

MTN Group Limited
(Incorporated in the Republic of South Africa)
Registration number 1994/009584/06
Share code: MTN
ISIN: ZAE000042164
("MTN Group")

SUMMARY OF MTN NIGERIA UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

Shareholders of MTN Group are advised that MTN Nigeria Communications Plc (MTN Nigeria), announced its unaudited results for the quarter ended 31 March 2020 on 28 April 2020 on the Nigerian Stock Exchange (NSE) as follows:

Salient features:

- Mobile subscribers increased by 4.2 million to 68.5 million
- Active data users increased by 1.7 million to 26.8 million
- Service revenue increased by 16.7% to NGN328.5 billion
- EBITDA grew by 15.3% to N173.5 billion
- EBITDA margin moderated by 0.6 pp to 52.7%
- Profit before tax increased by 8.9% to N76.3 billion
- Earnings per share increased by 5.6% to N2.5kobo

Unless otherwise stated, financial information is year-on-year (YoY, Q1 2020 versus Q1 2019). Non-financial information is quarter-on-quarter (QoQ, March 2020 versus December 2019).

MTN Nigeria CEO, Ferdi Moolman comments:

"We recorded a solid performance in the first quarter, building on the growth momentum we achieved in Q4 2019. Service revenue was strong and rose by 16.7% driven by voice and data revenue. 4.2 million subscribers were added to the network driving voice revenue growth of 7.4%. Data revenue increased by 59.2% supported by growth in data traffic with a further 1.7 million active subscribers connecting to the internet during the quarter. We continued to deepen data penetration with the further rollout of 4G sites, increasing 4G population coverage to 48% in Q1 2020 from 44% as at year-end 2019.

We saw strong growth in digital and fintech revenue with digital revenue growing by 63.7%, while fintech was up by 36.1%. Our mobile money agent network has grown to 178,000, adding 70,000 agents during the quarter.

This performance was achieved against the backdrop of several developments during the quarter. Value added tax (VAT) was increased in February 2020 from 5% to 7.5%, which adversely affected both revenue and costs. The situation has been exacerbated by upheavals in the global oil market, which put significant downward pressure on oil prices leading to an exchange rate adjustment by the Central Bank of Nigeria on 20 March, 2020, increasing some of our costs. In addition, a series of lockdown measures began being implemented globally in response to the COVID-19 pandemic, resulting in significant operational challenges and supply chain disruptions.

In response to these tough times, we have heightened our focus on four key areas – our people, our customers, our network and our efficiency. The immediate priority for our people is their health and safety. We have provided facilities to enable our staff to work safely and remotely, ensuring that operations run smoothly. We run a daily health survey, which enables us to ascertain our staff's wellbeing, and we have launched a staff-care emergency fund to provide an added buffer for our people who may be affected by the pandemic.

To support our customers and communities, we launched the ['Y'ello Hope Package,](#) a broad set of initiatives deployed to support national efforts at containing the spread of the COVID-19 virus, mitigate the pandemic's social and economic impact, and keep our customers connected to their loved ones, critical resources and support. This includes supporting government with communication systems, connectivity, analytical response management and risk profiling tools; and facilitating efforts of the Nigeria Centre for Disease Control (NCDC) by providing connectivity, SMS distribution of updates and personal protective equipment for front-line health workers.

MTN has also contributed N1 billion to the Coalition Against COVID-19 (CACOVID), a private-sector task force working to increase public awareness, provide food relief to 1.7 million households nationwide, and support the nation's crisis response capabilities by providing medical supplies and equipment, isolation and treatment centres, test kits and training. In addition, MTN customers have been granted free daily access to key health-related websites, and fees for local money transfers via the MoMo Agent Network have been waived. Finally, to ensure the most vulnerable and marginalised communities are not left behind, 300 free SMS's were provided per customer for one month in the first instance. To date, more than 1 billion free messages have been sent.

Our team has worked extremely hard to minimise the impact of the temporary disruption in the supply chain on operational continuity. We have put in place necessary measures and resources to keep the network running, continue network rollout and expansion of population coverage.

Towards the end of March, we started experiencing a change in traffic patterns with a drop in voice traffic which was partially offset by an increase in data traffic on the network. Data traffic increased as customers began to adopt digital channels for most of their activities and routines including telecommuting, entertainment and social media engagements due to the lockdown. To accommodate this, we have deployed additional resources to upgrade the capacity of the network. Enhancing

operating efficiency remains critical at this time, with an increased focus on optimising costs and cash flow generation.

The impact of COVID-19 on our first quarter performance was not significant, except for delayed orders. However, given that lockdown measures only started towards the end of the quarter, and given the uncertainty associated with the likely duration and related economic impact of the COVID-19 pandemic and its effects on our customers, unstable oil prices as well as pressure on the rate and availability of foreign exchange, it is currently too early to reliably quantify the direct or indirect financial effects on our business going forward. We have activated our business continuity plan and implemented extensive response measures aimed at mitigating the potential impact on the network and overall business performance. The continuity plan covers, among others: supply chain, management of credit and liquidity, currency risk, counterparty risk, and potential revenue impacts from reduced consumer spend.

Operational review

Over the quarter, we continued to gain market share, with the addition of 4.2 million subscribers to the network, representing a 6.5% increase in the quarter to 68.5 million. Active data subscribers also increased by 6.6% to 26.8 million, representing an additional 1.7 million data users. The increase in the subscriber base was supported by the deployment of additional SIM registration devices and various customer value management (CVM) initiatives implemented during the quarter.

Voice revenue growth remained healthy at 7.4% (+3.2% QoQ) and accounted for 69.1% of service revenue. Voice traffic increased by 7.2% YoY, supporting revenue growth.

Data revenue, making up 22.6% of service revenue, continued to accelerate with growth of 59.2% (+12.3% QoQ). This was achieved through increased data subscribers and improved 4G penetration, which supported traffic growth of 130.4% YoY (25.2% QoQ). 1.6 million new smartphones were added to the network, bringing smartphone penetration to 42.6% of the base.

The digital business returned to growth, with revenue increasing 63.7% (+8.0% QoQ) supported by a rich portfolio of digital products and services and improvement in customer journey experience. There was an improvement in the uptake of digital offerings and efforts to expand the active user base for the digital business continued to yield positive results. During the quarter, 1.6 million new users were added, bringing the active base for digital subscriptions to 3.8 million users.

Fintech revenue growth was 36.1% (+10.8% QoQ) in Q1 2020 driven by an increase in the adoption of MTN Xtratime, an airtime lending service. 70,000 MoMo agents were added in the quarter, bringing the total number of registered agents to 178,000 nationwide. The total volume of transactions processed by agents during the quarter was over 5.6 million, about 80% of which were airtime vending. Transaction fees for all money transfers using the MoMo agent network were suspended for an initial period of one month starting 23 March, 2020 as part of the Y'ello Hope Package.

The enterprise business segment continued to improve, with revenue growth of 12.7%. Enterprise business includes revenue from mobile and fixed connectivity, cloud and ICT solutions, and devices. It cuts across voice, data and digital services for SMEs, public sector and large enterprise customers.

On the cost side, operating expenses increased by 22.3% driven mainly by an increase in lease rental costs following an aggressive 4G roll site rollout. Earnings before interest, taxation, depreciation and amortisation (EBITDA) rose by 15.3%, while EBITDA margin moderated by 0.6pp to 52.7% due to the increase in costs. Capital expenditure, excluding right of use assets, was N24.7 billion. Overall, reported growth of 8.9% in profit before tax was impacted by an increase in finance costs due to higher borrowings, while profit after tax and earnings per share both rose by 5.6%.

Funding and Liquidity

We are currently diversifying funding strategies and sources to fast track capital expenditure related to hardware investment and to optimise our funding costs. We have strong free cash flow and approved loan facility headroom to meet financial obligations. In line with existing banking covenants, there is headroom to leverage the balance sheet optimally for strategic investments. Major credit exposures are from trade partners, but these are secured by bank guarantees. This enables the trade partners to improve sales turnover even in this period of lockdown. We have kept foreign currency exposures within manageable limits so that the balance sheet can withstand currency volatility. The debt split is 92% in local currency and 8% in foreign currency.

Tower Providers' Contract

In 2014, we made a strategic decision to sell passive infrastructure to enable the company to focus on its core business. Although MTN Nigeria continues to own a small number of towers, it currently has lease agreements with various tower providers and this constitutes a significant portion of service costs.

In terms of the agreement between MTN Nigeria and the tower companies, all payments are made in Naira, but in certain instances some are quantified in foreign currency and converted into Naira at the official exchange rate published by the CBN. This rate was recently reset from 305 to 360 and will apply to the relevant contracts with effect from 1 April 2020. This will put pressure on margins going forward. However, we are in continued discussions with our tower providers to optimise these long-term contracts.

Outlook

We started the year with an upbeat view of the prospects for the business in 2020, which was substantiated by the strong performance in service revenue delivered in the first quarter. However, recent developments relating to the COVID-19 pandemic, oil price volatility and foreign exchange rates and availability call for a more measured outlook in the near-term. The remainder of the year will be shaped by the impact of these developments, which remains highly uncertain at this time.

Voice revenue has experienced an immediate impact from the current macro disruptions, based on early trends, especially in the mass market segment. There has been a decline in voice traffic post-COVID lockdown largely due to a slowdown in economic activity and a reduction in people's earning capacity. Although we have witnessed growth in data revenue, it does not fully offset the decline in voice revenue. This may persist with the extension of the lockdown, and continued macroeconomic and other challenges. The company continues to monitor and analyse these developments, and their potential impact on our business.

We will continue to invest in the network to provide adequate capacity and resilience. This is key as data traffic on the network continues to increase, not least because of COVID-19-related relief efforts. Although the situation remains fluid due to uncertainties around the potential impact of COVID-19 as well as oil price, foreign exchange rate volatility and foreign currency availability on the business, we are continually assessing the situation and implementing mitigating interventions. We believe that the business is well-placed to weather the current macroeconomic and social turmoil.

This announcement is only a summary of the information in the full announcement and does not contain full or complete details. Please visit <https://mtnonline.com/about-us/investors/financial-reporting/quarterly-results/> for the unaudited results for the three months ended 31 March 2020.

For and on behalf of the MTN Group board

Group Secretary

Fairland

29 April 2020

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