

sonatel

Financial Results
T3 2019



Warning

This presentation contains information which may be deemed as forecasted information.

Though the Company considers the statements and information rely on reasonable assumptions on the publication date of the present release, they are by nature subject to risks and uncertainties, which may give rise to a difference between the actual figures and those reported or induced in these statements or information.

Sonatel cannot guarantee, or be held liable for the accuracy, thoroughness, coherence and effectiveness of any of the statements or information presented in this release.

consolidation scope – general information

- The consolidated financial statements include the accounts of Sonatel and all its directly or indirectly controlled subsidiaries. Subsidiaries are incorporated using the full consolidation method or the equity method of consolidation. Orange Sierra Leone owned at 50% is consolidated using the full consolidation method in accordance with the shareholders' agreement. Orange Services Group "OSG" owned at 47% by Sonatel and its subsidiaries is accounted for in the consolidation scope using the equity method of consolidation as of June 2018.
- Transactions, balances and reciprocal incomes between integrated companies are eliminated.
- The consolidated financial statements are presented in XOF. Assets, liabilities and income statements of subsidiaries out of XOF zone are converted at the exchange rate prevailing at the closing period.
- The Group's consolidated financial statements are prepared in accordance with the West African System of Accounting (SYSCOA), with a revised version effective since January 1, 2018.

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Operational indicators

+14.4%

32.5 million

FMI Subscribers
(Fixed line, Mobiles et Internet)



+14.9%

32.1 million

Mobile subscribers



+14.8%

11.5 million

Mobile Internet subscribers

4G+

+14.4%

6.3 million

Orange Money subscribers



+14.4%

218.1 K

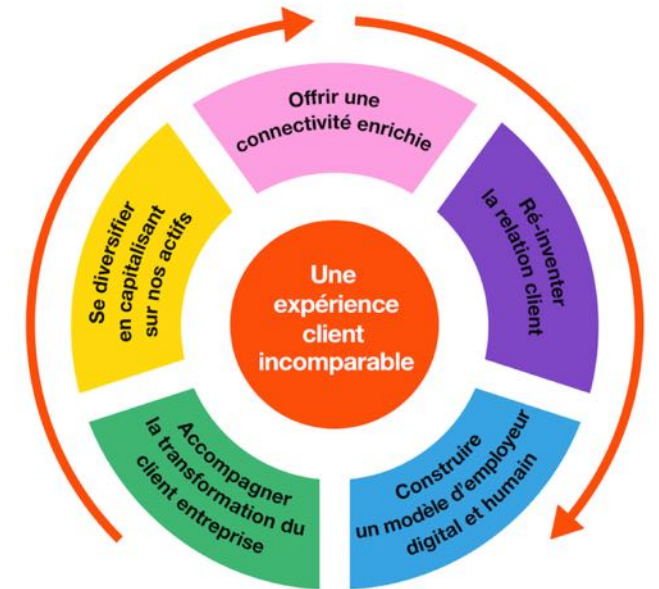
Fixed THD subscribers
(ADSL – Fiber – Flybox - Wimax)



Solid operational performances supported by the revival of business in Mali, combined with a good recruitment dynamic in Senegal, Guinea and Sierra Leone. Good progress in subscribers' base in the growth relays (Data and Orange Money) despite a delay in the objectives set in Sierra Leone following the review in accounting for active subscribers notably for Data.

Data
Penetration
35.8%

Orange
money
Penetration
19.5%



Financial indicators

+7.5%

820 billion
Turnover



+2.4%

355.3 billion
EBITDA



-9.9%

199 billion
Free Cash Flow



-6.3%

143.4 billion
Net income



+23.8%

156.3 billion
CAPEX



Revenues

Improvement in turnover growth by +57.4 billion (+7.5%) on an annual basis and +7.0% compared to S1 2019 in all countries of presence:

- Senegal : +4.8% against +4.4% in Q1;
- Sierra Leone : +11.7% against +10.8% in Q1;
- Bissau : +7.7% against +5.5% in Q1;
- Guinea : +18.2% against +16.6% in Q1 with a favorable exchange rate notably in retail;
- Mali : +4.2% against +4.4% in Q1 in the face of noted stability.

EBITDA

Acceleration in EBITDA growth by +2.4% on an annual basis (+8 billion XOF) against +1.2% in Q1, thanks to an improvement in direct margin in one hand, but annihilated by a more important increase in indirect charges (staff costs and taxes)

Net income

Annual decrease identical to Q1 (-9.9%) despite a relatively stable operating result, due to an increase in interest charges from loans. However, it remains better than the numbers budgeted.

Investments

Sustained investments explaining the decrease in FCF on an annual basis.

These investments are necessary to respond to the abundance offers from the competitor .

EBITDA
rate
43.3%

Net
Margin
17.5%

CAPEX
rate
19%

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Acceleration in revenues growth in T3 favored by the decrease in gratuity offers due to regulatory decisions around promotions. Improvement in subscribers base and usage around Orange Money with over 2.2 billion users and more than 1.3 million active 4G subscribers. Accelerated rhythm in deploying investments compared to 2018 T3.

- AA- credit rating obtained by Sonatel from WARA West African Rating Agency
- Implementation of a restriction in calling mobile lines by the Government of Senegal
- World Bank mission in Dakar to put forth the lack of competition in the Senegalese Telecommunication market
- Ongoing discussions with the regulator ARTP as part of the mentoring of the retail market (flash promotions and illimix bundles, agreement in voice offers formulas with preferred numbers)
- Teaser for a rebranding launched by the competitor (strong visibility in Dakar)
- Announcement from the competitor of an offer dedicated to public employees following the implementation of restrictive measures by the Government of Senegal
- Launch of WIDO, a mobile download platform for videos on demand with contents coproduced by our subsidiary S2M
- 10-year celebration of Kirene, a partner of Orange
- The YouScribe platform (digital library) partnered with Orange claims 100K subscribers only two months after launch



Senegal



2G 3G 4G+
70% 4G coverage



Leader
53.3% market share



Mobile penetration
109.4%

Precarious security situation in the northern part of the country. Good performance of the financial indicators. Strong improvement in 3G coverage. Deployment of THD around LTE solutions (4G, TDD) and fiber. Strengthening of regulatory and fiscal pressure with the introduction of asymmetry and the institution of a tax to finance audiovisual.

- Growing insecurity in the northern and central parts of the country with impacts on our 3G/4G swap program and the quality of service
- Passage of a bill amending the 2019 law on finance to take into account revenue forecast accounts related to the sale of a telephony license to a 4th operator
- Ongoing deployment of 4G/4G+ coverage in Gao, Ségou, Sikasso and Tomboctou following Bamako in 2018
- RRAN swaps in Bamako finished for 523 sites with 4G+ extension
- TDD deployed in Bamako: ongoing WIMAX B2B swap (213/950 swapped)
- Continued launch of FTTx : with a subscribers base of 1380
- Asymmetry on national interconnection tariffs effective on January 1st, 2019
- Decrease in rate cap (81 XOF tax included by minute for voice and 10 XOF tax included per text) and regulations on promotion thresholds
- Restitution of 3500 MHz frequency bands used for the LTE network with a positive impact of 450 million



Mali



2G 3G 4G+
36% 4G OVERAGE



Leader
64.1% market share



Mobile penetration
105.6%

Renewal of 2G/3G license including 4G. Consolidation of strong commercial positions. Strong turnover and EBITDA growth. Development of the Orange Money activity. Ongoing performance for recharge turnover. Network coverage extension across the territory.

- Notification received for a fiscal control 2017 and 2018
- Creation of an one-stop shop for external commerce for the payment of custom duties and taxes in GUCE line
- Strengthening of the identification requirements for subscribers and license for optical fiber
- Authorization obtained from BCRG for the launch of transfers with codes to clients that are not Orange Subscribers and digitalization of KYC (OCR)
- Continued bundle offers by competitors
- Ongoing SIMBOX and Wangiri fraud
- 4G deployment in 141 sites with a 85% coverage in Conakry
- Commercial opening of the bilateral interconnection with Burkina
- Opening of a reception desk in Kankan
- Redesign of Internet offers
- Launch of Domino and 4G flybox and new Mobile TV offers
- Launch of the “Back to School” promo: Data boost, device & VAS
- Launch of B2W with Orabank
- Launch of promos for 2019 Hajj



Guinea



2G 3G 4G+
19% 4G coverage



Leader
64.9% market share



Mobile penetration
101%

Consolidation of the strong commercial positions in terms of both volume and value. Continued deployment of 4G coverage and Orange Money penetration. Connection for Bissau Guinea to the ACE submarine cable. Financial results impacted by an economic gloom. Ever challenging fiscal and regulatory environment.

- Economic gloom resulting from a bad cashew season
- Announcement of an 1 (One) million Euro financing for the November 24 elections by the European Union
- Launch of Orange Djumbai, Orange Mundo: exceptional tariffs on calls to all destinations (#165#)
- Orange Money: Launch of raffles and promotions
- Promotional offers for “Back to School”
- Competition:
 - Free calls to one number + Free data usage for Whatsapp for 30 days for the second number
 - Promotions
 - 1 XOF per minute on local calls
 - International calls to Nigeria, Ivory Coast and Portugal charged at 60 XOF / minute instead of 300 XOF / minute
- Bill to increase taxes on frequencies
- Award presentation to UBUNTU, winner of the 2019 Orange Social Entrepreneur POESAM (with a qualification for the Africa prize)
- Organization of a forum on Digital transformation and innovation from October 2nd to 3rd 2019



Bissau



2G 3G 4G+
34% 4G coverage



Leader
56% market share



Mobile penetration
82%

Conquest of the leadership position in terms of volume thanks to a strong commercial dynamic. Growth in fiscal and regulatory pressure. Good progression in financial results pulled by a strong commercial performance and a good control of indirect costs

- 3 month extension on the deadline for SIM cards identification: accordingly, the staff took the streets to accelerate the process
- Decrease in domestic interconnection tariffs between operators from 0.07\$ TO 0.025\$
- Adjustment in regulatory taxes as of August 15, 2019
 - ❖ The international cap was cancelled, fine went from 0.09 to 0.14 dollar
 - ❖ Ongoing discussions to have the 0.01\$ tax on international transfers cancelled as well as the price cap on voice and text tariffs
- Risk of having a tax implemented on free of charge calls and promotions
- Accelerated degradation of the SLL compared to foreign currencies
- Leadership position almost attained in volume with a 48% market share
- Opening of seven new sites in September as part of the densification program



Sierra Leone



2G 3G 4G+
35% 4G coverage



Challenger
48.2% market share



Mobile penetration
63%

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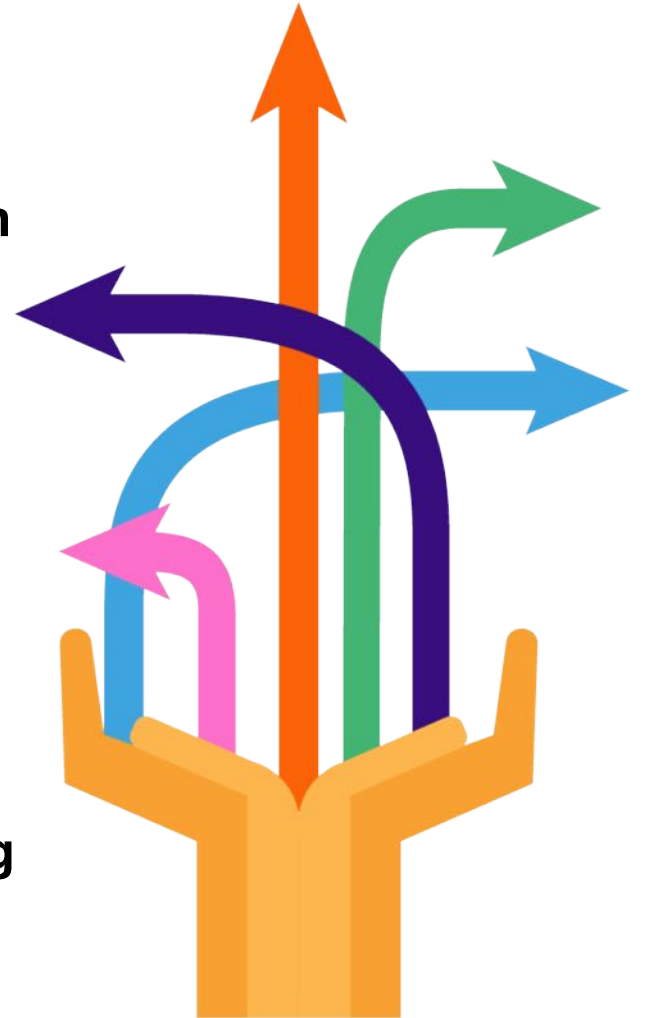
Sonatel reaffirms its ambition to always pay dividends to its shareholders.

To finance its ambitious investment program, the company plans on issuing bonds in the course of 2020.

Mobile data and Orange Money should continue growing thus reinforcing their contribution to the group's results.

With the goal to improve the trajectories of profitability, a cost control program will be put in place in all of our subsidiaries.

With the arrival of new comers in the market notably in Senegal, Sonatel will maintain its strategy axed around value while improving connectivity.



Thank you

