

AIRTEL AFRICA plc

Operator: Ladies and gentlemen, thank you all for standing by, welcome to H1 2020 Conference Call of Airtel Africa. Today's speakers are Raghunath Mandava, Chief Executive Officer and Jaideep Paul, Chief Financial Officer.

All lines are now closed, except for the speaker line. If you would like to ask a question to the speakers, please press "star" and the number "1" on your keypad to connect with the operator.

Before we continue, I'll present an important disclaimer. This presentation has been prepared by Airtel Africa plc and it's for information purposes only. This presentation contains forward-looking statements which, by their very nature, involved inherent risks and uncertainties, and risk exists that such forward-looking statements will not be achieved.

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The first speaker will be Mr. Raghunath Mandava. Please go ahead, sir.

Raghunath Mandava: Thank you very much. Welcome to the First Half of 2020 Conference Call and thank you all for joining. The (flow) for today thus follows, I will give a brief overview of the H1 results, next Jaideep Paul our CFO will present the financial performance, and then I will close today's presentation by giving you an update on our strategy and execution. Finally, we will start Q&A session. We also have here Segun Ogunsanya our Managing Director for the Nigeria business and Pier Falcione, Investor Relation.

As you all have seen – there's a brief summary in slide number three. Just for a recap, we are present in 14 countries, we operate within three segments Nigeria, East Africa, and Rest of Africa.

We are the number one or two (in 12 out) of the 14 markets. We have passed one hundred million customers in the last quarter, out of which 30 percent of our customers use data and 15 percent mobile money.

If you go to slide number five, you can see our key numbers of H1'20 results published today morning. These are strong results which are a clear evidence of our strategy and continuation of delivering the profitable growth.

In H1'20, our revenue grew by 11.4 percent with EBITDA growing even faster. Thereby, we delivered a margin expansion of 90 basis points in constant currency terms, revenue growth broad-based across all our services of voice, data, and mobile money. Finally, we continue to improve our balance sheet position with a leverage ratio down to 2.3x.

Slide number six, strong set of results across businesses. The overall growth of Airtel Africa is broad-based with growth across voice, data, and mobile money. At less than 44 percent of unique customer penetration, there is ample opportunity for growth in customer terms, and this is reflected in our customer growth by over 10 percent, leading to a voice revenue growth of 3.2 percent.

Our investments in 4G and a belief that the demand for data is huge in Africa, was reflected in our data customer growth by more than 17 percent. Thanks to the huge network roll-out of 4G, and our “More for More” bundles.

The data ARPU grew by 18.5 percent, data revenue grew by over 37 percent, and data consumption per customer increased to 1.65 GB indicating the huge appetite for data consumption in the absence of other technology providing data access in Africa.

Mobile money continued to expand country by country, and the revenue growth is more than 46 percent year on year. In both customers and ARPU terms, we have recorded growth, thereby, indicating increasing usage and transaction value.

Data and mobile money now contribute 26 percent and 9 percent, that's 35 percent of our overall revenue, and it grew by almost 40 percent. Simultaneously, we are developing the voice segment which also recorded a growth.

Our belief in the huge growth potential in Africa across all segments (is) further vindicated by the revenue growth of 11.4 percent and EBITDA growing faster. FCF was up by 28 percent.

Slide seven. This is the 7th successive quarter of double-digit growth and EBITDA margin expansion. This strong record reinforces three things. First, the market, the potential for growth in Africa considering 44 percent unique customer penetration; poor fixed line infrastructure with a potentially huge data growth, and a massive opportunity on financial services. Second, building the right operating model tailored for the African subcontinent, which means building a very profitable and high growth business. And third is the successful execution, if possible, even in challenging market with a great (team) that we've really built in Africa.

Let me now take you through the region performance. Slide number eight, you will see Nigeria. Nigeria is the largest market which continued delivering a very strong growth. We continued building our leading 4G network in Nigeria, which prove to be an important and profitable milestone for us. The 4G sites more than doubled in the last year, and now, account for more than 60 percent of our sites. Overall data consumption grew over 90 percent and data revenue grew over 75 percent.

Our continued focus on cost-efficiency, despite the high investment in network, helped us increase our EBITDA margin to 53.2 percent. Our overall revenue grew greater than 23 percent in Nigeria.

We are keen to launch the mobile money service in Nigeria. We filed for relevant applications for both payment service bank and super-agent license. We are confident that the roll of mobile (operators and) financial services in Nigeria will grow.

Slide number eight, East Africa. East Africa (consist) six countries, some of which we have very strong businesses, some of which where we are a

challenger player. We continued to build a very strong networks with nearly all sites being 4G, especially, in a few countries.

We have completed our network modernization in most of these countries. Soon, we will be launching 4G services in Tanzania that will enable that we will be able to provide 4G services to all our customers across the 14 markets.

A strong network combined with excellent distribution (network), allowed us to generate revenue growth of more than 11 percent. And (here) the excellent example is the mobile money expansion.

The revenue growth along with cost-efficiency supported underlying EBITDA growth of 16.2 percent in constant currency. It led to EBITDA margin improvement of 164 bps in constant currency.

Slide number 10, Rest of Africa. Rest of Africa revenue was down by 2.9%, however I'm confident it has started recovering in H1. We recorded a solid customer base growth. Voice revenue dropped by over 10% due to a reduced termination rates and interconnect charges among others in Nigeria, Chad and Madagascar.

Our 4G launches in Rest of Africa happened a little later than other countries, and we are still to see the big uptick in the overall growth. However, even now, we are observing a very good growth in data consumption translating to 22 percent growth.

Our investments in 4G and increasing handset penetration result in the higher data consumption. The revenue dropped and the one-off penalty in Gabon have impacted our H1 EBITDA margin.

I'll now hand over to take you through the detailed financial performance to Jaideep Paul.

Jaideep Paul: Thank you, Raghu, and good morning, everyone. In the half year, we delivered an encouraging set of results as Raghu have explained already. So, let me start with some highlights.

Our constant currency revenue grew by 11.4 percent and 12.6 percent in Q2. EBITDA increased 13.7 percent leading to 100 basis point EBITDA margin expansion, which now stands at 43.9 percent.

Absolute EBITDA for the half year stands at \$719 million, our balance sheet position also has improved, lower net debt and higher EBITDA led to net debt to EBITDA ratio at 2.3 times, in line with our capital structure policy.

We generated strong free cash flow up 28 percent to \$237 million. EPS before exceptional item was 4.1 cents. On a normalized basis, by assuming a similar weighted average number of shares, EPS nearly doubled over previous year first half. Moreover, the Board has approved an interim dividend of 3 cents per share.

Going to slide number 13, as you can see, we have broad-based revenue growth across voice, data and mobile money. Reported revenue were up 8.4 percent while constant currency growth was 11.4. More than offset unfavorable foreign exchange devaluation in certain countries, revenue growth was broad-based across voice, data, mobile money.

Going to slide number 14, segment performance. Looking at the performance across all three segments, Airtel Nigeria delivered a strong growth both in voice and data, supported by double digit customer growth and 1.5 percent increase in ARPU.

In East Africa, we delivered a good performance across voice, data, and Airtel money. Kenya, Tanzania, Malawi, Zambia, all delivered double digit growth. Performance in Rest of Africa improved in the second quarter largely driven by data and mobile money while continues to pressure due to macroeconomic weakness and changes to interconnect rate.

In Rest of Africa, we delivered good performance in DRC, Chad and Seychelles while in countries like Gabon, Niger and Republic of Congo, we delivered a good growth in data, even though not enough to offset the voice revenue drop.

Slide 15, mobile money business delivered another quarter in half – another quarter and half year of strong performance. Revenue grew by

46.5 percent in constant currency driven by customer growth, growth in transaction value.

Growth of customer base was largely driven by the expansion of distribution network as the business invested in more franchisee driven exclusive kiosks and mobile money branches.

Underlying EBITDA increased by 91 percent amounting to \$70 million, driven by revenue growth and supported by optimal distribution cost structure resulting into better flow-through in EBITDA. As a result, underlying EBITDA margin improved to 48 percent, up from 36 percent. ARPU and mobile money also increased by 22.4 percent, mainly driven by add-on services like merchant payments, etc.

Going to slide number 16. So, we delivered a consistent EBITDA growth. EBITDA increased 10.9 percent in reported currency and 13.7 percent in constant currency. Reported EBITDA from first half was \$719 million, up \$17 million of adverse foreign currency impact was driven mainly by currency devaluation in Zambian kwacha and Central African franc.

EBITDA margin – next slide 17, EBITDA margin expanded by 90 basis point on constant currency, 75 basis point improvement is on account of 11.4 percent constant currency revenue growth, while balance 15 basis point improvement is due to operating leverage.

Slide 17, we have a transparent and balanced capital allocation policy, this is underpinned by our sustainable capital structure policy which targets a net debt to EBITDA ratio between 2 and 2.5 times.

In the medium-term, I see this ratio to be closer to 2x as we progress, our current H1'20 leverage at 2.3x. We aim to continue to invest in business in an efficient way. Every capital expenditure project goes through a rigorous analytical review to ensure we achieve our targeted return to investment. We are also privileged to get substantial procurement saving due to consolidated buying, along with our parent company Bharti Airtel group.

During the half, we incurred \$246 million of capital expenditure and we maintained our full year guidance for our Capex to be in the range of \$650 to 700 million. And finally, we aim to return cash to shareholders through

clear dividend policy which aim at distributing a minimum of 80 percent of our consolidated free cash flow subject to our leverage ratio to below 2.5 and any other regulatory or monetary restrictions.

Having said that, as I mentioned earlier, the board has approved an interim dividend of 3 cents per share.

Slide 19, our very strong free cash flow generation we have seen in H1, free cash flow increased 28 percent to \$237 million as higher EBITDA growth and lower year on year working capital outflow, more than offset higher capital expenditure as we continue to invest in our network and distribution infrastructure.

The benefit on our working capital position was largely driven by higher creditor balances mostly as a result of saving of payments, therefore, I expect the benefits generated from our working capital position moderate in the second half.

Tax payments were higher in the half, largely as a result of higher operating profits and were broadly offset by low interest payment as a result of lower net debt.

Slide 20. So, our balance sheet is getting stronger. As you can see, over the last four years we have consistently deleveraged and we closed the half with a net debt to EBITDA ratio of 2.3 well within our targeted capital structure policy, largely driven by both EBITDA growth and lower net debt as a result of receipt of IPO proceeds.

In line with our medium-term strategy to increasingly match our currency exposure with asset and liabilities, we have reduced our foreign currency debt by 41 percent and increased our local currency debt exposure by 29 percent.

In the medium-term, we will continue to focus on deleveraging our debt position through both EBITDA expansion and asset monetization opportunities, as well as, continue to diversify our currency exposure.

Slide 21. So total finance charge decreased by \$70 million, largely driven by lower interest cost as a result of repayment of bonds, our weighted

average cost of debt in the current half was 4.85 percent, about 22 basis point higher than last year, mostly because of higher cost of OPCO level.

Slide 22. Earnings per share before exceptional asset was 4.1. Higher operating profit and lower charges contributed to EPS increase, tax charges had a negative impact on EPS largely on account of higher operating profit and one-off benefit in previous year.

The adjusted effective tax rate for the current period was 37.1 percent, as compared to 47% in the same period of last year. The adjusted effective tax rate is lower compared to last financial year, primarily on account of deferred tax asset, recognition in Rest of Africa.

The adjusted effective tax rate is higher than the weighted average statutory tax rate of 33 percent largely due to the profit mix between biggest countries. Shares issued last financial year and at the time of IPO, we showed a total of 2.245 million of shares which diluted the EPS.

On a restated basis, assuming the shares of IPO was existent in last year and normalizing the weighted average number of shares. Our EPS before exceptional would have nearly doubled.

Finally, in conclusion, we delivered consistent double-digit revenue growth with all services, namely voice, data, mobile money contributing to the growth.

EBITDA grew even faster and we expanded our EBITDA margin by 90 basis point in constant currency term. Cash delivery was also strong up 28 percent at \$237 million. We continued to deleverage and reach a leverage ratio of 2.3, in line with our capital structure policy, as a result of both EBITDA margin – EBITDA growth and lower net debt.

Moreover, after normalizing the number of shares issued in both periods, our EPS before exceptional nearly doubled. We are on track to deliver (annualized year) of low double-digit constant currency growth margin expansion.

And finally, the board approved an interim dividend of 3 cents per share, which is in line with our dividend policy announced at the time of IPO that

is distribution of, at least, 80 percent of free cash flow provided leverage conditions are met.

Back to you, Raghu.

Raghunath Mandava: Thank you, Jaideep. I will now get into the Africa strategy direction and what we are doing on our strategy. Slide 25. Before I give an update, I would like to remind various discussions that I have mentioned, the telco in Africa is two businesses, mobile and payments.

The mobile market is characterized by low unique customer penetration combined with a growing and young population, it provides a potential for the growth of mobile subscribers and voice revenue expansion unlike on most of the penetrated, well-penetrated markets around the world. The poor fixed line penetration and infrastructure, and low revenues, and opportunities of various entertainment and information, opens up a huge opportunity for data. That's why we will see a lot of data consumption growth and revenue moment.

The low penetration of banking services, along with a huge geographical continent for infrastructure low population density, provide a huge opportunity for financial services and a massive growth potential for money money.

Slide 26, our key pillars for strategy. They're all about based on the potential that we will see in Africa. The key pillars of our strategy are winning with quality customers, winning with our network, winning with data revenues, winning with Airtel money, the multiple areas of upside that we see, and of course, continuously focus on cost optimization.

These six priorities are supported by a strong people agenda, and also, an approach towards in Africa of partnering the nation, in both digitalization in the countries we operate in, and also, helping increase financial inclusion.

Let me take through one by one in each of these, what are we broadly doing? Slide 27. In the first half, we continued the accelerated customer acquisition to our exclusive and dedicated distribution channels for customer acquisition.

We are working and we have progressed quite well in simplifying the customer experience, through a simplified digital onboarding process leading to faster activation and resulting in better customer or higher customer satisfaction, thanks to our call centers and self-care.

Across all markets due to a combination of reduced basic pricing of pay go rates, we increased bundle penetration with our “More for More” bundles. In all our bundles, our special focus has been on a long validity of moving further from daily to weekly. All these have helped to grow our customers base by over 10.4 percent to 104 million.

Leading 4G player. If you see this chart, our strategy to continue to build a robust single RAN network through modernization of all our (ARPU) networks in all markets and have full coverage in some countries.

This along with rolling out 4G and stronger spectrum position through adding new spectrum and through a software upgrade of the multiple carriers that we have, have helped us in generating huge incremental data capacities largely on 4G.

The number of – the roll-out of almost 5,000 kilometers of fiber has helped – further helped us to build a great redundancy and capacity on our transmission networks. Along with building, we bring down our average cost per GB in this market. We now launched 4G in BRC, Congo and Niger. We are ready to commercially launch 4G in Tanzania.

While we have been increasing our 2G sites by over 10 percent or, actually, 2,000 extra sites, we have increased the number of 4G sites by almost 60 percent – now – to 60 percent of the total sites. Now, we have almost 12,800 out of our 22,000 sites are 4G. This will help us bring a very strong data network, and also, we have our brand for the high-end user, smart phone user.

Slide 29, maximizing the value of database services. The aggressive roll-out of data with a focus on 4G network and the value propositions of – for high-value customers through our “More for More” bundle, have helped us increase our data usage by over 80 percent and our data revenues by 37 percent.

If you see one of the tables that I've put between quarter four and quarter two, you will see that the contribution of data customer mix has increased 4G a little more. The 4G customer ARPU are substantially higher than our 2G and 3G customer ARPU on data.

we witnessed the growth of data customers along with that the data ARPU growth. This is due to the increased weightage of 3 G and 4 G users who generate much higher ARPU. As the penetration of smart phones of 3G and 4Gs increasing, we have built the potential for data ARPU and data consumption to grow customer expansion.

As I've mentioned before, our average monthly data consumption has risen to 1.65 GB per month, and with 4G customers as being a few multiples above that. Let me talk about mobile money. Out of our 14 countries, we are largely present in about nine countries. If you see our mix, I've spoken to you about that we have a 15 percent penetration of mobile money.

But if you remove few countries where we are not strongly present, among others Niger, Chad, Kenya as we are hardly there on mobile money. In the top nine countries, our penetration of the group is actually at 32.8 percent.

We have countries like Gabon and Uganda which are well (above) the 50 percent penetration. We have countries which are moderately penetrated between 20 and 35 percent, and we have low penetrated countries.

The growth of mobile money has been based on two pillars. One the increasing number of assured flow locations, this increase helps us to bring the mobile service and money services closer to the customers and make them more accessible for basic financial services.

We entered into few partnerships in order to increase use cases which I'll discuss in the next slide. You will notice from this slide that our mobile money customers grew to a current penetration of 15 percent.

The range of our customers in various countries and penetration demonstrates that Airtel understands this journey of how to increase our penetration from low penetrated markets to high penetrated market, and as a clear game plan it's a glide path for growing.

With the opening for app and launching in other countries like Nigeria, Chad, Kenya, we do expect a further growth in mobile money services in

Airtel Africa, with the expected Nigeria payment service bank license which will deliver even further growth.

Let me move to next slide. On the strategy partnerships which have recently tied up. This brings into the second pillar of mobile money growth to enhance use cases, we have entered strategic partnerships with MasterCard, Finabl, and Ecobank in recent weeks.

This helps us build and strengthen in areas of, one, enhancing greater number of merchants through both the offline, and more importantly, and online through QR code outlets and digital transactions through virtual cards.

A big potential to directly send inbound money transfer directly to Airtel Money Wallet, outbound money transfer working these partners. We can do this within the inbound and outbound transfers of money transfer we can play in this huge market both within Africa, as well as, with over a hundred countries from across the world through UAE Exchange, Travelex, and other brands.

We also see a huge potential to serve Ecobank customers through our huge mobile money network. So, in the last two slides, you have seen our potential of how we have a clear strategy of growing both our customer base, and also increase via in the use cases that we have.

Slide number 32, what is our strategy for growth? Before we close, let me make a small summary of this. Through our simple strategy and strong on-ground execution and the huge data network we intend to grow, mobile revenues ahead of the industry.

Through our wide distribution and increase use cases we intend to make Airtel money the currency of choice. By using our current infrastructure, we are able to monetize additional revenue stream, such as home broadband and network lines. Our operating model helps us to continue benefiting from the operating leverage and the effect of scale supported by the network we are building.

Thank you. With this, I end this presentation, and we are open for the Q&A. As I mentioned before, I have Jaideep Paul, the CFO, I have Segun

Ogunsanya, the Managing Director of Nigeria, and Pier Falcione Head of Investor Relations here to take the question.

Operator: Once again, if you have a question, please press “star” and the number “1” on your telephone keypad.

Our first question comes from the line of (Cesar Tiron). The line is now open. Please ask your question.

Cesar Tiron: Yes. Hi. Thanks for the call and for taking my questions. This is Cesar from Bank of America. I have three questions please. The first one, on Nigeria, can you please comment on the – on the market? It seems that you continue to gain a significant amount of revenue market share. Is that a combination of pricing, and also, do you think your network is still better than those of your competitors?

Second question still on Nigeria, have you made any progress on obtaining a mobile money license there, and what is the setback on the – on the timing? And then, the third question would be on the interim dividend, can you please explain how did you come to the conclusion that it was better to pay the dividend as oppose to reduce further leverage? Thank you so much.

Raghunath Mandava: We’re fortunate we have Segun who’s our Managing Director and Head of the Region of Nigeria. I’m sure he will gather much better flavor on the Nigeria business. Over to you, Segun.

Segun Ogunsanya: Thank you, Raghu. We continue to expand our business in Nigeria through key levers, network expansion. We’ve invested significantly beyond 4G, that is driving quality customer who spend a lot of money, and secondly, we work with our distribution infrastructure, it involves bonding our customers.

So, if I’m to summarize, two key levers are driving the growth, one expansion of networks, two our efficient distribution infrastructure. Your second question on mobile money, we working with the regulators Central of Nigeria to make sure that the issuance of the mobile money license is done very quickly, and we’re very confident that within next couple of months the mobile money space would be opened to all operators in the country.

We're very confident that the Central Bank of Nigeria would open this space to many more competitors. They've given approvals to two telcos already. Given this, over the next couple of months, I'm confident that we'd be able to secure our license.

Jaideep Paul: So, following the strong set of results we delivered to date, the board has approved an interim dividend of 3 cents per share. So, today's dividend is in line with our dividend policy to distribute a minimum 80 percent of our free cash flow subject to leverage ratio being below 2.5, and subject to any other monetary or regulatory restriction. So, this has been evaluated thoroughly by the board and board has recommended this dividend.

Adding on more point, if you go to slide number 19, we have given the definition and how does free cash flow has been calculated. So, you can see that, in this half, we have generated \$237 million of free cash flow, so the interim dividend is based on our dividend policy which has been described earlier, and that's what board has recommended.

Cesar Tiron: Thank you – thank you so much. If I just can follow-up just on the – on that mobile money license in Nigeria. I mean, do you think this is going to be sorted in the next couple of months you said?

Segun Ogunsanya: I'm confident that in the next couple of months, this will be sorted out. Worst case scenario early next year, but we're engaging those stakeholders to make sure that the issuance of licenses to telcos continue.

Once again, we've put in the application, we've fulfilled the condition that requested of us, and we're just reaching for the regulator to review and give us approval in principle. I'm confident that worst case scenario early next year, this should be done.

Cesar Tiron: Thank you so much. Thank you.

Operator: Thank you. Our next question comes from the line of (J.P. Davis) from J.P. Morgan. The line is now open. Please ask your question.

J.P. Davis: Thank you, and thanks for the presentation. A couple of questions from my side, and then – and then one housekeeping one. Just in terms of the –

on the questions, I really wanted to kick the tires a little bit on the emphasis of matter that you've disclosed, and there's – two questions there.

The first one is you flagged in a text that it does present material uncertainty and you do say why you're comfortable with it. But I'm surprised that – (or), interested in why the board still continue to declare a dividend while there is this material uncertainty, interested in the context around that.

And then, the separate question related to this topic. In a scenario where you did payback did \$505 million, can you give us a sense of what the new finance rate or new cost of interest would be on that. So, these new debt facilities, you do touch on in the text.

And then, just a housekeeping question, if you could just help us understand in the cash flow statement, what the derivative sale of a \$122 million relates to in the first half of the year at the financing section? Thank you.

Raghunath Mandava: So, firstly, this news which came up yesterday and it's a legal matter, and our colleagues at Bharti Airtel are best suited to respond on the details around these claims. So, that's the first thing.

Let me start by saying that this unprecedented situation of an – out of ordinary court order at the parent level, that give rights to assessing whether risk arises for Airtel Africa. However, at the same time, our financial liquidity cash situation, along with many options of refinancing which we have today, all suggest that Airtel Africa shall not have to go through any issue whatsoever.

As you – as you know that group has \$2.7 billion of bonds guaranteed by Bharti Airtel Limited. April 2019, the honorable Supreme Court of India has delivered this adverse court judgment on the group's intermediate parent in relation to the long outstanding industry-wide issue.

This adverse judgment from Airtel Africa perspective can or may have an impact, if Airtel India rating gets impacted negatively, and it falls below the investment grade. This could result in U.S. dollar 505 million of group's notes due to mature in 2023 requiring to be prepaid on a voluntary basis from an Airtel Africa perspective.

So as to avoid the debt incurrence covenants on those notes coming into courts and as you know, the cash in hand currently, which is about \$1.45 billion fully covers these and more. In – additionally, we have sufficient funding arrangement in hand, which covers all the issues which may arise for implement of this bond.

I just want to inform you that this is tendered stock up to 23 bond which was earlier offered for a buyback and this is left out amount which was not tendered back.

So, we have evaluated our Airtel Africa perspective, the entire operation on ongoing concern basis, and critically, evaluated the situation. This is nothing at this stage, which calls for any kind of anxiety, or any kind of, I would say, a reason not to believe that we are absolutely fine with reference to a going concern.

Any other questions on this?

J.P. Davis: Yes. Just one quick follow-up on this. That was very clear. Thank you. Just one quick follow-up just around the potential interest rate differential between that \$505 million and new facilities that you may drawdown on. Just trying to get a sense of what you had borrowed that without the – without the support of Bharti team. Thank you.

Pier Falcione: Hi, (J.P.). Sorry, it's Pier here. I think it's very premature to give this type of guidance, first of all, because we obviously need to evaluate this matter. But, second of all, is because we have a range of options to which we can access these facilities, this could include the local facilities at OPCOS, more central facilities, or even deciding to refinance those bonds with new bonds directly issued.

So, depending on what option we may or may not decide that we (can pack) that interest cost, so it's very premature to give this type of guidance.

(J.P. Davis): OK. That's fair enough. And then, just a quick follow-up on that housekeeping question I had, the sale of derivatives \$122 million, just wondering a little bit of color there please.

Jaideep Paul: This was a market to market hedge instrument, which was cancelled. And this is the – which has been booked after selling those hedge instrument.

(J.P. Davis): Do you have any other substantial hedge assets that you're looking to dispose of in the next, sort of, 12 to 18 months?

Jaideep Paul: No. At this stage, we don't have any significant instruments.

(J.P. Davis): Thank you.

Operator: Thank you. Our next question comes from the line of (Faisal Azmi) from Goldman Sachs. Please go ahead.

(Philipp Bouchard Yamy): Hi, this is actually (Philipp Bouchard Yamy) for (Faisal). So, thank you for the presentation. I actually just have a couple of questions.

So, firstly, I mean we noticed a spike in EBITDA margin of mobile money over the last couple of years. So, we just wanted to understand if this is sustainable, what kind of initiatives are you pursuing (there to achieve these levels)?

And then, secondly, when we look at the free cash flow generation over the last year, assuming the growth (EBITDA) kind of like – oh, I mean almost offset the increasing CapEx, but then this actual improvement was driven by the changing work in capital. So, I'm trying to understand more the trends there, also, how to view it in the future. Thank you very much.

Raghunath Mandava: OK. Let's look at the mobile money business. How does it actually operate and why is it a very good business, if we can get that act right. It (consist) of a customer going to an agent and cashing in, and again, cashing out at a later time after doing a P2P transaction.

It's (used) for a large amount for customers for basic requirements of security. The profit – the margins you make is based on the payments you make.. the agent on cash in and cash out.

This is a very robust model. Every incremental activity that happens when they were using a P2P transaction or a payment to an electricity department, utility, or anything, adds more revenue without adding cost.

So, when you see use cases going up, you will start seeing a margin improvement. The margin improvement reflection is, one, led by increased use cases by the same customers, which are a lot more profitable without a cost.

The second is, there is a certain cost that they use incur. In order to move the float and balancing that we did for the agent, this required us to do redo our entire operating model of distribution of reaching down to agent.

When we corrected that, we saw some sharp benefits in our margins. I think it's a robust distribution model and increased use cases that have really helped us take this margin. I will leave the second question to Jaideep.

Jaideep Paul: On free cash flow, if you please refer to slide number 19. We have given the definition how we calculate the free cash flow. It's EBITDA minus CapEx, and this is not cash CapEx, this is the CapEx which has been capitalized in the books.

Therefore, generating operating free cash flow, then we take cash interest and cash tax and changes in working capital, and therefore, arrive at free cash flow. This is the methodology which is adapted and which will be consistent as we go forward.

In terms of whether this is – this cash flow generation how it will be considered in the future, of course, we have two things to mention here. One, our EBITDA growth consistent EBITDA margin expansion, and the CapEx as I mentioned in my earlier presentation, overall, CapEx for the full year we are looking at about USD 650 – 700Mn.

So, with these two, EBITDA margin expansion and stable CapEx, we expect to continue expanding our free cash flow generation.

(Philipp Bouchard Yamya): OK. Thank you. But, so just – sorry, just to follow-up. And on the changing working capital, this improve creditor balances, do you have any view in the future?

Jaideep Paul: Yes. The benefit of our working capital position was largely driven by the higher data, mostly as a result of phasing of payment. Therefore, I expect

the benefits generated from our working capital to moderate in the second half.

As you understand that based on the different timing of payments, this can move upward, downward, but it will not have a very significant change overall in the free cash flow generation. Tax payments in the first half is higher because of higher operating profit.

And also, we have to keep in mind that, in the first half, most of our corporate tax are paid during the first half, therefore, higher cash outflow in terms of cash tax. So, broadly, that's the way it is phased out.

But, from an overall perspective, we expect that this expansion of free cash flow should continue with that EBITDA expansion and the CapEx stabilization – stable CapEx.

(Philipp Bouchard Yamya): OK. Thank you very much.

Operator: Thank you. Our next question comes from the line of Dilya from Citibank. Your line is now open.

Dilya Ibragimova: Thank you. Hello. Thanks very much for the presentation. Congratulations for a good set of results.

One of my question on working capital has been addressed. The second question I had (inaudible) on the operational trends in East Africa – sorry, Rest of Africa, if you could provide a few comments on when do you expect for things to turn into positive, clearly, the improvement is there in the second quarter, but if you have any view on the change in the (trends) to the positive in terms of (upper line) growth. Thank you.

Raghunath Mandava: We've had some difficult times in Western - Central Africa, basically, both on the – both the economic situation, and also, some belief that we've had compared to the Rest of Africa – rest of the business where we have launched our 4G.

So, let me give you two-three things. As you rightly said, there is an improvement in quarter two in our performance. We have invested very heavily in 4G in the recent quarters. Last first half year we launched in Niger, Chad, and DRC, and Congo-Brazzaville. So, we see that we have

growth acceleration, it will continue to happen in the next few months and quarters.

This along with mobile money growth shall surely offset the revenue and we see that improvement continuing. It's a matter of conjecture as to by when it will start becoming positive, but we are continuously seeing a positive improvement growth pattern. Thank you.

Operator: Should we proceed to our next question, sir?

Raghunath Mandava: Yes, please.

Operator: Thank you. Your next question comes from the line of Savitra Samapolo. The line is now open. Please ask your question.

Savitra Samapolo: Yes. Hi, thanks having the call. I have two questions mostly on the – on the debt. Firstly, I don't know if I understand correctly, I mean, you have this new Airtel Africa facility of around \$2 billion, but, subsequently, that was fully cancelled.

And now, you're looking at new facilities in order to (go up) potentially repay the (whole of the) \$2.7 billion of bonds outstanding. I mean can you just talk about why do you want to refinance those bonds, is this will be take away to/from the parent guarantee?

Those bonds have a staggered majority, right, for 2020, 2021, 2023, 2024. How would you be able to buy them back at this point in time? Will it be like a (make-whole) or have you thought about the bond (prices) at which you will buy them back?

That's the first part of the question. Second part of the question is, what are the – if you can talk about the early repayment conditions that could (be triggered) on some of the bond (and account) of the Supreme Court ruling.

I know you talked about the \$505 million of (note) which – that one can – (accelerating downgrade and) leverage covenants coming to the picture. But, for the remaining (notes), what are the early repayment conditions that could be triggered because of the Supreme Court ruling if you can talk about that.

Jaideep Paul: OK. Well, let me address this \$505 million of early repayment which can trigger only in the event of any downgrading of the parent. Now, as you know that, firstly, we have \$1.45 billion of cash, secondly, with reference to the million-dollar facility, which was quite expensive.

So, we have cancelled that and we have enough facility in hand to make sure that, in the event, the other bond repayment triggers, we have sufficient facility by way of either underwriting our bond or additional facilities, loans, various other options which we have.

We are pretty confident that, in case that event triggers that we have to repay the whole bond, which is likely at this stage, except that \$505 million. We are self-sufficient to sustain that repayment.

With refers to \$505, I have explained this in my earlier presentation that we have enough facility cash in hand in case that event triggers. However, I must inform you at this stage, we are not worried or anxious about any such event triggering, unless our colleagues in Airtel India they are giving the entire judgment, and once that complete evaluation is done, then we will understand whether if there is any event of triggering early repayment of this \$505.

So, currently, we are absolutely confident and absolutely fine with our current liquidity situation. We should be able to sustain in case that event occurs of repayment of \$505.

(Savitra Samapolo): OK. That's helpful. That (one) \$505, that's fine, and when it's the triggered. But, for the remaining bonds, what are those early redemption triggers connected? Like, I mean, (up) on what conditions if you can talk about that. I mean the ...

Jaideep: Yes. The other bonds are not relating to any of our parent company. It is more to do with covenant which is there for \$50 million default. Now, as you understand, this group in no possibility of that kind of default arising of overall \$50 million default across the group.

So, absolutely, nothing to worry with that part. We have evaluated it very critically. But having said so, as I said, we have a sufficient headroom of facilities available in hand in the remote case of that triggers for early repayment. We have sufficient – again, I'm repeating this, we have

sufficient facilities financial arrangements done in case that (even) triggers.

(Savitra Samapolo): OK, understood. So it's more like a cross default trigger... – OK, got it. And then – (and) last question for me is, so you mentioned that the \$2 billion facility was very expensive and (hence) you cancelled that. I mean I'd just like to understand as to – I mean how was the alternative facility now cheaper than that?

Jaideep: Well, as I said, there are different types of facilities which we have in hand, the are available, and obviously, these are much cheaper than that facility.

That's a little bit of details, then we have to (merit). But I can assure you that the new facilities are at a much lower cost or (committed) cost I would say than the earlier facility.

(Savitra Samapolo): OK. So, that's – so \$1.5 billion of new facilities, right, that you have on hand?

Jaideep: We have in hand almost \$1.8 (inaudible) billions of facilities.

(Savitra Samapolo): OK. So, there's \$1.8 billion of facilities and \$1.5 billion cash, right? So if you can talk about like the future debt reduction plans, is it like only tied to this \$505 million because of that potential trigger (inaudible) debt reduction, or can we see some more debt reduction given that you have like sufficient – I mean significant amount of cash on the books? I mean what's the (minimum of this) cash that has to be maintained on the books?

Raghunath Mandava: OK. So, overall debt reduction will be triggered by two event. One, as you see our EBITDA expansion revenue growth and flow-through in EBITDA. So that's the first.

If you look at even our current quarter result, there is a clear visible EBITDA expansion which is happening. Second, as I mentioned, there are still opportunities of asset monetization in – about five countries, towers are still there for handing over – or (sell) to tower companies, roughly about 4,500 towers are there.

So, there are some active discussion which is going on in some of the places, which will be revealed if there is any (material) or any constructive discussion happens. Secondly, we have almost 35,000 kilometers of fiber, again, that can be looked at monetization of the fiber.

And of course, we have datacenter and other (sum of the assets) which can be monetized, and some cash can be generated from there. We are actively working on those. So that's one of the way of reducing the overall (data).

So, EBITDA expansion, asset monetization, and a very tight control on the overall CapEx, these are the three things which will lead to, in the future, the – deleveraging, or, improving the leverage of – on the net debt position.

(Savitra Samapolo): That's really helpful. And, sorry, I just want to ask, like this \$1.5 billion cash, so how do you – how do you plan to use that? I mean do you plan to like reduce as much debt, like over the next six months or so, and in the same way, like the \$1.8 billion of facilities, do you plan to use that to refinance some of the bonds or is that just like standby facility sort of a thing?

Raghunath Mandava: Well, this is all dependent on certain conditions. But, broadly, we are – we have a plan of using this (inaudible) to reduce the overall debt position, because, anyway, this cash is available. So, as we go forward, we will decide (inaudible) capitalize this for the (date) repayment.

As you see that we have enough free cash flow available to sustain our normal operation, so we don't have to worry about that at all. And this (cash) along (with the facilities) – other facilities will be (drawn) as and when it is needed, but this cash will be definitely utilized for reducing the overall debt level.

(Savitra Samapolo): OK, got it. Thank you so much. Thanks a lot.

Operator: Thank you. Once again, should you wish to ask a question, you may press “star” and the “1” on your telephone keypad.

Our next question comes from the line of (John Mongey) from (Virgin Asset Management). The line is now open. Please ask your question.

(John Mongey): Hello. (Hey). Thank you for the presentation. My first question is on mobile money. I believe this makes up around 9 percent of your overall revenue. Could we get a break down on this on a country by country basis?

And secondly, this would be on the data pricing environment in East Africa. I believe recently Safaricom decided to lower the data prices (inaudible) 3 percent. Are you seeing any impact on this on your business and are you looking to follow such – follow similar move? Thank you.

Raghunath Mandava: Firstly, on mobile money, we presented even in the presentation, the various penetration in various countries. But, beyond that, we would not go down to (reported) country (whilst) performance and revenues on money at this stage.

Coming to your second question on Safaricom this has happened a couple of days back. In the last few quarters (and years), we've been growing quite aggressively in Kenya. I think we have the right pricing for our customers, we have built a strong trust (with) that customer.

This is one of these moves by a competition, and I'm sure, we will evaluate and do whatever is relevant to ensure that our customers continue to be happy with us and stay with us.

(John Mongey): Understood. And just finally on – with regards to the level of debt that you currently have guaranteed by the Airtel Group, at what rate of interest are you currently servicing this debt (at)?

Jaideep Paul: Average of 4.8 -- 4.85.

(John Mongey): Thank you. That's all (for me).

Operator: Thank you. Our next question it comes from the line of (Tajuddin Nibrahim) from (Travel Research). Your line is now open. Please ask your question.

(Tajuddin Nibrahim): OK. So, thank you for the presentation. I have two questions. The first is around (USFD) issue in Nigeria between the banks and the telco companies. Can you add a bit of color on that issue and how would (you

expect) this to be resolved, particularly, in terms of (billing, the USAF), and what's the (inaudible)? That's one.

Two is, kindly give us a sense around the overdraft in the book, secured overdraft of around \$208 million. (Can you) give us some sense around which region is the major driver of that (bank) – I mean the unsecured of \$208 million, can you give us a sense around which regions is driving that, is it the East Africa, (Rest of) Africa, or Nigeria? Thank you.

Segun Ogunsanya: Thank you for the question. (Inaudible) (is scarce resource) and it's used for voice calls, (currently), we use for financial services. (And there's) a cost to the service and the issue that we discussed with (inaudible) the telcos or the customers.

I believe we regulators the bonds for (a pure) solution, a solution that would support the financial (inclusion, again), of the government, a solution that work for the banks, a solution that work for the telcos, (and that simply) that would deliver the (first stage), obviously, the customer.

I'm very optimistic we're going to find the solution that works for our stakeholders, that would – (in short), telcos continue to invest (beyond USAG) to (inaudible) increasing needs of the financial (inaudible), and also, for increasing (inaudible) requirements of the customers.

So, I'm very optimistic that we'll find a solution that works for every stakeholder, including the Central Bank, the (NCC), and our colleagues in the banking sector.

Pier Falcione: On the overdraft, I actually didn't understand the question. Can you just repeat the question please?

(Tajuddin Nibrahim): So, the overdraft \$208 million unsecured overdraft, I just want to understand which region in terms of percentage is driving that overdraft. Is it driven by Nigeria or driven by East Africa, or driven by (Rest of) Africa?

Jaideep Paul: Well, it is across all countries put together. This is the overdraft. As you – as you can see, that in 14 countries, the total overdraft, if you – if you actually divide it by 14 countries, it will be very, very miniscule overdraft.

This overdraft used for short-term (funding, or) almost like the requirement which comes on day-to-day basis, it goes up and down depending on the requirement. But, broadly, it is broad-based across all operating unit. Not really a very large amount in any such country. It's widely spread.

(Tajuddin Nibrahim): OK. Thank you.

Operator: Thank you. Once again, if you have questions, please press "star" and "1" on your telephone keypad.

Our next question comes from the line Kelvin Heng from PineBridge. Please go ahead.

Kelvin Heng: Hi, gentlemen. Most of my questions were actually already covered by (Bibatra) earlier, but just on the issue of the cash balance. Just looking at it in another way, I'm just curious if the idea is to keep this on hand to (say address) the maturities of the bonds as (they're coming due), or would you, perhaps, take a – say, a more proactive approach to, (say, tender) for some of the (higher coupon bonds) in the market?

And particularly, I'm thinking about on your – on your balance sheet is the (2024 EBITDA) bond which is probably your most expensive (trench). So I'm just curious if that's something that you would explore?

Pier Falcione: Hey. Hi, this is (Pier). Obviously, as this new situation (as arisen), we look at every option on the – on the table. But in terms of bond repayment, it's still the intention to use some, if not, all the cash to continue to repay – to repay the bonds and there is a project underway (or now – or now) to do that. But, obviously, we continue to fully assess the situation.

Raghunath Mandava: Just to add to what (Pier) said – just to add to what (Pier) said. As I explained earlier, as you see that our operational requirement of additional funding is – if you see from our overall perspective, we are positive free cash flow, positive operating free cash flow, EBITDA expansion happening.

So, from that perspective, we are self-sufficient to take care of our CapEx investment or tax, or interest servicing, those are self-sufficient. So this

cash, as (Pier) said, we are evaluating various options, but also, as and when the bonds are falling due, that will be (inaudible), and we will – we will evaluate all the options which we have to see how to best utilize this cash.

Kelvin Heng: OK, got it. Thank you very much. And just given the issues that we have seen arising in India with regards to the Supreme Court ruling on the (AGR), to the degree that there is significant levy that might be placed on that business (inaudible) possible we could see some (bad) cash at the Airtel Africa level being allocated back to India, (your market) support that?

Raghunath Mandava: No. Absolutely not. I don't think that is anywhere in the horizon. But as I said, in the beginning that, in case of that remote eventuality, that \$505 million if you have to payback, we are self-sufficient to payback that money, or pay that bond off. So, absolutely, other than that, there is no other impact at Airtel Africa level.

Kelvin Heng: Got it. That's very clear. Thank you.

Operator: Thank you. Once again, should you wish to ask a question, please press "star" and "1" on your telephone keypad. No further questions at this time. Please continue, sir.

Raghunath Mandava: Thank you very much and for being on this call and showing your interest in Airtel Africa. (We) look forward to speaking with you again after (quarter three). Good day (to all).

Operator: Thank you – thank you. That concludes our conference with (the) participants. You may all disconnect. Speakers, please stand by.

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