

# SONATEL



Senegal Mali Guinea Bissau Sierra Leone

PE 2020



Ensemble, Réinventons  
Sonatel

## #2017 FINANCIAL RESULTS

FEBRUARY 2018



orange™

# sonatel

## 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. Orange Sierra Leone owned at 50% is consolidated using the full consolidation method in accordance with the shareholders' agreement.

Orange Sierra Leone and its subsidiaries specialized in electronic money – Airtel Money Transfert and Airtel Money Commerce - in addition to Orange Finances Mobiles Guinea are included in the consolidation scope.

Reciprocal transactions 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).

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# #2017 key messages



## Key messages

1

Strong financial performances in the Group strengthened by the integration of Sierra Leone despite a small dilutive effect on the EBITDA

2

Acceleration of turnover growth and EBITDA revival within the historical scope

3

Net income growth impacted by currency depreciations and a considerable increase in amortization

5

Continually transformation in the environment with structuring evolutions of the telecom sector across the scope

6

Continuing transformation of the business model

4

Continuous expansion of the growth relays thus reinforcing its contribution weight on the Group's activity

7

Sustained momentum for subscribers recruitment despite intense competition in the market and tougher compliance requirements regarding customer identification



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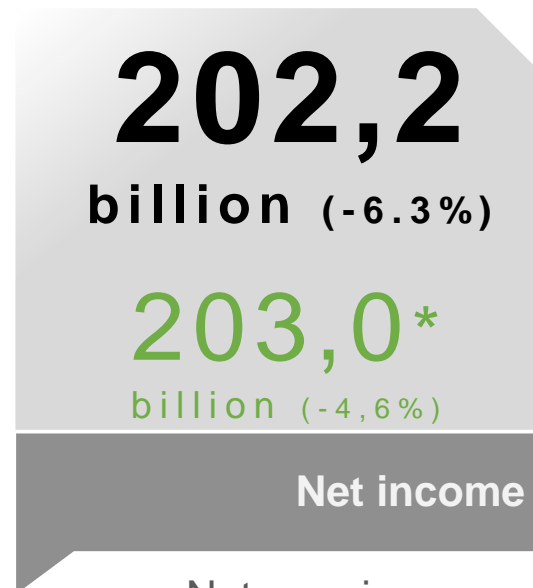
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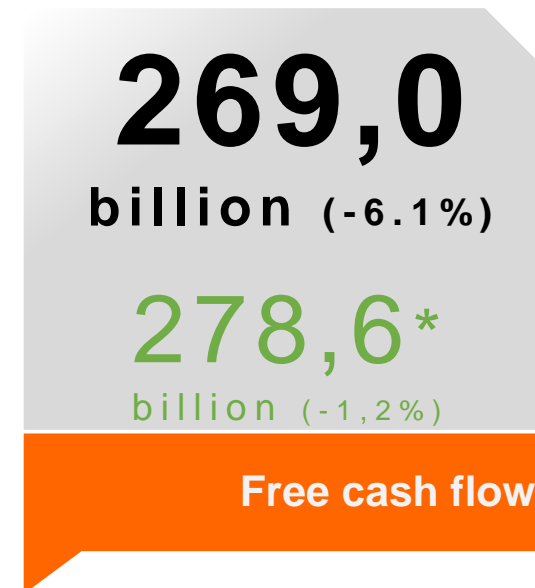
APPENDIX

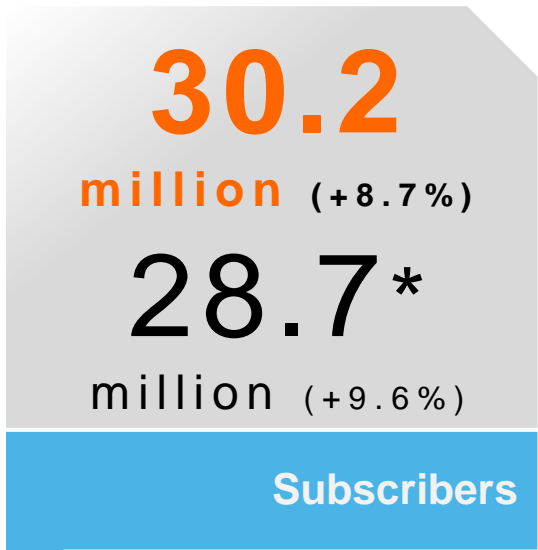


EBITDA Rate :  
46.5% (-2,2 pts)  
47.6%\* (-1,0 pt)

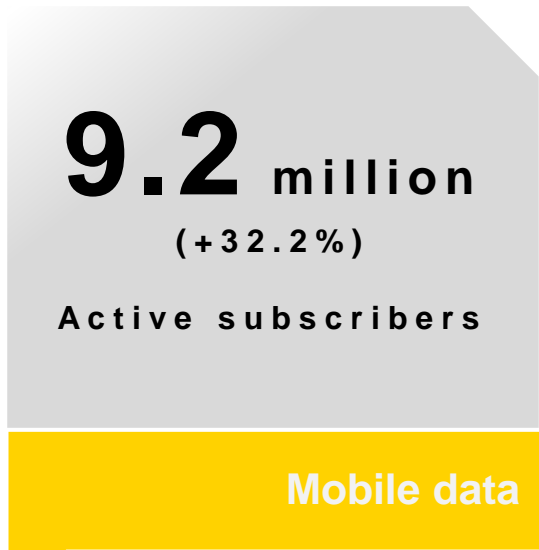


Net margin :  
20,8% (-3,1 pts)  
21.7%\* (-2,2 pts)

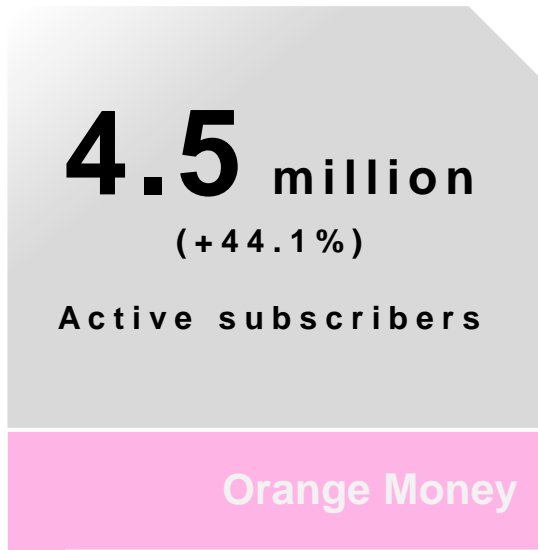




Mobile : 29.7 / 28.3\* million  
 Fix : 285 thousand  
 Internet : 145 thousand



Turnover : 135.6 billion  
 (+65.3%)  
 Weight on turnover:  
 13.9% (+4.9 pts.)  
 Contribution to turnover growth:  
 78.9% (1.9 pt)



Turnover: 46.1 billion  
 (+70.5%)  
 Weight on turnover:  
 4.7% (+1.8 pt.)  
 Contribution to turnover growth:  
 28.1%



capex / Turnover : 18.9% (+1.9 pt)

Strong operational and financial performances reinforced by the integration of Orange Sierra Leone, continuing development of the growth relays

# ★ i. Business and environment evolution 7

## Offers

- Launch of optical fiber in Senegal
- 4G launch in Mali
- Redesign of the prepaid offers
- Widening of the international corridors offers
- Strengthening of Orange Money and Mobile data penetration
- Orange Sierra Leone rebranding

## Capex

- Increased investments in all countries of presence
- Capex rate of 19%

## Customer experience

- COPC certification confirmation
- NPS amelioration in all countries of presence
- Opening of the first Smart store in Senegal
- Opening of the Data Center in Senegal



## Competition

- Maintaining leadership and strong commercial positions
- Sustaining the dynamism of recruitment
- Increased promotional offers
- Start-up of activities by the 3<sup>rd</sup> operator in Mali
- 3 ISP licenses and 3 MVNO licenses granted in Senegal

## Regulation

- Stronger requirements from regulators for the improvement of the quality of service (Senegal, Bissau and Sierra Leone)
- Lunch of free roaming in the ECOWAZ zone
- Ongoing discussion on 4G frequencies in Guinea

## Taxation

- VAT reduction from 20% to 18% in Guinea
- Rise of the collect rate of universal service fund from 1% to 2% in Mali
- Introduction of new tax (number registration +70% and frequencies +15% in Mali)

## Income and Expenses

- Improvement in revenue growth / 2016
- Resumption of EBITDA growth





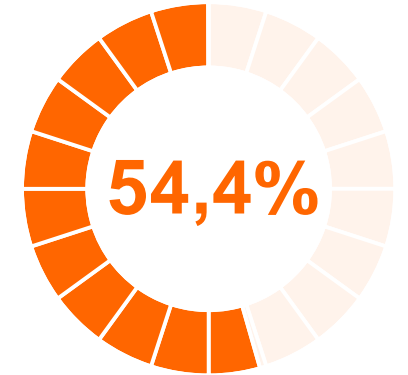
# SENEGAL

- Maintained its strong commercial positions in terms of volume and value
- Favorable retail dynamism (mobile data, Orange money, fix broadband)
- Repositioning of prepaid mobile offers in response to the growing competition in voice and data promotions
- Strengthening of data usage offers (diversification of the distribution channels, micro pass, smartphones ...)
- Installation of a committee for social dialogue within Sonatel
- Finalization of the 3 newly awarded MVNO licenses by the ARTP after the market was opened to 3 ISPs
- Surge of the SIMBOX fraud during the fourth semester; launch of Free Roaming; continuous decrease in international incoming traffic
- Inauguration of the Sonatel Data Center
- Commercial launch of the optical fiber for business and residential customers

## iii. Highlights by country

### MARKET SHARE

Position : LEADER



### NETWORK

# 2G / 3G / 4G

#### GDP



# 6.8%

#### Population



# 15.3M

#### Inflation



# 1.2%

#### Penetration



# 100.5%

#### Orange Money / GDP



# 13%



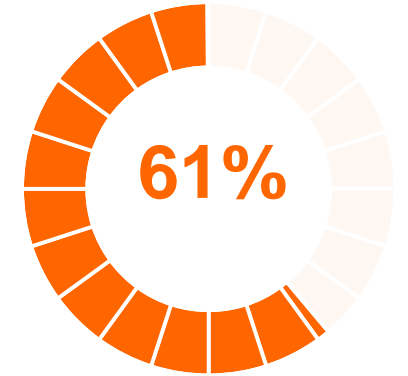
# MALI

## iii. Highlights by country

- Consolidation of the market leadership
- Sustained growth in Data and Orange money usage
- 4G launch in September by Orange Mali
- Start of activities of the third operator in December 2017
- Strong growth in OTT traffic thus resulting in a decrease in international incoming traffic volumes and traffic revenues
- Accelerating transformation of the business model with usage package offers
- Start-up of pilot financial services (savings/credit) as part of the expansion of Orange Money
- Degradation of the political and security climate
- Increase in the tax on universal services from 1% to 2% starting in 2017
- Further 2G/3G network swaps as part of the modernization of the access network in the aim to improve service quality and customer experience

### MARKET SHARE

Position : LEADER



### NETWORK

# 2G / 3G / 4G

#### GDP



# 5.3%

#### Population



# 20.0M

#### Inflation



# 1.0%

#### Penetration



# 104.7%

#### Orange Money / GDP



# 30%



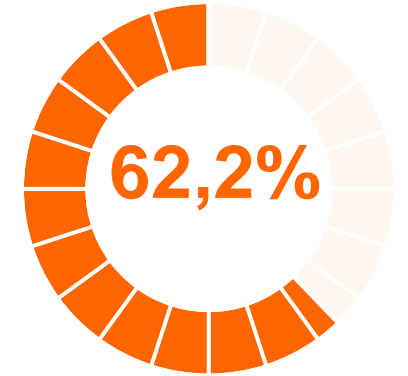
# GUINEA

## iii. Highlights by country

- Strengthened leadership with a 62% market share in terms of transaction volume and value by the end of December 2017
- Launch of free roaming with the 7 countries member of ECOWAS since end of March 2017
- 10-Years celebration of Orange Guinea
- Effective 3G coverage in all the sub-prefectures of the country
- Implementation of the decreased VAT of 18% from 20% since January 2017
- Heavy pressure from the regulator for the sharing of infrastructures
- Announcement of Sotelgui (Guinea Telecom) resumption of activities
- Decrease in the corporate tax rate except for the telecom sector, with the rate being maintained at 35%

### MARKET SHARE

Position : LEADER



### NETWORK

# 2G / 3G

#### GDP



# 6.6%

#### Population



# 11.5M

#### Inflation



# 8.3%

#### Penetration



# 99%

#### Orange Money / GDP



# 26%



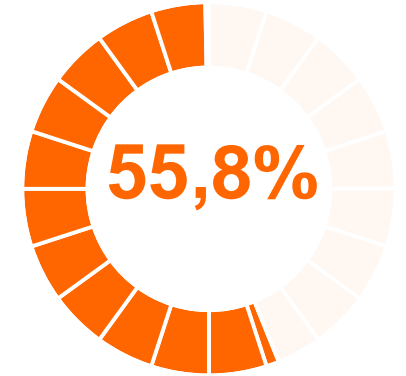
# BISSAU

## iii. Highlights by country

- Consolidation of the leadership with an increased market share in terms of both transaction volume and value
- Launching of Orange Money
- Modernization of the Mobile access network and network core
- Complete 4G coverage in the city of Bissau
- Revision of the tariffs applied to mobile data in November 2017
- Strong fiscal and competitive pressure arising from the new control in international incoming traffic (February) and new taxes (+70% for taxes on dialing and +15% on taxes on frequencies)

### MARKET SHARE

Position : LEADER



### NETWORK

# 2G / 3G / 4G

#### GDP



# 5.0%

#### Population



# 1.9M

#### Inflation



# 1.1%

#### Penetration



# 81%

#### Orange Money / GDP



# 0.1%



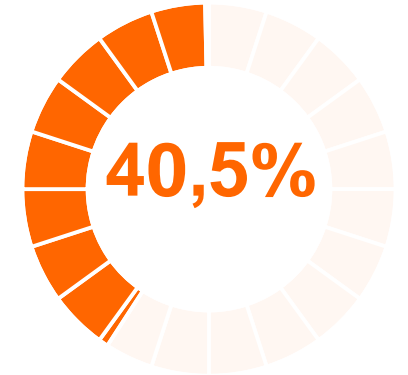
# SIERRA LEONE

## iii. Highlights by country

- Rebranding to Orange in October 2017
- 0.02\$ / minute withholding by NATCOM on the local incoming interconnection revenues
- 400 000\$ fine sanctioned by the regulator for bad network quality
- Series of sanctions imposed by the regulator NATCOM
- SLL currency continually depreciating compared to the EURO/XOF (-17.5%)
- Extended network coverage in the country with 45 new sites, among which 26 for 3G
- Continued network modernization plans (implementations, 2G/3G access network, migration to the new IN, ...)
- Onnet tariff increase from SLL450 to SLL650 (VAT included) in April 2017
- New operating licenses assigned to QCell by the regulator
- Comprehensive inventory of the fixed assets completed

### MARKET SHARE

Position : **SECOND**



### NETWORK

# 2G / 3G

GDP



# 5.4%

Population



# 7.1M

Inflation



# 17.8%

Penetration



# 52.5%

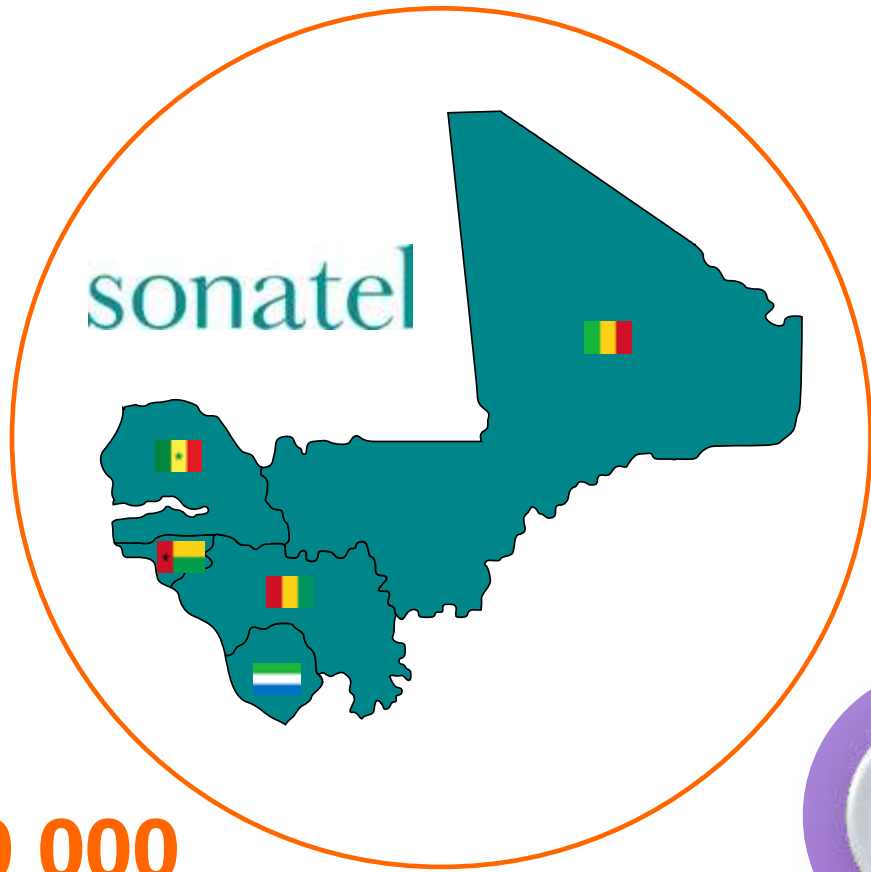
Orange Money / GDP



# 8.7%

# iv. Economic contribution

The group Sonatel is a major player and a growth driver in the economies of its countries of presence.



**Over 502 billion**  
+ 6.2%

paid out as duties, taxes, royalties, social contributions, customs duties and dividends in the countries of presence



**Over 247 billion**  
+ 4.7%

of turnover generated for local businesses in the countries of presence



**Over 100 000**  
**Indirect jobs**  
**3 500**  
**direct jobs**

thanks to a wide commercial distribution network and dynamic partners



**close to 160 billion**

generated from foreign telecom operators as contributions on the balance of payments

Validité crédit illimitée

Tous connectés à la maison, partout au Sénégal

Tous connectés autant qu'on veut

Keuroul ou Keuroul Box

Pouvoir surfer quoiqu'il arrive

Le bon mois au bon prix

Le football est bien plus qu'un sport

mobile Internet

Profiter de mon crédit sans limite

Validité crédit illimitée

BOMBA TALK

Nunca fico sem crédito de Internet

25 Mo

#119#

Especial tarifa internacional

Rester sans nouvelles de ses proches n'est pas une option

Pass Voyage

Voice

Especial Sortida: Transfencia de dinheiro com Orange Money

1 000 000 FCFA

Gagner du temps pour ma communauté

A chacun sa Bonne Année

1 000 000 FCFA

Avoir toujours accès à mon argent

Orange Money

# vi. Social responsibility

Numerous CSR actions that reflect our societal commitment

“Chaine de l’espoir” : Backing in telemedicine, equipment for the new pediatric surgery unit at the Fann hospital and medical care for operation for children with heart disease



- Support to LISCA for cancer patients care
- Set up of a national fundraising program and a 10-million XOF contribution for the operation



- Support in the creation of CREATEAM (“Centre Révélateur et Accélérateur de Talents d’Entreprises au Mali”) : 1er incubator of the kind in Mali



Launch of Mramadan sms sending awareness campaign



Joint actions with UN Women on Women’s Rights in the Workplace Gender Roundtable



And defar sunu gox : 8 localities in Senegal cleaned up and equipped with public litter boxes for sanitation purposes



- Inauguration of the Saboutech incubator in Guinea and 3G connection offered to roughly a thousand schools under the Guinean government program for high schools access to the digital world

Wifi: Open, free wifi internet access for the populations of Rufisque, Parcelles and to be soon followed by Sacré Cœur



- Celebration of the International Women’s Day
- Conference, Green Women Day, roundtable, support t to Kitamba for empowering women



JIFTIC : Jigguen CTIC contest which consists of rewarding the most creative, innovative and ICT oriented projects



World Environment Day celebration: plastic waste awareness, recycling workshop, planting of 500 trees and Set Sétal (cleaning) with Nébédjay, micro-gardening with Mama Africa



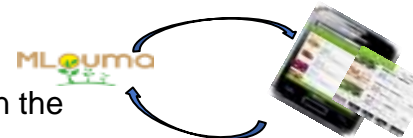
Virtual pharmacy for optimization of medicines consumption and preservation at the Diamniadio hospital



Organization of the POESAM for the promotion of startups local ecosystems



Mlouma : Platform that connects stakeholders in the agricultural sector



Digital Tuesday: series of conferences to examine problems related to the digital transformation







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# i. Subscribers base

Global customer base of 30.2 millions subscribers, with an increase of 8.7% compared to 2016.

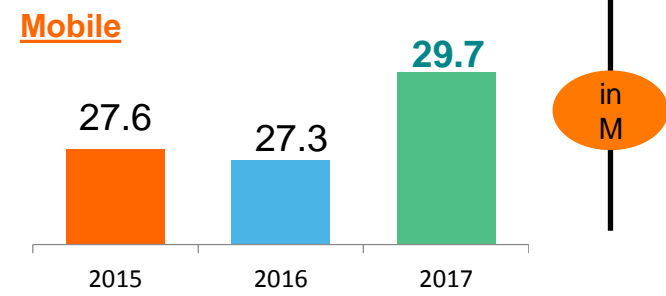
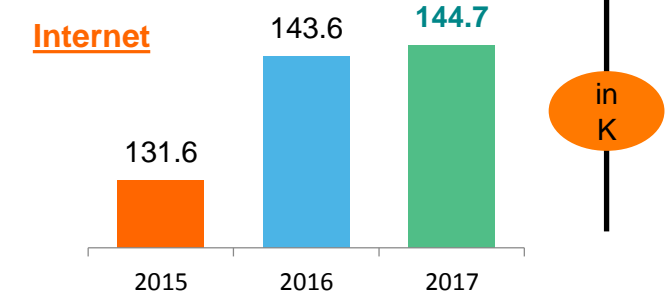
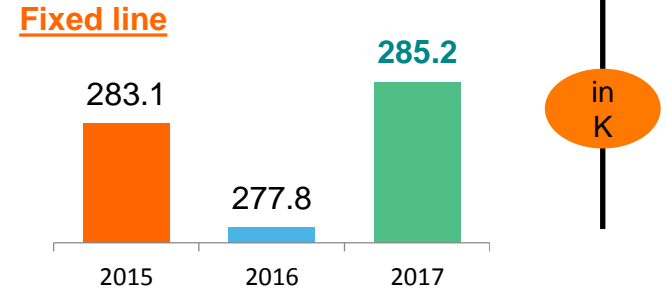
Park	2015	2016	2017	16/15	17/16
	283 140	277 859	285 294	-1.9%	2.7%
	27 679 665	27 319 568	29 736 083	-1.3%	8.8%
	131 644*	143 620*	144 753	9.1%	0.8%
	<b>28 094 449</b>	<b>27 741 047</b>	<b>30 166 130</b>	<b>-1.3%</b>	<b>8.7%</b>

- Mobile :** 8.7% growth in customer base driven by :
- Growth in the customer base in Senegal following a redesign of the prepaid offers
  - Good dynamism of recruitment in Mali and Guinea
  - An expansion of subscribers base in Bissau

**Fixed line :** Recovery of the subscribers base (+2.7%).

**High-speed internet:** Slowing growth of the customer base (0.8% compared 9.1% in 2016) with the migration of the residential subscribers towards the Flybox offers.

Evolution



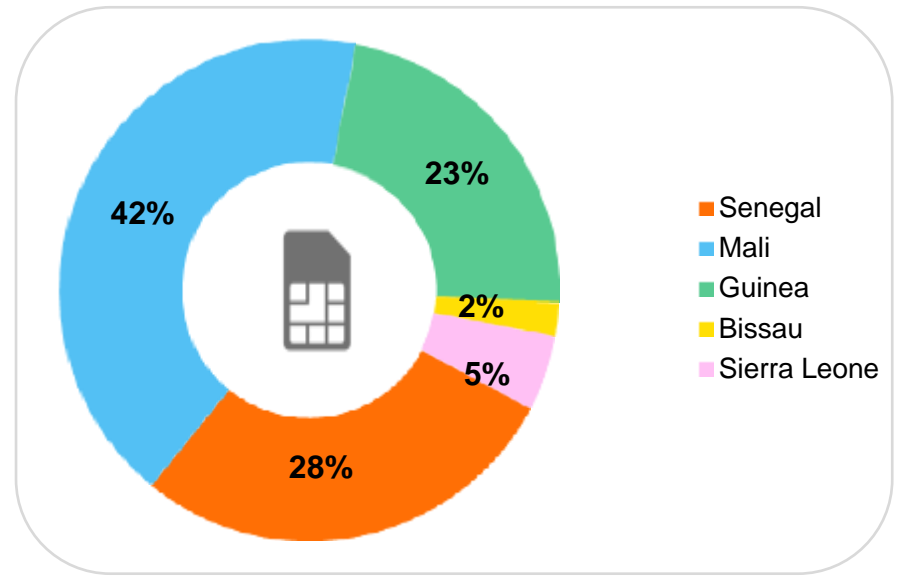
\* Integration of Flybox subscribers in Mali



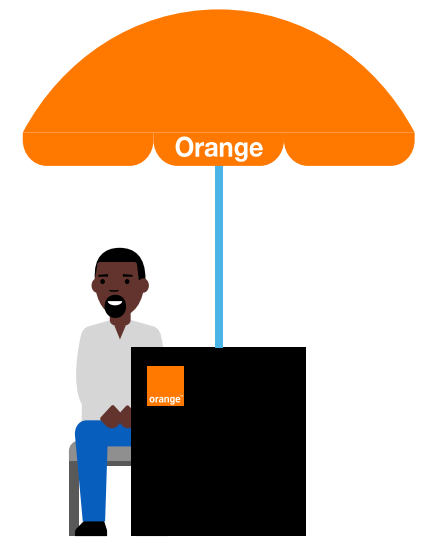
# i. Mobile base

Growth of the mobile customer base driven by the recovery of Mali's mobile base following the negative impacts of the compliance requirements on customer identification, and a good recruitment trend.

Mobile base	2015	2016	2017	16/15	17/16
SENEGAL	8 413 127	7 900 150	8 344 083	-6.1%	5.6%
MALI	11 898 450	11 262 654	12 539 918	-5.3%	11.3%
GUINEA	5 275 668	6 032 667	6 783 073	14.3%	12.4%
BISSAU	558 375	600 384	646 573	7.5%	7.7%
SIERRA LEONE	1 534 045	1 523 713	1 422 436	-0.7%	-6.6%
	<b>27 679 665</b>	<b>27 319 568</b>	<b>29 736 083</b>	<b>-1.3%</b>	<b>8.8%</b>



- **Senegal** : Recovery of the mobile customer base (+5.6%) through a repositioning of the prepaid mobile offers, a good dynamism of recruitment for the 4G and the strengthening of data usage offers despite constraints posed by the compliance requirements on customer identification
- **Mali** : 11.3% increase in customer base thanks to the launch of the 4G and the Mosaic project following negative impacts in 2016 from compliance requirements imposed on the customer base
- **Guinea** : Maintained pace of recruitment (+12.4%) resulting from the opening of new sites, 3G coverage, and commercial animations, despite constraints from the identification of subscribers.
- **Bissau** : Enhancing of the customer base (+0.2 point with 46 189 subscribers) through 3G coverage extension and an improvement of the QoS.
- **Sierra Leone** : 6.6% decrease in the mobile base due to a delay in deployment.





ARPU Monthly, by country		2015	2016	2017	16/15	17/16
Senegal (XOF)	Fix	100 672	95 084	94 838	-5.6%	-0.3%
	Prepaid mobile	2 627	2 661	2 794	1.3%	5.0%
Mali (XOF)	Prepaid mobile	1 667	1 912	1 618	14.7%	-15.4%
Guinea (GNF)	Prepaid mobile	25 500	26 006	26 448	2.0%	1.7%
Bissau (XOF)	Prepaid mobile	2 892	2 842	2 832	-1.7%	-0.4%
Sierra Leone (SLL)	Prepaid mobile	-	18 230	19 542	-	7.2%

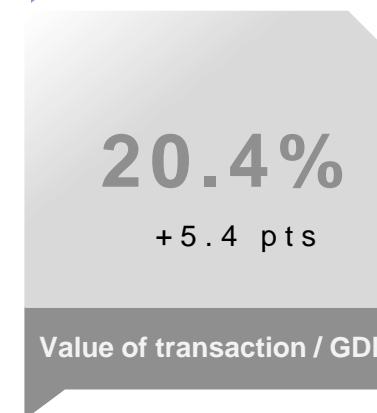
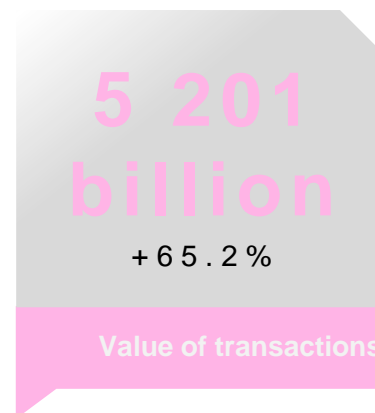
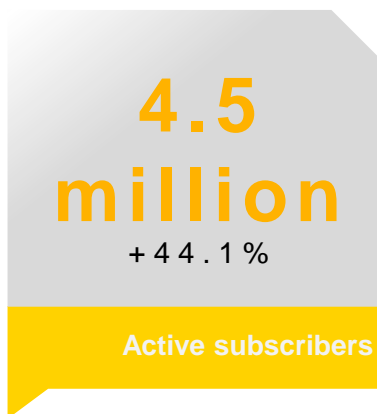
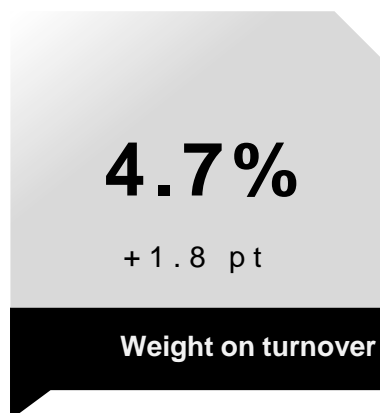


Drop in ARPU in Mali and Bissau due to a recovering mobile base following the impacts from compliance requirements regarding identification and a growth in revenues lesser important than that of the customer base 🇲🇱 🇸🇳

Rise in ARPU in Senegal, Guinea and Sierra Leone thanks to the strong performance of the growth relays through strengthening usage. 🇸🇳 🇲🇱 🇸🇳

# iii. Orange Money

Continuing momentum for Orange Money activities (+1.1M active subscribers, +70,5% growth on revenue)





**Senegal**

Turnover: 9.3 billion ; +168%  
Subscribers : 4.1 million ; +16.6%  
Active subscribers : 1.5 million ;  
Transaction volume : 137.3 million  
Transaction value : 1 227 billion




**Mali**

Turnover: 29.6 billion ; +37%  
Subscribers : 3.9 million ; +12.5%  
Active subscribers : 1.8 million ;  
Transaction volume : 188.9 million  
Transaction value : 2 704 billion




**Guinea**

Turnover: 5.7 billion ; +179%  
Subscribers : 2.1 million ; +35.4%  
Active subscribers : 0.9 million  
Transaction volume : 118.4 million  
Transaction value : 1 067 billion



**Bissau**

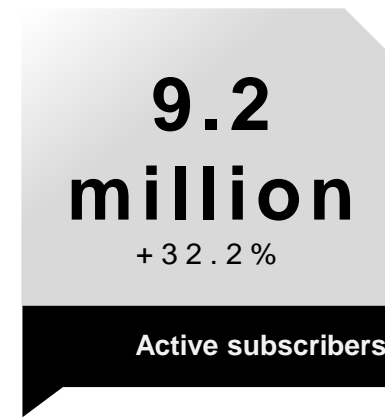
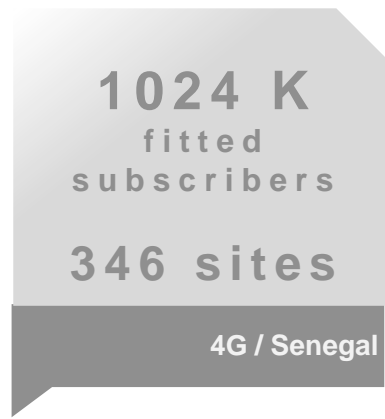
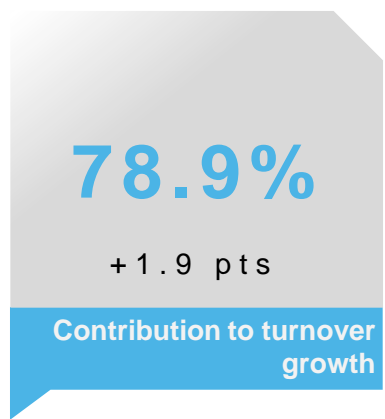
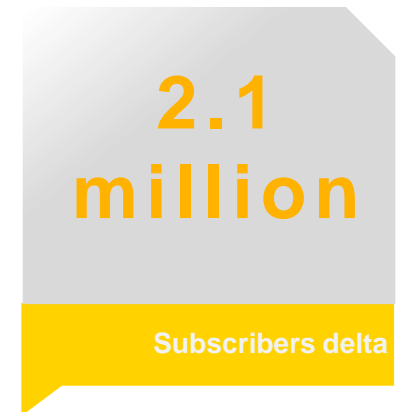
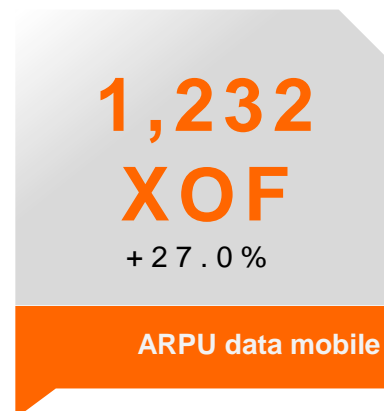

Turnover: 4 million  
Subscribers : 53 thousand  
Active subscribers : 5 thousand  
Transaction volume : 225 thousand  
Transaction value : 838 million



**Sierra Leone**


Turnover: 1.5 billion  
Subscribers : 0.3 million ; -21.4%  
Active subscribers : 0.2 million  
Transaction volume : 22.3 million  
Transaction value : 203 billion

Strong growth in customer base (+33%), revenues (65.3%) and usage, launching of 4G in Mali


**Senegal**

Turnover growth: 56.2%  
Subscribers : 3.0 millions ; +38.3%  
Turnover (billion) : 65.0  
ARPU monthly : 1 795




**Mali**

Turnover growth: 78.5%  
Subscribers : 3.5 millions ; +38.3%  
Turnover (billion) : 43.8  
ARPU monthly ; 1 052




**Guinea**

Turnover growth: 39.6%  
Subscribers : 2.0 millions ; +17.4%  
Turnover (billion) : 19.9  
ARPU monthly ; 844



**Bissau**

Turnover growth: 65.9%  
Subscribers : 89 214  
Turnover (billion) : 2.7  
ARPU monthly ; 2 500



**Sierra Leone**

Turnover growth: -45.5%  
Subscribers : 625 824 ; +0.8%  
Turnover (billion) : 4.2  
ARPU monthly ; 558



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APPENDIX



# i. Financial results

Strong financial performances strengthened by the integration of Orange Sierra Leone, however with impressive currency impacts (SLL)

In billions XOF	2016	2016 comparable base*	2017	2017 (Scope excluding Orange SL)	Variation 2017 YoY			
					Nominal	Comparable base	Scope excluding Orange SL	comparable Base Ex. Orange SL
<b>Turnover</b>	<b>905</b>	<b>891.4</b>	<b>972.9</b>	<b>939.1</b>	7.5%	9.1%	3.8%	5.3%
<b>Ebitda</b>	<b>440.5</b>	<b>433.3</b>	<b>452.8</b>	<b>447.0</b>	2.8%	4.5%	1.5%	3.2%
<i>Ebitda margin</i>	48.7%	48.6%	46.5%	47.6%	-2.2 pts	-2.1 pts	-1.1 pt	-1.0pt
<b>Operating results</b>	<b>323.2</b>	<b>317.8</b>	<b>307.8</b>	<b>306.4</b>	-4.8%	-3.1%	-5.2%	-3.6%
<i>Operating margin</i>	35.7%	35.6%	31.6%	32.7%	-4.1 pts	-4 pts	-3.0 pts	-2.9 pts
<b>Net income</b>	<b>215.9</b>	<b>212.9</b>	<b>202.2</b>	<b>203.0</b>	-6.3%	-5.0%	-6.0%	-4.6%
<i>Net margin</i>	23.9%	23.9%	20.8%	21.7%	-3.1 pts	-3.1 pts	-2.2 pts	-2.2 pts
<b>CAPEX</b>	<b>153.9</b>	<b>151.3</b>	<b>183.7</b>	<b>168.4</b>	19.4%	21.4%	9.4%	11.3%
<i>Capex rate</i>	17.0%	16.9%	18.9%	17.9%	+1.9 pt	+2 pts	+0.9 pt	+1 pt
<b>Free cash flow</b>	<b>286.6</b>	<b>282.0</b>	<b>269.0</b>	<b>278.6</b>	-6.1%	-4.6%	-2.8%	-1.2%

A growth in revenues by 7.5% driven data (+65,3% or 78.9% of turnover) and Orange money (+70.5% or 28.1% of turnover); thus strong growth relays thanks to a momentum of the activity, successful promotional offers, sustained animation and an expanded distribution network.

Operating margin decreased by 2.2 points compared to 2016 due to the growing weight of the lower margin revenues, which resulted in higher direct costs with Orange money returns coupled with a significant decrease in Core business income (international traffic, fix, mobile, voice) with high margin.

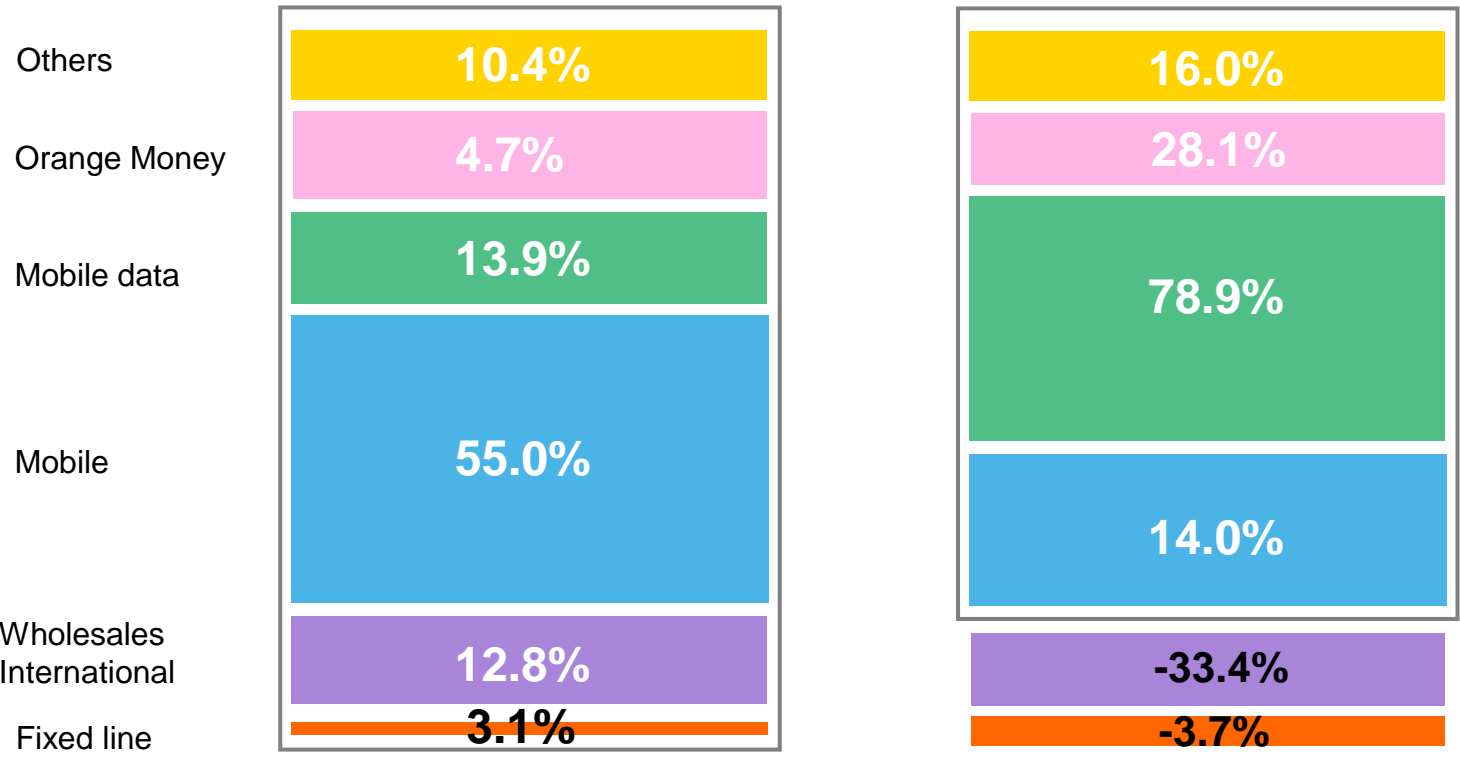
\* 2016 figures adjusted to the GNF exchange rate prevailing on December 31, 2017





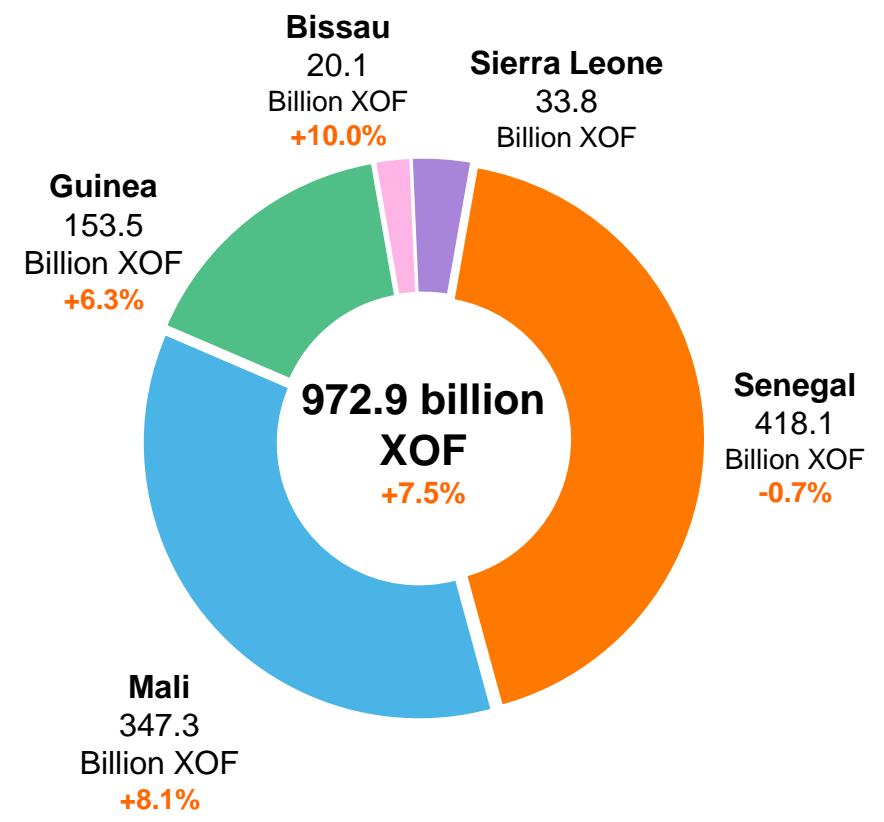
## ii. Turnover

Increase in revenues with the development of growth relays, but slowed with a decrease in international incoming traffic



Weight on activity

Contribution to turnover growth



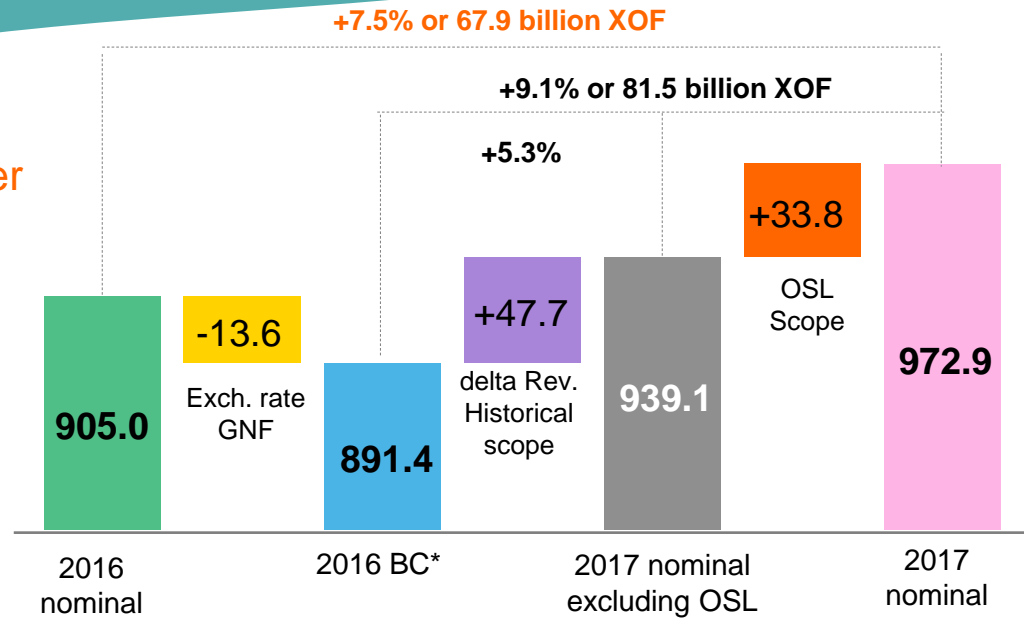
Revenue growth mainly driven by the mobile services through data usage, value-added services and the development of Orange Money services. However, this trend is slowed by the declining international revenues and a drop in fixed activities. The maintenance of a strong commercial position is boosting growth in revenues to mitigate the declines.



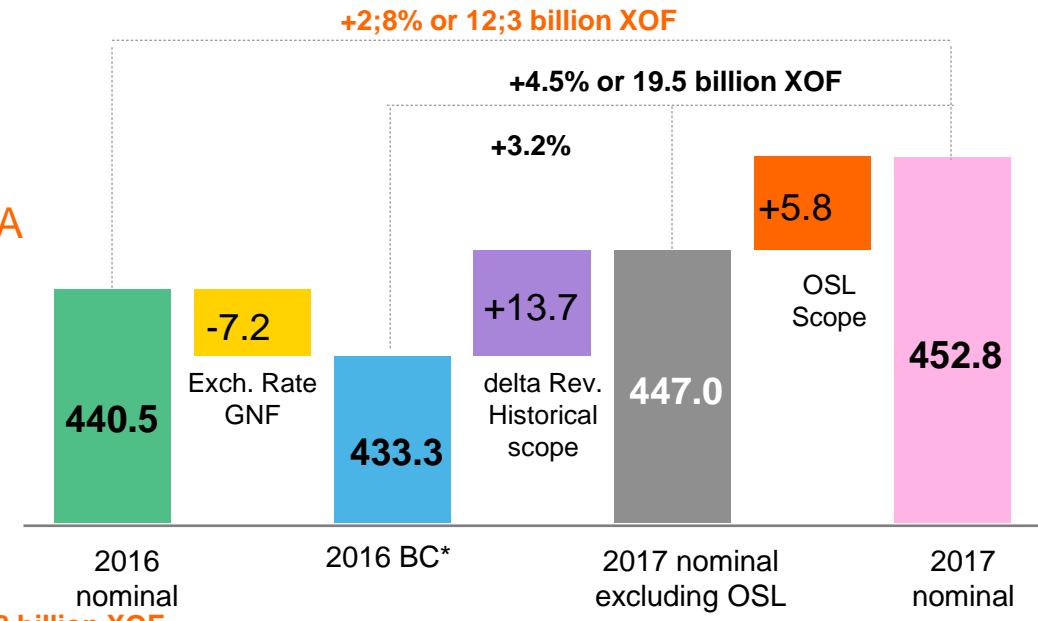
Significant currency exchange impact on the growth trajectories of financial indicators (GNF depreciation = 1.5 pts. of turnover growth)

### iii. exchange rate impacts

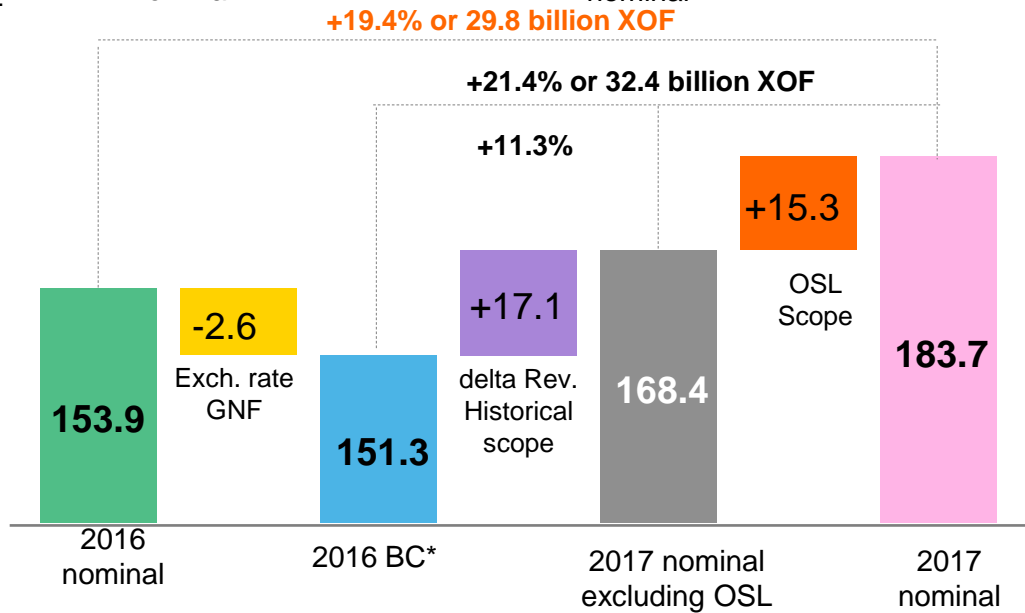
#### Turnover



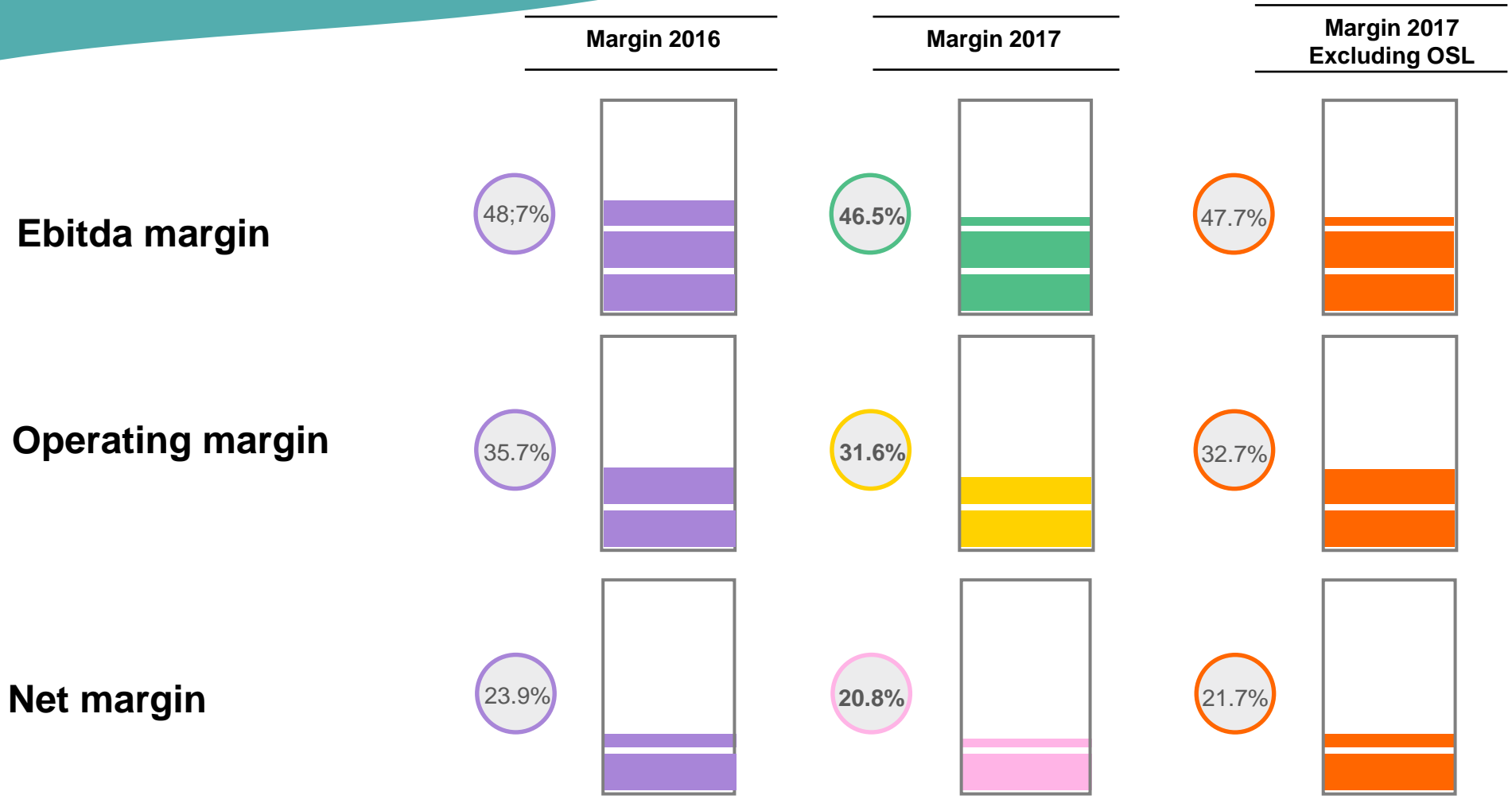
#### EBITDA



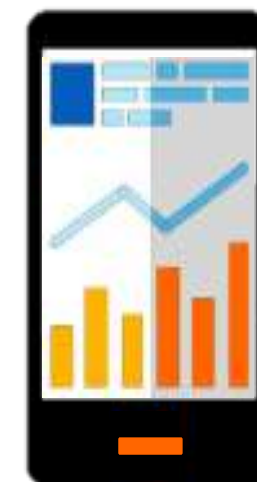
#### CAPEX

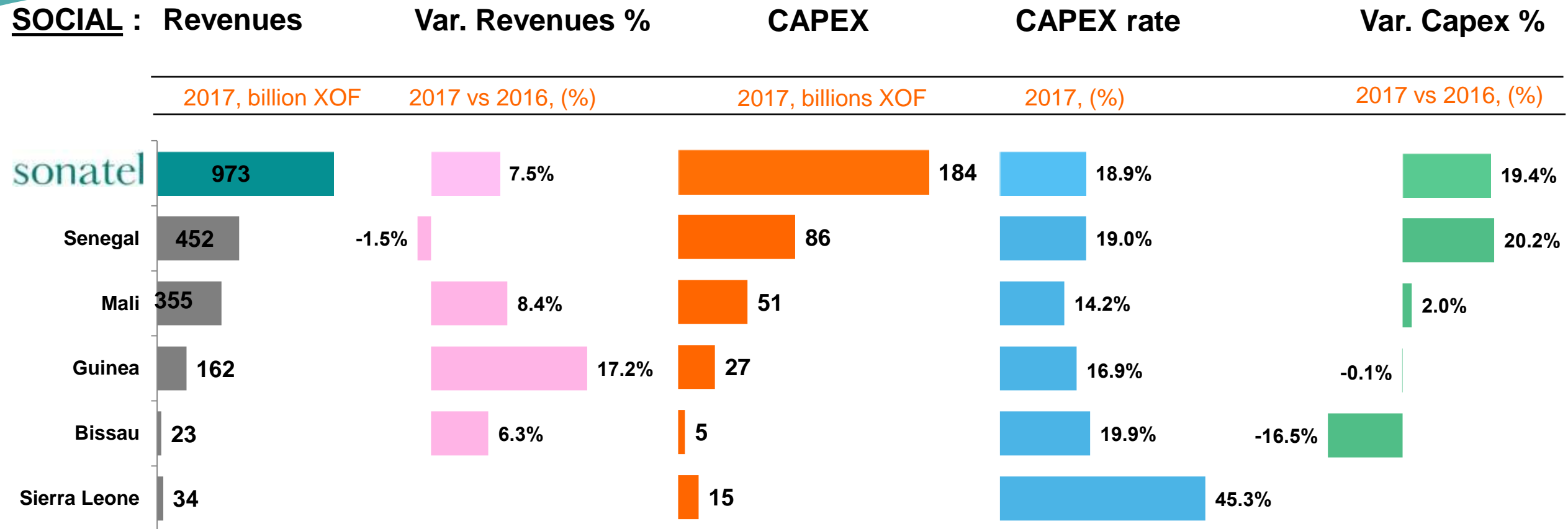


• 2016 figures adjusted to the GNF exchange rate prevailing on December 31, 2017



Slight decreases due to the currency exchange rate but also by the strengthening of lower margin income lines of revenue (Mobile data, Orange Money, and value added services).



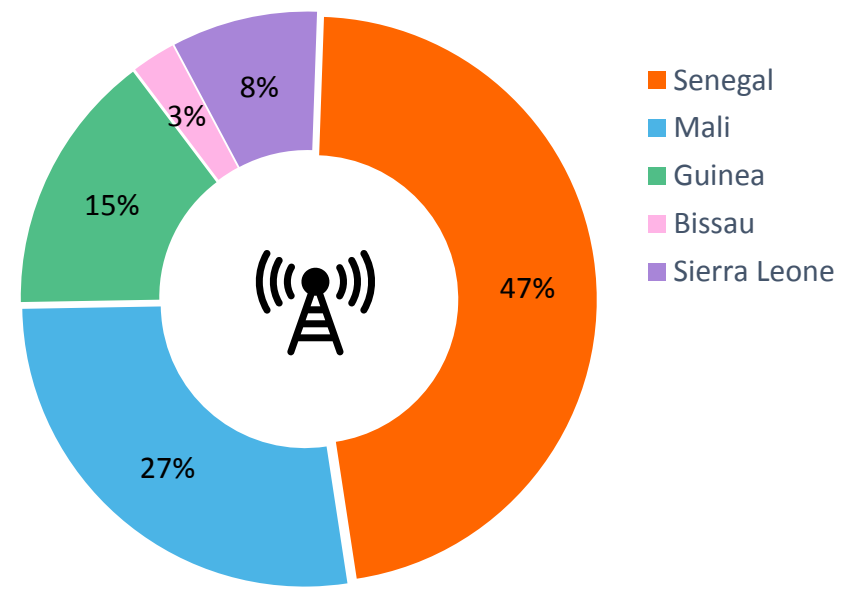


Transformation of the business model due to the decrease in core revenues (mobile voice, international incoming traffic and fixed line) and an increasing contribution to revenues from growth relays (Mobile data, Orange money) with lower margin, combined with penalizing exogenous factors (taxation, regulation, energy ...); thus causing a deflation of the EBITDA margin.



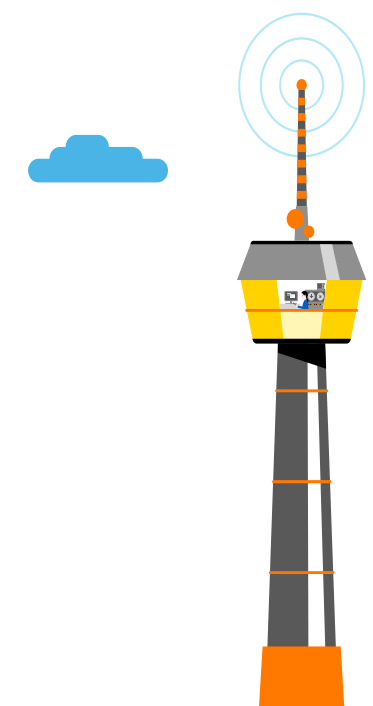
Higher level of investments (19% of turnover) reinforced by network investments mainly in Senegal and Sierra Leone.

billion XOF	2016	2017	variation 17/16
<b>Network</b>	<b>135.6</b>	<b>163.6</b>	<b>+20.6%</b>
<b>Others</b>	<b>18.3</b>	<b>20.1</b>	<b>+9.8%</b>
<b>Total Capex</b>	<b>153.9</b>	<b>183.7</b>	<b>+19%</b>
<i>Capex rate</i>	<i>17%</i>	<i>19%</i>	<i>+2 pts</i>



Breakdown by country

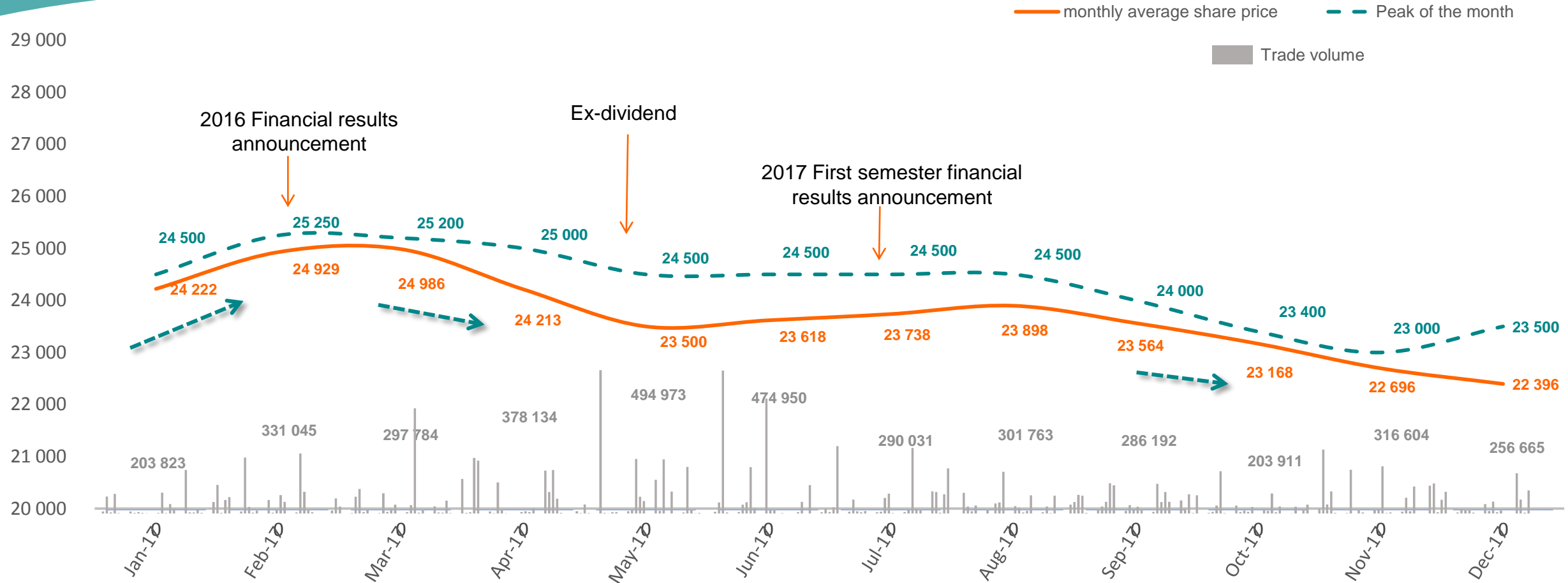
Network investments accounted for 89% of total Capex. The renewal of the access networks and the increased density of networks with the development of data usage constitute the bulk of the investments.





# vi. Stock price evolution

Stock price stabilized at around 23000 XOF





PE 2020



Ensemble, Réinventons  
Sonatel

**1**

HIGHLIGHTS

**2**

OPERATIONAL  
RESULTS

**3**

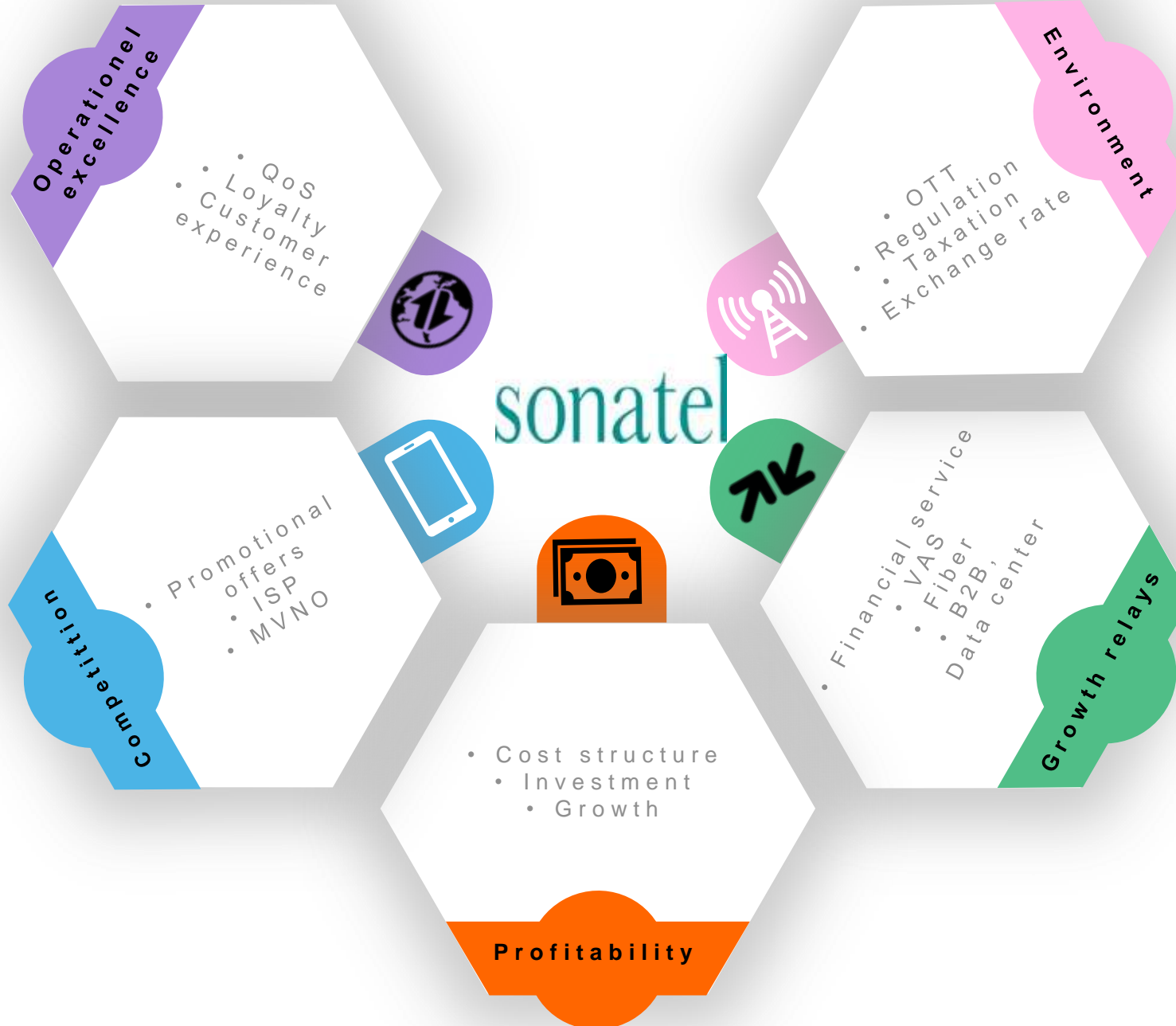
FINANCIAL  
RESULTS

**4**

PROSPECTS

**5**

APPENDIX



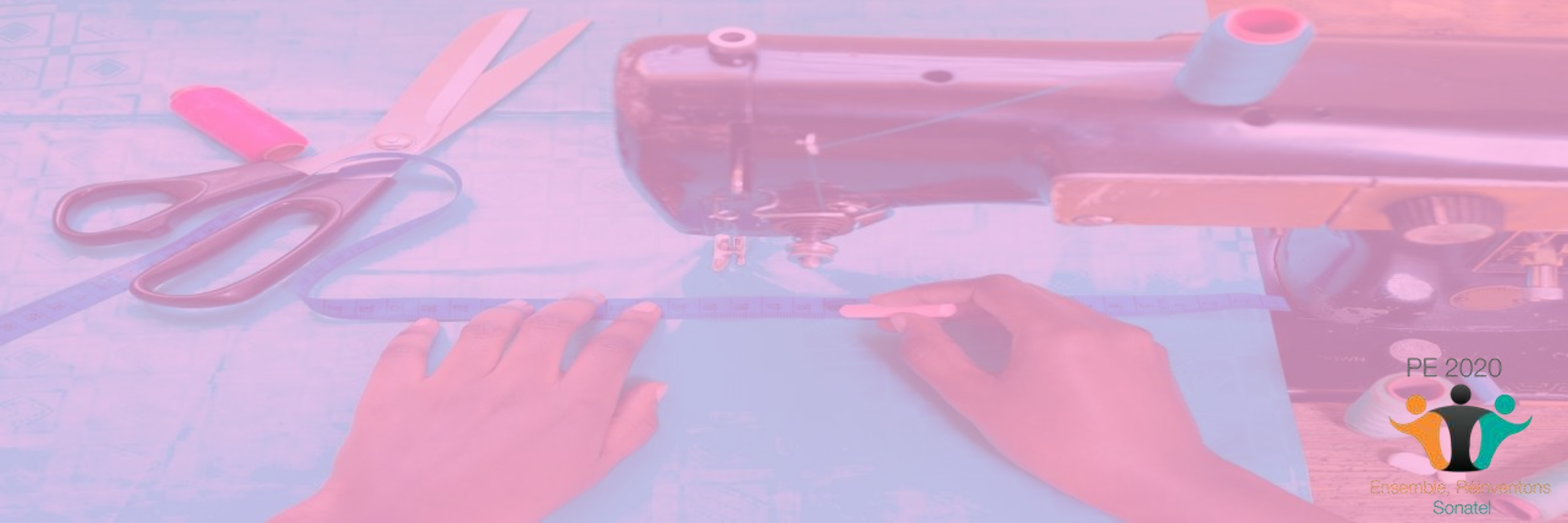




- Year 2017 dedicated again the leadership and the robust operational and financial performances of Sonatel Group, strengthened by the integration of Orange Sierra Leone in its scope of consolidation.
- These performances were made possible thanks to the important investments realized over time, in the concern of constant improvement of the customer experience, in the operational excellence, in pursuit of the efforts on the quality of technical service and in the policy of development of customer loyalty of our customers. They also allowed the Group to maintain its trajectories of profitability among the highest of the sector.
- The group was able to renew its concessions and to acquire 4G license on these main markets. What is going to strengthen it in its continuous will to offer a unique customer experience to its subscribers, to support better its dynamics of conquest and its leadership in its countries of presence but also to revitalize better its actions and offers around the Mobile Data, the value-added services, the financial mobile services motive and B2B services. New Datacenter of Senegal (the biggest of western Africa) and the deployment of the fiber should play a driving role in this strategy.
- The group will pursue its projects of transformation and adaptation of its cost structure to pursue its dynamics of profitable organic growth and face the important and structuring evolutions of its competitive, statutory, fiscal environment in transformation and which hardened a lot.
- The exchange rate impacts due to the depreciation of the Guinea franc and the Leone\* and the acceleration of the OTT phenomena on the reduction in the international entering traffic should continue over 2018. Nevertheless, the Group will have to pursue its good dynamics of profitable growth.

A horizontal timeline arrow pointing to the right, with years from 2010 to 2020 marked along its length. The arrow is orange from 2010 to 2017 and grey from 2018 to 2020.

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020



**1**

HIGHLIGHTS

**2**

OPERATIONAL  
RESULTS

**3**

FINANCIAL  
RESULTS

**4**

PROSPECTS

**5**

APPENDIX

# Sonatel Group

## 2017 Consolidated Financial Statements

- 1. Note to readers**
- 2. Consolidated financial statements**
- 3. Note on the consolidated accounts**
- 4. Accounting principles and methods**






# 1. Notes to readers



# Notes to readers – consolidation scope

- 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. Orange Sierra Leone owned at 50% is consolidated using the full consolidation method in accordance with shareholders' agreement.
- Orange Sierra Leone and its subsidiaries specialized in electronic money – Airtel Money Transfer and Airtel Money Commerce - in addition to Orange Finances Mobiles Guinea are integrated in the consolidation scope.
- Reciprocal transactions 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 East African System of Accounting (SYSCOA).

# Notes to readers – consolidation scope

Countries	Companies	Type of ownership	Ownership
	Sonatel SA	Direct	Parent company
	Sonatel Mobile	Direct	100%
	Sonatel Multimedia	Direct	100%
	Sonatel Business Solutions	Direct	100%
	Orange Finances Mobiles Senegal	Direct	100%
	Orange Mali	Direct	70%
	Orange Finances Mobile Mali	Indirect	70%
	Orange Guinea	Direct	89%
	Orange Finances Mobiles Guinea	Indirect	89% → Entry in 2017
	Orange Bissau	Direct	90%
	Orange Sierra Leone	Direct	50%
	Airtel Mobile Transfert	Indirect	50%
	Airtel Mobile Commerce	Indirect	50%

## 2. Consolidated financial statements (in millions XOF)



# Consolidated financial statements: Assets

## ASSETS

	GROSS	AMORT/PROV	NET 2016	NET 2017
<b>FIXED ASSETS</b>				
FIXED CHARGES	898		898	1 200
<b>INTANGIBLE ASSETS</b>	<b>479 936</b>	<b>182 330</b>	<b>297 606</b>	<b>77 558</b>
GOODWILL	80 372	7 591	72 781	-
OTHER INTANGIBLE ASSETS	399 564	174 740	224 825	77 558
<b>TANGIBLE ASSETS</b>	<b>1 674 728</b>	<b>1 022 473</b>	<b>652 255</b>	<b>595 046</b>
ADVANCES AND INSTALLMENTS	-	-	-	-
<b>FINANCIAL ASSETS</b>	<b>156 895</b>	<b>944</b>	<b>155 950</b>	<b>255 536</b>
DEFERRED TAXES	19 393	-	19 393	19 746
EQUITY AFFILIATES	-	-	-	-
PARTICIPATION AND LINKED DEBTS	9 999	583	9 416	83 984
LOANS AND OTHER FINANCIAL ASSETS	127 503	362	127 141	151 806
<b>TOTAL FIXED ASSETS (I)</b>	<b>2 312 457</b>	<b>1 205 748</b>	<b>1 106 709</b>	<b>929 340</b>
<b>CURRENT ASSETS</b>				
INVENTORY	15 315	1 079	14 236	16 143
<b>RECEIVABLES AND ASSIMILATED FUNCTIONS</b>	<b>269 031</b>	<b>25 651</b>	<b>243 380</b>	<b>197 128</b>
RECEIVABLES	146 280	25 329	120 951	128 217
OTHER RECEIVABLES	122 750	322	122 428	68 911
<b>TOTAL CURRENT ASSETS (II)</b>	<b>284 345</b>	<b>26 730</b>	<b>257 616</b>	<b>213 271</b>
<b>ASSETS – CASH FLOW</b>	<b>TOTAL (III)</b>			
	<b>231 339</b>	<b>-</b>	<b>231 339</b>	<b>248 690</b>
<b>TOTAL FIXED ASSETS (I+II+III)</b>	<b>2 828 142</b>	<b>1 232 478</b>	<b>1 595 664</b>	<b>1 391 301</b>



# Consolidated financial statements: Liabilities

## LIABILITIES

	2017	2016
<b>EQUITY</b>		
EQUITY	50 000	50 000
ADDITIONAL PAID IN CAPITAL AND CONSOLIDATED RESERVES	407 353	410 697
CONVERSION VARIANCE	3 688	5 699
NET RESULT (part of the consolidated company)	172 454	186 331
OTHER EQUITY	-	-
PART OF THE CONSOLIDATED COMPANY	626 119	641 329
PART OF MINORITY	89 822	69 799
<b>EQUITY OF TOTAL CONSOLIDATED (I)</b>	<b>714 941</b>	<b>711 128</b>
<b>FINANCIAL DEBTS AND ASSIMILATED RESSOURCES</b>		
DEFERRED TAXES	661	673
LOANS AND FINANCIAL DEBTS	158 329	1 923
FINANCIAL PROVISIONS FOR CONTINGENCIES AND CHARGES	59 694	59 225
<b>FINANCIAL DEBTS AND ASSIMILATED RESSOURCES (II)</b>	<b>218 685</b>	<b>61 821</b>
<b>TOTAL STABLE EQUITY I=(A+B)</b>	<b>934 626</b>	<b>772 949</b>
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLES AND RELATED ACCOUNTS	273 017	188 326
OTHER DEBTS	241 065	233 351
<b>TOTAL CURRENT LIABILITIES</b>	<b>514 082</b>	<b>421 676</b>
<b>LIABILITIES – CASH FLOW</b>		
<b>TOTAL(III)</b>	<b>146 956</b>	<b>196 676</b>
<b>TOTAL LIABILITIES (I+II+III)</b>	<b>1 595 664</b>	<b>1 391 301</b>

# Consolidated financial statements: Income statement

## CONSOLIDATED INCOME STATEMENT

	2017	2016
TURNOVER	972 905	905 036
STOCKED PRODUCTION		
IMMOBILIZED PRODUCTION	4 687	3 877
OTHER OPERATING REVENUE	16 800	28 582
<b>I – PRODUCTION OF THE YEAR</b>	<b>994 393</b>	<b>937 495</b>
CONSUMED PURCHASES	61 237	53 420
EXTERNAL SERVICES AND OTHER CONSUMPTIONS	390 869	357 851
<b>II – CONSUMPTION OF THE YEAR</b>	<b>452 106</b>	<b>411 271</b>
<b>VALUE-ADDED OF THE ACTIVITIES</b>	<b>542 287</b>	<b>526 224</b>
STAFF COSTS	93 625	83 449
<b>GROSS OPERATING PROFIT</b>	<b>448 662</b>	<b>442 775</b>
DEPRECIATION AND PROVISIONS	160 593	131 426
REVERSALS PRODUCTS	19 718	11 809
<b>OPERATING PROFIT</b>	<b>307 787</b>	<b>323 158</b>
FINANCIAL REVENUES	10 312	9 879
FINANCIAL EXPENSES	18 971	20 305
ORDINARY ACTIVITIES RESULT	299 128	312 732
<b>O.O.A. RESULTS</b>	<b>1 662</b>	<b>3 648</b>
<b>RESULTS BEFORE TAX</b>	<b>297 467</b>	<b>316 379</b>
<b>TAX DUE ON RESULTS</b>	<b>93 622</b>	<b>101 655</b>
DEFERRED TAX	1 659	1 156
<b>NET RESULT OF INTEGRATED COMPANIES</b>	<b>202 186</b>	<b>215 880</b>
SHARE IN NET INCOME OF EQUITY AFFILIATES		
<b>NET RESULT OF THE INTEGRATED COMPAN</b>	<b>202 186</b>	<b>215 880</b>
PART OF MINORITY	29 732	29 549
<b>PART OF THE CONSOLIDATED COMPANY</b>	<b>172 454</b>	<b>186 331</b>

# Consolidated financial statements: TAFIRE I

GLOBAL CASH FLOW (GCF)

	AMOUNT XOF MILLION	GOP	AMOUNT XOF MILLION
(SA) FINANCIAL FEES	14 632	(TT) OPERATING EXPENSE TRANSFER	2 200
(SC) EXCHANGE RATE LOSS	3 978	(UA) FINANCIAL INCOME	5 431
(SL) EXPENSES OUTSIDE ORDINARY ACTIVITIES	539	(UE) FINANCIAL EXPENSES TRANSFER	1
(SQ) PARTICIPATION	0	(UC) EXCHANGE RATE PROFIT	4 486
(SR) INCOME TAX	93 622	(UL) O.O.A PRODUCTS	2 620
		(UN) O.O.A EXPENSE TRANSFER	0
<b>TOTAL (I)</b>	<b>112 770</b>	<b>TOTAL (II)</b>	<b>463 400</b>

**GCF : TOTAL (I) – TOTAL (II) 350 630**

**FINANCING FROM CASH FLOW**

Dividends distributed during the fiscal year 191 097  
 AF = GCF – Dividends distributed during the fiscal year 159 533

**WORKING CAPITAL NEED CHANGES (N.W.C)**

Change N.W.C = Inventory Changes + Debt Changes + Notes Payable Changes

Inventory Changes N – (N-1)	Uses (increase +)	Resources (decrease -)
(BC) GOODS	0	0
(BD) RAW MATERIAL AND OTHER SUPPLIES	0	1635
(BE) IN PROGRESS	0	0
(BF) MANUFACTURED PRODUCTS	0	0
<b>(A) INVENTORY GLOBAL NET CHANGES</b>	<b>0</b>	<b>1635</b>

# Consolidated financial statements : TAFIRE I

– next

CHANGE IN RECIVABLES	Uses (increase +)	Resources (decrease -)
SUPPLIERS, ADVANCES PAID	0	2 524
CUSTOMERS	36 292	0
OTHER RECEIVABLES	36 836	0
CONVERSION GAP - ASSETS	3 742	0
<b>TOTAL</b>	<b>76 870</b>	<b>2 524</b>
<b>(B)GLOBAL NET CHANGE IN RECEIVABLES</b>	<b>74 346</b>	<b>0</b>

DEBT CHANGE	Uses (increase +)	Resources (decrease -)
CUSTOMERS, ADVANCES PAID	55	0
TRADE SUPPLIERS	0	89 255
TAX LIABILITIES	721	0
SOCIAL LIABILITIES	0	2 940
OTHER LIABILITIES	3 405	0
CONVERSION GAP – LIABILITIES	887	0
PROVISIONS FOR CONTINGENCIES	0	2 528
<b>TOTAL</b>	<b>5 068</b>	<b>94 722</b>
<b>(C)GLOBAL NET CHANGE IN DEBT</b>	<b>0</b>	<b>89 654</b>

**CHANGE IN NETWORKING CAPITAL = A + B - C** **0** **16 943**

OPERATING CASH SURPLUS		
OCS = GOP – N.W.C CHANGE – IMMOBILIZED PRODUCTION		
	2017	2016
GOP	448 662	442 775
- CHANGES IN NWC (NETWORKING CAPITAL)	16 943	10 732
- IMMOBILIZED PRODUCTION	-4 687	-3 877
<b>O.C.S (OPERATING CASH SURPLUS)</b>	<b>460 919</b>	<b>449 629</b>

# Consolidated financial statements : TAFIRE II

	2017		2016
	Uses	Resources	U-; R+
<b>I-INVESTMENTS AND DISINVESTMENTS</b>			
Fixed charges (increase during period)	0		-1 489
<b>Internal growth</b>			
Acquisition/Transfers of intangible assets	187 002	0	-54 559
Acquisition/Transfers of tangible assets	191 240	14 628	-146 642
<b>External growth</b>			
Acquisition/Transfers of financial assets	35 024	30 608	-112 831
<b>TOTAL INVESTMENTS</b>	<b>368 031</b>	<b>0</b>	<b>-315 521</b>
<b>II-CHANGE IN OPERATING WORKING CAPITAL NEED</b>	0	16 943	10 732
<b>A-ECONOMIC USES TO BE FINANCED FF+GG</b>	<b>351 087</b>	<b>0</b>	<b>-304 789</b>
<b>III-USES/RESOURCES (B.F.; O.O.A)</b>	0	35 414	-18 473
<b>IV-RESTRAINED FINANCIAL USES</b>	25388		-509
Refund (based on payment schedule) of loans and financial debts			
<b>B-TOTAL USES TO BE FINANCED</b>	<b>341 061</b>	<b>0</b>	<b>-323 772</b>
<b>V-INTERNAL FINANCING</b>			
Dividends (uses) / CGF (resources)	191 097	350 630	143 613
<b>VI-EQUITY FINANCING</b>			
Increase in capital by new contribution		7 700	3 734
Investments from grants		0	0
Equity withdrawals	0		0

# Consolidated financial statements : TAFIRE II

## – next

	2017		2016
	Uses	Resources	U-; R+
VII-FINANCING BY NEW LOANS			
Loans	0	206 198	221
Other financing debts	0	-1	59
<b>C-NET FINANCING RESOURCES</b>	<b>0</b>	<b>373 430</b>	<b>147 626</b>
<b>D-EXCESS OR SHORTAGE OF RESOURCES FUNDING (C-B)</b>	<b>0</b>	<b>32 369</b>	<b>-176 146</b>
VIII-CASH VARIATION			
Net cash			
At the end of the period + o -	84 383	0	52 014
At the beginning of the period + or -	52 014	0	228 160
<b>Cash change (+ if uses; - if resource)</b>	<b>32 369</b>	<b>0</b>	<b>-176 146</b>

<b>CONTROL (Based on N and N-1 balance sheet volumes)</b>	Uses	Resources
	2017	2017
Working Capital change: WC (N) – WC (N-1)	17 984	0
Working Capital Need change: WCN (N) – WCN (N-1)	0	50 353
Cash change (T): T(N) – T(N-1)	32 369	0
<b>TOTAL</b>	<b>50 353</b>	<b>50353</b>

# Consolidated financial statements : Statement of changes in Equity

	Balance	Social equity				Other			Count	Final
	Before	Issuance of share			Decrease	Increases	Decreases	Conversion variance	To	Balance after
	distribution	Cash distribution	In-kind distribution	Incorporated reserves					Account	Distribution
									transfer	
Equity	50 000							-1 946	-1 946	50 000
Issuance, merger, contribution premium	3 572							-253		3 319
Re-evaluation variance	-5 699								2 011	-3 688
Legal reserve	23 098							-389	1	22 710
Statutory and contractual reserves	0									0
Other reserves	424 444						1 432	-2 781	38 967	462 062
Carried over balance	-166						0	0	-20 482	-20 648
Previous year result not yet allocated	0									0
Result of the year	215 880					202 186	-191 097	-2 341	-22 443	202 186
Investment grant	0									0
Regulated provisions	0									0
<b>TOTAL</b>	<b>711 127</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>202 186</b>	<b>-189 665</b>	<b>-7 709</b>	<b>0</b>	<b>715 941</b>

# Consolidated financial statements: Table of changes, consolidated debts and off balance sheet consolidated commitments

TABLE OF CHANGES AND CONSOLIDATED DEBTS								
	Balance beginning of year	Incurring debts	Payments	Incorporated to equity	Net conversion variance	Other movements	Balance end of year	Collateral of secured debts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Convertible bond debts								
Other bonds debts								
Loans and debt credit institutions	475	156 299	282		0		156 492	
Various financial loans and debts	1 448	915	508		-17	0	1 837	
<b>TOTAL</b>	<b>1 923</b>	<b>157 214</b>	<b>791</b>	<b>0</b>	<b>-17</b>	<b>0</b>	<b>158 329</b>	

OFF BALANCE SHEET CONSOLIDATED COMMITMENTS		
	Commitments	
	Given (1)	Received (1)
<b>Secured commitments</b>		
With real collaterals		843
Other secured commitments	8 202	2 843
<b>Mutual commitments</b>		
In terms of leasing		
Definite orders		



# Consolidated financial statements: Table of turnover breakdown

	2017	
	Turnover	% of turnover
<b>A)Sales allocation by activity</b>		
Fixed lines	30 202	3.10%
Mobile lines including data and Orange Money	670 788	68.95%
Internet fixed line	46 149	4.74%
National interconnection	39 979	4.11%
International interconnection	34 427	3.54%
Other wholesale (LL, Roaming, Operators)	124 580	12.80%
Data and integration	13 124	1.35%
Other income	2 437	1.15%
<b>Total</b>	<b>972 905</b>	<b>100%</b>
<b>B)Sales allocation by geographic areas</b>		
Africa (ECOWAS)	693 550	71.29%
Africa (outside ECOWAS)	162 101	16.66%
Asia	2 025	0.21%
America	1 779	0.18%
Europe	113 450	11.66%
<b>TOTAL</b>	<b>972 905</b>	<b>100%</b>

# Consolidated financial statements: Workforce per category

	EXERCISE 2017		EXERCISE 2016	
	Workforce	Payroll	Workforce	Payroll
<b>Staff under payroll</b>	<b>3 035</b>	<b>87 715</b>	<b>2 840</b>	<b>76 553</b>
Manager and senior executives	1 473	50 201	1 346	42 492
Middle managers	1 022	26 982	1 022	24 832
Foremen	476	9 577	425	8 242
Employees and workers	64	955	47	987
<b>Temporary staff</b>	<b>1 309</b>	<b>5 910</b>	<b>1 257</b>	<b>6 897</b>
<b>TOTALS</b>	<b>4 344</b>	<b>93 625</b>	<b>4 097</b>	<b>83 449</b>

### 3. Note on the consolidated accounts (in millions XOF unless otherwise specified)



# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 1- Immobilized charges

2017	2016
898	1 200

They correspond to the acquisition cost of fixed assets.

## 2 - Intangible assets

Software licenses, Patents, Trademarks

Goodwill

Grosse	Amort.	Net 2017	Net 2016
396 487	-174 740	221 747	74 426
3 077	0	3 077	3 132
80 372	-7 591	72 781	0
<b>479 936</b>	<b>-182 331</b>	<b>297 606</b>	<b>77 558</b>

This item is constituted of licenses to operate telecom networks for the mobile and the fixed lines, software licenses, patents and trademarks, as well as assets for Sonatel Mobiles, Sonatel Business Solutions and Orange Guinea.

The increase is due to the renewal of the license for Orange Mali for 100 billion and a complementary 50 billion towards the concession renewal for Sonatel SA.

The 72 781 million in goodwill corresponds to the difference between the acquisition cost of Orange Sierra Leone and our shares in ownership in the mentioned subsidiary.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 3 - Tangible assets

- Land and enhancement work
- Buildings and facilities
- Operating equipment: switching, transmission lines and networks, energy
- Office furniture and equipment
- Vehicles

Gross	Amort	Net 2017	Net 2016
6 523	- 17	6 506	6 062
89 392	-70 418	18 974	34 772
1481 851	-875 970	605 881	531 337
72 125	-59 034	13 091	15 168
24 836	-17 034	7 803	7 706
<b>1674 728</b>	<b>-1022 473</b>	<b>652 255</b>	<b>595 046</b>

The increase in **tangible assets** from 2016 to 2017 is related to the strengthening of the investment programs thus resulting in the advancement of the following items (netted):

- Land and development work: +443 million,
- Buildings and installations: -15 798 million,
- Transmission: +55 305 million,
- Switching: -1 721 million,
- Data networks: -5 697 million,
- Energy: +1 678 million,
- Lines and networks: +7 005 million,
- Others: +6 580 million,
- Vehicles: +96 million,
- Office furniture and equipment: -2 077 million

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 4 - Advances and installments on Fixed Assets

Advance payments are paid amounts to suppliers at the start of work.

	2017	2016
	0	0

## 5 - Financial Assets

- Non-consolidated securities
- Staff loans
- Orange Sierra Leone loan
- Bonds
- Deposits and guarantees paid
- Deferred taxes - Assets

	Gross	Prov.	Net 2017	Net 2016
- Non-consolidated securities	9 999	-583	9 416	83 984
- Staff loans	123 765	-361	123 404	120 354
- Orange Sierra Leone loan	0	0	0	27 340
- Bonds	688	0	688	1 362
- Deposits and guarantees paid	3 048	-1	3 048	2 749
- Deferred taxes - Assets	19 393	0	19 393	19 746
	156 894	-944	155 950	255 536

Change in **non-consolidated securities** is due to integration of Orange Sierra Leone and Orange Finances Mobile Guinea to the consolidation scope as well as a subscription to the capital increase of "Teranga Capital".

The item **Staff loans** correspond to loans granted to employees.

**Orange Sierra Leone** loan is equal to 27 340 million and was converted to actions during the subscription to the capital increase of said subsidiary.

The decrease in **bonds** is explained by coupons reimbursement on government bonds in Senegal.

**Deposits and guarantees** increased by 352 million due to security deposits transferred to the "Caisse de Dépôt et de Consignations" in Senegal.

**Deferred taxes – assets** are a result of the temporary differences between the accounting and tax results.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

**6 - Non-Consolidated securities**

E-money institutions  
 Orange Sierra Leone  
 Canal Horizons  
 Rascom  
 Ico  
 Technopole  
 Jeune Afrique  
 Groupement Orange Services  
 Guilab  
 Teranga Capital  
 GIM UEMOA

Gross	Prov.	Net 2017	Net 2016
0	0	0	136
0	0	0	74 198
5	0	5	5
794	0	794	794
533	- 533	0	0
8	0	8	8
100	- 50	50	50
4 420	0	4 420	4 464
3 681	0	3 681	4 065
446	0	446	252
12	0	12	12
<b>9 999</b>	<b>- 583</b>	<b>9 416</b>	<b>83 984</b>

**7 - Net inventory**

Gross inventory essentially consists:

- fuel: 2 million
- lines and networks supplies : 2 666 million
- terminals for subscribers: 6 450 million
- phone cards: 3 413 million
- peritelephony: 1 213 million
- internet keys: 319 million
- office furniture: 56 million
- en-route inventory: 1 173 million

Gross	Prov	2017	2016
15 315	-1 079	14 236	16 143

The decrease is explained partly by the disposal of phone cards (-2 243 million), lines and networks supplies (-189 million), and en-route inventory (-379 million), and the other hand by the storage of terminals including modems and livebox (+1 357 million).

Inventories considered dead (disqualified), dormant (unused for a year) and defective are depreciated at a 100%.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 8 - Net Accounts Receivable

- Receivables residential customers
- Receivables Clients State
- Receivables Clients Operators
- Services to be billed

Gross	Prov	2017	2016
56 448	-21 886	34 562	27 913
13 196	0	13 196	13 787
46 985	-3 443	43 542	52 690
29 652	0	29 652	33 827
146 280	-25 329	120 951	128 217

The increase in **residential clients receivables** is thanks to a business growth.

Receivables state (**Government of Senegal**) is still decreasing.

The decrease in receivables **operators** results from a decrease in international incoming traffic.

**Services to be billed** take into account billing for December or fourth quarter for 2017 for mobile and fixed lines, internet, business solutions, hubbing, roaming, as well as national and international interconnection.

Doubtful debts are 100% provisioned based on seniority:

- fixed line residential clients for over 6 months,
- mobile clients for over 90 days,
- operators (Africa, Latin America and Asia) for over 12 years and on a case-by-case basis for other countries.

Receivables are considered as bad debts and written off after 5 years apart for operators subject to the discretion of the portfolio managers.



# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 9 - Other Net Receivables

- Advances payment to suppliers
- Advance payments to staff
- State taxes and taxes receivable
- Current accounts of the group's companies
- Other debtors
- Regulatory account - Asset (conversion differences)

Gross	Prov	2017	2016
5 472	0	5 472	5 286
740	- 54	685	984
75 297	0	75 297	51 883
5 966	0	5 966	4 267
32 647	- 268	32 379	5 209
2 629	0	2 629	1 283
<b>122 750</b>	<b>- 322</b>	<b>122 428</b>	<b>68 911</b>

The stability of Advance payment to suppliers is explained by the implementation of netting.

The considerable increase in **taxes** for 23 414 million is explained by:

- an increase by 5 342 million in deducted VAT,
- an increase of the IRVM by 1 227 million consequential on dividends received by Sonatel SA,
- 4 524 million increase in third-party attributions as an asset recovery was undertaken on occupation fee on public domain in favor of a municipality and the Public Market Regulatory Agency,
- an increase on tax imposed on bank transactions by 887 million – such amount is due to a greater use of bank funding,
- various advances to governments in the countries of presence.

The increase in inter-company activities justifies the change in balance in the **Group's companies current accounts**.

The increase by 27 170 million in **other debtors** is explained by the acquisition of shares to be distributed to the staff.

The increase in **exchange rate** differences is correlated to the increase in foreign currency receivables at closing date.

NB: Foreign currency receivables are valued at closing price.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 10 - Net Cash Assets

- Banks
- UV Orange Money in circulation (electronic money)
- Cash register
- Treasury
- Investment assets

2017	2016
157 578	183 059
66 286	54 413
534	507
3 386	3 038
3 556	7 674
<b>231 339</b>	<b>248 690</b>

There is a decrease of 25 481 million in **bank balances**.

UV **Orange Money** in circulation is growing thanks to the development of e-money issuance and distribution by 12 000 million.

The increase in balance in **Treasury** results from an outsourcing of the collection for roaming to the clearing house.

The decrease in **investment assets** is explained by the evolution of the mechanism's equity portfolio.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 11 - Equity

- Capital
- Unavailable reserves
- Other reserves
- Regulated reserves
- Share premium, issuance and fusion
- Conversion gap
- Retained earnings
- Profit attributable to parent company
- Quote minority

2017	2016
50 000	50 000
22 710	23 098
413 579	375 960
48 484	48 484
3 319	3 572
-3 688	-5 699
-20 648	- 166
172 454	186 331
29 732	29 549
<b>715 941</b>	<b>711 128</b>

**Unavailable reserves** correspond to the legal reserve capped at 20% of the social capital of each company.

**Other reserves** are free reserves amounted annually during profit allocations.

**Regulated reserves** only account for the provision for the renewal of tools and equipment.

The **exchange differences** are due to the impacts in conversion of the opening capital of Orange Guinea (Guinean Franc) and of Orange Sierra Leone (Leone).

The balance for **retained earnings** corresponds to the net losses of Orange Finances Mobiles Senegal and Orange Sierra Leone.

Overall, change in equity from 2016 to 2017 results from the allocations of profits in reserves and a non-Group distribution of dividends for 191 096 million.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 12 - Financial liabilities and Assimilated Ressources

- Deferred taxes - liabilities

2017	2016
661	673

Deferred taxes – liabilities are generated by the tax adjustment of the gains to be reinvested from the disposition of buildings.

## 13 - Loans and Financial Debts

- Bank loans

- Security deposits

- Accrued interest

2017	2016
152 043	473
1 837	1 447
4 449	2
<b>158 329</b>	<b>1 923</b>

The transformation of the loans from short-term to medium-term explains the increase in bank loans and accrued interests.

**Security deposits** consist of payments made by clients as an advance on consumption for taken subscriptions.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

60

## 14 - Provisions of risks and charges

- provisions for disputes
- provisions for risks
- pension provisions
- provisions for other charges

2017	2016
3 270	2 808
4 232	3 000
18 517	17 354
33 674	36 064
<b>59 694</b>	<b>59 225</b>

The appearance of new disputes and risks resulted in an increase in provisions respectively for 462 and 1 232 million. There was an additional allocation to the pension provisions for 1 163 million.

The decrease in provisions for other charges is correlated to the decrease in provisions for the spread of loyalty bonuses on share packages distributed to staff through a reversal of provisions.

## 15 - Accounts payable

- Trade suppliers
- Investment suppliers

2017	2016
199 801	152 210
73 216	36 116
<b>273 017</b>	<b>188 326</b>

The increase in **trade accounts payable** is linked to an increased balance in local suppliers +22 565 million, and to provisions for accrued expenses payable +21 284 million, Orange money supplier balance (biller and merchants) +3,198 million, operators (-4 823 million) and foreign suppliers (+5 367 million).

The increase in **investment payables** is a result of the rise in contracted debts from local and foreign suppliers for respectively 25 079 and 8 741 million and a provision of 3 226 million for accrued expenses payable.

NB: The contract term for supplier credit is on average 60 days upon receiving the invoice.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 16 - Other liabilities

- Social liabilities
- Tax liabilities
- Current accounts
- Customers - advances received
- Other payables
- Regulatory account liabilities (conversion differences)

2017	2016
14 942	12 148
116 618	119 676
1 460	2 705
7 269	6 847
100 500	90 774
277	1 200
<b>241 065</b>	<b>233 351</b>

The increase in **social liabilities** by 2 794 million resulted from the increase in performance bonuses.

The decrease in **tax liabilities** by 3,058 million is explained by the combined effect of the following:

- an increase in provisions for income tax on bonuses +3 047 million,
- a decrease of the IS for 6 189 million due to weaker results,
- an increase in the collected VAT by 1 315 million with sales growth.

**Current accounts** decreased by 1 245 million due to settlements carried out regularly.

**Payables Clients** increased by 1 649 million as credits granted to operators decreased following the implementation of net rates.

The increase in other liabilities resulted from:

- an increase in Orange Money credit balance with e-money issued for 13 482 million;
- a decrease in deferred revenues by 6 475 million from sold phone cards remaining unused by OML, considering the growth in consumption;
- a reclassification of the investment subsidy received in the ACE project from equity to other liabilities for 1 449 million.

The decrease in **exchange differences** are related to the volume in loans and debts in foreign currencies at closing date.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 18 - Turnover

Turnover is comprised of:

- Fixed line
- Mobile (data included)
- Orange Money
- Internet fixed lines
- National Interconnection
- International interconnection
- Autres wholesale (LL, Roaming, Operators)
- Data and Integration
- Other revenues

	2017	2016	Var.
	30 202	32 708	-7,7%
	670 788	607 723	10,4%
	46 149	27 068	70,5%
	39 979	35 482	12,7%
	34 427	28 490	20,8%
	124 580	147 243	-15,4%
	13 124	12 839	2,2%
	11 219	11 068	1,4%
	2 434	2 415	0,8%
	<b>972 902</b>	<b>905 036</b>	<b>7,5%</b>

The consolidated turnover increased by 7.5% as a result of:

- 7.7% decrease in the **fixed line** due to a continuous drop of its activities;
- 10.4% growth with the **mobile** thanks to a sustained strong commercial position, the development of usages (data, VAS);
- powerful growth of Orange Money by 70.5%;
- 12.7% progression of the **internet fixed line** through the development of Internet offers;
- 20.6% growth of the **national interconnection** correlated with received volumes from third party operators;
- 15.4% decrease in **international interconnection** linked to the decrease in international incoming traffic with the augmentation of OTT and the Simbox fraud;
- 2.2% increase in **other wholesale products** driven by an increase in operator's Roaming and national leased lines despite a decrease in international leased lines;
- 1.4% hike of the **integration** thanks to timely business billings;
- small increase in **other revenues** +0.8%.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

The following figures highlights the contribution of each subsidiary to the turnover and the gross operating profit.

**Contribution to turnover** by company can be broken down as follows:

	2017	2016
Orange Mali	347 307	321 327
Sonatel Mobiles	291 053	281 805
Sonatel SA	108 336	127 557
Orange Guinea	147 851	144 529
Orange Bissau	20 095	18 270
Sonatel Multimedia	8 634	7 961
Sonatel Business Solutions	800	1 068
Orange Finances Mobiles Senegal	9 279	2 517
Orange Finances Mobiles Mali	0	0
Orange Finances Mobiles Guinea	5 728	0
Orange Sierra Leone	33 822	0
	<b>972 905</b>	<b>905 036</b>

**Gross Operating Profit (GOP) contributory** by company can be broken down as follows :

	2017	2016
Sonatel Mobiles	222 923	217 825
Orange Mali	189 481	184 260
Orange Guinea	77 767	76 605
Orange Bissau	10 114	9 091
Sonatel Multimedia	4 457	5 633
Sonatel Business Solutions	-4 548	-3 912
Sonatel SA	-57 652	-44 821
Orange Finances Mobile Senegal	-1 585	-1 252
Orange Finances Mobile Mali	- 562	- 654
Orange Finances Mobile Guinea	2 603	0
Orange Sierra Leone	5 664	0
	<b>448 662</b>	<b>442 775</b>



# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 19 - Consumptions

Consumptions for the year are:

- Purchases
- Transport
- External services
- Taxes
- Other expenses

	2017	2016	Var.
	59 122	51 338	15%
	2 114	2 081	2%
	335 081	301 996	11%
	39 746	38 382	4%
	16 042	17 473	-8%
	<b>452 106</b>	<b>411 271</b>	<b>0</b>

The increase in **purchases** is due to increased consumptions on the technical sites in fuel and electricity for respectively 2 578 and 1 553 million. Also contributing to the increase is the purchase of terminals for 2 643 million considering sales growth in terminals (notably smartphones) however attenuated by a 1 040 million decrease in purchased prepaid phone cards with the development of virtual top-up cards sales. The improvement in integration offers incited an increase in the purchase of equipment for 634 million. The rise in the purchases of livebox and flybox by 115 million is a result of the development of internet offers. Finally, the dynamism of recruitment incited the purchase of additional sims cards for 774 million.

The small increase in **transport costs** is due to travel expenses.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

The significant activities that explain the increase in **external services** by 33 085 million are:

- 5 245 and 3 967 million increase respectively in outsourcing and maintenance of the networks following the externalization of some activities, the integration of Sierra Leone in the consolidation scope, newly signed service contracts and the deployment of the optical fiber,
- an increase in commercial fees by 2 182 million following a rebranding in Sierra Leone and the expansion of offers notably with Orange Money,
- 4 856 million decrease in international revenues with the decrease in international incoming traffic as a result of the OTT,
- 2 473 million decrease in capacity leasing expenses with the optimization of bandwidth,
- 1,796 million decrease in Roaming expenses with the decrease in IOT traffic,
- repayments for VAS to SMS+ partners and other service platforms increased by 3 050 million following the development of value added services and the growth of data,
- the increase in interconnection expenses towards third-party operators by 8 063 million with the increase in off-net traffic through numerous offers,
- 1 334 million decrease in bank fees resulting from the transfer fees recorded in 2016 with the acquisition of Airtel Sierra Leone,
- 5 458 million increase in commissions to accompany Orange Money expansion offers,
- the increase in fees by 1 718 million with the ongoing transformation plans.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

- The increase in information system royalties by 2 803 million as it is outsourced to Orange Sierra Leone,
- The increase in network operating royalties by 5 760 million following the integration of Sierra Leone and traffic growth thanks to the progression in data,
- The increase in other royalties linked to turnover:
  - \* management fees 1 370 million,
  - \* brand fees 788 million,

The 1 364 million increase in **taxes** is explained by :

- an increase in the tax on telecom network access in Guinea and Mali by respectively 111 and 1 402 million,
- 1 623 million increase in non-deductible VAT on activities from e-money institutions outside the VAT scope.

The decrease in **other expenses** by 1 433 million is due to a decrease in provision for clients depreciation for 910 million and the decrease in other adjustments based on 2016 for 623 million. The drop is furthered by the decline in payables of over 5 years as they are written off as losses 4 187 vs. 4 463 million in 2016, coinciding the reversal of provisions for the same amount.

# Note on the consolidated accounts (in millions XOF unless otherwise specified)

## 20 - Other charges

- Staff costs
- Depreciation, amortization and provisions
- Financial expenses
- Expenses excluding Ordinary Activity of Corporation tax

2017	2016	Var.
93 625	83 449	12%
160 593	131 426	22%
18 971	20 305	-7%
19 168	121	15777%
292 357	235 301	24%

The increase in **staff expenses** by 10 176 million is in response to:

- 1 476 million increase in base salary due to an increase in wages following professional advances and promotions in addition to all indexed pay types including paid leave allowance (+548 million),
- 2 485 million increase in performance bonus following the revalorization of rates and an increase in payroll,
- 1 865 million increase in severance pay,
- social contributions 504 million,
- subsidizing of staff loans 358 million,
- 237 million increase in severance pay and pre-retirement payments following the increase in exiting staff,
- 552 million decrease in temporary staff expenses attained through a policy for expenses optimization.

The increase in **depreciation** 27 657 million is related to the project to renew mobile access networks.

The increase in **provisions** by 1 436 million is due to the combined effect of a decrease in the loyalty premium provision by 2 186 million and an increase in the provision for contingencies by 2 401 million.

**Financial expenses** decreased by 1 335 million following a decrease in exchange rate losses by 11 262 million thanks to the minimal fluctuations of the Guinean franc, but lessened by the increase in interest on loans by 8 441 million and exchange differences on foreign currency debts by 1 548 million.

**O.O.A expenses** went up by 19 047 million with to the project to modernize network equipment.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 21 - Other income

- Other operating income
- Reversals of provisions and expense transfers
- Immobilized production
- Financial income
- Products out of Ordinary Activity

2017	2016	Var.
16 800	28 582	-41%
19 718	11 809	67%
4 687	3 877	21%
10 312	9 879	4%
17 507	3 768	365%
69 024	57 916	19%

**Other operating income** decreased by 11 782 million due to numerous adjustments completed last year.

**Reversals of provisions** increased by 7 909 million with the reversals of unjustified provisions.

The 810 million change in **immobilized** production are related to extension and rehabilitation works on the networks.

**Financial income** decreased by 433 million due to a decrease in financial investments.

**Revenue outside the Ordinary activity** increased by 13 738 million essentially with the project to modernize network equipment.

# Note on the consolidated accounts

(in millions XOF unless otherwise specified)

## 22 - Off-balance sheet commitments

In 2017, the Group received and distributed off balance sheet commitments as follows:

### a) - Guarantees received

- Guarantees from providers
- Staff pledged shares

	2017	2016
	2 843	655
	843	1 146
	<b>3 686</b>	<b>1 801</b>

### b) - Guarantees given

- Blocked term accounts for AFD Dakar 94
- Customs credit deposits
- Market bid deposits
- Guaranteed bonds in favor of the Government (concession renewal)
- Irrevocable lease term deposit
- Certificate of financial standing

	2017	2016
	300	300
	700	700
	1 007	7 549
	0	50 000
	795	0
	5 400	0
	<b>8 202</b>	<b>58 549</b>

## 23 - Executive remuneration

The overall remuneration amount for 10 highest paid people in 2017 is: 2 032 million.

## 24 - Events after balance sheet date

NRT

## 4. Accounting principles and methods



# Accounting principles and methods

- Consolidation principles

Subsidiaries under exclusive control are consolidated using the full consolidation method.

Cf. page 5: consolidation scope

- Financial statements presentation

Financial statements are prepared in accordance with the SYSCOA method: balance sheet, income statement, cash flow statement (TAFIRE).

- Basis of preparation of financial statements

Financial statements are prepared on a historical cost basis and presented according to the principles and methods accepted in the countries of presence. They comply with the West African Accounting System (SYSCOA) in place since January 1st, 1998.

- Immobilized expense and intangible assets

They are amortized over a five-year period.

Disassociated software (invoiced separately from the computer equipment) are capitalized and amortized on a estimated useful life of 3 years.

Exchange differences to distribute are evaluated in accordance with foreign currency operations principles.



# Accounting principles and methods

- Tangible assets

They are evaluated at their acquisition cost which consists of the purchasing price and approach expenses and amortized under the straight line approach over the below specified estimated periods:

Buildings	20 years
Land enhancement work	40 years
Office furniture and accommodation	10 years
Office equipment	05 years
Fixture, fittings and installations	10 years
Transportation equipment	05 years
Switching equipment	10 years
Transmission equipment	10 years
Lines and network equipment	10 years
Energy equipment	10 years
Measuring equipment	03 years
Other assets	10 years

Fixed assets in progress are recorded at their acquisition cost and re-classed as tangible once in service.

- Other current assets

They consist of home loans and personnel vehicles, government loans to the staff to acquire shares of the group (10%), security and guarantee deposits paid on water and electricity subscriptions as well as prepaid rents and equity.

The assets are recorded and evaluated at their historical cost.

On securities, depreciation provisions are taken into account when the closing value is inferior to the historical cost.

Closing value is either the stock price of the listed securities; or net asset value for the unlisted securities.

# Accounting principles and methods

- Inventories

Inventories are evaluated at the weighted average cost of purchase.

Retained value for local purchases corresponds to the non-revisable historical cost cited as annex in the market contract.

Purchasing cost of imported products corresponds to market plus customs duties and transit fees.

Depreciation provisions are applied at a 100% on defective, dormant (inventory that registered no activity for a year) and dead (declassified or unused inventory for 3 years) inventories.

- Receivables

- ✓ *Accounting services to Local customers*

Services to local customers are invoiced in XOF on the issue date of the bill and recorded in the 41 accounts. Unbilled services by the closing date are recorded in the 418 accounts (Accrued income).

Sold top-up cards that are unused are recorded as deferred revenue.

Doubtful debts from residential clients are depreciated at a 100% when:

- left unpaid for more than 6 months for the fixed line;
- left unpaid for more than 90 days on the mobile

# Accounting principles and methods

## ✓ *Accounting for revenue from International traffic*

Traffic balances are recorded on a monthly, bi-monthly or quarterly basis depending on the account balance for the month, two-month period or quarter, as a credit or debit line once accepted by the concerned foreign correspondent.

A provision is calculated year-end for all traffic balances not yet accepted. They are recorded in 418300 accounts (Accrued income) when the balance is in favor of Sonatel and as Accrued liabilities otherwise in the Accrued expenses payable account (408400).

Exchange rate gains and losses are recorded in the balance sheet in accounts 478 and 479 “conversion variance”.

Receivables from the foreign correspondent are depreciated on a case-by-case basis depending on the creditworthiness of the correspondent.

### ▪ Foreign currency transactions

Foreign currency operations are converted at the exchange rate prevailing on the date they are recorded. Foreign exchange differences are recorded as currency gains or losses on the settlement date.

Foreign currency accounts are converted at the exchange rate prevailing on closing date. Potential currency gains are recorded as exchange rate gains or losses rather than as revenues. Unrealized exchange rate losses give rise to a provision for risks.

# Accounting principles and methods

## ✓ Income statement

Unrealized exchange rate losses on operations over a year old are recorded as liabilities in the “Provision for exchange rate losses” account and the counterpart is reported to the assets in account 478 “Exchange rate differences”.

Unrealized exchange rate losses on less than a year-old operations are recorded in 679 with a credit to account 499.

Losses in the cash accounts are reported in the income to offset the Cash account.

## • Investment grants

They are transferred to the Accruals and deferred liabilities. The offset is recorded on the income statement.

## ▪ Provisions for risks liabilities and charges

### ✓ Disputes

All potential risks associated with litigations with third parties are provisioned according the information provided by group’s legal services. Unjustified provisions are accounted for in the income statement.

### ✓ Retirement benefits

Due employee benefits at the time of retirement or in the case of a contractual framework are subject to a provision for expenses.

## ▪ Deferred taxes

Deferred taxes are recorded to offset to the temporary effect of revenues and expenses due to tax considerations. The liability method is applied.

# Accounting principles and methods

- Electronic money

Orange Money is a mobile payment offering marketed by e-money institutions “EMI” certified by BCEAO or the central bank of Guinea

It consists of issuing and distributing electronic money or units of value that can be used for commercial transactions.

Currency in circulation is recorded in the 514xxx cash account and offset as debts posted to the 472xxx accounts by category (vendors, biller, merchants and end-consumer).

Issued money not distributed stay in the “EMI” main cash account.

Paid commissions are posted as expenses and offset as revenues.

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**RACINE**  
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Dakar/Sénégal

**Société Nationale des Télécommunications du Sénégal  
(SONATEL)**

**Attestation de sincérité des commissaires aux comptes  
sur les états financiers consolidés**

**Etats financiers consolidés  
Période du 1er janvier au 31 décembre 2017**

**GAREGGO**  
 MEMBRE DU RESEAU JPA INTERNATIONAL  
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 Immeuble SDIH 2ème étage  
 BP 2763 - Dakar/Sénégal

**RACINE**  
 MEMBRE D'ERNST & YOUNG  
 22, Rue Ramez Bourgi  
 BP 545  
 Dakar/Sénégal

**Société Nationale des Télécommunications du Sénégal  
 (SONATEL)**

**Attestation de sincérité des commissaires aux comptes  
 sur les états financiers consolidés**

**Etats financiers consolidés  
 Période du 1er janvier au 31 décembre 2017**

En exécution de la mission qui nous a été confiée par votre Assemblée générale du 14 avril 2016, nous avons procédé à l'audit des comptes annuels consolidés du groupe SONATEL.

Ces états financiers ont été préparés par la Direction de la SONATEL, conformément aux règles et méthodes comptables édictées par le Système Comptable OHADA, et arrêtés par le Conseil d'administration en date du 15 février 2018.

Notre audit a été effectué conformément aux normes d'audit applicables au Sénégal.

Sur la base de notre audit, nous attestons de la sincérité des informations données dans les comptes annuels consolidés joints à la présente attestation.

Les Commissaires aux comptes

**GAREGGO**  
 MEMBRE DU RESEAU JPA INTERNATIONAL  
  
 Mamour FALL  
 Associé

**RACINE**  
 MEMBRE D'ERNST & YOUNG  
  
 Makha SY  
 Associé

Le 16 février 2018

# DARFT RESOLUTION THAT WILL BE SUBMITTED AT THE GENERAL SHAREHOLDER MEETING WHICH APPROVE THE FINANCIAL STATEMENTS OF THE FISCAL YEAR 2017

## RESOLUTION DRAFT : FISCAL YEAR 2017 INCOME ASSIGNMENT

The Shareholders Assembly, approving the proposal of the Board of Directors, decides to allocate the entire profit of the year ended December 31st, 2017 to dividends.

Moreover, the Shareholders Assembly decided to take XOF 3,088,044,627 on free reserves to pay out dividends.

As a result, the Shareholders Assembly sets at XOF one thousand six hundred and sixty seven (1.667) the gross dividend due to each share.

After deduction of withholding tax of 10% in respect of IRVM, net dividend XOF one thousand five hundred (1.500) will be paid from **May 11th, 2018**.



# #2017

Financial results

