeria's revenues from export during the period. In March 2020, the Naira traded at ₦380 to \$1 at the I&E Window after the CBN announced that it had allowed the currency mirror developments in the market-determined I&E Window and had adjusted the exchange rate accordingly. This was largely due to the crash in global crude oil prices, which resulted in an increased demand for dollars in the BDC segment of the market.

The CBN, in March 2020, granted a two-week market holiday to BDC operators effective from 27 March 2020, in view of the ongoing challenges faced in the global economy as a result of the adverse impact of the COVID-19 pandemic. As such, the sale of foreign exchange to BDCs was suspended. The restrictive period was expressed by the CBN to be tentative and as such may be extended further. However, in May 2021, the CBN removed the official exchange rate of N379:US\$1 from its website, in a bid to unify Nigeria's foreign exchange rates; and effectively adopted the NAFEX rate as the official exchange rate for the Naira, thereby effectively devaluing the Nigerian currency by 7.6%. At the CBN's July 2021 Monetary Policy Committee meeting, the CBN decided against the further sale of foreign exchange to BDCs and also stated that it will no longer process BDC licenses.

Any further devaluation of the Naira may lead to increases in the Company's operating costs reductions in margins and exchange losses. MTN Nigeria's results of operations will continue to be impacted by fluctuations in exchange rates, particularly the Naira to U.S. dollar rate. These adverse consequences could have a material adverse effect on the Company's financial condition and results.

## **RISKS RELATING TO NIGERIA**

***i. The Company is subject to risks associated with political, social, regulatory and economic conditions in Nigeria, which may affect its business.***

The results of MTN Nigeria's operations are and will continue to be significantly affected by financial, economic and political developments in Nigeria. Low oil prices, a devalued local currency and political uncertainty have negatively affected customer demand in the past. Any future domestic economic downturn could have a material adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects. Investors should also note that MTN Nigeria's business and financial performance could be materially adversely affected by political, financial, economic or related developments outside Nigeria because of inter-relationships within the global financial markets.

Specific risks related to doing business in Nigeria that may have a material adverse effect on the Company's business, financial condition, results of operations and prospects include, among other risks:

- political instability, riots or other forms of civil disturbance or violence;
- religious conflicts, terrorism and social and religious tension;

- medical pandemics or disease outbreaks (such as the occurrence and spread of the Coronavirus) and famine;
- government interventions, including expropriation or nationalisation of assets;
- increased protectionism;
- introduction of tariffs or subsidies;
- changing fiscal, regulatory and tax regimes;
- inflation in local economies;
- uncertainty in government policies and actions, including lack of predictability in the application of tax laws and selective tax audits;
- restricted access to cash;
- restrictions on remittances and stricter exchange control towards the service industry;
- diesel fuel shortages in the country, which may lead to service disruptions;
- difficulties and delays in obtaining requisite governmental licences, permits or approvals;
- cancellation, nullification or unenforceability of contractual rights;
- risk of uncollectible accounts and long collection cycles;
- underdeveloped industrial and economic infrastructure;
- logistical and communications challenges;
- difficulties in staffing and managing operations;
- security and safety of employees;
- border closure affecting movement and logistics to base transceiver stations/systems near border areas; and
- reputational risk.

Changes in investment policies or shifts in the prevailing political climate in Nigeria could result in the introduction of increased government regulation with respect to, among other things:

- price controls;
- export and import controls;
- income and other taxes;
- environmental and planning legislation;
- customs and immigration;
- foreign ownership restrictions;
- corruption, anti-money laundering and combating the financing of terrorism;
- foreign exchange and currency controls and convergence of import and export rates, and CBN rates affecting operating costs of site lease and other contracts; and
- labour and welfare benefit policies.

Nigeria has experienced varying degrees of political instability in the past. Ongoing and future conflicts, including armed conflicts, and politics-related conflicts in Nigeria or in neighbouring countries could impact MTN Nigeria's operations, including its ability to purchase adequate political risk and political violence insurance.

Additionally, the Company is largely owned by MTN Group, its indirect majority shareholder, and it has, in the past and may in the future, be subject to negative press attention or attacks on its employees or locations due to the general perception of the Company as a foreign-owned company. For example, in 2017, MTN Nigeria's office in Abuja, Nigeria was vandalised by protesters in retaliation to xenophobic attacks on Nigerians in Gauteng, South Africa resulting in destruction of equipment, phones and other devices as well as harm to customers and employees of MTN Nigeria. Similar attacks were carried out in Nigeria in 2019 following xenophobic attacks in South Africa, although none of MTN Nigeria's offices or other premises were the subject of any of such attacks.

Any adverse changes in the political, social, economic or other conditions in Nigeria or in neighbouring countries, could have a material adverse effect on the investments that the Company has made or may make in the future, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Additionally, political and economic challenges in other emerging market economies in which MTN Group operates may have adverse effects for MTN Group and, ultimately, MTN Nigeria, which could have a material effect on the Company's business, financial condition, results of operations and prospects.

***ii. A downturn in the Nigerian or global economy may materially adversely affect the Company's business.***

MTN Nigeria is exposed to risks associated with any future downturn in the national or global economy. Global financial markets have remained volatile since the global financial crisis that started in 2008 and remain susceptible to renewed shocks. The ongoing disruptions experienced in the international and domestic capital markets since 2008

affected Nigeria particularly through the resulting fluctuations in oil prices, reduced liquidity, decline in exports and increases in credit risk premiums for certain market participants, and have resulted in a reduction of available financing. Companies with operations in countries in developing and emerging markets, such as Nigeria, may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs. While some countries have made a significant improvement since the credit crisis, new challenges such as the decline in oil prices (for example, the recent fall in oil prices due to the increased supply by Saudi Arabia and Russia and the decreased demand in response to the COVID-19 pandemic) and future reduction in oil reserves are expected to continue to cause disruptions. Further, many of MTN Nigeria's strategic partners and suppliers, who are based overseas, may, in the event of a global downturn or a downturn in Nigeria, experience financial difficulties that could affect their ability to service the Company in a timely and efficient manner. Any future global downturn, such as that experienced from 2008 to 2011, could have a material and adverse effect on the Company's revenues, financial condition, results of operations and continued growth.

According to the NBS, as of the fourth quarter of 2019, Nigeria's economy was highly dependent on its trade and investment relations with the United States and India, among others. At the end of the first quarter of 2020, Nigeria's exports to India were ₦637.5 billion (amounting to 15.6% of total exports) and crude oil represented ₦526.8 billion of the total export amount. India has replaced the United States as Nigeria's largest export destination for crude oil and as such Nigeria relies to a large degree on India's patronage to meet its (Nigeria's) crude oil sales targets. If India or the United States were to suspend, limit or cease trading or investment activities with Nigeria, whether as a result of general macroeconomic conditions or otherwise, Nigeria's economy would suffer, which in turn could have an adverse effect on the Company's business, results of operations, financial condition, cash flows, liquidity and prospects.

In 2019, in real terms, the non-oil sector contributed 92.7% to the GDP in the fourth quarter of 2019, lower than that recorded in the fourth quarter of 2018 (92.9%) but higher than the third quarter of 2019 (90.2%). The annual contribution of the non-oil sector to GDP stood at 91.2% in 2019. The oil sector on the other hand, recorded a 4.6% growth in 2019, higher compared to 0.97% recorded in 2018. The oil sector contributed 8.8% to real GDP in 2019. The oil sector contributed 8.93% to total real GDP in the second quarter of 2020 whilst the non-oil sector, which declined by 6.05% in real terms during the said period, accounted for 91.07% of aggregate GDP.

Oil remains a dominant export in Nigeria and a major source of foreign earnings for the country. On 8 March 2020, Saudi Arabia initiated a price war with Russia, triggering a major fall in the global crude oil price, with U.S. West Texas Intermediate (WTI) falling by 34% and Brent Crude falling by 24%. The fall in global oil prices has been further exacerbated by the reduced demand for crude oil due to the spreading COVID-19 pandemic. It is expected that these two factors will continue to have a significant impact on global oil prices in the short to medium term.

Economic conditions can have a material adverse effect on telecommunications businesses, including a material adverse effect on the quality and growth of their customer base and service offerings, which could materially adversely affect the Company's business, financial condition, results of operations and prospects. For example, MTN Nigeria's customers may decide that they can no longer afford mobile services, data services and/or other value-added services that are instrumental in maintaining or increasing total revenue generated per subscriber and, in turn, increasing the Company's revenues. Any future economic downturn in Nigeria could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***iii. Fluctuations in commodity prices may materially adversely affect the Company's business.***

Commodity prices have historically been very volatile, and such high levels of volatility are expected to continue in the future. A significant portion of MTN Nigeria's operational costs are related to site maintenance, including expenditure on diesel fuel. Any increase in commodity prices could increase the amount of the Company's operational expenditures in respect of network-related costs, which could have a material adverse effect on its revenues, financial condition, results of operation and prospects. Decreased commodity prices may also negatively impact the Company. Declines in commodity prices may have adverse macroeconomic effects globally or in Nigeria. For example, the global decline in crude oil prices since 2015 has had a significant impact on the GDP and foreign reserves of, and consequently the exchange rate in, Nigeria, which has affected MTN Nigeria's revenue. The decline in disposable income and consumer expenditure has adversely affected the Company's revenue and margins. Any further decrease in commodity prices could have a material adverse effect on the Company's revenues, financial condition, results of operation and prospects.

***iv. Sustained periods of high inflation could have a material adverse effect on Nigeria's economy.***

According to the NBS, Nigeria's inflation rate increased by 17.38% (year-on-year) in July 2021. This is 0.37% points lower than the rate recorded in June 2021 (17.75%), and implies that prices continued to rise in July 2021, but at a

slower rate than it did in June 2021. Although tighter monetary policies may help to curb inflation, there can be no assurance that inflation will not continue to remain at current levels or that the inflation rate will not rise in the future. Significant inflation could have a material adverse effect on Nigeria's economy and cause consumer purchasing power to decrease, which, in turn, may have an adverse effect on MTN Nigeria's business, results of operations, financial condition, cash flows, liquidity and prospects.

**v. *Nigeria experiences electricity shortages and power outages.***

In spite of the abundant energy resources in the country and significant government reform efforts and investments in the power sector in recent years, lack of sufficient and reliable electricity supply remains a serious impediment to Nigeria's economic growth and development. Although Nigeria has witnessed incremental improvements in the sector, failure to adequately address the significant lingering deficiencies in power generation, transmission and distribution infrastructure and related concerns within the power sector could lead to lower GDP and hamper the development of the economy. Slow growth in the economy may lessen consumer propensity to spend, which could materially adversely affect MTN Nigeria's business, financial condition, results of operations and prospects. For example, the Company's customers may decide that they can no longer afford mobile services, data services and/or value-added services that are instrumental in maintaining or increasing total revenue generated per subscriber and, in turn, increasing the Company's revenues. This, in turn, may have an adverse effect on the Company's business, results of operations, financial condition, cash flows, liquidity and prospects.

**vi. *Failure of ongoing improvement efforts to adequately address Nigeria's significant infrastructure deficiencies could materially adversely affect its economy and growth prospects.***

Insufficient investment in the past has adversely affected Nigeria's public infrastructure and resulted in the absence of infrastructure to support and sustain growth and economic development. In addition to power generation, transmission and distribution deficiencies (see "*Nigeria experiences electricity shortages and power outages*" in this *Risk Factors* section)), Nigeria suffers from poor road network, congested ports and obsolete rail infrastructure which have all severely constrained socioeconomic development. Failure to significantly improve Nigeria's infrastructure could materially adversely affect Nigeria's economy and growth prospects, including its ability to meet GDP growth targets which, in turn, may have an adverse effect on MTN Nigeria's business, financial condition, results of operations and prospects.

**vii. *Failure to adequately address actual and perceived risks of corruption may materially adversely affect Nigeria's economy and ability to attract foreign investment.***

Although Nigeria has implemented and is pursuing major initiatives to prevent and fight corruption and unlawful enrichment, corruption remains a significant issue in Nigeria, as it is in many other emerging markets. Nigeria is ranked 146<sup>th</sup> out of 180 countries on Transparency International's 2019 Corruption Perceptions Index. Since 2000, Nigeria has implemented various measures to prevent and fight corruption and unlawful enrichment. In particular, Nigeria created the Independent Corrupt Practices and Other Related Offences Commission in 2000 to receive complaints, investigate and prosecute offenders. In 2002, Nigeria also created the Economic and Financial Crimes Commission, which is mandated to combat economic and financial crimes (including powers of investigation and prosecution) and to enforce the provisions of certain laws and regulations relating to economic and financial crimes. In August 2015, the Federal Government established the Presidential Advisory Council Against Corruption which has the objective of advising the Government in connection with anti-corruption policies and strategies for effective law enforcement. The Federal Government has outlined the War Against Corruption as one of its key programmes. This programme is aimed at strengthening the powers of the EFCC and other anti-graft agencies. One of the major initiatives was the establishment and implementation of a nationwide whistle-blowing policy used to report corrupt practices in public agencies.

Despite various reform efforts, however, corruption continues to be a serious problem impacting Nigeria. There have been a number of high-profile convictions for corruption, including those of state governors. A number of senior government officials have been dismissed and some of them, including former state governors, are facing corruption charges. Failure to address these issues, continued corruption in the public sector and any future allegations or perceived risk of corruption in Nigeria could have an adverse effect on the Nigerian economy and may have a negative effect on Nigeria's ability to attract foreign investment and, as a result, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, liquidity and prospects.

**viii. *There are risks related to political instability, religious differences, ethnicity and regionalism in Nigeria.***

MTN Nigeria's operations are exposed to the political and social environment of Nigeria, which has the potential for civil and political unrest and contributes to an uncertain operating environment. In recent years, Nigeria has experienced considerable unrest, terrorism and political and religious conflicts. Divisions based on geography can be

magnified by religious differences, particularly between the north, which has a predominantly Muslim population, and the south, which has a predominantly Christian population. Certain northern states have adopted Sharia law since the return to civilian rule in 1999. Other than the People's Democratic Party and the All Progressives Congress, many of Nigeria's political parties are based largely upon regional allegiance. These regional affiliations have in the past contributed to, and may continue to contribute to, political and religious tension, which can also lead to social unrest. For example, during the presidential election which took place on 23 February 2019 resulting in the re-election of President Muhammadu Buhari, there were reports of violence and riots in certain parts of the country.

Nigeria has also, from time to time, experienced attacks and kidnappings in parts of the country, particularly in the northern and south-southern states. It is believed that the attacks in the northern states have been carried out by Islamist militia groups based in the north, such as Ansar-ul-Islam and Boko Haram. These attacks have occurred at various sites including churches, mosques, schools, business premises, police stations and immigration offices in Kano, Maiduguri, Mubi, Yola and Gombe. Also, there has been an increase in incidents of kidnapping. Under the current administration of President Muhammadu Buhari, the Government has focused on combating terrorism in Nigeria as one of its key priorities, sought and gained the support of Western governments and has participated in a joint task force consisting of military forces from Nigeria, Chad and Niger to combat terrorism. Additionally, there have recently been violent disputes between farmers and herdsmen, particularly in the Middle Belt region. Further escalation of these conflicts could contribute to social unrest and thereby affect the Company's business, financial condition, results of operations and prospects.

Insurgent activities in the north-east region of the country have also resulted in social and economic damage, including damage to MTN Nigeria's mobile sites. The destruction of farmlands and a lack of labourers to engage in farming due to security fears have adversely affected agricultural production in the region and have resulted in instances of shortage of food supply. Additionally, continued security concerns have deterred humanitarian aid and in a number of cases, foreign aid workers have been subject to attack. Following an incident in July 2016, the United Nations Children's Fund ("UNICEF") temporarily withdrew certain aid funds. MTN Nigeria has had its operations in the North East region adversely impacted. For example, in 2019, Boko Haram attacks in the region resulted in significant instability and disruption to commercial activity as civilians in many parts of the region faced threats from insurgent attacks as well as counterterrorism operations. In more recent times, acts of terrorism and violence by herdsmen in the northern region of Nigeria as well as series of kidnappings in various parts of Nigeria, have posed a threat to security as civilians in various parts of the region are affected by such threats.

Additionally, in the past, there have been occurrences of violence, oil theft, and civil disturbance in the Niger Delta, Nigeria's southern oil-producing region, mainly from militant groups who attack oil installations, among other things, in protest against the Government and the allocation of oil revenue among the regions of the country. Such acts have mainly been directed at oil interests in the region, and oil production from onshore fields has slowed as a result, materially and adversely affecting the Federal Government's revenues from oil production. The Nigerian National Petroleum Corporation recently expressed its concern over the incidence of pipeline vandalism across the country. There can be no assurance that such unrest will abate or not escalate. In the South-Western part of Nigeria, the Western Nigeria Security Network code-named Operation Amotekun was established in January 2020 by the governors of the South Western states of Nigeria (i.e. Lagos, Oyo, Ogun, Ondo, Osun and Ekiti States) to assist police officials and other security agencies and traditional rulers in combating terrorism, banditry, armed robbery and kidnapping. Furthermore, the group aims to resolve herdsmen and farmer-related conflicts in the region. The group's membership is made up of local hunters and members of other security and vigilante groups. Unless resolved, these conflicts may adversely affect Nigeria's political and economic stability which may, in turn, affect the Company's business, financial condition, results of operations and prospects.

***ix. Events in neighbouring and other emerging markets, including those in sub-Saharan Africa may negatively affect Nigeria and its economy.***

Economic, security or health distress in Nigeria's neighbouring countries and nearby emerging market countries may materially adversely affect Nigeria's economy, the prices of securities and the level of investment in other emerging markets' issuers as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Nigeria and materially adversely affect the Nigerian economy. Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Nigeria if investors perceive that such developments will materially adversely affect Nigeria or that similar adverse developments may occur in Nigeria. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Nigeria.

*x. Nigeria may face a lack of continued access to foreign trade and investment.*

According to the Nigerian Capital Importation Q1 and Q2 2021 reports issued by the NBS, the total value of capital importation into Nigeria declined to \$875.62 million in the second quarter of 2021 from \$1,905.89 million in the first quarter of the same year. This represents a decrease by 54.06% compared to the first quarter of 2021 and 32.38% decrease compared to the second quarter of 2020. The future prospect for FDI to rebound and surpass its previous inflows is uncertain. In addition, if there is no decrease in the perceived risks associated with investing in Nigeria, including those described herein, there may not be any appreciable increase in FDI, which could materially adversely affect the Nigerian economy and limit sources of funding for infrastructure and other projects requiring significant investment by the private sector, which, in turn, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

*xi. The taxation and customs systems, laws and regulations in Nigeria may be subject to changes.*

As in many emerging market economies, the Federal Government's policies and regulations on taxation, customs and excise duties may change from time to time as considered necessary for the development of the economy. In addition, the government has indicated that taxes, customs and excise duties may be the next major sources of revenue in view of the fluctuation in revenue derived from crude oil export.

In March 2017, in view of allegations that some telecommunications equipment and services companies in Nigeria were evading taxes, the House of Representatives set up an ad-hoc committee to investigate such companies' administrative and operational procedures and assess their tax compliance status. In carrying out its functions, the committee requested MTN Nigeria to provide documentary evidence showing compliance with certain tax regulations. Consequently, the committee directed MTN Nigeria to reconcile the amounts quoted in its interim report as taxes payable to the government with its consultants. Based on the successful defence of MTN Nigeria's position, representatives from MTN Nigeria Tax Function met with the members of the committee and its consultants to reconcile the tax submissions made by MTN Nigeria. The ad-hoc Committee discharged the alleged liability of ₦112.7 billion and cleared MTN Nigeria of all allegations relating to the under-remittance of federal taxes in Nigeria.

Currently, a bill in respect of CST is being considered by the National Assembly. The CST will be levied on service fees payable by users of electronic communication services (such as voice calls, SMS, multi-media messaging, pay-per-view TV stations, and data usage) at 9% and will be borne by the customers. If the bill is enacted into law, it will mandate service providers to file monthly tax returns with the FIRS with strict penalties for non-compliance. The bill also empowers the FIRS to appoint agents for purposes of establishing both electronic and physical monitoring mechanisms, via access to network nodes of service providers at an equivalent point in the network where the network providers' billing systems are connected. If the bill is enacted into law, this could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Although the CST is intended to be borne by the users of the electronic communication service, this may be impracticable because of the increasing economic burden on the subscribers. In addition, the CST would impose significant compliance burden and costs on the Company and could significantly increase the risk of data protection violation, given the possible requirement to provide the government and its appointed agents access to network nodes.

Additionally, the Digital Rights and Freedom Bill, if signed into law, will regulate human rights as they relate to the use of the internet and media online as well as protect internet users in Nigeria from infringement of their fundamental rights in connection with the use of digital platforms and/or digital media. Although in March 2019, President Muhammadu Buhari declined assent to the bill, where the bill nonetheless becomes law, upon being passed by the National Assembly by a two-thirds majority vote to override the President's veto, the Company will be required to comply with the provisions of the law. Any breaches or non-compliance with the law could expose the Company to penalties, additional expenses and/or requirements to put in place additional processes to assure compliance.

The Finance Acts of 2019 and 2020 were recently passed in Nigeria and specifically aims at promoting fiscal equity by mitigating instances of regressive taxation (or double taxation on the same income stream), aligning domestic tax laws with global best practices and enhancing Ease of Doing Business in support of Micro, Small and Medium Enterprises. The Finance Acts of 2019 and 2020, also amend relevant tax laws in Nigeria relating to Value Added Tax, Companies Income Tax, Stamp Duties and Capital Gains Tax, amongst others. By the provisions of the Finance Act, the applicable value added tax rate in Nigeria was increased from 5% to 7.5% on all eligible goods and services. This new VAT rate took effect from 1 February 2020. This effectively means that the Company's customers will be required to pay VAT at an increased rate for eligible services in Nigeria and this may ultimately affect the spending power of such customers. MTN Nigeria has implemented the 7.5% increase in the standard VAT rate on calls, voice, SMS and invoiced services and intends to effect the rate on data, digital and fintech in the next phase of the implementation process.



MTN Nigeria is subject to tax audits by the FIRS, which may result in the imposition of additional tax liabilities and materially adversely affect MTN Nigeria's results of operations. For example, the FIRS conducted a tax audit on the books of MTN Nigeria for the 2010 to 2015 financial years and imposed an additional tax liability of ₦288 billion as a result of the audit. Following the objection raised by MTN Nigeria and reconciliation meetings held with the FIRS, the initial assessment was reduced to ₦86.4 billion. MTN Nigeria further objected to this revised assessment based on technical interpretation of the basis of the assessment. Consequently, MTN Nigeria duly filed an Appeal at the Lagos Division of the Tax Appeal Tribunal upon receipt of a Notice of Refusal to Amend issued by the FIRS. The TAT delivered its judgment in the Company's appeal against the FIRS on 7 February 2020 and as part of its decision, the TAT ruled that the settlement amount paid by the Company to NCC did not qualify as a tax-deductible expense for tax purposes because the expense did not pass the "necessary" test. This will not expose the Company to any additional tax liability as the Company had already made payment of the relevant taxes in advance.

The Company is subject to changing tax laws, regulations and treaties and its tax expense is based upon the tax laws in effect currently. A change in these tax laws, regulations or treaties or in the interpretation thereof, or in the valuation of the Company's deferred tax assets, which are beyond the Company's control, could result in a materially higher tax expense or a higher effective tax rate on the Company's earnings. Any additional tax liability imposed by tax authorities may not be provided for and may exceed any accounting provisions made for such tax and may thus have an adverse impact on the Company's financial condition or results of operations. Generally, any failure to comply with the tax laws or regulations may result in reassessments, late payment interest, fines and penalties, which could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

***xii. Inefficiencies in the judicial system may create an uncertain environment for investment and business activity.***

Nigerian law is predicated on the common law system, with its roots being derived from the English legal system. The Nigerian legal system faces a number of challenges including delays in the judicial process as many cases take a considerable period of time to be concluded. Similarly, the enforcement of security in Nigeria is affected by the inefficiencies in the judicial system and can result in uncertain positions. However, there has been considerable reform of the judiciary in recent years, especially in Lagos State (the commercial centre of Nigeria and where the Company is headquartered), with the establishment of commercial courts, the appointments of more commercially-minded judges and the introduction of new rules to reduce delays in the judicial process. In addition, the National Industrial Court is a superior court of record with exclusive jurisdiction amongst others, in civil cases and matters relating to labour, employment, trade unions, industrial relations, terms of service and matters arising in relation to the workplace. Despite reforms, the slow judicial process may sometimes affect the enforceability of judgments obtained. These and other factors that have an impact on Nigeria's legal system make an investment in MTN Nigeria subject to increased risks and uncertainties than an investment in more developed economies.

***xiii. Any downgrading of Nigeria's debt rating by an international rating agency could have a negative impact on the Company's business and the trading price of the Ordinary Shares.***

As of April 2020, Nigeria's sovereign rating was "B2" (Moody's), "B-" (Fitch) and "B-" (S&P). On April 6, 2020, Fitch downgraded Nigeria's long-term foreign-currency issuer default rating from "B+" to "B". In March 2020, S&P revised Nigeria's outlook from "stable" to "negative" and downgraded Nigeria's long and short-term ratings. These ratings were primarily downgraded as a result of overdependence on oil revenues and a weakening economy, principally due to a restrictive foreign exchange regime, a marked contraction in oil production and delayed fiscal stimulus. Such revisions reflect an assessment of the Federal Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. Any adverse revisions to Nigeria's credit ratings for domestic and international debt by international rating agencies may materially adversely affect the liquidity of the Nigerian financial markets, the ability of the Federal Government and Nigerian companies, including MTN Nigeria, to raise additional financing, and the terms on which MTN Nigeria is able to finance future capital expenditure or refinance any existing indebtedness. This could have an adverse effect on MTN Nigeria's capital expenditure plans, business, cash flows, financial performance and prospects.

As of April 2021, Nigeria's sovereign rating stood at "B2" (Moody's), "B (stable)" (Fitch) and "B-" (S&P).

## **RISKS RELATING TO THE PROGRAMME**

- i. Ordinary Shares in the Company may be subject to market price volatility and the market price of the Ordinary Shares in the Company may decline in response to variety of factors, some of which may be unrelated to MTN Nigeria's operating performance.***

The price at which Ordinary Shares are sold under an Offer, when established, may not be indicative of the market price of the Ordinary Shares. The market price of the Ordinary Shares may be volatile and subject to wide fluctuations as a result of a variety of factors, including, but not limited to, those referred to in this Part 11 (*Risk Factors*); as well as period to period variations in operating results or changes in any revenue or profit estimates of MTN Nigeria, that industry participants or financial analysts may issue in the future. The market price could also be materially adversely affected by developments unrelated to MTN Nigeria's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to MTN Nigeria, speculation about MTN Nigeria or MTN Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Ordinary Shares, which could lead to investors getting back less than they invested or a total loss of their investment.

***ii. The Company cannot guarantee making dividend payments in the future, which could reduce investors' returns on the Ordinary Shares.***

There can be no assurance as to the level or frequency of any future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and will depend on, among other things, the economic conditions in Nigeria, foreign exchange conditions and the position taken by the Company's regulators, as well as MTN Nigeria's earnings, financial position, cash requirements and availability of profits and distributable reserves. If MTN Nigeria's cash flow underperforms, its capacity to pay a dividend will be impacted negatively. For example, following the NCC Fine, the Company curtailed dividend payments to meet its cash payments for the fine. While the Directors intend to adopt a dividend policy that reflects the long-term earnings and cash flow potential of MTN Nigeria, there can be no assurance that the Company will pay dividends in the future.

***iii. There will be transaction costs on the sale of Ordinary Shares.***

The Ordinary Shares will be traded on the floor of the NGX upon payment of the customary fees and charges, which would include a brokerage commission, commission on the fees payable to NGX, CSCS and the SEC, VAT and stamp duties. Investors are advised to enquire as to the current level of all such transaction costs before incurring them.

***iv. Future financings for acquisitions and the issuance of any share incentive or share option plans or otherwise may dilute all other shareholdings.***

The Company may seek to raise financing to fund future acquisitions and other growth opportunities, invest in its business or for general corporate purposes. The Company may issue additional equity or convertible equity securities for these and other purposes, including in connection with employee share plans or as consideration for any potential future acquisitions. As a result, existing holders of Ordinary Shares may suffer dilution in their percentage ownership or the market price of the Ordinary Shares may be materially adversely affected.

***v. Investing in securities of emerging market issuers generally involves a higher degree of risk than investing in more developed markets.***

Investing in securities of emerging market issuers, such as Nigerian issuers, generally involves a higher degree of risk than investments in securities of issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets. These risks include, but are not limited to, higher volatility and limited liquidity in respect of the Ordinary Shares, political risk, social unrest, inflation, currency volatility, instability in neighbouring countries, corruption, low per capita customer purchasing power, a narrow export base, budget deficits, delays in reform and transformation agendas, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment. Any such risks may adversely impact Nigeria's economy. Although significant progress has been made in reforming Nigeria's economy and its political and judicial systems since the Constitution of the Federal Republic of Nigeria 1999 (as amended) came into effect and a democratically-elected government was sworn in in 1999, Nigeria is still in the process of developing the necessary infrastructure, regulatory and judicial framework that is essential to support market institutions and broad-based social and economic reforms. Emerging markets can also experience more instances of corruption by government officials and misuse of public funds than do more mature markets, which could affect the ability of governments to meet their obligations. Generally, investment by investors from mature markets in securities of issuers in emerging markets, such as Nigeria, is only suitable for sophisticated investors who fully appreciate the significance of risks involved in, and are familiar with, investing in emerging markets and investors are urged to consult their own legal, tax and financial advisers before making an investment. Investors should also note that emerging markets such as Nigeria are subject to rapid change and that the information set out in this Shelf Prospectus may become outdated relatively quickly.

*vi. Shareholders may be subject to exchange rate risk.*

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in Naira. An investment in Ordinary Shares by an investor whose principal currency is not Naira exposes the investor to foreign currency exchange rate risk. Any depreciation of Naira in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms.

*vii. It may not be possible for investors to enforce foreign judgments against MTN Nigeria or its management.*

The Company is a public limited liability company incorporated under the laws of Nigeria. A majority of the Directors and officers of the Company reside in Nigeria and all or a substantial portion of the assets of such persons may be, and the majority of the assets of MTN Nigeria are, located in Nigeria. As a result, it may be difficult for investors to effect service of process upon such persons outside Nigeria or to enforce any judgments against them obtained in the courts of jurisdictions other than Nigeria, predicated upon the laws of such other jurisdictions.

*viii. The Ordinary Shares may not be a suitable investment for all investors.*

Each potential investor in the Ordinary Shares must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Ordinary Shares, the merits and risks of investing in the Ordinary Shares and the information contained in this Shelf Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Ordinary Shares and the impact such investment will have on its overall investment portfolio; (iii) be familiar with the behaviour of financial markets in which they participate; and (iv) be able to evaluate possible scenarios for economic and other factors (especially the risks related to Nigeria set out in this Part 11 (*Risk Factors*)) that may affect its investment and its ability to bear the applicable risks.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS**

MTN Nigeria Group has exposure to the following financial risks: credit risk, liquidity risk and market risk (consisting of foreign exchange and interest rate risk). The below summary presents information about MTN Nigeria Group's exposure to each of the below risks, and MTN Nigeria Group's objectives, policies and processes for measuring these risks.

MTN Nigeria Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance. Risk management is carried out under policies approved by the Board. The Company's management identifies and evaluates financial risks. The Board provides written principles for overall risk management, as well principles for specific areas such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

### ***Credit risk***

MTN Nigeria Group is exposed to credit risk due to customers or counterparties not meeting their contractual obligations. Credit risk is managed through the application of credit approvals, limits and monitoring procedures. MTN Nigeria Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets that are exposed to credit risk.

### ***Liquidity risk***

Liquidity risk is the risk that an entity will be unable to meet its obligations as they become due. MTN Nigeria Group seeks to ensure it has sufficient cash on demand or access to facilities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

### ***Market risk***

Market risk is the risk that changes in market prices (interest rate, price risk and currency risk) will affect MTN Nigeria Group's income or the value of the financial instruments it holds. Market risk management seeks to manage and control market risk exposures within acceptable parameters while optimising the return. The Board does not believe the Company has price risk exposure.

### *Currency risk*

MTN Nigeria Group is exposed to currency risk. Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not MTN Nigeria Group's functional currency. MTN Nigeria Group prepares financial statements in Naira and derives revenue and/or incurs costs predominantly in Naira and U.S. dollars (among other foreign currencies less material to MTN Nigeria Group's business). MTN Nigeria Group has long-term contracts with, among others, tower companies with significant portions of the cost incurred in U.S. dollars and therefore the associated costs are sensitive to fluctuations in the Naira to U.S. dollar exchange rate. Further depreciation of the Naira could have a negative effect on MTN Nigeria Group's results of operations and financial condition to the extent there is a mismatch between earnings in any foreign currency and costs that are denominated in that currency.

## PART 12: SELECTED FINANCIAL INFORMATION

The tables below set out the Group's selected financial information for the periods indicated, as reported in accordance with IFRS, which have been extracted without material adjustment from the historical financial information set out in Part 13 (*Historical Financial Information*).

### CONSOLIDATED INCOME STATEMENT DATA

<b>₦ 'million (Audited)</b>	<b>FY-2020</b>	<b>FY-2019</b>	<b>FY-2018</b>	<b>FY-2017</b>	<b>FY-2016</b>
Revenue	<b>1,346,390</b>	<b>1,169,735</b>	<b>1,039,118</b>	<b>887,180</b>	<b>793,673</b>
Other income	104	97	2,225	-	-
Direct network operating costs	(310,248)	(246,604)	(305,519)	(268,359)	(176,901)
Value added services	(12,820)	(12,459)	(16,644)	(28,227)	(34,237)
Blackberry licence fees	-	-	-	240	(5,722)
Costs of starter packs, handsets and other accessories	(20,566)	(12,766)	(6,192)	(7,214)	(4,274)
Interconnect costs	(112,470)	(105,250)	(95,630)	(84,194)	(76,078)
Roaming costs	(2,956)	(4,038)	(4,173)	(2,725)	(2,175)
Transmission costs	(6,106)	(5,553)	(5,509)	(5,685)	(5,696)
Discounts and commissions	(68,528)	(56,586)	(51,287)	(45,770)	(44,087)
Advertisements, sponsorships and sales promotions	(15,144)	(19,848)	(16,274)	(15,567)	(18,053)
Employee costs	(45,325)	(30,706)	(27,152)	(22,683)	(23,701)
Depreciation of property, plant and equipment	(150,203)	(147,808)	(141,162)	(123,818)	(116,843)
Depreciation of right of use assets	(36,699)	(54,002)	-	-	-
Amortisation of intangible assets	(72,125)	(29,997)	(26,700)	(26,649)	(26,896)
Regulatory fine	-	-	-	-	20,384
Notional reversal difference payment to CBN	-	-	(19,192)	-	-
Other operating expenses <sup>(1)</sup>	(66,591)	(50,989)	(59,794)	(60,599)	(47,045)
<b>Operating profit</b>	<b>426,713</b>	<b>393,227</b>	<b>266,114</b>	<b>195,929</b>	<b>232,350</b>
Finance income	15,848	20,132	22,568	43,503	40,131
Finance costs	(143,687)	(122,079)	(67,339)	(131,542)	(145,830)
<b>Profit before tax</b>	<b>298,874</b>	<b>291,280</b>	<b>221,343</b>	<b>107,890</b>	<b>126,651</b>
Taxation	(93,660)	(87,993)	(75,657)	(26,816)	(34,773)
<b>Profit for the period</b>	<b>205,214</b>	<b>203,287</b>	<b>145,686</b>	<b>81,070</b>	<b>91,878</b>

#### Notes:

(1) Includes impairment reversal on contracts with customers, impairment of property, plant and equipment and writeback of impairment of assets held for sale.

**CONSOLIDATED BALANCE SHEET DATA**

<b>₹ 'million (Audited)</b>	<b>FY-2020</b>	<b>FY-2019</b>	<b>FY-2018</b>	<b>FY-2017</b>	<b>FY-2016</b>
<b>ASSETS</b>					
<b>Non- Current Assets</b>					
Property, plant and equipment	686,157	625,095	607,024	582,439	494,670
Right of use assets	595,745	476,357	-	-	-
Intangible assets	111,080	120,946	119,368	128,602	141,488
Investments in subsidiaries	-	-	-	-	-
Contract acquisition costs	7,990	4,852	3,766	3,412	4,315
Pre payments	13,906	12,145	15,727	13,683	18,450
Derivatives	-	-	-	56	-
Other Investments	25,847	-	-	-	-
	<b>1,440,725</b>	<b>1,239,395</b>	<b>745,885</b>	<b>728,191</b>	<b>658,923</b>
<b>Current Assets</b>					
Inventories	2,158	909	1,539	5,730	9,160
Trade and other receivables	50,766	52,824	38,617	33,425	39,550
Assets held for sale	-	-	-	-	7
Current investments	146,783	54,827	65,468	71,078	151,437
Restricted cash	47,913	38,050	37,219	41,618	17,261
Cash and cash equivalents	275,198	116,278	53,012	89,565	146,369
	<b>522,818</b>	<b>262,888</b>	<b>195,855</b>	<b>241,416</b>	<b>363,784</b>
<b>TOTAL ASSETS</b>	<b>1,963,543</b>	<b>1,502,283</b>	<b>941,740</b>	<b>969,608</b>	<b>1,022,707</b>
<b>EQUITY</b>					
Share capital	407	407	647	647	647
Share premium	17,216	17,216	64,498	64,498	64,498
Other reserves	239	521	6	497	326
Retained profit	160,524	127,713	154,201	47,210	18,555
<b>TOTAL EQUITY</b>	<b>178,386</b>	<b>145,857</b>	<b>219,352</b>	<b>112,852</b>	<b>84,026</b>
<b>LIABILITIES</b>					
<b>Non- Current Liabilities</b>					
Borrowings	330,551	380,089	31,438	135,545	189,783
Derivatives	-	265	14	-	-
Lease liabilities	586,992	458,509	-	-	-
Deferred tax	113,130	120,587	109,266	87,177	94,083
Provisions	38	71	66	70	210
Share based payment liability	2,273	745	655	656	657
Regulatory fine liability	8,261	-	-	91,657	168,061
Employee benefits	8,261	1,578	-	-	-
	<b>1,041,245</b>	<b>961,844</b>	<b>141,439</b>	<b>315,104</b>	<b>452,794</b>
<b>Current liabilities</b>					
Trade and other payables	303,977	190,444	213,715	245,991	255,568
Borrowings	190,599	32,453	143,876	119,820	100,054
Derivatives	194	-	-	-	-
Lease liabilities	54,798	33,564	-	-	-
Contract liabilities	62,301	46,806	42,739	35,532	38,345
Current tax payable	107,310	65,625	54,131	25,997	50,392
Provisions	24,733	25,690	21,359	13,193	12,526
Regulatory fine liability	-	-	105,128	101,119	29,002
	<b>743,912</b>	<b>394,582</b>	<b>580,948</b>	<b>541,652</b>	<b>485,887</b>
<b>TOTAL LIABILITIES</b>	<b>1,785,157</b>	<b>1,356,426</b>	<b>722,387</b>	<b>856,756</b>	<b>938,681</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>1,963,543</b>	<b>1,502,283</b>	<b>941,740</b>	<b>969,608</b>	<b>1,022,707</b>

## CONSOLIDATED CASH FLOW STATEMENT DATA

₹ 'million (Audited)	FY-2020	FY-2019	FY-2018	FY-2017	FY-2016
<b>Cash flows from operating activities</b>					
Cash generated from operations	833,107	608,732	437,488	284,970	436,365
Interest received	14,305	16,058	19,604	10,969	13,559
Finance costs paid	(129,854)	(105,261)	(42,024)	(47,234)	(42,251)
Dividends paid	(172,403)	(133,046)	(38,613)	(50,000)	-
Employee benefits paid	(379)	(690)	-	-	-
Regulatory fine paid	-	(110,000)	(110,000)	(30,000)	(80,000)
Income tax paid	(55,912)	(62,083)	(21,607)	(58,877)	(80,259)
Utilised/paid provision for the year	(13,189)	(7,730)	-	-	-
<b>Net cash generated from operating activities</b>	<b>475,675</b>	<b>205,980</b>	<b>244,848</b>	<b>109,828</b>	<b>244,384</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(214,923)	(181,685)	(201,195)	(193,015)	(139,820)
Proceeds from sale of property, plant and equipment	783	1,023	653	544	1,605
Purchase of contract acquisition costs	(8,570)	(3,762)	(2,830)	(1,675)	-
Acquisition of right of use assets	(14,971)	(4,571)	-	-	-
Purchase of other intangible assets	(26,780)	(21,041)	(10,119)	(10,320)	(27,359)
Movement in non-current investment	(26,070)	-	-	-	-
Proceeds from sale of assets held for sale	-	-	-	7	-
Movement in restricted cash	(9,863)	(831)	4,399	(24,357)	(1,042)
Purchase of bonds, treasury bills and foreign Deposits	(121,534)	(9,001)	-	-	533
Sales of bonds, treasury bills and foreign deposits	29,818	22,877	5,484	117,348	(43,541)
<b>Net cash used in investing activities</b>	<b>(392,110)</b>	<b>(196,991)</b>	<b>(203,610)</b>	<b>(111,468)</b>	<b>(209,624)</b>
<b>Cash flow from financing activities</b>					
Redemption of preference shares	-	(148,189)	-	-	-
Proceeds from borrowings	143,682	381,701	136,339	50,516	-
Repayment of borrowings	(41,748)	(146,124)	(216,276)	(106,890)	(91,944)
Repayment of lease liability	(26,676)	(33,265)	-	-	-
<b>Net cash generated from / (used in) financing activities</b>	<b>75,258</b>	<b>54,123</b>	<b>(79,937)</b>	<b>(56,374)</b>	<b>(91,944)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>158,823</b>	<b>63,112</b>	<b>(38,699)</b>	<b>(58,013)</b>	<b>(57,184)</b>
Cash and cash equivalents at the beginning of the period	116,278	53,012	89,565	146,369	200,675
Effect on exchange rate movement on cash balances	724	154	2,145	1,209	2,879
<b>Cash and cash equivalents at the end of the period</b>	<b>275,825</b>	<b>116,278</b>	<b>53,012</b>	<b>89,565</b>	<b>146,370</b>

### Non-IFRS financial information

This Shelf Prospectus contains certain financial measures that are not defined or recognised under IFRS, including ARPU, EBITDA, EBITDA margin, AFCF and AFCF margin, capital expenditure margin, total debt, net debt, net leverage and interest coverage. These measures are not measurements of financial performance or liquidity under IFRS, are not audited, and should not be considered in isolation or as a substitute for measures of liquidity or operating profit that are derived in accordance with IFRS.

Information regarding these measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not

provide a sufficient basis to compare MTN Nigeria’s performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

MTN Nigeria uses the following non-IFRS financial information in this document:

- *ARPU*: average revenue per user, calculated by dividing revenue for the period by the number of subscribers for the period.
- *EBITDA and EBITDA margin*: profit/(loss) for the period before interest, taxation, depreciation, amortisation and the impact of the NCC Fine. EBITDA margin is EBITDA as a percentage of revenue.
- *AFCF and AFCF margin*: EBITDA minus cash flow related to capital expenditures. AFCF margin is AFCF as a percentage of revenue.
- *Capital expenditure margin*: capital expenditures as a percentage of revenue.
- *Total debt*: total outstanding indebtedness, being outstanding bank facility arrangements and cross-currency swap transaction arrangements, excluding the net present value of the NCC Fine in line with lenders’ treatment of the Company’s debt covenants.
- *Net debt*: total debt excluding cash and cash equivalents.
- *Net leverage*: net debt divided by EBITDA in a given period.
- *Interest coverage*: EBITDA divided by finance costs inclusive of the time value accretion of the NCC Fine (“net finance costs”) in a given period.

ARPU, EBITDA, EBITDA margin, AFCF and AFCF margin, capital expenditure margin, total debt, net debt, net leverage and interest coverage are supplemental indicators used by management to assess and measure MTN Nigeria’s operating performance, liquidity and financial position. Accordingly, this information has been disclosed to permit a more complete and comprehensive analysis of MTN Nigeria’s performance, consistent with how MTN Nigeria’s business performance is evaluated by management.

The following table reconciles profit for the period to EBITDA and AFCF for the periods indicated:

<i>(₦ billion)</i>	Year ended 31 December			
	2020	2019	2018	2017
<b>Profit for the period</b> (audited).....	<b>205.2</b>	<b>203.3</b>	<b>145.7</b>	<b>81.1</b>
Adjustments to remove impact of interest, taxation, depreciation, amortisation and the NCC Fine .....	480.5	421.7	288.3	264.5
<b>EBITDA</b> (audited) .....	<b>685.7</b>	<b>625.0</b>	<b>434.0</b>	<b>345.6</b>
Adjustments to remove cash flow related to capital expenditure <sup>(1)</sup> .....	(225.9)	(206.2)	(210.7)	(203.3)
<b>Adjusted Free Cash Flow (“AFCF”)</b> .....	<b>429.8</b>	<b>418.8</b>	<b>223.3</b>	<b>143.0</b>

Notes:

(1) Net of proceeds received from sale of assets held for sale and sale of property, plant and equipment.

The following table reconciles total debt to net debt and presents net leverage for the periods indicated.

<i>(₦ billion, unless otherwise indicated)</i>	Year ended 31 December			
	2020	2019	2018	2017
		<i>(unaudited, unless otherwise noted)</i>		
<b>Total debt</b> (audited) <sup>(1)</sup> .....	<b>521.2</b>	<b>412.5</b>	<b>175.3</b>	<b>255.4</b>
Cash and cash equivalents (audited) .....	(275.2)	(116.3)	(53.0)	(89.6)
<b>Net debt</b> (audited) .....	<b>246.0</b> <sup>(3)</sup>	<b>296.3</b>	<b>122.3</b>	<b>165.8</b>
<b>Net leverage</b> .....	<b>0.43x</b> <sup>(4)</sup>	<b>0.47x</b>	<b>0.28x</b>	<b>0.48x</b>



Notes:

- (1) Excludes the net present value of the NCC Fine in line with lenders' treatment of MTN Nigeria's debt covenants.
- (2) Excludes financial leases.
- (3) On an IFRS 16 basis (~~₦~~887.8 billion excluding the impact of IFRS 16).
- (4) On an IFRS 16 basis (1.29x excluding the impact of IFRS 16).
- (5) Annualised

The following table reconciles presents interest coverage for the periods indicated:

<i>(₦ billion, unless otherwise indicated)</i>	<b>Year ended 31 December</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>(unaudited, unless otherwise noted)</i>			
<b>Finance costs</b> (audited).....	<b>143.7</b>	<b>122.1</b>	<b>67.3</b>	<b>131.5</b>
Net finance costs <sup>(1)</sup> .....	127.8 <sup>(2)</sup>	105.2	44.8	35.4
<b>Interest coverage</b> .....	<b>5.4x<sup>(3)</sup></b>	<b>6.0x</b>	<b>10.6x</b>	<b>9.8x</b>

Notes:

- (1) Finance costs inclusive of the time value accretion of the NCC Fine, in line with lenders' treatment of MTN Nigeria's finance costs.
- (2) On an IFRS 16 basis (~~₦~~55 billion excluding the impact of IFRS 16).
- (3) On an IFRS 16 basis (14.0x excluding the impact of IFRS 16).
- (4) Annualised

For more information on these metrics, see "Key Performance Indicators" in *Part 13 (Operating and Financial Review)* of this Shelf Prospectus.

## **PART 13: OPERATING AND FINANCIAL REVIEW**

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*This Part 13 should be read in conjunction with Part 14 (Historical Financial Information). Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this section is extracted from the financial information set out in Part 14 (Historical Financial Information).*

*The following discussion of MTN Nigeria's results of operations and financial condition contains forward-looking statements. MTN Nigeria's actual results and financial condition could differ materially from those it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Shelf Prospectus.*

### **OVERVIEW**

MTN Nigeria is the leading mobile network operator in Nigeria as measured by number of subscribers. As of 31 December 2020, the Company had 80.8 million subscribers (source: NCC). The Company offers mobile coverage in about 223 cities and towns in Nigeria, covering all 36 Nigerian states and approximately 89.22% (2G) of the population (source: Company data). The Company provides 3G and 4G coverage to approximately 81.63% and 65.12% of the Nigerian population, respectively (source: Company data), as of 30 June 2021. As of 31 December 2020, MTN Nigeria had an ARPU of ₦1,501 (source: Company data). According to the NCC, as of 31 December 2020, the total market data subscribers was 153 million with MTN Nigeria accounting for approximately 42.5% of the market's data subscribers.

MTN Nigeria has been offering mobile communications services in Nigeria for over 20 years and has leveraged its relationship with MTN Group to expand its product, service and technology offerings. The Company offers an integrated suite of communications products and services to its customers, including mobile voice, data and digital services, with 2G, 3G and 4G LTE technology available in Nigeria.

In November 2019, the Company became the first telecommunications network provider in Nigeria to conduct 5G network trials with live demonstrations including speed tests and fixed wireless access tests as well as other real-life use cases. This was done using temporary spectrum allocated to MTN Nigeria by the NCC. The Directors of the Company believe that the mobile communications services industry in Nigeria will continue to grow due to a combination of factors, including limited fixed-line coverage and penetration, the relatively high cost of fixed-line infrastructure deployment and low current mobile data penetration, setting the stage for increased mobile penetration in the future. The Company operates a predominantly prepaid business with approximately 99% of its customers on prepaid plans as at 31 December 2020.

MTN Nigeria aims to significantly expand the revenue contribution of data access and digital services in Nigeria as the market for these services continues to grow. To achieve this, the Company is investing and growing its 3G and 4G LTE capacity and coverage to provide data solutions to its subscribers and support growing data traffic, with an increasing focus on high-value customers. The Company's spectrum licence holdings have given it a clear 4G spectrum advantage over its peers. The Company operates the largest fibre network in Nigeria and one of the largest fibre networks in Africa with over 30,000km of fibre covering all major cities in Nigeria, supporting 4G and mobile broadband growth. Furthermore, the Company continues to benefit from the extensive investments it has made in its network in Nigeria including improving data network speeds in major cities, which has resulted in improved network quality for its customers.

The telecommunications environment in Nigeria is rapidly changing. There has been a significant increase in the number of non-conventional and Over-the-Top (“OTT”) players (internet-based alternatives to traditional telephony services) in the market such as social networking sites and messaging applications, and this poses a threat to traditional telecommunications revenue streams such as voice subscriptions. However, the advent of new technologies and services has also provided the Company with an opportunity to pursue long-term sustainable growth through the provision of both digital and financial services, as well as the potential for strategic partnerships with OTT players.

MTN Nigeria offers digital services, region-specific content, entertainment, lifestyle and general content and e-commerce, directly and via strategic partners. The Company offers a range of digital and financial services to its customers by leveraging its technology and distribution footprint to maximise the opportunity presented by low internet penetration in Nigeria. As at 30 June 2021, MTN Nigeria employed 1,737 people. MTN Nigeria has been offering mobile communications services in Nigeria for over 20 years and has leveraged its relationship with MTN Group to expand its product, service and technology offerings. The Company offers an integrated suite of communications products and services to its customers, including mobile voice, data and digital services, fintech and business solutions with 2G, 3G and 4G LTE technology available in Nigeria. MTN Nigeria is well positioned as the network with the widest voice and data network coverage underpinning its brand tagline “Everywhere you go”.

MTN Nigeria plans to invest and grow its 3G and 4G LTE capacity and coverage, and also develop 5G network to provide data solutions to its subscribers and support growing data traffic, with an increasing focus on high-value customers and youths in the longer term.

## **KEY FACTORS AFFECTING MTN NIGERIA'S RESULTS OF OPERATIONS**

The Company's performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Some key factors that have had, or may in the future have, an effect on the results of MTN Nigeria's operations are set forth below.

### ***Macroeconomic and infrastructure conditions in Nigeria***

MTN Nigeria's revenue is driven by overall market demand for communications services in Nigeria, which is in turn directly affected by a number of macroeconomic and other trends. In particular, demand for the Company's services depends primarily on a number of demographic and economic factors in Nigeria which are outside its control, such as population GDP. MTN Nigeria expects its subscriber base to continue to grow as Nigeria's population grows. However, the general economic environment in Nigeria may be materially adversely impacted by the COVID-19 pandemic and the respiratory disease it causes (COVID-19), which may result in disruption of market conditions globally and in Nigeria. See Part 11 (*Risk Factors*) - "*Diseases, Epidemics and Pandemics such as the COVID-19 pandemic may have a material adverse impact on the Company's business operations*". Consumption of MTN Nigeria Group's data and digital services has increased following the quarantine and lockdown in Lagos, Ogun and Abuja as businesses transition to telecommuting and individual subscribers engage more on social media platforms to remain connected. These services are generally viewed as desirable, though not indispensable in times of economic difficulty and may be adversely impacted by continued disruption of market conditions. By contrast, the Board believes that basic voice services, which comprised 66.7% of MTN Nigeria's revenue in the year ended 31 December 2020, are perceived as necessities, rather than discretionary items.

In addition to these macroeconomic drivers, the Board believes there are further cultural trends driving demand for the Company's services in Nigeria that will likely continue in the future and have a positive impact on the Company's subscriber base. In Nigeria, mobile phones and mobile data are used not only for voice communication, but as a platform to provide access to the internet and various services, including financial and government services, as well as business solutions, by-passing the requirement for traditional infrastructure. In conjunction with the demand for mobile technology to provide such services, Nigeria is also experiencing an increasing use of the internet for leisure and entertainment, including the consumption and creation of online content and media.

### ***Demand for MTN Nigeria Group's services***

MTN Nigeria's revenue is principally driven by the volume of voice minutes and, to a growing extent, data, digital and other services. Subscriber and ARPU growth are important components of the Company's revenue growth strategy. MTN Nigeria seeks to increase ARPU by deepening penetration and usage of data, digital, VAS and fintech services. The Company's focus on network quality and availability has attracted high-value customers, which has resulted in higher revenue per customer. MTN Nigeria had an ARPU of ₦1,501 as of 31 December 2020.

The Company also incurs costs in connection with its voice, data, digital and other service offerings. These include costs related to interconnect and roaming charges MTN Nigeria pays to other telecommunications providers when its customers connect to their network or customers, commissions MTN Nigeria pays to dealers, costs MTN Nigeria pays for digital and VAS content, regulatory levies (including annual operating levies, annual numbering fees, information technology and development levies) and fees and other costs. These costs typically increase as utilisation of MTN Nigeria Group's products and services increases. The Company's interconnect costs, in particular, have increased in recent periods due to increased promotions and bundles, foreign currency impact on international interconnect and the impact of regulatory actions.

#### ***i. Voice revenue***

Voice revenue, which comprises voice services revenue and interconnect revenue, represented ₦879.9 billion and ₦848.3 billion, or 66.7% and 72.5% of the MTN Nigeria's revenue for the years ended 31 December 2020 and 2019, respectively. In the period under review, voice revenue has continued to grow, driven by an increase in the number of new subscribers, active voice users, the adoption of new bundle plans and expansion in outgoing voice minutes. While the MTN Nigeria Group believes voice communication services will remain a significant revenue generator in the medium-term, voice revenue is expected to ultimately decline over the long-term as mobile broadband penetration and data quality increases, and more MTN Nigeria customers adopt the use of smartphones.

MTN Nigeria's voice services revenue is primarily driven by the following factors:

- the quality and availability of the Company's network;
- the success of marketing campaigns promoting MTN Nigeria's brand and its voice services offerings;
- customer value management;
- development of telecommunications technologies;
- the voice service plans offered to customers, including appropriate segment targeting; and
- recharge access for prepaid customers.

MTN Nigeria's voice revenue is generated almost entirely through its prepaid offering, with post-paid customers constituting a relatively small component of Company revenues. As at 31 December 2020, approximately 99% of total subscribers were on prepaid plans. Prepaid customers pay in advance for a fixed amount of airtime and services and recharge their account when they run out of credit. Post-paid services require that the customer is billed on a monthly basis (including a monthly subscription charge which is dependent upon the plan to which the customer subscribes). The MTN Nigeria Group's product and service offerings are segmented into high value, mid-market / youth and mass-market customer segments to address the needs of each customer, with the objective of maximising revenue generation from each segment.

MTN Nigeria also earns revenue from the interconnection and international roaming agreements in place with a number of other telecommunications operators and carriers. Interconnect and roaming revenue constituted 9.8% of the MTN Nigeria's overall voice revenue in the year ended 31 December 2020, compared to 10.7% of the MTN Nigeria's overall voice revenue in the year ended 31 December 2019. The Board expects this trend to continue in the coming years driven principally by the MTN Nigeria's enterprise and wholesale services as businesses increasingly digitise.

#### *ii. Data revenue*

Data revenue reflects both mobile and fixed data revenue. Data services represented approximately ₦332.4 billion and ₦219.9 billion, or 24.7% and 18.8% of MTN Nigeria's revenue in the year ended 31 December 2020 and 2019, respectively. The Company's data revenue is primarily driven by the following factors:

- the quality and availability of the network;
- data and smartphone penetration;
- the data subscription bundles and digital services that are offered to customers;
- expansion of 4G and 3G service offerings;
- repositioning commercial data offerings; and
- smartphone adoption campaigns and other marketing of data services.

MTN Nigeria generates data revenue through mobile and fixed data offerings. Data usage has become an increasingly important measure of demand and is an increasing component of revenue, reflecting evolving trends across a range of customer segments. The Directors believe there is significant growth opportunity in mobile data in Nigeria, driven by a young population with rapidly growing smartphone penetration and ongoing expansion of 4G access.

The MTN Nigeria's data ARPU is driven by its large number of smartphone and 4G users. MTN Nigeria had a total of 32.5 million active data users and 35.1 million smartphone users as at 31 December 2020. The MTN Nigeria Group's data revenue in the year ended 31 December 2020 increased by 51.2% as compared to the previous year and the MTN Nigeria Group expects further increases in overall mobile phone usage and mobile data penetration, data usage per user and increasing smartphone adoption.

#### *iii. Digital revenue*

MTN Nigeria generates digital revenue through the sale of rich media services, mobile advertising and content VAS. Most of the digital content MTN Nigeria sells to its customers as digital services is owned by partners and licensed to the Company pursuant to revenue sharing arrangements. Digital services revenue represented ₦9.5 billion (0.7%) and ₦4.6 billion (0.4%) of MTN Nigeria's revenue in the years ended 31 December 2020 and 2019 respectively. The MTN Nigeria Group expects digital offerings to be a key contributor to the MTN Nigeria Group's revenue in the long term. In 2020, the Company launched MusicTime, a flagship digital service that offers music streaming services for a subscription fee. The active base for digital subscriptions had surpassed 1.6 million users as at 31 December 2020, as support continues to build for the Company's portfolio of digital products and services.

#### ***iv. Fintech revenue***

YDFS, a subsidiary of the MTN Nigeria Group, obtained final approval for a Super-Agent licence from the CBN in August 2019 and the business commenced operations in September 2019 with the national roll-out of an agent network under the brand name of “MoMo Agent” and intends to leverage the extensive footprint of MTN Nigeria’s airtime and SIM registration agents to offer over-the-counter (“OTC”) financial services to both the unbanked and under-banked segments of the market. As at 31 December 2020, a total of 395,100 agents were registered nationwide. While the MTN Nigeria Group’s fintech business is primarily focused on the immediate task of growing the network of agents to support further roll-out, the MTN Nigeria Group is also working to extend service offerings beyond the core transfer service and airtime sales service to include depository and withdrawal services for banked customers, as well as bill payment services. Fintech revenue represented ₦44.8 billion and ₦35.2 billion of MTN Nigeria’s revenue in years ended 31 December 2020 and 2019, respectively.

#### ***v. Wholesale revenue***

MTN Nigeria also generates revenue from sales of mobile and fixed services, such as international messaging, international voice and data interconnect, inbound roaming, leased lines and Hyconnect internet services, to customers buying in bulk with an intention to re-sell these services to their external clients. Wholesale services revenue represented ₦11.8 billion and ₦12.1 billion of MTN Nigeria’s revenue in the years ended 31 December 2020 and 2019, respectively. The MTN Nigeria Group expects to grow its wholesale services offering by monetising its existing infrastructure.

#### ***vi. Revenue from other services***

In addition to the revenue generated from voice, data, digital, fintech and wholesale offerings, MTN Nigeria also generates revenue from SMS, ICT and infrastructure, handsets, accessories, and other non-service revenues. Revenue generated from these other services represented ₦49.9 billion and ₦49.7 billion, or 3.6% and 4.2% of MTN Nigeria’s revenue in the years ended 31 December 2020 and 2019, respectively.

#### ***Number of mobile subscribers and data and digital services users***

The number of mobile subscribers that the Company has in a given period directly impacts its overall revenue and profitability. As of 31 December 2020, MTN Nigeria had 80.8 million active mobile subscribers and approximately 39.5% of the retail mobile market share in Nigeria (as reported by the NCC).

In June 2017, MTN Nigeria undertook an active subscriber redefinition to accurately reflect its active customer base and to exclude customers whose transactions are limited to incoming SMS messages, incoming calls on the MTN Nigeria Group’s network and airtime refills from the “active subscriber” definition.

As at 31 December 2020, MTN Nigeria had 32.5 million active data users and 35.1 million smartphone users (an increase of 30.3% as compared to the smartphone users in the prior year).

Overall, the number of customers the Company has at any time is dependent on the number of new customers and the number of customers whose services are terminated over a given period. Voluntary terminations are motivated by a number of factors, including pricing, the breadth of service offerings, subscriber regulations, the quality of the Company’s service, as well as the low barriers to switching services in the Nigerian telecommunications market. Customer disconnections can also occur on an involuntary basis, including as a result of regulatory intervention. As a result, in addition to attracting new customers, MTN Nigeria also seeks to retain existing customers, which in turn reduces the Company’s rate of customer churn. The MTN Nigeria Group seeks to attract new customers and retain existing customers through offering attractive services and pricing, as well as maintaining MTN Nigeria’s brand value and reputation for high quality customer service. Further, the MTN Nigeria Group believes its network and spectrum holdings give it an operational advantage over its peers, thereby driving increases in active customers.

Mobile number portability has been in place for the major mobile operators in Nigeria since 2013. The NCC publishes the total number of subscribers porting their phone number to a different mobile provider monthly. In the year ended 31 December 2020, the total net porting movement reported by the NCC was 1,473 subscribers out of MTN Nigeria. According to the NCC, for the months of November and December 2020, net porting into MTN Nigeria (numbers ported from another service provider’s network into MTN Nigeria’s network) was 3,925 and 792 subscribers, respectively. During the same period, net porting out of MTN Nigeria (numbers ported to another service provider’s network from MTN’s Nigeria’s network) was 2,638 and 735 subscribers, respectively.

#### ***Competition and pricing levels***

Nigeria’s telecommunications market is competitive in nature and the Company expects that competition will continue to remain high, which puts pressure on MTN Nigeria’s revenue growth and market share. Nigerian mobile telecommunications operators compete for customers principally on the basis of price, services offered, advertising and brand image, quality and reliability of service and coverage area. Price competition is significant on voice and data services, which still represent the vast majority of MTN Nigeria’s revenue and these services are largely commoditised, as the ability to differentiate these services among operators is limited and penetration is high. This

has resulted in increased pricing pressure in Nigeria where competitors have pushed down pricing over the period under review, and the Board expects this downward pricing pressure to continue. The Board believes the MTN Nigeria Group has benefitted from the quality of its service offerings and strong market position as compared to its peers and the MTN Nigeria Group is increasingly seeking to differentiate itself from similar service providers in Nigeria. See “Competition” in Part 9 (*Chairman’s Letter*) — “*Overview of MTN Nigeria’s Business*”).

In 2013, the NCC declared that MTN Nigeria was a “dominant operator” in the retail and wholesale mobile voice segment of the Nigerian telecommunications market. The “dominant operator” designation places certain obligations on the MTN Nigeria Group, including a requirement that it refrain from offering differential on-net and off-net pricing for mobile voice services. Non-dominant operators are not subject to the same restrictions, thereby placing MTN Nigeria at a competitive disadvantage relative to its non-dominant competitors due to the importance of price to customers in the Nigerian market. Similarly, in 2013, MTN Nigeria and Globacom were designated by the NCC as “jointly dominant” in the upstream segment of the Nigerian telecommunications market, resulting in the imposition of a cost-based regime, with price caps on the MTN Nigeria Group’s services in that segment.

The number of services that the average customer uses in a given market, and thus the level of fees that the average customer pays, drives the revenue that MTN Nigeria is able to generate from its customer base. MTN Nigeria therefore aims to increase the amount of data and digital services that customers use in order to increase revenue and increase customer loyalty. Selling additional services to existing customers increases the revenue generated by that customer base. In an effort to counter the impact of competition and the expected decline in voice revenue over the coming years, the Company has expanded its services offering to include data, digital, financial, information and communications technology and enterprise services. The Company also employs dynamic tariffing, bundled packages and targeted promotions (such as free airtime and top-up incentives) to enhance the competitiveness of its voice business. Each of the MTN Nigeria Group’s potential products or service offerings must be assessed through an internal process that assesses the product’s potential cost, performance and features, value and time-to-market, with the ultimate aim of minimising operating and capital expenditures and capturing further market share. This business model has enabled the MTN Nigeria Group to expand its customer base in Nigeria and thereby increase its sales volume and, in turn, revenue.

The MTN Nigeria Group tailors its marketing approach to each of the following customer and demographic segments: high-value, mid-market / youth and the mass market. The MTN Nigeria Group markets its network to all of its customer and demographic segments primarily by emphasising its belief that the MTN Nigeria network offers high quality coverage and capacity relative to its competitors. The MTN Nigeria Group further tailors advertisements for certain services to specific demographics; for instance, the MTN Nigeria Group believes more affluent customers, in the high-value segment, tend to respond more positively to network quality and coverage concerns, while advertisements for the MTN Nigeria Group’s music and video services are targeted at the mid-market / youth segment. See “Pricing and customers” in Part 9 (*Chairman’s Letter*) — “*Overview of MTN Nigeria’s Business*”).

### *Introduction of new service offerings*

Revenue growth in Nigeria is driven by the development of additional products and services which can be offered to both new and existing customers. Adding additional service options to MTN Nigeria’s offering, such as MoMo Agents (a network of agents rolled out by the Company’s subsidiary, YDFS, to distribute financial service products to unbanked and underserved banking customers in Nigeria), mobile content on MTN Play (which provides news, games and ringtones amongst other content), or Game+ (a premium mobile gaming proposition) drives greater revenue generation.

The availability of new services also helps attract new customers, which leads to a further increase in revenue. The Board believes leveraging technology and delivering more services via the internet represents a significant opportunity, particularly as internet penetration across the Nigerian market is low, and MTN Nigeria aims to increase its presence in the digital space and take advantage of growth in data traffic and ICT enterprise solutions. Expanding the MTN Nigeria Group’s 3G and 4G offerings as well as access to affordable data-enabled devices will continue to drive data usage.

The Directors believe MTN Nigeria’s financial services product offerings will be a key driver of revenue growth in the years ahead, beginning mainly with services provided over 3G and 4G in the short to medium-term and 5G services in the longer term. In particular, MTN Nigeria’s fintech service offerings are becoming an increasingly important part of the MTN Nigeria Group’s service offering. Revenue from financial services offerings will be largely driven by MTN XtraTime, an airtime lending service, launch of further new products and regulation (or the absence thereof) of end-user fees. MTN Nigeria obtained a Super-Agent licence from the CBN in July 2019 and launched commercial operations in August 2019 with the roll-out of a network of agents under its subsidiary, Y’ello Digital Financial Services. As at 31 December 2020, the MTN Nigeria Group had 395,100 registered agents and had serviced over a million customers. To cater to a broader market and encourage further adoption, the MTN Nigeria Group is expanding its fintech services from basic transfer service and airtime/data sales to a more extensive offering, including cash deposit and withdrawal services, bill payments and e-commerce support services.

Further, the MTN Nigeria Group plans to deliver innovative ICT enterprise solutions, such as fibre connectivity, to corporate and SME customers through its enterprise business unit. The MTN Nigeria Group has also begun offering digital local content services such as music, gaming and media offerings and digital lifestyle services through its service delivery platforms and VAS offerings, such as MTN Play.

#### *Operating and capital expenditure increases related to network expansion*

MTN Nigeria's operating expenditures were ₦660.8 billion in 2020 and ₦544.8 billion (₦426.6 billion on a non-IFRS 16 basis), ₦408.5 billion and ₦356.1 billion in the years ended 31 December 2019, 2018 and 2017, respectively. The MTN Nigeria Group's operating expenditures over the period under review have mainly been driven by increases in site lease rental costs and other network-related costs such as utilities, fuel and maintenance spend, driven by MTN Nigeria's increased number of network sites, the tower sale and leaseback transaction accounting classification impact and the effect of the adoption of IFRS 16 in the year ended 31 December 2019 and the depreciation of the Naira on the U.S. dollar-linked portion of the MTN Nigeria's lease rental costs over the period under review.

In order to attract new mobile subscribers to the MTN Nigeria Group's network and increase the usage of its services, the MTN Nigeria Group continues to incur operating expenses as it expands and upgrades its network to increase service coverage, availability and quality, which partly offsets the increased revenue generated by growing the MTN Nigeria Group's customer base and reduces the MTN Nigeria Group's operating profit. The Company operates in a capital-intensive industry that requires substantial amounts of capital and other long-term expenditures, including those relating to the development and acquisition of new networks and the expansion or improvement of existing networks in Nigeria. MTN Nigeria's capital expenditures were ₦298.6 billion as of 31 December 2020 and ₦250 billion (₦208.3 billion – 2019; ₦240.1 billion – 2020, excluding the impact of IFRS 16), ₦184.2 billion and ₦225.3 billion in each of the years ended 31 December 2019, 2018 and 2017, respectively. MTN Nigeria seeks to continually enhance its market and competitive position through on-going investment in infrastructure.

The MTN Nigeria Group's capital expenditure programme seeks to further improve network quality, coverage and capacity and to support higher voice and data traffic, which helps ensure that MTN Nigeria remains competitive and is able to roll out data solutions and digital services beyond traditional voice offerings. In order to support the MTN Nigeria Group's growing customer base and demand for higher-bandwidth data services, the MTN Nigeria Group has expanded its mobile network coverage and capacity to accommodate the increased usage, which requires the purchase of additional spectrum, the expansion of existing infrastructure and other capital expenditures. Changes in capital expenditures affect MTN Nigeria's investing cash flows, property, plant and equipment and intangible asset balances, interest expense (to the extent they are funded by debt) and depreciation and amortisation expense. The MTN Nigeria Group's planned capital expenditure spend has in the past been constrained by limited availability of foreign exchange reserves to make capital expenditure payments under foreign currency denominated contracts and may be similarly constrained in the future. In the period under review, the MTN Nigeria Group's capital expenditures consisted of 4G deployment in major cities and a broader rollout of 3G sites nationwide, as well as fibre-to-site connections and network modernisation. While the MTN Nigeria Group has financed capital expenditures primarily through syndicated banking facilities and cash generated from operations in the past, the Board expects to diversify its sources of funding going forward.

#### *Changes to IFRS standards for lease accounting and revenue recognition*

Changes to IFRS have been proposed in recent years, and further changes may be proposed in the future. Following a detailed consultation period which began in July 2006, IASB released IFRS 16 on lease accounting which will replace IAS 17 "Leases" and which will be effective for financial reporting periods beginning on or after 1 January 2019. MTN Nigeria has adopted this standard with effect from 1 January 2019.

IFRS 16 specifies new guidance for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The most significant impact of the new standard is in relation to the MTN Nigeria Group's current tower and other infrastructure leases. For the year ended 31 December 2020, MTN Nigeria had ₦641.8 billion in outstanding obligations under lease commitments. Following adoption of IFRS 16, operating lease costs are no longer recognised as operating expenses.

IFRS 16 also requires the recognition of lease liabilities and corresponding right-of-use assets. Following the adoption of IFRS 16, the MTN Nigeria Group recognises depreciation on the right-of-use assets and interest on the lease liabilities over the lease term as a profit or loss, resulting in higher overall EBITDA and EBITDA margin for MTN Nigeria than what is currently being reported. However, depreciation and finance charges have also increased following the adoption of IFRS 16. Leases denominated in currencies that are not the MTN Nigeria Group's functional currency increase the MTN Nigeria Group's foreign exchange exposure and recognising such liability has also impacted the MTN Nigeria Group's net debt to EBITDA ratio, which was 43% in the year ended 31 December 2020, 47% in 2019 and 28% in 2018.

### *Efficiency and cost optimisation*

As the telecommunication environment continues to evolve towards data and as competition intensifies, MTN Nigeria expects revenue and margins to come under further pressure. As a result, the MTN Nigeria Group introduced cost optimisation and efficiency initiatives to assess the MTN Nigeria Group's cost base for future growth and profitability. A number of initiatives, such as streamlining distribution channels, conducting a review of existing contracts to limit foreign currency exposure and migrating subscribers to electronic recharge platforms, have already resulted in cost benefits, which together with the adoption of IFRS 16, resulted in a 21.4% reduction in the MTN Nigeria Group's operating expenses between 31 December 2018 and 31 December 2019.

### *Impact of the NCC Fine*

MTN Nigeria's results of operations and financial position for the years ended 31 December 2017, 2018 and 2019 were impacted by payments toward the NCC Fine imposed in October 2015, which was fully paid in May 2019. In June 2016, the Company reached a settlement whereby the NCC Fine was reduced to a total cash amount of ₦330 billion payable over three years, subject to certain conditions. MTN Nigeria made payments totalling ₦330 billion to the NCC in respect of the NCC Fine between 2016 and 2019, including ₦110 billion in the year ended 31 December 2019. Payments toward the NCC Fine were funded primarily through the MTN Nigeria Group's operating cash flows.

### *Exchange rate fluctuations*

A portion of MTN Nigeria's operating costs are incurred in or otherwise linked to US dollars. As such, increases or decreases in the value of the U.S. dollar compared to the Naira will affect MTN Nigeria's results. Between March 2015 and June 2016, the Naira was pegged to the U.S. dollar at a fixed exchange rate. However, in June 2016, the CBN de-pegged the exchange rate, which resulted in the devaluation of the Naira against the U.S. dollar of more than 40%, resulting in an increase in the MTN Nigeria Group's operating costs. More recently, downward trends in the country's external oil reserves led to an adjustment of the Naira to U.S. dollar exchange rate in March 2020.

Further fluctuations occurred in 2021, following the CBN's removal of the official exchange rate of N379:US\$1 from its website and the effective adoption of the NAFEX rate as the official exchange rate for the Naira, which resulted in further devaluation of the currency by 7.6%. Such devaluation of the Naira relative to the U.S. dollar has in the past had an adverse impact on MTN Nigeria's costs and margins, including triggering foreign exchange losses of ₦8.8 billion in the year ended 31 December 2020. MTN Nigeria's results of operations will continue to be impacted by fluctuations in exchange rates going forward, particularly the Naira to U.S. dollar rate.

### *Seasonality*

Mobile revenue tends to increase during the December holiday period and the first quarter of every year due to increased use of mobile voice and data over these periods. Conversely, mobile revenue tends to decrease in the second and third quarter of each year due to lower usage and summer holiday effects.

## **KEY PERFORMANCE INDICATORS**

MTN Nigeria monitors several KPIs to track the financial and operating performance of its business. These measures are derived from the MTN Nigeria Group's internal financial systems. As some of these measures are not determined in accordance with IFRS, and are thus susceptible to varying calculations, they may not be comparable with other similarly titled measures of performance of other companies.



The table below presents MTN Nigeria's key performance indicators:

	Year ended				
	2020	2019	2018	2017	2016
<i>(₦ billion, unless otherwise indicated)</i>					
Active mobile subscribers (million)	76.5	64.3	58.2 <sup>(1)</sup>	52.3	62.0
Churn (% of active mobile subscribers)	2.69%	2.30%	2.10%	2.20%	1.83%
ARPU (₦ per user)	1,501	1,519	1,503	1,411	1,071
Revenue <sup>(2)</sup>	1,346.4	1,169.7	1,039.1	887.2	793.6
Voice revenue	897.9	848.3	782.3	657.6	507.7
Data revenue	332	219.9	154.4	107.3	67.9
Digital revenue	9.5	4.6	20	60.3	87.6
Fintech revenue	44.8	35.2	28.6	21.5	-
Wholesale revenue	11.8	12.1	5.5	4.6	-
Other revenue <sup>(3)</sup>	49.9	49.6	48.3	35.9	-
EBITDA <sup>(4)</sup>	685.7	625.0	433.9	345.6	376.1
EBITDA margin (% of revenue)	50.93%	53.43%	41.80%	39.00%	47.39%
Capital expenditure <sup>(5)</sup>	298.6	250.0 <sup>(5)</sup>	184.2	225.4	196
Capital expenditure margin (% of revenue)	22.18%	21.37%	17.70%	25.50%	24.70%
AFCF <sup>(6)</sup>	429.8	418.8	223.3	143	208.9
AFCF margin (% of revenue)	31.92%	35.80%	21.50%	16.20%	26.32%

**Notes:**

- (1) In June 2017, MTN Nigeria implemented an active subscriber redefinition to accurately reflect the Group's active customer base and to exclude customers whose transactions are limited to incoming SMS messages, incoming calls on its network and airtime refills from the "active subscriber" definition.
- (2) MTN Nigeria presents revenue segmentation in its audited accounts by the nature of the product or service in accordance with the "Annual Operating Levy Regulations" issued by the NCC in 2014, which require separate disclosure of the portion of the revenue generated from VAS payable to VAS providers. The revenue segmentation reflected in the MTN Nigeria Group's internal financial systems, and here presented, reflects the MTN Nigeria Group's revenue by six key revenue sources and, the Board believes, is a useful metric for understanding how the MTN Nigeria Group monitors its revenue generation. For a comparison to the revenue segmentation included in the MTN Nigeria Group's audited accounts, see the discussion of revenue in "Results of Operations" below.
- (3) Includes revenue from SMS, ICT and infrastructure, handsets, accessories and other non-service revenues.
- (4) EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortisation) IFRS 16 relating to accounting for leases was implemented in 2019 and EBITDA relating to periods prior to 2019 was prepared on an IAS 17 basis where lease expenses were included in EBITDA.
- (5) On an IFRS 16 basis (excluding the impact of IFRS 16), ₦208.3 billion (2019); ₦240.1 billion (2020).
- (6) AFCF excludes non-cash transactions.

## DESCRIPTION OF KEY LINE ITEMS

### i. Revenue

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the MTN Nigeria Group's activities. Revenue comprises the following services, the mix of which impacts MTN Nigeria's operating profit margin:

- *Voice revenue*, which consists of:
  - *Voice services revenue*, which is airtime and subscription revenue, principally generated from customer subscriptions; and
  - *Interconnect and outbound roaming revenue*, which is paid to the MTN Nigeria Group by other service providers, excluding roaming data;
- *Data revenue*, which is revenue generated from customers utilising data services, including mobile access, fixed data and outbound roaming data;
- *Digital revenue*, which is generated from rich media services, content VAS and mobile advertising, excluding application-to-person SMS and bulk SMS revenue;

- *Fintech revenue*, which is revenue generated from the MTN XtraTime service and the MTN Nigeria Group's mobile financial service offerings;
- *Wholesale revenue*, which is generated from sales of mobile and fixed services to customers buying in bulk with an intention to re-sell these services to their external clients, including international messaging, international voice and data interconnect, inbound roaming, leased lines and Hyconnect internet services; and
- *Other revenue*, which includes revenue from SMS, ICT and infrastructure, handsets, accessories, and other non-service revenues.

## **ii. Operating expenses**

The MTN Nigeria Group's operating expenses are made up of the following line items:

- *Direct network operating costs* consist primarily of rent, utility and other costs related to operating the MTN Nigeria Group's telecommunications network;
- *Transmission costs* consisting of costs related to transporting traffic on the MTN Nigeria Group's network;
- *Employee costs* consist primarily of salaries and wages, post-employment benefits, share options granted to directors and employees, training and other employee-related costs;
- *Advertisements, sponsorships and sales promotions* are costs incurred in connection with selling, distribution and marketing expenses, as well as promotions costs and public relations costs; and
- *Other operating expenses* consist of other professional fees, maintenance costs, contributions to MTNF and other operating expenses. In the periods subsequent to the year ended 31 December 2017, other operating expenses also includes impairment reversal / (losses) on contracts with customers and (impairment) / reversal of impairment of property, plant and equipment.

## **iii. Cost of sales**

The MTN Nigeria Group's cost of sales is made up of the following line items:

- *Interconnect and roaming costs* are costs paid in connection with the interconnection and international roaming agreements in place with a number of other telecommunications operators in Nigeria and elsewhere;
- *Value added services* consist of costs associated with providing VAS to customers;
- *Blackberry licence fees* consisted of fees the MTN Nigeria Group has historically paid in connection with licensing blackberry services. In 2017, the MTN Nigeria Group decommissioned Blackberry services and no longer incurs Blackberry licence costs;
- *Costs of starter packs, handsets and other accessories* consist of the cost of acquiring starter packs, handsets and accessories; and
- *Discounts and Commissions* include costs incurred in connection with distributing our airtime, handsets and other accessories.

## **iv. Impairment of property, plant and equipment**

Impairment of property, plant and equipment relates to the write-down of the carrying amount of property, plant and equipment to their recoverable amount in line with relevant accounting standards.

## **v. Depreciation**

Depreciation consists of depreciation charges on property, plant and equipment.

## **vi. Amortisation of intangible assets**

Amortisation of intangible assets consist mainly of amortisation of MTN Nigeria's licences. Licences are initially shown at historical cost and subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences over the initial period of the licence.

## **vii. Finance income**

Finance income consists of interest income on bank deposits, interest income on held-to-maturity investments, net gain on held for trading investments, and foreign exchange gain.

### *viii. Finance costs*

Finance costs mainly consist of interest expense on borrowings and other interest expense, time value accretion on the NCC Fine, and foreign exchange loss.

### *ix. Income tax expense*

Income tax expense comprises current and deferred tax applicable to the income of MTN Nigeria, as well as education tax.

## **RESULTS OF OPERATIONS**

The following table summarises MTN Nigeria's consolidated income statement information for the years ended 31 December 2020 and 2019.

<b>₦ 'million (Audited)</b>	<b>FY-2020</b>	<b>FY-2019</b>
Revenue	<b>1,346,390</b>	<b>1,169,735</b>
Other income	104	97
Direct network operating costs	(310,248)	(246,604)
Value added services	(12,820)	(12,459)
Blackberry licence fees	-	-
Costs of starter packs, handsets and other accessories	(20,566)	(12,766)
Interconnect costs	(112,470)	(105,250)
Roaming costs	(2,956)	(4,038)
Transmission costs	(6,106)	(5,553)
Discounts and commissions	(68,528)	(56,586)
Advertisements, sponsorships and sales promotions	(15,144)	(19,848)
Employee costs	(45,325)	(30,706)
Depreciation of property, plant and equipment	(150,203)	(147,808)
Depreciation of right of use assets	(36,699)	(54,002)
Amortisation of intangible assets	(72,125)	(29,997)
Regulatory fine	-	-
Notional reversal difference payment to CBN	-	-
Other operating expenses <sup>(1)</sup>	(66,591)	(50,989)
<b>Operating profit</b>	<b>426,713</b>	<b>393,227</b>
Finance income	15,848	20,132
Finance costs	(143,687)	(122,079)
<b>Profit before tax</b>	<b>298,874</b>	<b>291,280</b>
Taxation	(93,660)	(87,993)
<b>Profit for the period</b>	<b>205,214</b>	<b>203,287</b>

### *i. Revenue*

Revenue increased by ₦176.6 billion, or 15.1%, to ₦1,346.4 billion in the year ended 31 December 2020 from ₦1,169.8 billion in the year ended 31 December 2019. This increase was primarily driven by our expanded customer acquisition touchpoints, rural telephony initiatives and revamped acquisition offers, as well as growth in data usage and penetration of fintech and digital services. The MTN Nigeria Group's internal financial systems allocate revenue by source (voice, data, digital, fintech, wholesale or other), whereas in calculating revenue in accordance with the NCC's "Annual Operating Levy Regulations, 2014" (the "AOL Regulations"), which require separate disclosure of the portion of the revenue generated from VAS payable to VAS providers, revenue is allocated by the nature of the product or service (voice, data, SMS, interconnect and roaming, handset and accessories, digital, VAS and other).

When calculated in accordance with the MTN Nigeria Group's internal financial systems, voice revenue, which accounted for 66.7% of the MTN Nigeria Group's revenue in the year ended 31 December 2020, increased by ₦49.7 billion, or 5.9%, to ₦897.9 billion in the year ended 31 December 2020 from ₦848.3 billion in the year ended 31 December 2019, driven by an increase in the number of new subscribers, active voice users, the adoption of new bundle plans and expansion in outgoing voice minutes.

When calculated in accordance with the MTN Nigeria Group's internal financial systems, data revenue increased by ₦112.5 billion, or 51.2%, to ₦332.4 billion in the year ended 31 December 2020 from ₦219.9 billion in the year ended 31 December 2019, which was primarily attributable to increased smartphone penetration and subscriber uptake of the data subscription bundles the MTN Nigeria Group offers. Driven by the same primary factors, when calculated in accordance with the AOL Regulations and as presented in the MTN Nigeria Group's audited accounts, data revenue increased by ₦112.9 billion, or 51.5%, to ₦332.3 billion in the year ended 31 December 2021 from ₦219.4 billion in the year ended 31 December 2019.

**ii. Direct network operating costs**

Direct network operating costs increased by ₦63.6 billion, or 25.8%, to ₦310.2 billion in the year ended 31 December 2020 from ₦246.6 billion in the year ended 31 December 2019. This increase was primarily due to increased lease rental costs arising from the amendment of the scope of the agreement that moved the reference rate from CBN's official rate to the NAFEX rate, the treatment of the non-recoverable VAT on lease payments to account for it as an expense over the lease period, movement of VAT rate from 5% to 7.5%, with the attendant effects of Naira depreciation. These put upward pressure on direct network operating costs.

**iii. Value added services**

Value added services costs marginally increased by ₦0.4 billion, or 2.9%, to ₦12.82 billion in the year ended 31 December 2020 from ₦12.5 billion in the year ended 31 December 2019. This increase was primarily due to the continued optimisation of VAS offerings to customers.

**iv. Costs of starter packs, handsets and other accessories**

Costs of starter packs, handsets and other accessories increased by ₦7.8 billion, or 61.1%, to ₦20.6 billion in the year ended 31 December 2020 from ₦12.8 billion in the year ended 31 December 2019. This increase was primarily due to activities aimed at improving smartphone usage and higher costs of starter packs resulting from increased subscriber acquisition drive.

**v. Interconnect costs**

Interconnect costs increased by ₦7.2 billion, or 6.9%, to ₦112.5 billion in the year ended 31 December 2020 from ₦105.3 billion in the year ended 31 December 2019. This increase was primarily due to interconnect costs incurred due to the increase in traffic as a result of the growth in the subscriber base.

**vi. Roaming costs**

Roaming costs decreased by ₦1.1 billion, or 26.8%, to ₦2.9 billion in the year ended 31 December 2020 from ₦4.0 billion in the year ended 31 December 2019. This decrease was as a result of restrictions on international travel in the year due to COVID-19 pandemic.

**vii. Transmission costs**

Transmission costs increased by 10.0% to ₦6.1 billion in the year ended 31 December 2020 from ₦5.6 billion in the year ended 31 December 2019.

**viii. Discounts and commissions**

Discounts and commissions increased by ₦11.9 billion, or 21.1%, to ₦68.5 billion in the year ended 31 December 2020 from ₦56.6 billion in the year ended 31 December 2019, primarily due to a continued increase in airtime sales during 2020.

**ix. Advertisements, sponsorships and sales promotions**

Advertisements, sponsorships and sales promotions decreased by ₦4.7 billion, or 23.7%, to ₦15.1 billion in the year ended 31 December 2020 from ₦19.8 billion in the year ended 31 December 2019. This decrease was primarily due to slow-down of media campaigns and other customer value propositions due to COVID-19 lockdown and movement restrictions in the year.

**x. Employee costs**

Employee costs increased by ₦14.6 billion, or 47.6%, to ₦45.3 billion in the year ended 31 December 2020 from ₦30.7 billion in the year ended 31 December 2019. This increase was due to additional provision relating to retirement benefits and long-term service awards following the adoption of the actuarial valuation model.

**xi. Other operating expenses**

Other operating expenses increased by ₦15.6 billion, or 30.6%, to ₦66.6 billion in the year ended 31 December 2020 from ₦51.0 billion in the year ended 31 December 2019. Increased costs in 2020 was primarily due to COVID-19-

related expenses, impairment provision for USSD doubtful debts, property, plant, and equipment (PPE) and liquid financial assets.

#### ***xii. Finance income***

Finance income decreased by ₦4.3 billion, or 21.3%, to ₦15.8 billion in the year ended 31 December 2020 from ₦20.1 billion in the year ended 31 December 2019. This decrease was mainly as a result of lower yields on money market instruments in 2020.

#### ***xiii. Finance costs***

Finance costs increased by ₦ 21.6 billion, or 17.7%, to ₦143.7 billion in the year ended 31 December 2020 from ₦122.1 billion in the year ended 31 December 2019, primarily relating to an increase in overall borrowings from ₦412.5 billion to ₦521.1 billion, which led to an increase in interest costs incurred during the year, as well increased interest expense on the MTN Nigeria Group's lease liabilities as a result of the additional lease liability following the lease renegotiation and increased exchange losses due to further FX devaluation.

#### ***xiv. Taxation***

Taxation increased by ₦5.7 billion, or 6.4%, to ₦93.7 billion in the year ended 31 December 2020 from ₦88.0 billion in the year ended 31 December 2019. This increase was primarily due to increased taxable profit in the year ended 31 December 2020, increase in the MTN Nigeria Group's effective income tax rate to 31.34% from 30.33% the net tax effect of investment allowance and income from tax-exempt government bonds.

#### ***xv. Profit for the year***

For the reasons discussed above, profit for the year increased by ₦1.9 billion, or 1.0%, to ₦205.2 billion in the year ended 31 December 2020 from ₦203.3 billion in the year ended 31 December 2019.

### **For the year ended 31 December 2019 compared to the year ended 31 December 2018**

#### ***i. Revenue***

Revenue increased by ₦130.6 billion, or 12.6%, to ₦1.1697 billion in the year ended 31 December 2019 from ₦1.0391 billion in the year ended 31 December 2018. This increase was primarily driven by increased uptake of new plans and expansion in outgoing voice minutes, as well as growth in data usage and penetration of digital services, and was offset slightly by a decline in digital and VAS revenue due to optimisation of services.

The MTN Nigeria Group's internal financial systems allocate revenue by source (voice, data, digital, fintech, wholesale or other), whereas in calculating revenue in accordance with the NCC's "Annual Operating Levy Regulations, 2014" (the "AOL Regulations"), which require separate disclosure of the portion of the revenue generated from VAS payable to VAS providers, revenue is allocated by the nature of the product or service (voice, data, SMS, interconnect and roaming, handset and accessories, digital, VAS and other).

When calculated in accordance with the MTN Nigeria Group's internal financial systems, voice revenue, which accounted for 72.5% of the MTN Nigeria Group's revenue in the year ended 31 December 2019, increased by ₦66 billion, or 8.4%, to ₦848.3 billion in the year ended 31 December 2019 from ₦782.3 billion in the year ended 31 December 2018, driven by an increase in the number of new subscribers, active voice users, the adoption of new bundle plans and expansion in outgoing voice minutes.

When calculated in accordance with the MTN Nigeria Group's internal financial systems, data revenue increased by ₦65.5 billion, or 42.4%, to ₦219.9 billion in the year ended 31 December 2019 from ₦154.4 billion in the year ended 31 December 2018, which was primarily attributable to increased smartphone penetration and subscriber uptake of the data subscription bundles the MTN Nigeria Group offers. Driven by the same primary factors, when calculated in accordance with the AOL Regulations and as presented in the MTN Nigeria Group's audited accounts, data revenue increased by ₦65.3 billion, or 42.3%, to ₦219.4 billion in the year ended 31 December 2019 from ₦154.1 billion in the year ended 31 December 2018.

#### ***ii. Direct network operating costs***

Direct network operating costs decreased by ₦63.5 billion, or 20.8%, to ₦242.0 billion in the year ended 31 December 2019 from ₦305.5 billion in the year ended 31 December 2018. This decrease was primarily due to the impact of relating to the recognition of only non-lease components (power and maintenance) of the MTN Nigeria Group's tower lease contracts as a result of the adoption of IFRS 16 in the year ended 31 December 2019.

#### ***iii. Value added services***

Value added services costs decreased by ₦4.2 billion, or 25.1%, to ₦12.5 billion in the year ended 31 December 2019 from ₦16.6 billion in the year ended 31 December 2018. This decrease was primarily due to the impact of the

adoption of IFRS 16 in the year ended 31 December 2019, as well as the continued optimisation of VAS offerings to customers.

**iv. Costs of handsets and other accessories**

Costs of handsets and other accessories increased by ₦6.6 billion, or 106.2%, to ₦12.8 billion in the year ended 31 December 2019 from ₦6.2 billion in the year ended 31 December 2018. This increase was primarily due to activities aimed at improving smartphone usage and data penetration ratios.

**v. Interconnect costs**

Interconnect costs increased by ₦9.6 billion, or 10.1%, to ₦105.2 billion in the year ended 31 December 2019 from ₦95.6 billion in the year ended 31 December 2018. This increase was primarily due to interconnect costs incurred due to the increase in traffic as a result of the growth in the subscriber base.

**vi. Roaming costs**

Roaming costs decreased by ₦0.1 billion, or 3.2%, to ₦4.0 billion in the year ended 31 December 2019 from ₦4.2 billion in the year ended 31 December 2018. This decrease primarily relates to consistent levels of off-network traffic in the years ended 31 December 2018 and 31 December 2019, supplemented by the slight appreciation of the Naira in 2019.

**vii. Transmission costs**

Transmission costs increased by 0.8% to ₦5.6 billion in the year ended 31 December 2019 from ₦5.5 billion in the year ended 31 December 2018.

**viii. Discounts and commissions**

Discounts and commissions increased by ₦5.3 billion, or 10.3%, to ₦56.6 billion in the year ended 31 December 2019 from ₦51.3 billion in the year ended 31 December 2018, primarily due to a continued increase in airtime sales during 2019.

**ix. Advertisements, sponsorships and sales promotions**

Advertisements, sponsorships and sales promotions increased by ₦3.6 billion, or 22.0%, to ₦19.8 billion in the year ended 31 December 2019 from ₦16.3 billion in the year ended 31 December 2018. This increase was primarily due to increased marketing spend over the period.

**x. Employee costs**

Employee costs increased by ₦3.6 billion, or 13.1%, to ₦30.7 billion in the year ended 31 December 2019 from ₦27.2 billion in the year ended 31 December 2018. This increase was due to increased employee headcount over the period.

**xi. Other operating expenses**

Other operating expenses decreased by ₦9.1 billion, or 15.2%, to ₦50.7 billion in the year ended 31 December 2019 from ₦59.8 billion in the year ended 31 December 2018. This decrease was primarily due to reduced professional expenses over the period.

**xii. Finance income**

Finance income decreased by ₦2.4 billion, or 10.8%, to ₦20.1 billion in the year ended 31 December 2019 from ₦22.6 billion in the year ended 31 December 2018. This decrease was primarily due to a decrease in the MTN Nigeria Group's cash holdings and in the effective yields of the MTN Nigeria Group's investments.

**xiii. Finance costs**

Finance costs increased by ₦58.0 billion, or 86.1%, to ₦125.3 billion in the year ended 31 December 2019 from ₦67.3 billion in the year ended 31 December 2018, primarily relating to an increase in overall borrowings from ₦175.3 billion to ₦412.5 billion, which led to an increase in interest cost incurred during the year, as well as the recognition of interest expense on the MTN Nigeria Group's lease liabilities as a finance cost in connection with the adoption of IFRS 16 in the year ended 31 December 2019 and was partially offset by the reduction in time value accretion of the NCC Fine.

**xiv. Taxation**

Taxation increased by ₦12.3 billion, or 16.3%, to ₦88.0 billion in the year ended 31 December 2019 from ₦75.7 billion in the year ended 31 December 2018. This increase was primarily due to increased taxable profit in the year ended 31 December 2019 and was partially offset by the decrease in the MTN Nigeria Group's effective income tax

rate to 30.33% from 34.18%, the net tax effect of education tax and investment allowance and income from tax-exempt local government bonds.

**xv. Profit for the year**

For the reasons discussed above, profit for the year increased by ₦56.4 billion, or 38.7%, to ₦202.1 billion in the year ended 31 December 2019 from ₦145.7 billion in the year ended 31 December 2018.

**LIQUIDITY AND CAPITAL RESOURCES**

MTN Nigeria's primary sources of liquidity are the cash flows generated from its operations, along with facility programs which provide funding for capital expenditures and essential operating expenses.

**CASH FLOW**

The table below presents a summary of the MTN Nigeria Group's cash flows for the periods indicated.

<b>₦ 'million (Audited)</b>	<b>FY-2020</b>	<b>FY-2019</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	833,107	608,732
Interest received	14,305	16,058
Finance costs paid	(129,854)	(105,261)
Dividends paid	(172,403)	(133,046)
Employee benefits paid	(379)	(690)
Regulatory fine paid	-	(110,000)
Income tax paid	(55,912)	(62,083)
Utilised/paid provision for the year	(13,189)	(7,730)
<b>Net cash generated from operating activities</b>	<b>475,675</b>	<b>205,980</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(214,923)	(181,685)
Proceeds from sale of property, plant and equipment	783	1,023
Purchase of contract acquisition costs	(8,570)	(3,762)
Acquisition of right of use assets	(14,971)	(4,571)
Purchase of other intangible assets	(26,780)	(21,041)
Movement in non-current investment	(26,070)	-
Proceeds from sale of assets held for sale	-	-
Movement in restricted cash	(9,863)	(831)
Purchase of bonds, treasury bills and foreign Deposits	(121,534)	(9,001)
Sales of bonds, treasury bills and foreign deposits	29,818	22,877
<b>Net cash used in investing activities</b>	<b>(392,110)</b>	<b>(196,991)</b>
<b>Cash flow from financing activities</b>		
Redemption of preference shares	-	(148,189)
Proceeds from borrowings	143,682	381,701
Repayment of borrowings	(41,748)	(146,124)
Repayment of lease liability	(26,676)	(33,265)
<b>Net cash generated from / (used in) financing activities</b>	<b>75,258</b>	<b>54,123</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>158,823</b>	<b>63,112</b>
Cash and cash equivalents at the beginning of the period	116,278	53,012
Effect on exchange rate movement on cash balances	724	154
<b>Cash and cash equivalents at the end of the period</b>	<b>275,825</b>	<b>116,278</b>

## For the year ended 31 December 2019 compared to the year ended 31 December 2018

### i. Cash flows from operating activities

Cash generated from operating activities decreased by ₦38.9 billion, or 15.9%, to ₦206.0 billion in the year ended 31 December 2019 from ₦244.8 billion in the year ended 31 December 2018, primarily due to payment of a dividend and costs incurred in relation to a non-current contract acquisition and was partially offset by the exclusion of lease costs relating to the adoption of IFRS 16 in the year ended 31 December 2019.

### ii. Cash used in investing activities

Cash used in investing activities decreased by ₦6.6 billion, or 3.3%, to ₦197.0 billion in the year ended 31 December 2019 from ₦203.6 billion in the year ended 31 December 2018, primarily due to reduced expenditure on property plant and equipment and increased proceeds from the sale of property, plant and equipment. This reduction in cash outflows was partially offset by an increase in the purchase of intangible assets and expenditures associated with the movement of restricted cash.

### iii. Cash flows from financing activities

Cash generated from financing activities increased to ₦54.1 billion in the year ended 31 December 2019 from cash used in financing activities of ₦79.9 billion in the year ended 31 December 2018, primarily due to the redemption of preference shares in April 2019 and the drawdown of a further local syndicated facility in the year ended 31 December 2019, which was partially offset by the inclusion of the capital portion of lease liability repayments relating to the adoption of IFRS 16 in the year ended 31 December 2019.

## CAPITAL EXPENDITURE

The MTN Nigeria Group's capital expenditures were ₦298.6 billion as of 31 December 2020, ₦250.0 billion, ₦184.2 billion and ₦225.3 billion in each of the years ended 31 December 2019, 2018 and 2017, respectively. In the period under review, the MTN Nigeria Group's capital expenditure spend was focused on network infrastructure expansion and improvements, specifically 4G roll-out across Nigeria in major cities including Lagos, Port Harcourt and Abuja, 3G densification to improve user experience, data speed, availability and reliability, network modernisation and deployment of end-to-end IP transmission and fibre-to-site connections. The MTN Nigeria Group also focused on IT (including hardware and software) to ensure flexible, scalable IT architecture.

The MTN Nigeria Group expects decreased capital expenditure as compared to current levels of capital expenditure in the year ended 31 December 2020 and over the medium term. In the past, the MTN Nigeria Group has financed these expenditures primarily through syndicated banking facilities and expects to continue to do so going forward.

For further discussion of the MTN Nigeria Group's historical capital expenditures, please see "Operating and capital expenditure increases related to network expansion" in this Part 13 (*Operating and Financial Review*).

## BORROWINGS

As at 31 December 2020, the Company had 0.43x net leverage and interest coverage of 15.1x. The Company had no other outstanding debenture, mortgages, charges or similar indebtedness as at 31 December 2020 and had ₦2.6 billion in contingent liabilities arising from claims and litigations in the ordinary course of business as at the referenced date. The MTN Nigeria Group has historically aimed to maintain moderate leverage.

The table below sets out the MTN Nigeria Group's current borrowings as at 31 December 2020:

	Currency	As at 31 December 2020	
		₦ billion	% of total
		<i>(unaudited)</i>	
Local syndicated facilities.....	₦	479.4	92%
Buyer's credit facilities.....	U.S.\$	41.8	8%
<b>Total debt</b> .....		<b>521.2</b>	<b>100%</b>
Cash.....		(275.2)	
<b>Net debt</b> .....		<b>246.0</b>	

As at 31 December 2020, the Company's debt was 8.0% denominated in U.S. dollars (including facilities from foreign banks, MTN Group and other creditors), with the remainder in Naira (including facilities from Nigerian and other African banks).

Below is a summary of the terms of the Company's current outstanding material indebtedness.

### i. Facility M



The Company entered into a ₦200 billion syndicated loan from twelve local banks in August 2018 (“**Facility M**”), which has been fully drawn. Facility M is repayable in eleven semi-annual instalments, which will commence in August 2020. Facility M is a variable interest loan, linked to the Nigeria three-month interbank rate (“**NIBOR**”) plus a margin of 1.75%. The outstanding balance of Facility M was ₦182 billion as at 31 December 2020.

#### **ii. Facility N**

The Company entered into a ₦200 billion syndicated loan from seven local banks in May 2019 (“**Facility N**”), which has been fully drawn. Facility N has a seven-year tenor and a two-year moratorium and is repayable in eleven semi-annual instalments, which will commence in May 2021. Facility N is a variable interest loan, linked to the three-month NIBOR plus a margin of 1.75%. The outstanding balance of Facility N was ₦200 billion as at 31 December 2020.

#### **iii. Facility H**

The Company entered into a U.S.\$329 million export credit agency backed medium-term facility provided by KfW-IPEX Bank and Citibank, London Branch (“**Facility H**”). Facility H is comprised of three tranches, H1, H2 and H3, of U.S.\$103 million, U.S.\$106 million and U.S.\$120 million, respectively.

A total drawdown of U.S.\$87.6 million has been made on tranche H1 as at 31 December 2019, while the periods during which the Company could have drawn on tranche H2 and tranche H3 have expired and both were undrawn. Facility H1 has ten equal, semi-annual principal repayment dates, which commenced in September 2017. H1 is a floating interest loan facility linked to the six-month LIBOR plus a 1.15% margin. The outstanding balance of Facility H was U.S.\$25.5 million as at 31 December 2020.

#### **iv. Facility J and Facility J1**

The Company entered into two buyer’s credit facilities in the sums of U.S.\$30 million and U.S.\$84 million, respectively (“**Facility J**” and “**Facility J1**”, respectively). Facility J is a bilateral buyer’s credit facility from Credit Suisse AG, London branch. Facility J1 is a syndicated buyer’s credit facility from Credit Suisse AG, London branch and China Export-Import Bank. Both Facility J and Facility J1 are floating interest rate facilities at LIBOR plus a margin of 5.5%. Full drawdown has been made on Facility J while a total of U.S.\$57.3 million has been drawn on Facility J1.

The two facilities are repayable in eight equal instalments, which commenced in August 2018. As at 31 December 2020, both Facility J and Facility J1 had a combined outstanding balance of U.S.\$32.7 million.

#### **v. Facility O**

The Company entered into a U.S.\$95 million syndicated loan facility from Africa Finance Corporation and Rand Merchant Bank, London Branch in December 2020. The facility is in two tranches O1 and O2 of U.S.\$15 million and U.S.\$80m respectively. A total drawdown of US\$50 million has been made against Facility O2 as at 31 December 2020. Both tranches of Facility O have 5 equal semi-annual principal repayments which will commence in December 2021. The facility is a floating interest loan linked to the 6-Month LIBOR plus a margin of 5.5%. The outstanding balance of Facility O was U.S.\$50 million as at 31 December 2020.

In securing the above facilities, MTN Nigeria has given a negative pledge over all existing and future assets to the lenders. The negative pledge signifies that MTN Nigeria has agreed not to deplete its assets via sales, collateral and transfer to anyone except the group of lenders, subject to a permitted disposal amount. No other security has been provided in connection with these facilities. *See Part 15 – Statutory and General Information: Material Contracts for details on the above-mentioned facilities, as well as other material contracts entered into by the Company.*

## **DIVIDEND POLICY**

MTN Nigeria will target, in the medium term, a dividend pay-out ratio of at least 80% of its distributable net income. This will be subject to the Board’s discretion, taking into account MTN Nigeria’s cash projections, business outlook, investment plans, capital market conditions, tax regulations and funding facility covenants. Distributable net income is determined in line with applicable accounting principles, legislation and regulations. There is no assurance that MTN Nigeria will pay dividends, or if a dividend is paid, what the amount of such dividend will be. *See “Information regarding forward-looking statements”.*

## **SIGNIFICANT ACCOUNTING POLICIES**

For a description of the MTN Nigeria Group’s significant accounting policies, see Part 14 (*Historical Financial Information*).

## PART 14: HISTORICAL FINANCIAL INFORMATION

The following is a copy of the report of the Reporting Accountant on the Company's historic financial information for the 5-year period ended 31 December 2020:

### EXTRACT FROM THE REPORTING ACCOUNTANTS' REPORT ISSUED BY SIAO PARTNERS



**Lagos:** 15b Olu Holloway Road, Ikoyi, Lagos.  
Tel: 01 463 0571-2 Fax: 01-463 0670

**Abuja:** 1st Floor, Bank of Industry Building  
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SIAO/AU/EO/1445B/21

19 March 2021

The Directors,  
MTN Nigeria Communications Plc,  
MTN Plaza,  
Falomo Ikoyi,  
Lagos.

The Directors,  
Chapel Hill Denham Advisory Limited,  
45 Saka Tinubu Street,  
Victoria Island,  
Lagos.

Gentlemen,

**PROPOSED OFFER FOR SALE BY MTN NIGERIA COMMUNICATIONS PLC  
SELLING SHAREHOLDER(S) (THE "PROPOSED OFFER")  
REPORT ON THE GROUP HISTORICAL FINANCIAL STATEMENTS**

The financial information is based on the Group's audited financial statements for the five years ended 31 December 2020, 2019, 2018, 2017 and 2016. The financial statements have been prepared in accordance with the Group's accounting policies set out on pages 10 - 31. The Group financial statements on which the financial information is based are the responsibilities of the Directors of the Group who approved their issue. The Directors of the Group are responsible for the contents of the Prospectus in which this Report is included.

Our review of the Group financial statements has been limited primarily to the working papers of the External Auditors Ernst & Young (for the year ended 31 December 2020), Grant Thornton (for the year ended 31 December 2019) and PwC (for the three years ended 31 December 2018, 2017 and 2016) of the Group and enquiries of the Group's personnel and analytical procedures applied to the Group financial data. We have not performed an audit and thus, our assignment provides less assurance than an audit; as such, we are not expressing an audit opinion.

Our review was conducted in accordance with International Auditing Standards applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Group financial statements are free of material misstatements. As stated earlier, we have not performed an audit and accordingly, we do not express an audit opinion.

In our opinion, the Group financial statements, prepared on the basis of accounting policies normally adopted by the Group, give a true and fair view of the state of affairs of **MTN Nigeria Communications Plc** and its subsidiaries (together, the Group) for each of the five years ended 31 December 2020, 2019, 2018, 2017 and 2016.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Yours faithfully,



Abiodun Arinfolabi  
FRC/2013/ICAN/00000001548  
For: SIAO (Chartered Accountants)



**SIAO - Accomplish More**  
Audit & Accounting | Financial Advisory | Taxation | Human Resources

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### MTN Nigeria Communications Plc

#### Consolidated statement of profit or loss

		.....12-months ended.....				
		31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Notes	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
<b>Revenue</b>	9	<b>1,346,390</b>	<b>1,169,831</b>	<b>1,039,118</b>	<b>887,180</b>	<b>793,673</b>
Other income	10	104	-	2,225	-	-
Direct network operating costs	15	(310,248)	(246,604)	(305,519)	(268,359)	(176,901)
Value added services		(12,820)	(12,459)	(16,644)	(28,227)	(34,237)
Blackberry licence fees		-	-	-	240	(5,722)
Cost of handsets and other accessories		(20,566)	(12,766)	(6,192)	(7,214)	(4,274)
Interconnect costs		(112,470)	(105,250)	(95,630)	(84,194)	(76,078)
Roaming costs		(2,956)	(4,038)	(4,173)	(2,725)	(2,175)
Transmission costs		(6,106)	(5,553)	(5,509)	(5,685)	(5,696)
Discounts and commissions		(68,528)	(56,586)	(51,287)	(45,770)	(44,087)
Advertisements, sponsorships and sales promotions		(15,144)	(19,848)	(16,274)	(15,567)	(18,053)
(Impairment) reversal/(losses) on contracts with customers		-	-	-	(5,596)	-
Employee costs	13	(45,325)	(30,707)	(27,153)	(22,684)	(23,701)
Reversal of impairment/(impairment) of property, plant and equipment	17	-	-	-	719	(42)
Writeback of impairment of assets held for sale	21	-	-	-	-	203
Other operating expenses	14	(66,591)	(50,989)	(59,793)	(55,722)	(47,206)
Regulatory fine	32	-	-	-	-	20,384
Notional reversal difference payment to CBN		-	-	(19,192)	-	-
Depreciation of property, plant and equipment	17	(150,203)	(147,807)	(141,162)	(123,818)	(116,843)
Depreciation of right of use assets	18	(72,125)	(54,002)	-	-	-
Amortisation of intangible assets	19	(36,699)	(29,997)	(26,700)	(26,649)	(26,896)
<b>Operating profit</b>		<b>426,713</b>	<b>393,225</b>	<b>266,114</b>	<b>195,929</b>	<b>232,350</b>
Finance income	11	15,848	20,132	22,568	43,503	40,131
Finance costs	12	(143,687)	(122,080)	(67,339)	(131,542)	(145,830)
<b>Profit/(Loss) before tax</b>		<b>298,874</b>	<b>291,277</b>	<b>221,343</b>	<b>107,890</b>	<b>126,651</b>
Income tax expense	16	(93,691)	(87,996)	(75,657)	(29,242)	(34,773)
<b>Profit/(Loss) for the year</b>		<b>205,183</b>	<b>203,281</b>	<b>145,686</b>	<b>78,648</b>	<b>91,878</b>
<b>Attributable to:</b>						
Owners of the parent		205,183	203,281	145,686	78,648	91,878
		<b>205,183</b>	<b>203,281</b>	<b>145,686</b>	<b>78,648</b>	<b>91,878</b>
Profit per share - basic/diluted (N)	44	<b>10.08</b>	<b>9.99</b>	<b>7.16</b>	<b>193.20</b>	<b>225.69</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### MTN Nigeria Communications Plc

#### Consolidated statement of comprehensive income

	.....12-months ended.....				
	31 December 2020 N 'million	31 December 2019 N 'million	31 December 2018 N 'million	31 December 2017 N 'million	31 December 2016 N 'million
Profit for the year	205,183	203,281	145,686	78,648	91,878
<i>Items that may be reclassified to profit or loss</i>					
Other comprehensive income for the year net of taxation	-	276	-	-	-
Net fair value (loss)/gain on financial assets held at FVOCI	(282)	-	(491)	171	326
<b>Total comprehensive income for the year</b>	<b>204,901</b>	<b>203,557</b>	<b>145,195</b>	<b>78,819</b>	<b>92,204</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent	204,901	203,557	145,195	78,819	92,204
	<b>204,901</b>	<b>203,557</b>	<b>145,195</b>	<b>78,819</b>	<b>92,204</b>

Financial assets classified as fair value through other comprehensive income are Federal Government treasury bills, which are exempted from company income tax.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### MTN Nigeria Communications Plc Consolidated statement of financial position

		.....12-months ended.....				
		31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS	Notes	N 'million	N 'million	N 'million	N 'million	N 'million
<b>Non-current assets</b>						
Property, plant and equipment	17	686,157	625,095	607,024	582,439	494,670
Right of use assets	18	595,745	476,357	-	-	-
Intangible assets	19	111,080	120,946	119,368	128,602	141,488
Contract acquisition cost	33	7,990	4,852	3,766	3,412	4,315
Prepayments	24	13,906	12,145	15,727	13,683	18,450
Other investments	22	25,847	-	-	-	-
Derivative asset	20	-	-	-	57	-
		<b>1,440,725</b>	<b>1,239,395</b>	<b>745,885</b>	<b>728,192</b>	<b>658,923</b>
<b>Current assets</b>						
Assets held for sale	21	-	-	-	-	7
Inventories	23	2,158	909	1,538	5,730	9,160
Trade and other receivables	24	50,766	52,824	38,617	33,425	39,550
Current investments	25	146,783	54,827	65,468	71,078	151,437
Restricted cash	26	47,913	38,050	37,219	41,618	17,261
Cash and cash equivalents	27	275,198	116,278	53,012	89,565	146,369
		<b>522,818</b>	<b>262,888</b>	<b>195,854</b>	<b>241,417</b>	<b>363,784</b>
<b>Total assets</b>		<b>1,963,543</b>	<b>1,502,283</b>	<b>941,739</b>	<b>969,609</b>	<b>1,022,707</b>
<b>EQUITY</b>						
Share capital	28	407	407	647	647	647
Share premium	29	17,216	17,216	64,498	64,498	64,498
Retained profit/(loss)		160,483	127,702	154,193	47,203	18,555
Other reserves		239	521	6	497	326
		<b>178,345</b>	<b>145,846</b>	<b>219,344</b>	<b>112,844</b>	<b>84,026</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings	30	330,551	380,089	31,438	135,545	189,783
Regulatory fine liabilities	32	-	-	-	91,657	168,061
Derivatives	20	-	265	14	-	-
Lease liabilities	36	586,992	458,509	-	-	-
Deferred tax liabilities	37	113,130	120,587	109,266	87,177	94,083
Provisions	35	38	71	66	70	210
Share based payment liability	48	2,273	745	655	656	657
Employee benefits	40	8,261	1,578	-	-	-
		<b>1,041,245</b>	<b>961,844</b>	<b>141,439</b>	<b>315,104</b>	<b>452,794</b>
<b>Current liabilities</b>						
Trade and other payables	31	303,977	190,444	213,715	245,993	255,568
Borrowings	30	190,599	32,453	143,876	119,820	100,054
Derivatives	20	194	-	-	-	-
Lease liabilities	36	54,798	33,564	-	-	-
Contract liabilities	34	62,301	46,806	42,739	35,531	38,345
Tax liabilities	41	107,351	65,635	54,139	26,005	50,392
Provisions	35	24,733	25,690	21,359	13,193	12,526
Regulatory fine liability	32	-	-	105,128	101,119	29,002
		<b>743,953</b>	<b>394,593</b>	<b>580,956</b>	<b>541,661</b>	<b>485,887</b>
<b>Total liabilities</b>		<b>1,785,198</b>	<b>1,356,437</b>	<b>722,395</b>	<b>856,764</b>	<b>938,681</b>
<b>Total equity and liabilities</b>		<b>1,963,543</b>	<b>1,502,283</b>	<b>941,739</b>	<b>969,609</b>	<b>1,022,707</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

### MTN Nigeria Communications Plc

#### Consolidated statement of cash flows

		12-months ended.....				
		31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Cash flows from operating activities:	Notes	N 'million	N 'million	N 'million	N 'million	N 'million
Cash generated from operations	42	833,107	608,732	437,487	284,971	436,365
Increase in non-current prepayments		-	-	-	-	(2,729)
Share based payment made		-	-	-	(2)	(300)
Finance income		14,305	16,058	19,604	10,969	13,559
Finance costs		(129,854)	(105,261)	(42,024)	(47,234)	(42,251)
Dividends paid		(172,403)	(133,046)	(38,613)	(50,000)	-
Employee benefits paid		(379)	(690)	-	-	-
Regulatory fine paid		-	(110,000)	(110,000)	(30,000)	(80,000)
Tax paid	41	(55,912)	(62,083)	(21,607)	(58,877)	(80,259)
Utilised/paid provision for the year		(13,189)	(7,730)	-	-	-
<b>Net cash generated from operating activities</b>		<b>475,675</b>	<b>205,980</b>	<b>244,847</b>	<b>109,829</b>	<b>244,384</b>
<b>Cash flows from investing activities:</b>						
Acquisition of property, plant and equipment		(214,923)	(181,685)	(201,195)	(193,015)	(139,820)
Proceeds from sale of property, plant and equipment		783	1,023	653	544	1,605
Purchase of contract acquisition costs		(8,570)	(3,762)	(2,830)	(1,675)	-
Acquisition of right of use assets		(14,971)	(4,571)	-	-	-
Acquisition of intangible assets		(26,780)	(21,041)	(10,119)	(10,320)	(27,359)
Investment in non-current FGN bonds		(26,070)	-	-	-	-
Movement in restricted cash		(9,863)	(831)	4,399	(24,357)	(1,042)
Purchase of bonds, treasury bills and foreign deposits		(121,534)	(9,001)	-	7	533
Sale of bonds, treasury bills and foreign deposits		29,818	22,877	5,484	117,348	(43,541)
<b>Net cash used in investing activities</b>		<b>(392,110)</b>	<b>(196,991)</b>	<b>(203,610)</b>	<b>(111,468)</b>	<b>(209,624)</b>
<b>Cash flows from financing activities:</b>						
Redemption of preference shares		-	(148,189)	-	-	-
Proceeds from borrowings		143,682	381,701	136,339	50,516	-
Repayment of borrowings		(41,748)	(146,124)	(216,276)	(106,890)	(91,944)
Repayment of lease liabilities		(26,676)	(33,265)	-	-	-
<b>Net cash used in financing activities</b>		<b>75,258</b>	<b>54,123</b>	<b>(79,937)</b>	<b>(56,374)</b>	<b>(91,944)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>158,823</b>	<b>63,112</b>	<b>(38,699)</b>	<b>(58,013)</b>	<b>(57,184)</b>
Cash and cash equivalents at beginning of the year		116,279	53,013	89,567	146,370	200,675
Exchange gain on cash and cash equivalents		724	154	2,145	1,209	2,879
<b>Cash and cash equivalents at end of the year</b>	27	<b>275,826</b>	<b>116,279</b>	<b>53,013</b>	<b>89,567</b>	<b>146,370</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MTN Nigeria Communications Plc

Consolidated statement of changes in equity

	Attributable to owners of the parent							
	Share capital	Share premium	Total share capital	Other retained earnings	Pioneer retained earnings**	Total retained profit/(loss)	Other reserves	Total Equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
<b>Balance at 1 January 2016</b>	647	64,498	65	(81,857)	5,092	(76,765)	-	(76,700)
Profit for the year	-	-	-	91,878	-	91,878	-	91,878
Other comprehensive income	-	-	-	-	-	-	326	326
<b>Balance at 31 December 2016</b>	<b>647</b>	<b>64,498</b>	<b>65</b>	<b>10,021</b>	<b>5,092</b>	<b>15,113</b>	<b>326</b>	<b>15,504</b>
<b>Opening balance as previously reported</b>	<b>647</b>	<b>64,498</b>	<b>65</b>	<b>10,021</b>	<b>5,092</b>	<b>15,113</b>	<b>326</b>	<b>15,504</b>
Profit for the year	-	-	-	78,648	-	78,648	-	78,648
Other comprehensive income	-	-	-	-	-	-	171	171
Dividend paid	-	-	-	(50,000)	-	(50,000)	-	(50,000)
<b>Balance at 31 December 2017</b>	<b>647</b>	<b>64,498</b>	<b>65</b>	<b>38,669</b>	<b>5,092</b>	<b>43,761</b>	<b>497</b>	<b>44,323</b>
<b>Opening balance as previously reported</b>	647	64,498	65,145	-	-	15,113	326	80,584
IFRS 15 retrospective adjustments	-	-	-	-	-	3,442	-	3,442
<b>Balance at 1 January 2017 as restated*</b>	<b>647</b>	<b>64,498</b>	<b>65,145</b>	-	-	<b>18,555</b>	<b>326</b>	<b>84,026</b>
Profit for the year (restated*)	-	-	-	-	-	78,648	-	78,648
Other comprehensive income	-	-	-	-	-	-	171	171
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,648</b>	<b>171</b>	<b>78,819</b>
Dividend	-	-	-	-	-	(50,000)	-	(50,000)
<b>Balance at 31 December 2017 as restated*</b>	<b>647</b>	<b>64,498</b>	<b>65,145</b>	-	-	<b>47,203</b>	<b>497</b>	<b>112,845</b>

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MTN Nigeria Communications Plc

Consolidated statement of changes in equity (continued)

	Attributable to owners of the parent					
	Share capital	Share premium	Total share capital	Retained profit	Other reserves	Total Equity
	N 'million	N 'million	N 'million	N 'million	N 'million	N 'million
<b>Opening balance as previously reported</b>	647	64,498	65,145	47,203	497	112,844
IFRS 9 adjustments	-	-	-	(82)	-	(82)
<b>Balance at 31 December 2018 as restated*</b>	<b>647</b>	<b>64,498</b>	<b>65,145</b>	<b>47,120</b>	<b>497</b>	<b>112,762</b>
Profit for the year	-	-	-	145,686	-	145,686
Other comprehensive income	-	-	-	-	(491)	(491)
Dividend paid	-	-	-	(38,613)	-	(38,613)
<b>Balance at 31 December 2018</b>	<b>647</b>	<b>64,498</b>	<b>65,145</b>	<b>154,193</b>	<b>6</b>	<b>219,344</b>
<b>Balance at 1 January 2019</b>	647	64,498	65,145	154,193	6	219,344
Profit for the year	-	-	-	203,281	-	203,281
Other comprehensive income	-	-	-	-	276	276
Dividend paid	-	-	-	(133,046)	-	(133,046)
Redemption of preference shares*	(239)	(47,282)	(47,521)	(96,725)	239	(144,007)
<b>Balance at 31 December 2019</b>	<b>407</b>	<b>17,216</b>	<b>17,624</b>	<b>127,702</b>	<b>521</b>	<b>145,847</b>
<b>Balance at 1 January 2020</b>	407	17,216	17,623	127,702	521	145,846
Profit for the year	-	-	-	205,183	-	205,183
Other comprehensive income	-	-	-	-	(282)	(282)
Dividend paid	-	-	-	(172,403)	-	(172,403)
<b>Balance at 31 December 2020</b>	<b>407</b>	<b>17,216</b>	<b>17,623</b>	<b>160,483</b>	<b>239</b>	<b>178,345</b>

\*\*In 2019, following the Board's approval to redeem the preference shares, the preference share capital of N239.4million (402,590,263 preference shares of US\$ 0.005c) and preference share premium of N47.3 billion (402,590,263 US\$ 0.005c preference shares at \$0.987c each) were reclassified to a Redemption account. The difference between the carrying value of the equity instrument and the fair value of the financial liability (N96.7 billion) being the exchange loss at the date of reclassification was recognized in retained earnings.

Included in other reserves is N239.4 million, a sum equal to the nominal amount of the par value of the redeemable preference shares reclassified from retained earnings to a Capital Redemption Reserve Fund (CRRF) in line with S.182(4) of Companies and Allied Matters Act, 2020 (CAMA).

## **PART 15: STATUTORY AND GENERAL INFORMATION**

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### **INCORPORATION AND SHARE CAPITAL HISTORY**

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MTN Nigeria Communications PLC, (previously called MTN Nigeria Communications Limited) was incorporated as a private limited liability company on 8 November 2000. On 18 April 2019, MTN Nigeria Communications Limited re-registered as a public limited liability company, MTN Nigeria Communications PLC.

MTN Nigeria was incorporated with an authorised share capital of ₦10,000,000, divided into 10,000,000 Ordinary Shares of ₦1.00 each. The Company subsequently increased its share capital as follows:

- (i) *From ₦10,000,000 to ₦350,000,000 by the creation of 340,000,000 ordinary shares of ₦1.00 each pursuant to a resolution of the Company dated March 9, 2001 and evidenced by a certificate of registration of increase in share capital dated May 9, 2001 issued by the CAC;*
- (ii) *From ₦350,000,000 to ₦500,000,000 by the creation of 150,000,000 ordinary shares of ₦1.00 each pursuant to a resolution of the Company dated September 21, 2001 and evidenced by a certificate of registration of increase in share capital dated November 12, 2001 issued by the CAC;*
- (iii) *From ₦500,000,000 to ₦504,500,000 by the creation of 4,500,000 B ordinary shares of ₦1.00 each pursuant to a resolution of the Company dated November 9, 2006 and evidenced by a certificate of registration of increase in share capital dated November 22, 2006 issued by the CAC;*
- (iv) *From ₦504,500,000 to ₦504,500,000 and U.S.\$2,012,951.31 by the creation of 402,590,263 preference shares of U.S.\$0.005 each pursuant to a resolution of the Company dated November 8, 2007 and evidenced by a certificate of registration of increase dated November 29, 2007 issued by the CAC;*
- (v) *From ₦504,500,000 to ₦557,000,000 by the creation of 52,500,000 ordinary shares of ₦1.00 each pursuant to a resolution of the Company dated February 8, 2018, and evidenced by a certificate of registration of increase in share capital dated April 5, 2018, issued by the CAC;*
- (vi) *By an ordinary resolution dated 31 January 2019, the nominal value of the Company's shares was sub-divided from ₦1.00 to 2 Kobo; and*
- (vii) *By a notice of redemption dated April 25, 2019, the Company redeemed all the preference shares in its share capital".*

As of the date of this Shelf Prospectus, the authorised share capital of MTN Nigeria is made up of ₦557,000,000 divided into 27,850,000,000 Ordinary Shares of ₦0.02 each. The issued share capital of the Company is made up of ₦407,090,261 divided into 20,354,513,050 Ordinary Shares of ₦0.02 each.

At its meeting held on April 24, 2019, the Board authorised the redemption of all the Preference Shares, subject to the Company obtaining all necessary regulatory approvals. Pursuant to the aforementioned resolution of the Board, the Company issued to holders of the Preference Shares a redemption notice to redeem all of the Preference Shares on such date(s) and on such other terms and conditions as the Board deems appropriate; in accordance with the Articles of Association of the Company, the terms of the redemption notice and applicable statutory and legal requirements.

Upon receiving relevant regulatory approvals, MTN Nigeria paid the redemption amount in respect of the relevant Preference Shares on 30 December 2019. As a result, there are currently no Preference Shares in issue.



The changes in the authorised ordinary share capital of the Company since incorporation are reflected in tabular form as follows:

Year	Authorized Share Capital (₺)		Par Value of each share	Number of shares	Issued and Fully Paid Up (₺)		Consideration/ Method of Issue
	Increase	Cumulative			Increase	Cumulative	
2000	-	10,000,000	₺1.00	10,000,000	-	2,500,000	Subscribed at incorporation
2001	340,000,000	350,000,000	₺1.00	350,000,000	298,000,000	300,500,000	Allotment
2001	-	-	₺1.00	350,000,000	(500,000)	300,000,000	Surrender
2001	150,000,000	500,000,000	₺1.00	500,000,000	37,500,000	337,500,000	Allotment
2002	-	500,000,000	₺1.00	500,000,000	25,210,528	362,710,528	Allotment
2002	-	500,000,000	₺1.00	500,000,000	3,000,000	365,710,528	Allotment
2003	-	500,000,000	₺1.00	500,000,000	1,270,118	366,980,646	Allotment
2003	-	500,000,000	₺1.00	500,000,000	34,867,459	401,848,105	Allotment
2005	-	500,000,000	₺1.00	500,000,000	603,196	402,451,301	Allotment
2006	-	500,000,000	₺1.00	500,000,000	138,960	402,590,261	Allotment
2006	4,500,000 (B Shares)	504,500,000	₺1.00	504,500,000	4,500,000 (B Shares)	402,590,261 4,500,000 (B Shares)	Allotment
2018	52,500,000	557,000,000	₺1.00	557,000,000	-	402,590,261 4,500,000 (B Shares)	Sub-division of Ordinary Shares/reclassification of 4,500,000 B Shares
2019	-	557,000,000	₺0.02	27,850,000,000	-	20,354,513,050	Sub-division of Ordinary Shares/reclassification of 4,500,000 B Shares
2019 till date	-	557,000,000	₺0.02	27,850,000,000	-	20,354,513,050	No Change

The historical changes in the Preference Shares of the Company since incorporation are as follows:

Year	Authorized Share Capital (U.S.\$)		Par Value of each share	Number of shares	Issued and Fully Paid Up (U.S.\$)	
	Increase	Cumulative			Increase	Cumulative
2000 - 2006	-	-	-	-	-	-
2007	U.S.\$2,012,951.31	U.S.\$2,012,951.31	U.S.\$0.005	402,590,263	U.S.\$2,012,951.31	U.S.\$2,012,951.31
2019 <sup>4</sup>	-	U.S.\$2,012,951.31	U.S.\$0.005	402,590,261	-	U.S.\$2,012,951.31
2019	-	U.S.\$2,012,951.31	U.S.\$0.005	402,590,261	-	-
December 2019	-	-	U.S.\$0.005	-	-	Redemption of preference shares in issue

<sup>4</sup> Prior to payment of Redemption Proceeds by the Company.

## SHAREHOLDING STRUCTURE

The table below sets out the issued and paid-up capital legally and/or beneficially held by (i) MTNI ; and (ii) shareholders holding more than 5% of the Company’s Ordinary Shares as at the date of this Shelf Prospectus:

Shareholder	Ordinary Shares Held	Shareholding (%)
MTN International (Mauritius) Limited	15,485,544,050	76.08%
Others	4,868,969,000	23.92%
<b>Total</b>	<b>20,354,513,050</b>	<b>100.00%</b>

## DIRECTORS’ INTERESTS

The Directors and their respective shareholdings are as recorded in the register of members of the Company. As of 31 July 2021, the shareholding of the directors in the Company was as follows:

Name of Director	Ordinary Shares Held	Total % of Holding	Indirect Holding Entities
Ernest Ndukwe OFR	161,375	0.00079	N/A
Karl Olatokun Toriola	2,114,472	0.01	N/A
Ifueko M. Omoigui Okauru, MFR	NIL	NIL	N/A
Modupe Kadri	80,000	0.000039	N/A
Michael Onochie Ajukwu	NIL	NIL	N/A
Muhammad K. Ahmad, OON	NIL	NIL	N/A
Andrew Alli	93,220	0.000046	N/A
Omobola Johnson	225,000	0.0000111	N/A
A.B. Mahmoud, SAN, OON	NIL	NIL	N/A
Ferdinand Moolman	NIL	NIL	N/A
Tsholofelo Molefe	NIL	NIL	N/A
Ralph Mupita	NIL	NIL	N/A
Charles Molapisi	NIL	NIL	N/A
Rhidwaan Gasant	NIL	NIL	N/A
Jens Schulte-Bockum	NIL	NIL	N/A

## RELATED PARTY TRANSACTIONS

MTN Nigeria enters into a number of transactions with related parties in its ordinary course of business, including the MTN Group. All of these transactions are executed on an “arm’s length” basis and do not pose any conflict of interest. In 2001, MTN Nigeria entered into a Technical Services Agreement and the Intellectual Property (“IP”), Know-How License and Management Services Agreement with MTN International (Mauritius) Limited (together, the “**Agreements**”) for the provision of technical services, IP and Know-How License and the provision of management services by MTN International (Mauritius) Limited. MTN Nigeria is required to make payments for the technical and management services to MTN Group and also register the Agreements with the Nigerian National Office for Technology Acquisition and Promotion. The Agreements are renewable every 3 (three) years.

Furthermore, MTN Nigeria executed a Strategic Investor Agreement with MTN Group (the “**Strategic Investor Agreement**”) which memorialises the relationship between MTN Nigeria and MTN Group. Pursuant to the Strategic Investor Agreement, MTN Group undertakes that it will treat all unpublished information that it receives from MTN Nigeria which is of a price-sensitive nature with appropriate confidentiality and acknowledges that, it shall at all times treat and procure the treatment of the information disclosed to it as insider information/unpublished price - sensitive information as envisaged in the ISA and the rules and regulations of the SEC and NGX.

MTN Nigeria likewise undertakes to provide MTN Group with all operational and financial information reasonably requested by MTN Group to enable MTN Group to comply with its legal and contractual obligations and that it will treat all unpublished information it receives from MTN Group which is of price-sensitive nature with appropriate confidentiality and it shall at all times treat and procure the treatment of the information disclosed to it as inside information. Clause 3 of the Strategic Investor Agreement provides that, with respect to the appointment, dismissal or any material proposed changes to the terms and conditions of employment or engagement, remuneration or share incentive arrangements of its directors, senior management employees and auditors, MTN Nigeria will consult with MTN Group before any such actions are implemented or publicly announced to the extent permissible by applicable laws and regulations.

By the provisions of the Strategic Investor Agreement, each of MTN Nigeria and MTN Group acknowledges that, because the nature of their relationship and the holding by certain individuals of directorships of both companies and the existence of minority shareholders in MTN Nigeria, there may be circumstances where a conflict of interest could arise or be perceived to arise. In such circumstances, both parties will liaise with each other to ensure that appropriate arrangements are put in place to deal with the situation.

Each of MTN Nigeria and MTN Group undertakes to promptly disclose any real or potential conflict of interest that a director may have regarding any matters that may come before the Board or its committees and to abstain from discussions and voting on any matter in which a director has or may have a conflict of interest. Each of MTN Nigeria and MTN Group agrees that it will not use its position to disadvantage the other and that relationships between MTN Nigeria and MTN Group will be on an arm's length basis, unless otherwise mutually agreed and appropriately disclosed. The Strategic Investor Agreement is governed by Nigerian law.

## INDEBTEDNESS

As at **31 December 2020**, the Company had bank facilities in the ordinary course of business amounting to approximately **₦521 billion** (with circa 94% of the said sum being denominated in Naira whilst circa 6% is denominated in foreign currency). The Company had no other outstanding debenture, mortgages, charges or similar indebtedness or contingent liabilities as at the referenced date. For a summary of the Company's outstanding facility agreements and its cross-currency swap arrangements, see "Material Contracts" below.

## SUBSIDIARIES AND ASSOCIATED COMPANIES

The summarised details of the Company's subsidiaries as at the date of this Shelf Prospectus are set out below:

Subsidiary	Registration Number	Date and Place of Incorporation	Principal Place of Business	Number of Subsidiary's Ordinary Shares in Issue	Effective Date of Becoming a Subsidiary	MTNN's Shareholding in the Subsidiary
Visafone Communications Limited	RC:295507	4 July 1996 Nigeria	4, Aromire Road, Off Alfred Rewane Road, Lagos	11,750,000,000	31 December 2015	11,749,999,999
XS Broadband Limited	RC:504183	12 February 2004, Nigeria	22 B Idowu Taylor Street, Victoria Island, Lagos	5,000,000	31 July 2007	4,999,999
Yello Digital Financial Services Limited	RC:1476139	6 March 2018, Nigeria	MTN Plaza, Ikoyi Lagos	1,800,000,000	6 March 2018	1,799,950,000

The Company also established the MTNF in 2004; which has the corporate details in the table below.

Name	Registration Number	Date and Place of Incorporation	Registered Office Address
MTN Nigeria Foundation Limited by Guarantee	RC:602002	19 July 2004, Nigeria	4, Aromire Road, Off Alfred Rewane Road, Lagos

## EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The following are the relevant extracts from MTN Nigeria Communications PLC Memorandum and Articles of Association.

3. The objects for which the company is established are:

- (1) To undertake the business of operating AMPS and GSM Cellular Network Systems nation-wide in Nigeria as well as all other types of communication systems.
- (2) To operate, install and activate Information Communications Technology and Cellular Radio-Telephone System nation-wide in Nigeria.
- (3) To undertake, set up, manage and maintain telecommunication systems generally.
- (4) To carry on the business as an Information Communications Technology service provider of providing both mobile and fixed tele-communication services to both urban and rural areas, operating and maintaining such services and any other electronic and electrical services as the company may desire.
- (5) To manufacture, supply and deal in telephones, pagers, facsimile machines, teleprinters and telecommunication apparatus or devices of all kinds; and to do likewise in respect of their accessories (including but not limited to telephone answering machines).
- (7) To acquire all licenses and processes required to carry out the objects of the company.
- (8) To carry on business as an Information Communications Technology and Telecommunications/electronics company, and to engage in any or all aspects of the electronics business or industry, whether in the area of manufacturing, trading, the provision of service, or otherwise.
- (14) To carry on business as electronic and electrical engineers, and to engage in electronic engineering works and functions of all types, including the design, development and application of electronic equipment and systems and to develop, adapt, utilise and exploit all forms of technology in the performance of such works and functions.
- (15) To carry on business as consultants and advisers on matters relating to telecommunications and the electronic industry and in that capacity, to conduct feasibility studies, economic and marketing evaluation, data acquisition, the appraisal, planning and management of projects, and all other such works.
- (16) To invest in, and to purchase, acquire, hold, develop, work and turn to account any land, buildings, landed property or real estate of any kind whatsoever including proprietary rights.
- (20) To carry on the business of property developers and to provide all associated services, including maintenance, repair, cleaning and security services.
- (21) To purchase, lease or otherwise acquire houses, offices, workshops, buildings and premises and any fixed and movable machinery, tools, engines, boilers, plant implement, patterns and stock-in-trade, patents and patent rights, convenient to be used in or about the trade or business of engineers, founders, smiths or machinists.
- (30) To do all such things as may be incidental or conducive to the attainment of the above objects or calculated in any way to benefit the company.

4. The company is a public company.

5. The liability of the members is limited by shares.

6. The share capital of the company is made up of:

- i. ₦557,000,000 divided into 27,850,000,000 ordinary shares of ₦0.02 each.

## ARTICLES OF ASSOCIATION

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### *Share capital and alteration of rights*

The authorised share capital of the Company is ₦557,000,000 divided into 27,850,000,000 ordinary shares of ₦0.02 each.

By a special resolution dated 8 February 2018, the Authorised Share Capital of the Company was increased from ₦504,500,000 to ₦557,000,000 by the creation and addition thereto of 52,500,000 ordinary shares of ₦1.00 each.

3. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting or otherwise or on the basis that the same is or at the option of the Company is liable to be redeemed as the Company may from time to time by ordinary resolution determine.
4. Pursuant to the provisions of the Act, the Company may accept such considerations, whether (i) cash, (ii) valuable consideration other than cash or (iii) partly cash and partly a valuable consideration other than cash, in exchange for the issuance of its shares.
5. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
7. Except as required by law, no Person shall be recognized by the company as holding any shares upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any fractional part of a share or (except only as these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

### *Alteration of capital*

10. The Company may from time to time, in General Meeting, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its capital by the creation of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the General Meeting resolving upon the creation thereof shall direct. Subject and without prejudice to any rights for the time being attached to the shares of any special class, any share in such increased capital may have attached thereto, such special rights or privileges as the general meeting resolving upon the creation thereof shall by resolution determine and in particular any such shares may be issued with a preferential, deferred or qualified right to dividends or in the distribution of assets and with a special or without any right of voting.
11. Unless otherwise determined by the Company in General Meeting, any shares for the time being unissued shall, before they are issued, be offered to the members in proportion, as nearly as may be, to the number of shares held by them or be offered to the holders of shares of any particular class or classes. Such offer shall be made by notice specifying the number of shares offered and limiting time within which the offer, if not accepted will be deemed to be declined and after the expiration of such time or on the receipt of an imitation from the member to whom such notice is given that he declines to accept the share offered, the Directors may dispose of the same in such manner as they deem most beneficial to the Company and further if, owing to the proportion which the number of the new shares bears to the number of shares held by members entitled to such offer as aforesaid or from any other cause, any difficulty shall arise in apportioning the new shares or any of them in manner aforesaid, the Directors may in like manner dispose of the shares in respect of which such difficulty arises. Subject as aforesaid any shares for the time being unissued shall be at the disposal of the Directors.
12. Subject to the provisions of the Act on reduction of capital, the Company may, whenever it considers it expedient to do so, by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account.
13. Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares).

### ***Meetings***

14. The annual general meetings shall be held at such time and place, as the directors shall appoint.

### ***Voting***

26. All shareholders shall be entitled to attend and vote at meetings and the provisions of the Act as it relates to the procedure of voting shall apply to the Company.
27. Subject to the provisions of article 52, at a general meeting or adjourned general meeting of the Company at which the holders of the preference shares and the holders of the ordinary shares are present and entitled to vote on a resolution which relates to (i) varying the rights attaching to the preference shares or (ii) the winding up of the Company, the holders of the preference shares shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the par value plus the premium of the preference shares held by that preference shareholder bears to the aggregate amount of the par value plus the premium paid up on all shares (both preference shares and ordinary shares) issued by the Company and entitled to vote at the meeting. For the purpose of this article 27:
  - 27.1 the aggregate amount of the par value plus the premium in respect of the preference shares held by any preference shareholder shall be the Naira value of such par value plus premium as converted at the ruling US\$: Naira exchange rate as quoted by the Central Bank of Nigeria on the date immediately prior to the relevant general meeting; and
  - 27.2 the aggregate amount of the par value plus premium paid up in respect of all shares (being ordinary shares and preference shares) issued by the Company shall be calculated by adding the following:
    - 27.2.1 the Naira amount of the ordinary share capital and any share premium paid in respect of the ordinary shares in the Company (both denominated in Naira); plus
    - 27.2.2 a Naira amount calculated by obtaining the Naira value of the aggregate of the par value plus premium of all the preference shares as converted at the US\$: Naira exchange rate as quoted by the Central Bank of Nigeria on the date immediately prior to the relevant general meeting.

### ***Material decisions***

28. Unless sanctioned with a 75% vote of the shareholders, the Company shall not:
  - 28.1 enter into any new line of business or undertake any business outside the scope of the Company's business, or enter into any joint venture, partnership or other business venture in combination with any third party or take over or acquire the whole or any part of the business or assets of any other person or merge or amalgamate with any other company, entity or business; or
  - 28.2 make any material change to the nature of its business.

### ***Directors***

29. The directors of the Company shall not be less than (9) unless and until otherwise determined by the Company.

The first directors and subsequent directors of the Company shall continue to hold office for maximum tenor permitted under the applicable regulations unless any of them is removed by the Company in a general meeting in accordance with the provisions of the Act.
30. The directors shall appoint the Chief Executive Officer of the Company, who shall thereby become a director of the Company during the tenure of his appointment.

The appointment of the Chief Executive Officer shall be automatically terminated if he ceases for any reason to be a director.
31. Each director shall be entitled to appoint and remove an alternate director, such appointment or removal to be effected by notice in writing to the Company under the hand of the director concerned and to take effect automatically and immediately upon receipt by the Company of such written notice or otherwise in accordance with its terms.

32. At meetings of directors, voting shall be by show of hands, and each director shall be entitled to one vote. The Chairman shall be entitled to a casting vote in the event of an equality of votes.

#### *The seal*

35. The Directors shall provide for the safe custody of the seal, which shall be used by the authority of the directors or a committee of the directors authorised by the directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by one director and shall be counter-signed by the secretary or by some other persons appointed by the directors for the purpose.

#### *Borrowing powers*

44. The Directors may exercise all powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party; provided that the aggregate amount at any time owing in respect of moneys borrowed by the Company and its subsidiaries (exclusive of inter-company borrowings and temporary loans) shall not exceed a reasonable amount except with the consent of the Company in general meeting.

### **CLAIMS AND LITIGATION**

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The opinion of the Solicitors to the Transaction, G. Elias & Co., in connection with the establishment of the Programme (the “**Transaction**”), is set out below:

“We reviewed the claims and litigation (the “**Cases**”) involving the Company as at September 7, 2021. The scope of our audit was limited to threatened, pending, and recently concluded litigation and arbitration for (i) claims with an economic impact of at least ₦500,000,000 (Five Hundred Million Naira) and above (an aggregate of thirty-three (33) cases); and (ii) a claim below ₦500,000,000 (Five Hundred Million Naira) but is significant on the basis of the reliefs sought. Thus, we reviewed a total of **thirty-four (34)** Cases in all. The Company confirmed to us that it is involved in all of these Cases as a defendant.

From our audit, the aggregate value of claims made against the Company (minus interest) are: (1) in Naira, **₦307,672,210,843.66** (Three Hundred and Seven Billion, Six Hundred and Seventy-Two Million, Two Hundred and Ten Thousand, Eight Hundred and Forty-Three Naira, Sixty-Six Kobo); (2) in United States Dollars, **USD\$13,472,262.49** (Thirteen Million, Four Hundred and Seventy-Two Thousand, Two Hundred and Sixty-Two United States Dollars and Forty-Nine Cents); and (3) in British Pounds Sterling, **£10,000** (Ten Thousand Pounds).

Based on our review of the Cases, we are of the opinion that most of the claims against the Company are spurious, highly exaggerated, outrightly frivolous, or have been abandoned for practical purposes. Most of the claims will likely fail. For instance, in Suit No. FHC/ABJ/CS/350/2018 (*Sir Ayobola F. Abiola et al. v MTN Nigeria Communications Ltd. et al.*) where the plaintiffs claimed against the Company (i) **₦66,000.00 (Sixty-Six Thousand Naira) as special damages being the sum purportedly removed from the 1<sup>st</sup> Plaintiff’s Wema Bank savings account;** (ii) **₦150,000.00 (One Hundred and Fifty Thousand Naira)** as special damages being the sum purportedly removed from the 1<sup>st</sup> Plaintiff’s Guaranty Trust Bank Account; (iii) **₦3,000,500,000 (Three Billion, Five Hundred Thousand Naira)** as general and exemplary damages; and (iv) **₦20,000,000.00 (Twenty Million Naira)** as general damages. The claim in that case, which is in excess of three billion Naira, is, in our opinion, without merit and will in all likelihood fail as there is no allegation that the Company was involved in the breach.

A notable, but nevertheless weak case, is the case of *Dr. Charles Mekwunye v. Lotus Capital Ltd. et al.* (Suit No. FHC/L/CS/354/2015) where the plaintiff instituted the suit at the Federal High Court, Lagos (the “**FHC**”) seeking to restrain the listing of the Company’s shares on The Nigerian Stock Exchange. Upon the application of the 1<sup>st</sup> Defendant, the FHC stayed proceedings in the suit and referred the dispute for determination by arbitration (the “**Ruling**”). The Plaintiff’s appeal against the Ruling to the Court of Appeal as well as Motion for injunction to restrain the listing of the Company’s shares pending the determination of the appeal were both dismissed (the “**CA Decisions**”). The Plaintiff has appealed the CA Decisions to the Supreme Court and has also filed a Motion for injunction to restrain the listing of the Company’s shares pending the determination of the appeal at the Supreme Court. It is very unlikely that the Supreme Court will set aside the concurrent findings and decisions of the FHC and the Court of Appeal. In any event, the act (that is, the listing) which the appeal seeks to restrain has been completed.

If some of the other claims succeed, the portion of the contingent liability that could realistically materialize is not likely to impact the Company significantly, or adversely affect the ability of the Company to perform its obligations under the Transaction especially considering that the liabilities may not materialize concurrently. More so, most of

the counter-claims brought by the Company, though not falling within the monetary threshold of this report, are cogent and very likely to be successful.”

#### ***Other information regarding claims and litigation***

The Company was also involved in a suit against the CBN and the AGF concerning a demand by the CBN for the sum of U.S.\$8.1 billion paid by the Company to its foreign shareholders covering a period of over ten years to be repatriated back to Nigeria by the Company. The CBN alleged that the sum was illegally transferred from Nigeria using Certificates of Capital Importation which, according to the CBN, were improperly issued by Authorised Dealers (i.e. Nigerian banks appointed by the CBN to act as delegates to the CBN in relation to dealings in foreign exchange). This matter has since been resolved with the CBN and the Company has been absolved of all allegations with respect to same.

#### **ESTIMATED COSTS AND EXPENSES OF ESTABLISHING THE PROGRAMME**

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The costs and expenses of establishing the Programme including fees payable to the SEC and the other parties to the Programme including filing fees, legal fees and other expenses, are estimated at ₦90 million.

#### **UNPAID AND UNCLAIMED DIVIDENDS**

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As at 31 December 2020 the total unclaimed dividends was ₦1,378,087,542.12 (One Billion, Three Hundred and Seventy-Eight Million, Eighty-Seven Thousand, Five Hundred and Forty-Two Naira, and Twelve Kobo). The Company periodically send letters through the Registrars to shareholders with unclaimed dividends to notify them of their unclaimed dividends and indicating the process to claim same. The list of shareholders of the Company with unclaimed dividends is included in the Company’s annual report, which is distributed to all shareholders and published on the website of the Company.

#### **DEBTORS AND CREDITORS**

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As of 31 December 2020, the Company did not have any creditors constituting 5% and above of the Company’s total debt. The following are parties each constitute 5% and above of the Company’s total credit (equivalent to circa ₦12.40 billion): Global Connect, Belgacom SA and Natocm Dev. & Investment Limited.

#### **MATERIAL CONTRACTS**

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The following agreements have been entered into and are considered material contracts:

1. Financing/facility agreements between the Company and relevant financing institutions:
  - i. A ₦200 billion syndicated loan entered into by MTN Nigeria, Citibank Nigeria Limited, Stanbic IBTC Bank PLC, Standard Chartered Bank Nigeria Limited, First Bank of Nigeria Limited, Union Bank of Nigeria PLC, Rand Merchant Bank Nigeria Limited, United Bank for Africa PLC, FSDH Merchant Bank Limited, Fidelity Bank PLC, Ecobank Nigeria Limited, First City Monument Bank Limited and Diamond Bank PLC (now merged with Access Bank Plc) in August 2018 (“**Facility M**”), which has been fully drawn. Facility M is repayable in eleven semi-annual instalments, which will commence in August 2020.
  - ii. A ₦200 billion syndicated loan entered into by MTN Nigeria, First Bank of Nigeria Limited, United Bank for Africa PLC, Fidelity Bank PLC, Access Bank PLC, First City Monument Bank Limited, Zenith Bank PLC and Guaranty Trust Bank PLC in May 2019 (“**Facility N**”), on which ₦180 billion has been drawn. Facility N has a seven-year tenor and a two-year moratorium and is repayable in eleven semi-annual instalments, which will commence in May 2021.
  - iii. A U.S.\$329 million export credit agency backed medium-term facility provided by KfW-IPEX Bank and Citibank, London Branch to MTN Nigeria (“**Facility H**”). Facility H is comprised of three tranches, H1, H2 and H3, of U.S.\$103 million, U.S.\$106 million and U.S.\$120 million, respectively.
  - iv. Two buyer’s credit facilities in the sums of U.S.\$30 million and U.S.\$84 million, respectively (“**Facility J**” and “**Facility J1**”, respectively) issued in favour of MTN Nigeria. Facility J is a bilateral buyer's credit facility from Credit Suisse AG, London branch. Facility J1 is a syndicated buyer's credit facility from Credit Suisse AG, London branch and China Export-Import Bank. Both Facility J and Facility J1 are floating interest rate facilities at LIBOR plus a margin of 5.5%.
  - v. A U.S.\$95 million syndicated loan facility issued by Africa Finance Corporation and Rand Merchant Bank, London Branch in December 2020 in favour of MTN Nigeria (“**Facility O**”). Facility O comprises of two



tranches i.e. U.S.\$15 million and U.S.\$80 million. Facility O has a three-year tenor and a one-year moratorium, and is repayable in five semi-annual instalments, which will commence in December 2021.

2. Dealer Agreement dated August 30, 2019 executed by MTN Nigeria and Chapel Hill Denham Securities Limited in connection with the issuance of commercial papers by MTN Nigeria under its ₦100 billion Commercial Paper Issuance Programme;
3. Deed of Covenant dated August 30, 2019 executed by MTN Nigeria and Chapel Hill Denham Advisory Limited in connection with the issuance of commercial papers by MTN Nigeria under its ₦100 billion Commercial Paper Issuance Programme;
4. Issuing, Placing, Collection and Paying Agency Agreement dated August 30, 2019 executed by MTN Nigeria, Chapel Hill Denham Advisory Limited, United Bank for Africa PLC, Rand Merchant Bank Nigeria Limited and Stanbic IBTC Bank PLC in connection with the issuance of commercial papers by MTN Nigeria under its ₦100 billion Commercial Paper Issuance Programme;
5. Programme Trust Deed between MTN Nigeria and ARM Trustees Limited dated May 5, 2021 in respect of the ₦200 billion bond issuance programme established by MTN Nigeria;
6. Series 1 Trust Deed between MTN Nigeria and ARM Trustees Limited dated May 5, 2021 in respect of the ₦110 billion series 1 bond issuance under MTN Nigeria's ₦200 billion bond issuance programme; and
7. Vending Agreement between MTN Nigeria and Chapel Hill Denham Advisory Limited, Stanbic IBTC Capital Limited, DLM Advisory Limited, FBNQuest Merchant Bank Limited, FCMB Capital Markets Limited, Rand Merchant Bank Nigeria Limited and Vetiva Capital Management Limited dated May 5, 2021 in respect of the sale of circa ₦110 billion series 1 bonds under MTN Nigeria's ₦200 billion bond issuance programme.

Other than as stated above, the Company has not entered into any material contract except in the ordinary course of business.

## **MERGERS AND ACQUISITIONS**

As at the date of this Shelf Prospectus, except as otherwise disclosed herein, the Company has not received any merger or takeover offer from a third party in respect of its securities nor has the Company made any merger or takeover offer to any other company in respect of such other company's securities within the current or preceding financial years.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The suppliers below represent more than 10% of MTN Nigeria's overall supplier spend for the year 2020:

<b>Supplier</b>	<b>Invoices spend (USD)</b>	<b>Invoices spend (NGN)</b>	<b>% Of Total</b>
<b>Int Towers</b>	481,019,005	185,019,150,190	24%
<b>Huawei</b>	336,301,897	129,355,161,494	17%
<b>IHS</b>	253,125,115	97,362,044,214	13%
<b>Ericsson</b>	163,532,802	62,901,257,141	8%
<b>ZTE</b>	54,394,102	20,922,147,213	3%
<b>Nairtime Holdings</b>	52,246,008	20,095,904,649	3%
<b>Federal Government of Nigeria</b>	47,373,520	18,221,750,809	2%
<b>ATC South Africa Wireless Infrastructure</b>	38,762,091	14,909,450,546	2%
<b>Nokia</b>	32,977,990	12,684,654,187	2%
<b>Thales DIS France</b>	28,666,026	11,026,100,331	1%
<b>Helios Towers</b>	28,579,684	10,992,889,749	1%
<b>Aquila Leasing</b>	23,734,148	9,129,102,567	1%
<b>Blueprint Business Tech</b>	23,002,230	8,847,577,789	1%
<b>SPV Communications Solutions</b>	22,585,354	8,687,230,654	1%
<b>Txlight Power Solutions</b>	18,683,741	7,186,514,082	1%

With the exception of IHS, the Company does not believe that its business is dependent on any of the other above-mentioned suppliers. The contracts between the Company and IHS are long-term in nature.

Furthermore, the Company does not have any customers on which it is dependent or which individually accounts for more than 10% of its revenue.

## **RELATIONSHIP BETWEEN THE COMPANY AND ITS ADVISERS**

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As at the date of this Shelf Prospectus, there was no relationship between the Company and any of the advisers except in the ordinary course of business.

## **CONSENTS**

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The following have given and have not withdrawn their written consents to the issue of this Shelf Prospectus with the inclusion of their names and reports (where applicable) in the form and context in which they appear:

### **Directors of the Company**

Ernest Ndukwe OFR  
Karl Olutokun Toriola  
Ifueko M. Omoigui Okauru, MFR  
Modupe Kadri  
Michael Onochie Ajukwu  
Muhammad K. Ahmad, OON  
Andrew Alli  
Rhidwaan Gasant  
Omobola Johnson  
A.B. Mahmoud, SAN, OON  
Ferdinand Moolman  
Tsholofelo Molefe  
Ralph Mupita  
Charles Molapisi  
Jens Schulte-Bockum

### **Company Secretary**

Uto Ukpanah

### **Issuing House and Bookrunner**

Chapel Hill Denham Advisory Limited

### **Stockbroker**

Chapel Hill Denham Securities Limited

### **Joint Solicitors to the Company**

Banwo & Ighodalo  
F.O. Akinrele & Co.

### **Solicitors to the Transaction**

G. Elias & Co.

### **Reporting Accountants**

SIAO Partners

### **Auditors**

Ernst & Young Professional Services

### **Registrar**

Coronation Registrars Limited

### **Receiving Bank**

Citibank Nigeria Limited

## LETTER ON GOING CONCERN STATUS OF THE COMPANY

This letter on the going concern status of the Company has been provided by Messrs Ernst & Young Professional Services in their capacity as the Company's auditors for the financial year ended 31 December 2020.



Ernst & Young  
10<sup>th</sup> & 13<sup>th</sup> Floors  
UBA House  
57 Marina  
P.O. Box 2442, Marina  
Lagos, Nigeria.

Tel: +234 (01) 63 14500  
Fax: +234 (01) 46 30481  
Email: services@ng.ey.com  
www.ey.com

4 August 2021

The Directors  
**MTN Nigeria Communications Plc**  
MTN Plaza  
1 Awolowo Road  
Falomo, Ikoyi  
Lagos

The Directors  
**Chapel Hill Denham Advisory Limited**  
10 Bankole Oki Street  
Ikoyi  
Lagos

Dear Sir/Madam,

### **MTN NIGERIA COMMUNICATIONS PLC: REGISTRATION OF EQUITY SHELF PROGRAMME ("THE PROGRAMME") - AUDITORS' CONFIRMATION OF GOING CONCERN STATUS**


We have audited the financial statements of MTN Nigeria Communications Plc ("the Company") for the year ended 31 December 2020 which were prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria Act, 2011.

Based on our audit of the financial statements of MTN Nigeria Communications Plc for the year ended 31 December 2020, on which we expressed our opinion on 27 February 2021 and the representation received from the Directors of MTN Nigeria Communications Plc in connection with the audit, nothing has come to our attention as at the date of issuance of our audit opinion that causes us to believe that the Company will not continue in operation as a going concern within the next 12 months from the date of our audit report.

We note that as described in ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing", the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. We cannot predict such future events and conditions. Accordingly, the absence of any reference to material uncertainty about the Company's ability to continue as a going concern in our Auditor's Report is not a guarantee as to the Company's ability to continue as a going concern.

This letter has been prepared only for the purposes of compliance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Therefore, we did not perform additional procedures subsequent to our Auditor's Report dated 27 February 2021.

Yours faithfully  
For: Ernst & Young

  
Funmi Ogunlowo  
Partner

  
OLAYINKA, A. DOHERTY ESQ.  
OLAYINKA, A. DOHERTY & CO,  
BARRISTERS, SOLICITORS AND  
NOTARIES PUBLIC  
6, Tokunboh Str, Lagos Island,  
Lagos State



This letter on the going concern status of the Company has been provided by the Directors of the Company.

MTN Nigeria Communications PLC  
MTN Plaza, Falomo Ikoyi, Lagos  
P.M.B. 80147 Adeola Odeku Post Office, Victoria Island, Lagos, Nigeria  
Website: www.mtnonline.com  
RC 395010



August 27, 2021

**MTN NIGERIA COMMUNICATIONS PLC: REGISTRATION OF EQUITY SHELF PROGRAMME  
(THE "PROGRAMME") - DIRECTORS' CONFIRMATION OF GOING CONCERN STATUS**

The Directors of MTN Nigeria Communications Plc ("MTN Nigeria" or the "Company") are accountable and responsible for the performance and operations of the Company. Specifically, and in line with the provisions of the Companies and Allied Matters Act, 2020 ("CAMA"), the Directors owe the Company a duty of care and must, at all times, act in the best interest of the Company's employees and all other stakeholders.

The Directors are required to prepare financial statements at the end of each financial period, which give a true and fair view of the Company's state of affairs and of the profit and loss for the relevant accounting period. The Directors are also responsible for ensuring that proper accounting records are maintained and steps are taken to prevent and detect fraud and other irregularities. The Directors are also responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable.

The applicable International Financial Reporting Standards have been followed and MTN Nigeria Communications Plc's financial statements for the twelve (12) months ended 31 December 2020 have been prepared using accounting policies, which comply with the International Financial Reporting Standards (IFRSs), CAMA and the Financial Reporting Council of Nigeria Act, 2011.

The Directors of MTN Nigeria, having made appropriate enquires and reviewing budgets, projecting cash flows and other relevant information, consider that adequate resources will exist for the business to continue in operational existence for the foreseeable future.

This letter has been prepared and issued only for the purposes of complying with the rules and regulations of the Securities and Exchange Commission in relation to the Offer.

Yours faithfully

For: MTN NIGERIA COMMUNICATIONS PLC

A handwritten signature in black ink, appearing to read 'Karl Toriola'.

Karl Toriola  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Ufo Ukanah'.

Ufo Ukanah FCIS  
Company Secretary

Directors: Dr. E. Ndukwe, OFR (Chairman) Mr. K. Olutokun Toriola (CEO) Mr. M. Kadri (CFO) Mr. M.K. Ahmad, OON Mr. M. Ajukwu Mr. A. Alli Dr. O. Johnson Mrs. I. M. Omoigui Okauru, MFR Mr. A. B. Mahmoud, SAN OON \*Mr. R. Gasant \*Mr. C. Molapisi \*Ms. T. Molefe \*Mr. F. Moolman  
\*Mr. R. Mupita \*\*Mr. J. Schulte-Bockum

\*South African \*\*German

## **PLEGGED ASSETS**

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Except as otherwise disclosed in the Consolidated Audited Financial Statements of the Company for the five years up to the year ended 31 December 2020, the Company had no other outstanding debenture, mortgages, charges or similar indebtedness or contingent liabilities as at the referenced dates therein. Borrowings are secured by a negative pledge on the Company's assets and governed by a Common Terms Agreement in connection with the Company's Medium Term Facility.

## **RESEARCH AND DEVELOPMENT**

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MTN Nigeria is solely responsible for its research and development and intends to continuously research into ways to improve its service offerings, products, efficiency in operations and market opportunities on an economically sustainable basis, to enhance its profitability and maximize returns and value for its shareholders.

## **DECLARATIONS AND STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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Except as otherwise disclosed in this Shelf Prospectus:

1. No share of the Company is under option or agreed conditionally or unconditionally to be put under option created or issued by the Company;
2. No commissions, discounts, brokerages or other special terms have been granted by the Company to any person in connection with the Offer;
3. Save as disclosed herein, the Directors of the Company have not been informed of any holding representing 5% or more of the issued share capital of the Company;
4. There are no founder, management or deferred shares or any options outstanding in the Company;
5. There are no material service agreements between the Company or any of its Directors and employees other than in the ordinary course of business;
6. No Director of the Company has had any interest, direct or indirect, in property purchased or proposed to be purchased by the Company in the five years prior to the date of this Shelf Prospectus;
7. No Director or key management staff of the Company is or has been involved in any of the following:
  - a. A petition under any bankruptcy or insolvency laws filed (and not struck out or dismissed) against such person or any partnership in which he or she was a partner or any company of which he or she was a director or key personnel;
  - b. A conviction in a criminal proceeding or is named subject of pending criminal proceedings relating to fraud or dishonesty; and
  - c. The subject of any order, judgment or ruling of any court of competent jurisdiction or regulatory body relating to fraud or dishonesty, restraining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
8. There are no amounts or benefits paid or intended to be paid or given to any promoter within the 2 (two) years preceding the date of the Shelf Prospectus.

## DOCUMENTS AVAILABLE FOR INSPECTION

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Copies of the following documents may be inspected at the offices of the Company at MTN Plaza, Falomo, Ikoyi, Lagos or Chapel Hill Denham's office located at 10 Bankole Oki Street, Ikoyi, Lagos, Nigeria:

1. Certificate of Incorporation of the Company;
2. Memorandum and Articles of Association of the Company;
3. The Company's Form CAC 7A (Notice of Change of Directors, or in the Name, Residential Address or Postal Address of Director);
4. The Company's Form CAC 2A (Return of Allotment (Post-Incorporation));
5. This Shelf Prospectus;
6. Board Resolution of the Selling Shareholder approving the establishment of the Programme dated 23 February 2021;
7. Shareholder Resolution of the Company approving the establishment of the Programme dated June 7, 2021;
8. The Certificate of registration of increase in the share capital of the Company obtained from the CAC;
9. The audited accounts of the Company for each of the five years up to the year ended 31 December 2020; as well as the historical financial information of the Group in respect of the five years up to the year ended 31 December 2020, together with the related audit report from the Auditors to the Company;
10. The Reporting Accountant's report on the Group historical financial statements;
11. The letter from the SEC approving the establishment of the Programme;
12. The list of Claims and Litigation referred to above;
13. The Material Contracts referred to above; and
14. The written Consents of each of the parties referred to above.

## **PART 16: SELLING RESTRICTIONS**

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The distribution of this Shelf Prospectus and the Offer may be restricted by law and therefore persons into whose possession this Shelf Prospectus comes should inform themselves about and observe any such restrictions, including those that follow the issuance of this Shelf Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. No action has been taken or will be taken by the Selling Shareholder, the Company or the Issuing House in any jurisdiction outside of Nigeria that would permit a public offering or sale of the Ordinary Shares, or possession or distribution of this Shelf Prospectus (or any other offering or publicity material relating to Ordinary Shares), in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Ordinary Shares may be offered for sale or purchase or be delivered, and this Shelf Prospectus and any other offering material in relation to the Ordinary Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission or to make any application, filing or registration. Persons into whose possession this Shelf Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Shelf Prospectus and any Offer. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

### *United States*

The Ordinary Shares have not been and will not be registered under the US Securities Act or under any applicable state securities laws of the United States and, subject to certain exceptions, may not be offered or sold within the United States. Accordingly, the Issuing House may offer the Ordinary Shares: (A) only through a US registered broker-dealer affiliate to persons reasonably believed to be QIBs in reliance on the exemption from the registration requirements of the US Securities Act provided by Rule 144A or another exemption from, or a transaction not subject to, the registration requirements of the US Securities Act; and (B) in compliance with Regulation S.

In addition, until 40 days after the commencement of the Offer, an offer of Ordinary Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each purchaser of Ordinary Shares in the United States will be deemed to have represented and agreed that:

- (a) it is (i) a QIB, (ii) acquiring the Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth in paragraphs (a) through (g), (iii) acquiring the Ordinary Shares for investment purposes, and not with a view to further distribution of such Ordinary Shares, and (iv) aware, and each beneficial owner of the Ordinary Shares has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- (b) it understands and agrees that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state, territory or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred except (A) (i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S, (iii) pursuant to an exemption from the registration requirements of the US Securities Act provided by Rule 144 thereunder (if available), or (iv) pursuant to an effective registration statement under the US Securities Act and (B) in accordance with all applicable securities laws of any state, territory or other jurisdiction of the United States;
- (c) it acknowledges that the Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, that the Ordinary Shares are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Ordinary Shares;
- (d) it understands that in the event Ordinary Shares are held in certificated form, such certificated Ordinary Shares will bear a legend substantially to the following effect:

“THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) IN A TRANSACTION IN ACCORDANCE WITH RULE 144A UNDER THE US SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER,

(B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR REALES OF THIS SECURITY. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE US SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER AND EACH PURCHASER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.”;

- (e) notwithstanding anything to the contrary in the foregoing, it understands that the Ordinary Shares may not be deposited into an unrestricted depository receipt facility in respect of Ordinary Shares established or maintained by a depository bank unless and until such time as such Ordinary Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act;
- (f) it acknowledges that the Selling Shareholder, the Company, the Issuing House and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Ordinary Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any Ordinary Share(s) as a fiduciary or agent for one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (g) it agrees that it will give to each person to whom it transfers or allots the Ordinary Shares notice of any restrictions on transfer or allotment of such Ordinary Shares. Prospective subscribers and purchasers are hereby notified that the Company and the Selling Shareholder may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided for by Rule 144A or another exemption from the registration requirements of the US Securities Act.

The Selling Shareholder, the Company, the Issuing House, each of their respective Affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

#### *European Economic Area*

In relation to each Member State of the European Economic Area, an offer to the public of any Ordinary Shares may not be made in that Member State, except that the Ordinary Shares may be offered to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the Issuing House for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company, the Selling Shareholder or the Issuing House to publish a Prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires the Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Issuing House and the Company that it is a “qualified investor” within the meaning of the Prospectus Regulation.

For the purposes of this provision, the expression “an offer to the public of any Ordinary Shares” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 5 of the Prospectus Regulation, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public in a Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that or, where appropriate, approved in



another Member State and notified to the competent authority in the Member State, all in accordance with the Prospectus Regulation, other than their offer or resale to Qualified Investors or in circumstances in which the prior consent of the Issuing House has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholder, the Issuing House and each of their respective Affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a Qualified Investor and who has notified the Issuing House of such fact in writing may, with the consent of the Issuing House, be permitted to subscribe for or purchase the Ordinary Shares in the Offer.

### *Singapore*

This Shelf Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Shelf Prospectus and any other document or material in connection with the offer or sale of the Ordinary Shares may not be circulated or distributed, nor may the Ordinary Shares be offered or sold whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined under Section 275(2) and under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”), (ii) to a relevant person as defined under Section 275(2) and under Section 275(1), or any person under Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise under, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Ordinary Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 of SFA except:
  - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### *South Africa*

In South Africa, the Offer will only be made by way of private placement to, and be capable of acceptance by, persons falling within the exemptions set out in Section 96(1)(a) of the South African Companies Act and to whom the Offer will be specifically addressed (“**Qualifying Investors**”) and this Shelf Prospectus is only being made available to such Qualifying Investors. The Programme and this Shelf Prospectus do not constitute an offer for the sale of, or the solicitation of an offer to buy, shares to the public as defined in the South African Companies Act and will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a Qualifying Investor receive this Shelf Prospectus they should not and will not be entitled to acquire any Ordinary Shares or otherwise act thereon. This Shelf Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act.

### *Canada*

The Ordinary Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Shelf Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer

to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Issuing House is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### *Australia*

This Shelf Prospectus (a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("**Corporations Act**"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("**ASIC**"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The Ordinary Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Ordinary Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Ordinary Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Ordinary Shares, each purchaser or subscriber of Shares represents and warrants to the Company, the Selling Shareholder, the Issuing House and their respective affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Ordinary Shares under this Shelf Prospectus, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Ordinary Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Ordinary Shares each purchaser of Ordinary Shares undertakes to the Company, the Selling Shareholder (and the underwriters) that such purchaser will not, for a period of 12 months from the date of purchase of the Ordinary Shares, offer, transfer, assign or otherwise alienate those Ordinary Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

## **PART 17: TAX INFORMATION**

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The summary below does not purport to be comprehensive and does not constitute advice on tax to any actual or prospective investor in the Ordinary Shares. In particular, it does not constitute a representation by the Company or its advisers on the tax consequences attaching to a purchase of the Ordinary Shares. Tax considerations that may be relevant to a decision to acquire, hold or dispose of the Ordinary Shares and the tax consequences applicable to each actual or prospective subscriber or purchaser of the Ordinary Shares may vary. Any actual or prospective subscriber or purchaser of the Ordinary Shares who intends to ascertain his/her tax position should seek independent professional advice from his/her preferred professional advisers as to the tax consequences arising from subscribing to or purchasing the Ordinary Shares bearing in mind his/her peculiarities. Neither the Company nor its advisers shall be liable to any subscriber or purchaser of the Ordinary Shares in any manner for placing reliance upon the contents of this section.

Except as otherwise indicated, this summary only addresses Nigerian tax legislation, in effect and in force at the date hereof, as interpreted and applied by the Nigerian courts or tax authorities in Nigeria, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. Prospective investors who are in any doubt about their tax position or who are resident or may otherwise be subject to taxation in a jurisdiction other than Nigeria, should consult their own professional advisers.

### **Taxation of Capital Gains**

The Nigerian Capital Gains Tax Act, Chapter C1, LFN, 2004 (as amended) exempts the gains realised from the sale of shares in Nigeria from capital gains tax. Consequently, no capital gains tax will be payable in Nigeria on any gains which may be realised by the Selling Shareholder from the sale of the Existing Ordinary Shares.

### **Taxation of dividends paid on shares**

Withholding tax is paid on dividends in Nigeria and the Company is required by virtue of (a) Section 80 of the Companies Income Tax Act, Chapter C21, LFN, 2004 (as amended) to withhold tax at the rate of 10% on the sum to be distributed as dividends to its corporate shareholders (and individual shareholders resident outside Nigeria) and remit same to the FIRS and (b) Section 71 of the Personal Income Tax Act, Chapter P8, LFN, 2004 (as amended), to withhold tax at the rate of 10% on the sum to be distributed as dividends to its individual shareholders and remit same to the relevant State Internal Revenue Service in the state in which each individual shareholder is resident in Nigeria or to the Federal Inland Revenue Service in the case of corporate shareholders. The tax withheld on such dividends and remitted to the appropriate tax authority will be the final tax on that income in Nigeria.

As a result, dividends received by a foreign investor from its investment in the Ordinary Shares will be subject to the withholding of tax under Nigerian law, at the rate of 10%. Where the recipient of such dividend is an individual or a company resident in a country with which Nigeria has a double taxation agreement, the applicable withholding tax rate will be reduced from 10% to 7.5%. Nigeria has entered into effective double taxation treaties with Belgium, Canada, China, Czech Republic, France, Netherlands, Pakistan, Philippines, Romania, Singapore, Slovakia, South Africa, Spain and the United Kingdom. In order to avail themselves of the treaty relief, eligible recipients of dividends have to provide the Company with a document issued by the tax authority of their country of residence confirming their tax residence in a treaty jurisdiction.

Investors resident in a country with whom Nigeria has a double tax treaty are further advised to consult their tax advisers on how to claim the status for purposes of their dividends from the Company. If relevant documents are not made available to the Company (such as the certificate of residence duly endorsed by the relevant tax authority of the contracting state) prior to the date of payment of dividends, then the Company will withhold tax on such dividends at the standard 10% rate and account for the withheld amounts to the relevant authority. Furthermore, the Finance Acts of 2019 and 2020, amend the provisions of the CITA to the effect that dividends paid out of retained earnings of a company where such dividends have been paid out of profits which have already been subject to tax under CITA, from income exempted from tax under any statute or from franked investment income, shall not be liable to pay further taxes.

### **Stamp Duty**

The Nigerian Stamp Duties Act, Chapter S8, LFN 2004 (as amended) ("**Stamp Duties Act**") requires payment of duties on certain instruments including deeds of assignment, mortgages, conveyance or transfer on sale of any property and powers of attorney. The legal effect of a document which is not duly stamped is that it will not be admissible in evidence in a court of law and will "not be available for any purpose whatsoever in any civil proceedings in Nigeria. In addition, if the document is liable to ad valorem stamp duty, it will be an offence if such document is not stamped. An unstamped or insufficiently stamped document may be stamped after the prescribed period for

stamping and the Commissioner for Stamp Duties may impose the applicable penalties for late stamping before the documents are stamped. Whilst instruments for the transfer of shares are exempted from the payment of stamp duties, agreements relating to the sale or purchase of shares attract stamp duty. When shares are traded on the floor of NGX, each of the buyer and the seller is currently liable to pay stamp duties at the rate of 0.08% of the purchase consideration as part of the customary fees and charges payable on such trade. Investors are therefore advised to enquire as to the current level of all such transaction costs before incurring them when trading their Ordinary Shares.

By virtue of the Finance Act, 2019, as relates to the Stamp Duties Act, an “instrument” is now defined to include “electronic documents”. Prior to this amendment, the definition of “instrument” was limited to only “written documents”. Section 22 of the Stamp Duties Act requires instruments executed in Nigeria to be stamped in order for same to be admissible in evidence before Nigerian courts and to be enforceable by the said courts in civil proceedings. Section 23 provides that the stamping of such instruments should be done within thirty days from the date they were first executed or after they have been received in Nigeria (if executed outside Nigeria). Where an instrument is executed in Nigeria and it does not attract *ad valorem* stamp duty, it is required to be stamped within 40 (forty) days of being so executed. The term “received in Nigeria” is not defined in the Stamp Duties Act or the Finance Act, 2019 and as such, with the extension of the definition of “instrument” to include “*electronic documents*”, documents executed outside Nigeria may be deemed to have been received in Nigeria if copies are sent to persons resident in Nigeria via electronic means and thus may be required to be stamped within the prescribed period. The FIRS in 2020, clarified, among other things, that a document or instrument executed outside Nigeria is deemed to be ‘received in Nigeria’ if it (i) is sent to Nigeria by electronic means (such as through emails), (ii) is retrieved or accessed in or from Nigeria, (iii) is (or an electronic copy of it is) stored on a device and brought into Nigeria or; (iv) (or an electronic copy of it) is stored on a device or computer in Nigeria. Thus, a document liable to stamp duty in Nigeria will need to be stamped when an electronic copy of it is received in Nigeria in any of the above-referenced ways.

### **Value Added Tax**

By the provisions of the Value Added Tax, Chapter V1 LFN 2004 (as amended) (“**VAT Act**”), Value Added Tax (“**VAT**”) is payable on the supply of taxable goods and services at a rate of 7.5% except specifically exempted items or zero-rated items. VAT is an indirect tax and in relation to trading of securities, VAT is currently paid on the commissions paid to NGX, the CSCS, the SEC and the stockbrokers by the investors – i.e. both the sellers and the purchaser. Thus, the Selling Shareholder as well as investors who participate in the Offer for Sale are required to pay VAT on commissions paid in connection with such trade.

In relation to the consideration payable to the Selling Shareholder for the sale of the Ordinary Shares, such consideration is currently not subjected by the FIRS to VAT in Nigeria. This position has become clearer in view of the Finance Act 2020 which specifically exempts “securities” from the definition of goods and services under the VAT Act. On this basis, any disposal of the Ordinary Shares will be exempt from VAT. Prior to the Finance Act of 2020, the Federal Government did not seek to impose VAT on the consideration for the sale of shares.

If VAT is to be imposed on the consideration payable to the Selling Shareholder for the sale of their Existing Ordinary Shares, the obligation to pay such VAT would be on the Nigerian resident purchasers. As such, foreign resident companies or individuals (i.e. persons not resident in Nigeria) who may invest in the Existing Ordinary Shares will not be subject to VAT under the VAT Act.

## **PART 18: FOREIGN EXCHANGE INFORMATION FOR OFFSHORE INVESTORS**

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Foreign exchange controls remain in place in Nigeria. These controls are codified in the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, (Chapter F34) LFN 2004 (“**FEMM Act**”), and regulations issued by the CBN from time to time, which provide access to the Nigerian official foreign exchange market for the payment of eligible transactions. The FEMM Act requires an investor that brought foreign capital into Nigeria for investment in equities or debt instruments to obtain a document called the certificate of capital importation (“**CCI**”). A CCI will be issued to the investor by the Nigerian bank through which the foreign capital was brought into Nigeria. The CCI will be issued after the foreign capital has been converted into Naira and that conversion is required to take place within 24 hours of the foreign capital being brought into Nigeria, subject to the investor providing the appropriate documents to the Nigerian bank.

A CCI serves as evidence that the foreign capital was brought into Nigeria for the purpose of investment and enables the investor to access the Nigerian official foreign exchange market to repatriate the proceeds from the investment or capital upon divestment. CCIs are issued in electronic form on the Electronic-CCI platform administered by the CBN.

Investors in the Ordinary Shares that wish to bring in foreign capital to Nigeria for the investment are required to obtain CCIs from an Authorised Dealer in respect of the capital brought into Nigeria for investment and converted into Naira. The CCI will guarantee an investor unconditional repatriation of proceeds from the investment by having access to the Nigerian official foreign exchange market. Where an investor does not have a CCI, it will be unable to access the official foreign exchange market to repatriate the dividends from the investment or capital upon divestment out of Nigeria.

Each investor that brought foreign capital to invest in the Ordinary Shares is advised to obtain a CCI in respect of such investment.

## PART 19: RECEIVING AGENTS

The electronic copy of the full Prospectus and the Abridged Particulars of the Prospectus can be accessed from the designated website as advised in the relevant Pricing Supplement. Investors can submit applications through the Issuing House and any of the Receiving Agents listed below, as well as any other institution(s) who are duly registered as capital markets operators by the SEC and who have valid SEC clearance to carry out the function of Receiving Agents as at the date of this Prospectus, and to whom brokerage will be paid as specified in the relevant Pricing Supplement.

***The Company and the Issuing House will not accept responsibility for the conduct of any of the Receiving Agents. Investors are therefore advised to conduct their own enquiries before choosing an agent to act on their behalf. Payment for shares can be made into the receiving bank account, as advised in the relevant Pricing Supplement or through any of the banks listed below. An application under this Programme will only be completed when the investor makes payment for the shares applied for and a confirmation is received.***

### BANKS

Access Bank PLC Citibank Nigeria Limited Coronation Merchant Bank Limited Ecobank Nigeria PLC FBNQuest Merchant Bank Limited Fidelity Bank PLC First Bank of Nigeria Limited	First City Monument Bank Limited FSDH Merchant Bank Limited Guaranty Trust Bank PLC Heritage Bank PLC Jaiz Bank PLC Keystone Bank Limited Nova Merchant Bank Limited	Polaris Bank Limited Providus Bank PLC Rand Merchant Bank Nigeria Limited Stanbic IBTC Bank PLC Standard Chartered Bank Nigeria Limited Sterling Bank PLC Suntrust Bank PLC	Union Bank of Nigeria PLC United Bank for Africa PLC Unity Bank PLC Wema Bank PLC Zenith Bank PLC
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### STOCKBROKERS AND OTHERS

Absa Securities Nigeria Limited Afrinvest Securities Limited Anchoria Investment and Securities Limited Apel Asset Limited APT Securities & Funds Limited ARM Securities Limited Arthur Stevens Asset Management Limited Associated Asset Managers Limited Atlas Portfolio Limited Ava Securities Limited Bancorp Securities Limited Bauchi Investment Corp. 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