



## MANAGEMENT REPORT

September 2021

### Introduction

The economic recovery that was expected in 2021 is being confirmed with good growth noted in all countries of presence of the group despite a controlled rebound from a third wave of the health crisis that broke out at the end of the first half of the year.

The political and social environment remains fragile, exacerbated by political tensions in Guinea which led to a coup on September 5th, political instability in Mali (transition in progress) which is added to the persistent insecurity in the north and in the center of the country.

Competition intensifies further with a decline in value in the financial services market in Senegal where competitive pressure is extremely strong. This pressure is spreading to other countries in the group including Mali, thus calling for a review of economic models in this financial services market.

Overall taxation remains very high in 2021. In terms of regulation, we noted a hardening of the environment with the introduction of unfavorable decisions (quality of service and coverage requirements, allocation of licenses, extension of Free Roaming to 15 ECOWAS countries, asymmetry of tariffs), still high tariffs on frequencies and the introduction of new taxes.

Faced with this context, **the performance of the Sonatel group at the end of September strengthened after a first semester which had demonstrated its exceptional capacities for resilience and rebound. Indeed, the group consolidates its leadership position in all its countries of presence**, with respective volume market shares of 55.7% in Senegal, 57.2% in Mali, 59% in Guinea, 54.9% in Sierra Leone and 53.8% in Guinea Bissau.

The group's activity is growing significantly, confirmed by **revenue growth of 10%; accompanied by strong operating leverage generating an operating margin up by 13.2%. EBITDAAL's margin rate of 43.7%** has increased by 1.3 points compared to the same period in 2020.

This growth, **driven by all countries including Mali, Guinea but also Senegal** which is facing a strong competitive offensive on Mobile Money, **is achieved thanks to the**

**strengthening of the contribution of Data, the growth of voice and Value-added Services and growth noted on fixed services** in the face of the controlled decline in international markets. An increase in almost all retail lines is noted, mainly linked to the increase in customer bases and usage and to the increase in 4G and Orange money penetration rates.

The Sonatel group is continuing its investment program by focusing on extending mobile coverage, deploying very high-speed broadband and improving the quality and speed of data connections.

In the dynamic of digital transformation and in the face of increasingly keen demand for internet uses, the strategic plan aims to meet the challenge of transformation, by relying on a resolutely customer-oriented spirit, an efficient HR policy, active partnerships, an agile, open and innovative organization, but also an enriched connectivity that creates value to ensure profitable growth and transformation of Sonatel into a true multi-service operator.

## Group Key financials

*Sonatel Group financial results to September 30, 2021*

<i>Mxof</i>	GROUPE		
	Actual	yoy	yoy %
<b>Revenue</b>	<b>984 473</b>	<b>89 485</b>	<b>10,0%</b>
<b>Direct costs</b>	- <b>181 727</b>	- <b>1 474</b>	<b>0,8%</b>
% revenue	-18,5%	1,7	
<b>Direct margin</b>	<b>802 746</b>	<b>88 011</b>	<b>12,3%</b>
% revenue	81,5%	1,7	
<b>Indirect costs</b>	- <b>372 467</b>	- <b>37 702</b>	<b>11,3%</b>
% revenue	-37,8%	- 0,4	
<b>EBITDAaL</b>	<b>430 279</b>	<b>50 309</b>	<b>13,2%</b>
% revenue	43,7%	1,3	
<b>eCapex</b>	<b>161 063</b>	<b>17 443</b>	<b>12,1%</b>
% revenue	16,4%	0,3	
<b>Operating Cash Flow</b>	<b>269 216</b>	<b>32 867</b>	<b>13,9%</b>
% revenue	27,3%	0,9	

## Turnover

**In the third quarter of 2021, the turnover of the Sonatel group amounted to 984.5 billion XOF**, up by 10% (+89.5 billion XOF) compared to September 2020. This growth is driven by all the countries of the group and is carried mainly by data, voice and fixed broadband.

**Retail revenues** represented 92.1% of turnover in September 2021, or 907.4 billion. They increased by 11.6%, driven by growth drivers such as mobile data, fixed line services driven by fixed broadband but also by voice & SMS. These represent the bulk of revenue growth and are up by 24.5%, 67.4% and 6.2% respectively compared to September 2021.

**Data revenues represent 262.5 billion as of September 30, 2021**, which is a contribution of 26.7% to the group's total turnover, up 2.6 points.

**Orange money revenues amounted to 111.9 billion as of September 30, 2021**, i.e. a contribution of 11.4% to the group's revenues, stable (-0.1% compared to 2020) despite the drop in market value in Senegal.

These performances are linked to the development of usage with the expansion of network coverage (3G / 4G / 4G +), the launch of several innovative services and the good dynamics of the subscriber bases. The expansion of coverage is accelerating in particular in the subsidiaries thanks to the sustained orientation of network investments on broadband expansion and densification projects, in particular 4G and fiber.

**Fixed Broadband revenues reached 38.8 billion as of September 30, 2021**, which is an increase of 67.4% compared to the same period of 2020, thanks to the development of fiber and flybox (increase in the customer base of 119.3k customers) which offsets the drop in ADSL. They represent 4.7% of turnover and contribute to revenue growth by 17.5%. Senegal and Mali bear the bulk of the income; the contribution of other countries is still low.

**Wholesale revenues** amounted to 74.6 billion as of September 30, 2021, or 7.6% of turnover. The decline continues (-5.6% compared to 2020) but remains less significant compared to 2020 and 2019 thanks to the resistance of visitor roaming and especially of the national interconnection which is growing by 7.5%.

The turnover on **international arrivals**, at 37.7 billion, is less significant than last year. Compared to 2020, the decrease of 11.2% is mainly driven by the subsidiaries especially in Mali under the effect of the drop in international outgoing traffic due to the development of OTT traffic.

The turnover on **the national interconnection** amounted to 24.2 billion and recorded an increase of 7.6% driven by Senegal, Mali and Sierra Leone. This increase in income is linked to the increase in traffic following the abundance offers.

## Evolution of the customer base

The Fixed-line, Mobile and Internet customer base grew by **+9.5%** compared to September 2020 and reached **38.2 million** thanks to good recruitment and leadership dynamics despite the COVID19 health crisis.

FMI Customers	Actual 2021	Actual 2020	Actual 2021 vs Actual 2020	
Senegal	11 063 940	10 345 062	↑	6.9%
Mali	12 636 347	1 219 6975	↑	3.6%
Guinea	8 954 004	8 172 400	↑	9.6%
Bissau	1 037 452	760 188	↑	36.5%
Sierra Leone	3 886 501	29 186 999	↑	33.2%
Mobile	37 578 244	34 393 324	↑	9.3%
Fixed	227 623	220 912	↑	3.0%
Internet	416 262	297 138	↑	40.2%
<b>TOTAL CUSTOMER BASE</b>	<b>38 222 329</b>	<b>34 911 374</b>	↑	<b>9.5%</b>

**The mobile customer base** totaled 37.6 million customers as of September 30, 2021, with an increase of 9.3% driven by good sales momentum in all countries, price redesigns, the launch of new offers (Bundles) and the increase in the number of sites improving network coverage.

**The number of active mobile data customers** of the Group stands at 14.7 million, an increase of +14.2% since September 2020. The active 4G base reaches 7.1 million customers, an increase of + 72.6% per year compared to 2020.

**Orange Money's active customer base** has **19.6 million** registered customers, including 12.1 million 90 days active customers, up by **18.8%** over one year (+1.9 million active customers and **+16.9%** increase in volume transactions over one year) carried by all countries, with a weak contribution from Senegal which faces very aggressive competition. Orange Money's penetration on the mobile subscriber base has increased with almost one in four mobile customers who use Orange Money mobile financial services every month.

**The fixed broadband customer base** counts **416.4 thousand clients** (including 297 thousand fiber and Flybox customers), an increase of **66.7%** thanks to the acceleration of the deployment of Fiber in Senegal, Mali and good recruitment progress. In addition, at the end of September 2021, nearly 71% of our Broadband customers had either a Fiber or Flybox offer and nearly 30% of the potential fiber connections had been connected.

## **Management Balances**

**The group's consolidated EBITDaal** amounted to **430.3 billion XOF** at the end of **September 2021**. It recorded a **13.2% growth** which is **50.3 billion XOF**, thanks to the significant improvement in income associated with a good control of costs. The increase in indirect costs under the effect of the evolution of activities, the continuous tax and regulatory pressure and the deterioration of exchange rates was largely absorbed by the growth in turnover, supported by a good control policy of direct costs.

**The operating margin** amounted to **300.1 billion XOF**, an increase of 24%, a growth coming from the operating margin and reinforced by a control of depreciation and an improvement in financial results compared to last year.

The group's consolidated financial result remains negative at **-16.3 billion XOF** but improves compared to 2020 on all components, in particular other financial products.

The group's consolidated net income stands at **XOF 189.2 billion** at the end of September 2021. It recorded an increase of 34.7% which is **48.7 billion XOF**, driven by operational performance.

## **Investments**

The group investments amounted to **161.1 billion XOF** at the end of September 2021, up **12.1%** (17.4 billion XOF). The CAPEX / turnover rate has increased by 0.6 point, to around **16.4%**. The investments are mainly focused on the mobile access network (extension, densification, 3G, 4G, and 4G+), the deployment of Fiber, the swap and upgrade projects of transport and service platforms.

# SENEGAL

<i>Mxof</i>	SENEGAL		
	Actual	yoy	yoy %
<b>Revenue</b>	<b>377 090</b>	<b>11 190</b>	<b>3,1%</b>
<b>Direct costs</b>	- <b>78 568</b>	<b>10 639</b>	<b>-11,9%</b>
% revenue	-20,8%	3,5	
<b>Direct margin</b>	<b>298 522</b>	<b>21 829</b>	<b>7,9%</b>
% revenue	79,2%	3,5	
<b>Indirect costs</b>	- <b>149 582</b>	- <b>12 273</b>	<b>8,9%</b>
% revenue	-39,7%	- 2,1	
<b>EBITDAaL</b>	<b>148 940</b>	<b>9 556</b>	<b>6,9%</b>
% revenue	39,5%	1,4	
<b>eCapex</b>	<b>55 201</b>	- <b>4 101</b>	<b>-6,9%</b>
% revenue	14,6%	- 1,6	
<b>Operating Cash Flow</b>	<b>93 739</b>	<b>13 656</b>	<b>17,1%</b>
% revenue	24,9%	3,0	

The activity of the Sonatel Group in Senegal is marked by:

- an aggressive and fatal 3rd wave of Covid but the situation improved considerably towards the end of the quarter with less than 30 cases under treatment.
- strong competition in mobile money; very aggressive pricing launched by Wave with a significant impact on Orange Money revenues following the response initiated by OFMS.
- historic performance on mobile business that helps on partially catching up in Orange Money turnover.
- the start of the delegated management contract of SBIN (Société Béninoise d'Infrastructures);

## Operational figures

	Actual 2021	Actual 2020	Actual 2021 vs Actual 2020
<b>Number of customers (thousands)</b>	<b>11 624</b>	<b>10 801</b>	<b>7.6%</b>
<b>Fixed</b>	<b>228</b>	<b>221</b>	<b>3.0%</b>
<b>High-speed Internet</b>	<b>333</b>	<b>235</b>	<b>41.7%</b>
<b>Mobile customers</b>	11 064	10 345	6.9%
with Data Mobile customers	4 841	4 806	0.7%
with active 4G customers	3 600	2 405	49.7%
<b>Orange Money Registered customers</b>	<b>4 950</b>	<b>4 664</b>	<b>6.1%</b>
with Orange Money active 90 days customers	3 423	3 362	1.8%

**Mobile customer base** totaled **11.1 million subscribers in Q3** against 10.3 million customers in Q3 2020, an **increase of 6.9%** yoy with continued leadership in dynamic market shares and a volume market share that stands at 55.7%.

**The high-speed broadband market** continues to grow in Senegal with a base of **332.6 thousand customers**, an increase of **41.7% YoY** around Flybox (122.4 thousand), ADSL (119.5 thousand) offers and fiber (90.7 thousand).

**Data Mobile customer base** amounted to 4.8 million active mobile data customers, including 3.6 million active 4G customers.

**Orange Money customer base** totaled more than 4.95 million registered customers against 4.66 million in September 2020, including 3.4 million active 90 days, **up by 1.8%**. The customer base growth is being slowed down because of the competition. Orange Money aims to reaffirm its position with a pricing reform strategy and a new operating model.

**National outgoing traffic** is up (**+52.2% YoY**) in particular because of the abundance and opening up of all networks of market offers. Continued decline in international incoming calls (**-3.5%**).

Data traffic is up sharply by **27.8%** yoy driven by the increase in 4G customers with good commercial momentum. Group's 4G networks carry **64.7%** of its data traffic.

## **Turnover**

**Senegal's turnover** as of September 30, 2021 stood at 377.1 billion XOF, up **3.1% YoY**, or +11.2 billion compared to 2020.

This performance is explained by the growth of prepaid mobile (+10%) and home (+20%) thanks to the development of active customer bases and usage. It reflects disparities at the retail level (+4.4%) where the strong competition experienced by Orange Money leads to a drop in income from financial services.

**Direct margin** is up sharply compared to the previous year (+8%) thanks to a cumulative effect of the increase in turnover and a decrease in direct costs. It improved by 3.5 points in September 2021.

**EBITDaal** stood at **148.9 billion XOF**, up **8.9 billion XOF (+6.4%)** driven by revenue growth and improved direct margin, which offsets the increase of indirect costs (ITN and taxes). The EBITDAAL rate improved by 1.2 points compared to 2020.

## **Investments**

Investments amounted to **55.2 billion XOF** for this semester, down YOY by nearly **4.1 billion XOF**. They mainly consist of network investments (82%), mainly on the extension and densification of 3G / 4G (including energy), extensions on IN and IP / MPLS, the core network, fiber, and network IT infrastructures.

# International

\*Social Data Mali, Guinea, Bissau, Sierra Leone

<i>Mxof</i>	INTERNATIONAL		
	Actual	yoy	yoy %
<b>Revenue</b>	<b>655 517</b>	<b>87 042</b>	<b>15,3%</b>
<b>Direct costs</b>	- <b>129 559</b>	- <b>13 576</b>	<b>11,7%</b>
% revenue	-19,8%	0,6	
<b>Direct margin</b>	<b>525 957</b>	<b>73 466</b>	<b>16,2%</b>
% revenue	80,2%	0,6	
<b>Indirect costs</b>	- <b>238 933</b>	- <b>28 921</b>	<b>13,8%</b>
% revenue	-36,4%	0,5	
<b>EBITDAaL</b>	<b>287 025</b>	<b>44 546</b>	<b>18,4%</b>
% revenue	43,8%	1,1	
<b>eCapex</b>	<b>107 045</b>	<b>14 672</b>	<b>15,9%</b>
% revenue	16,3%	0,1	
<b>Operating Cash Flow</b>	<b>179 979</b>	<b>29 874</b>	<b>19,9%</b>
% revenue	27,5%	1,1	

The international operations of the Sonatel group achieved notable financial and operational performances, despite a precarious political and security situation in Mali and Guinea, the tightening of tax regulations in Guinea (with the introduction of a surtax on ONnet traffic) and in Bissau with the new EIT tax on outgoing calls, combined with the context of the health crisis.

## Turnover

The turnover of subsidiaries grew by 15.3% over the first three quarters of 2021. This increase is linked to the remarkable commercial performances in Mali, Guinea and Sierra Leone, driven by retails mainly data, voice, the fixed Broadband and orange money.

Major contributions to the development of uses are due to the continued deployment of mobile and fixed Very High Speed, also the improved quality of our mobile networks.

Mobile data, one of the main engines of growth, continues to represent great potential thanks to the expansion of 3G / 4G network coverage in all countries (All 4G plan in Mali, U900 in Guinea, and mobile extension project in Bissau). Thus, revenues are increasing and are accompanied by significant growth in the active customer base.

On Orange money, development of the customer base, commercial dynamic and strengthening of the distribution network have made it possible to generate an increase in income driven by cash out, merchant payments and bill payments, despite the impact of the drop in cash out prices in Mali.



## Evolution of customer base

	Actual 2021	Actual 2020	Actual 2021 vs Actual 2020
<b>Number of customers (thousands)</b>	<b>26 598</b>	<b>25 456</b>	<b>10.3%</b>
<b>High-speed fixed internet (Fiber/FDD/TDD)</b>	<b>84</b>	<b>102</b>	<b>34.4%</b>
<b>Mobile customers</b>	<b>26 514</b>	<b>25 354</b>	<b>10.3%</b>
with Data Mobile customers	9 839	10 695	22.2%
with active 4G customers	3 547	3 002	104.4%
<b>Orange Money Registered customers</b>	<b>14 617</b>	<b>12 885</b>	<b>34.3%</b>
with Orange Money active 90 days customers	8 696	6 837	27.2%

**Mobile customer base** totaled 26.6 million customers, **an increase of 10.3%** driven by the good momentum of recruitments in these regions thanks to commercial activities focused on very high speed.

**Mobile Internet** recorded 9.8 million customers, **up 22.2%** over the year 2021. The active 4G base reached **3.5 million customers**, an increase of **104.4% compared to 2020**.

**Orange Money customer base** reached 14.6 million registered customers, **including 8.7 million** 90-days active customers, an increase of **27.2%**.

**Fixed services** totaled 84,000 entries, an increase of **34.4%**, mainly driven by the growth of very high-speed fixed subscribers around fiber and FDD / TDD.

## EBITDaal

**International EBITDAal** reached **XOF 287 billion as of September 30, 2021**, **an increase of 18.4%** compared to 2020. The margin rate of **43.8%** demonstrates ability to generate operating margin with the transformation of turnover growth into EBITDAAL growth of **51.2%**.

Also note the controlled increase in costs which contributes to the growth of EBITDAAL.

## Investments

**107 billion XOF** invested internationally to support the growth of activity around the development of very high-speed broadband and the strengthening / modernization of our networks, CAPEX **increased by 15.9%** compared to 2020 (expectations on realizations of the year). This increase is driven by Mali, Guinea, and Bissau.