MTN Group Limited

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

Condensed consolidated financial results for the six months ended 30 June 2020

MTN is an emerging market mobile operator with a clear vision to lead the delivery of a bold, new digital world to our 262 million subscribers across 21 operations. We are inspired by our belief that everyone deserves the benefits of a modern connected life.

Highlights

- Subscribers increased by 10,6 million to 261,5 million
- Group service revenue grew by 9,4%*
- EBITDA margin improved by 6,4pp to 49,7% (up 1,2pp* to 43,1%*)
- EBITDA (before once-off items) grew by 21,0% (10,9%*)
- Reported group HEPS at 430 cps, up 120,5%
- Non-operational impacts increased HEPS by 46 cps
- Group leverage stable at net debt to EBITDA of 1,1x, holding company leverage increased to 2,7x
- Return on equity (ROE) improved to 14,1%
- No interim dividend declared due to uncertainties resulting from COVID-19 impacts
- Future focus on pan-African strategy, orderly exit of Middle Eastern assets announced

** Constant currency information after accounting for the impact of the pro forma adjustments as defined.*
- EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items: impairment of goodwill and joint ventures; net monetary gain resulting from the application of hyperinflation; share of results of associates and joint ventures after tax; hyperinflation; gain on disposal of tower associates; impairment loss on remeasurement of disposal group; and gain on disposal/dilution of investment in associates and joint ventures (Travelstart and Jumia). EBITDA including once-off items increased 33,1%
ROE is calculated based on reported group HEPS of 430 cps after adjusting for non-operational impacts of 46 cps

Any forward-looking financial information disclosed in this results announcement has not been reviewed or audited or otherwise reported on by our external joint auditors.

Certain information presented in these results constitutes pro forma financial information. The responsibility for preparing and presenting the pro forma financial information and for the completeness and accuracy of the pro forma financial information is that of the directors of the company. This is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, and results of operations or cash flows. It has not been audited or reviewed or otherwise reported on by our external joint auditors.

Certain financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation, impairments of goodwill; PP&E and associates, gain on disposal of tower associates; impairment loss on remeasurement of disposal group, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability), gain on dilution of Jumia, impairment of investment in MEIH, impairment of Iran receivable, gain on Travelstart disposal and impact of the adoption of IFRS 16 (the pro forma adjustments) and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the reviewed condensed consolidated interim financial statements for the six months ended 30 June 2020. This pro forma financial information has been presented to eliminate the impact of the pro forma adjustments from the consolidated financial results to achieve a comparable (YoY) analysis. The pro forma adjustments have been calculated in terms of the group accounting policies which are consistent with International Financial Reporting Standards (IFRS) and as disclosed in the consolidated financial statements for the year ended 31 December 2019, except for the changes in accounting policies as a result of the adoption of the accounting standards effective 1 January 2019 and the voluntary change in policy relating to the treatment of foreign currency translation reserves (FCTR).

IAS 21 The Effects of Changes in Foreign Exchange Rates (IAS 21) requires that on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in FCTR in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised. Two accepted methods exist for recycling FCTR where the investments in foreign operations are held by an intermediate parent with a different functional currency than the entity disposed of and the ultimate parent, the step-by-step approach and the direct approach. The group has accordingly changed its accounting policy on the reclassification of FCTR on disposal of foreign operations held by an intermediate parent where the functional currency of the foreign operation and intermediate parent is different to that of the ultimate parent from the step-by-step method to the direct method.

Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the prior financial reporting period's results have been adjusted to the current period average exchange rates determined as the weighted average of the monthly exchange rates. The measurement has been performed for each of the group's currencies, materially being that of the US dollar and Nigerian naira. The constant currency growth percentage has been calculated based on the prior year constant currency results compared to the current year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. The economies of Sudan, South Sudan and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied.

This short-form announcement is the responsibility of the directors and represents only a summary of the information contained in the full interim financial results. Consequently, it does not contain full or complete details. Any investment decisions made by investors and/or shareholders should be based on consideration of the full interim financial results as a whole and investors and/or shareholders are encouraged to review the full interim financial results.

This short-form announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. This short-form announcement is itself not reviewed or audited but is extracted from the underlying reviewed information.

The full interim financial results including the unmodified review report thereon by the joint external auditors, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., are available as follows:

On the company's website at:
https://www.mtn.com/investors/financial-reporting/interim-results/
and on the JSE's website at:
https://senspdf.jse.co.za/documents/2020/JSE/ISSE/MTN/MTNresults.pdf

For inspection at our registered offices at no charge, and at the offices of our sponsors from 09:00 to 16:00 weekdays.

Copies of the full interim financials may be requested by emailing investor.relations@mtn.com or calling 083 912 2300.

The group's results are presented in line with the group's operational structure. This is South Africa, Nigeria, the Southern and East Africa and Ghana (SEAGHA) region, the West and Central Africa (WECA) region and the Middle East and North Africa (MENA) region and their respective underlying operations.

The SEAGHA region includes Ghana, Uganda, Zambia, Rwanda, South Sudan, Botswana (joint venture-equity accounted), eSwatini (joint venture-equity accounted) and Business Group. The WECA region includes Cameroon, Ivory Coast, Benin, Congo-Brazzaville, Liberia, Guinea Conakry and Guinea Bissau. The MENA region includes Iran (joint venture-equity accounted), Syria, Sudan, Yemen, and Afghanistan.

Although Iran, Botswana and eSwatini form part of their respective regions geographically and operationally, they are excluded from their respective regional results because they are equity accounted for by the group.

Group president and CEO, Rob Shuter comments:

"MTN delivered strong results for the period against the backdrop of difficult trading conditions, exacerbated by the unprecedented socio and macroeconomic challenges caused by the COVID-19 pandemic. With service revenue growth of 9,4% and EBITDA growth of 10,9%*, the group's EBITDA margin improved by 1,2pp* to 43,1%* as our group efficiency programme continued to bear fruit. Group leverage remained stable at a group net debt to EBITDA ratio of 1.1x. The holding company (holdco) leverage ratio increased to 2,7x from 2,2x at December 2019, impacted by the weaker rand and lower upstreaming from operating companies. We invested R10,1 billion in our networks, focussing on capacity and resilience as COVID-19 lockdown constraints impacted network rollout.*

Amongst the larger opco's, MTN Ghana delivered another strong performance in H1, while MTN Nigeria achieved continued solid growth in a challenging environment. MTN South Africa (MTN SA) reported a pleasing turnaround in its underlying consumer and enterprise business units as well as an expansion in EBITDA margin.

Commercial momentum continued, and we added 10,6 million subscribers to reach a total base of 261,5 million and reached a significant milestone in surpassing the 100 million mark of active data users. We recorded 38,3 million MoMo users and in Nigeria added 114 000 agents to reach 222 000 registered agents. Following the peak impact of COVID-19 effects in April 2020, we are encouraged by the sequential recovery we have observed in key voice, data and fintech trends as restrictions have been gradually eased.

As we navigate the pandemic and its effects, we have prioritised looking after our people, customers and networks while focusing on efficiencies. Work from home programmes continue for our people; our Y'ello Hope Packages are helping to ease customers' financial pressures and we continue to support various other initiatives across our markets to limit the impact of the pandemic on society as a whole.

Our balance sheet and liquidity remain resilient despite the challenging environment and was supported by strong operating free cash flows, which increased by 117,8%. Given the significant uncertainties in our operating environment brought about by COVID-19 we have resolved not to declare an interim dividend for 2020. Should conditions warrant a final dividend, this would be no more than 390c per share, aligned to the current dividend policy.

MTN has resolved to simplify its portfolio and focus on its pan-African strategy and will therefore be exiting its Middle Eastern assets in an orderly manner over the medium-term. As a first step we are in advanced discussions to sell our 75% stake in MTN Syria."

Service revenue

Group service revenue increased by 9,4%* to R80,2 billion (2019: R67,9 billion). This was led by growth of 12,4%* in MTN Nigeria and 19,4%* in MTN Ghana. MTN SA recorded a 2.5% decline in service revenue, as a result of the lost national roaming revenues arising from the discontinuation of our roaming agreement with Telkom and effects of the continued accounting for Cell C revenue on a cash basis. The continued turnaround in MTN SA's consumer and enterprise businesses has however supported a pleasing improvement in sequential service revenue growth trend in the second quarter.

EPS

Basic earnings per share, which includes the gain on disposal of our tower associates, increased by 165,4% to 674 cents from 254 cents (June 2019), supported by the weaker rand, an overall healthier operational performance as well as an improved contribution of share of profits from JVs and associates.

HEPS

Reported headline earnings per share (HEPS) increased by 120,5% to 430 cents from 195 cents in June 2019. HEPS were positively impacted in aggregate by 46 cents from the following items: 0 cents relating to the Nigeria fine interest (-8 cents in 2019); hyperinflation (excluding impairments) of 10 cents (-8 cents in 2019); the impact of foreign exchange gains and losses of 28 cents (-39 cents in 2019) and reversal of the time value loss recognised on the Iran receivable of 8 cents (0 cents in 2019).

Portfolio optimisation and asset realisation programme

Our asset realisation programme (ARP), launched in March 2019 and enhanced in March 2020, aims to reduce debt, simplify our portfolio, reduce risk, improve returns and realise capital of at least a further R25 billion over three to five years .

During H1 we concluded the disposal of our 49% equity holdings in Ghana Tower Interco B.V. and Uganda Tower Interco B.V to AT Sher Netherlands Cooperatief U.A., and received cash proceeds of US$524 million. This completed the first phase of our ARP, with the full cR15 billion of the initial three-year plan realised within the first 12 months.

The COVID-19 pandemic and flux in global oil prices has brought about extraordinary macroeconomic uncertainty and major volatility in financial markets. This has impacted our ability to continue with further realisations in the short-term. We remain committed to execute on the ARP over the medium-term and have made significant progress in laying the groundwork for when conditions become more conducive.

Our 20% shareholding in the carrier business Belgacom International Carrier Services SA (BICS) is included in those assets classified as not long-term strategic. MTN and its co-shareholders in BICS are in discussions regarding a potential sale of a controlling stake in the business. BICS has accordingly been classified as a non-current asset held for sale on 5 August 2020. At 30 June 2020, the carrying amount of the investment in associate was R2,3 billion and the accumulated FCTR gain related to BICS was R1,4 billion.

MTN to focus on its pan-African strategy

As part of the review of our portfolio, we believe the group is best served to focus on its pan-African strategy and to simplify its portfolio by exiting the Middle East region in an orderly manner over the medium-term. The Middle East assets contributed less than 4% to group EBITDA in H1.

As part of this process we are in advanced discussions to sell our 75% stake in MTN Syria to TeleInvest, which is the minority shareholder in MTN Syria with a 25% holding.

MTN Syria contributed 0,7% to MTN's reported EBITDA in H1 2020. The net assets attributable to MTN Syria in the MTN Group accounts have been written down to the estimated recoverable amount of R1,4 billion (US$80 million). The foreign currency translation loss of R4,8 billion as at 30 June 2020, that has accumulated over time, will be released to the income statement on conclusion of the transaction. This will negatively impact EPS, but will have no material impact on HEPS, cash flow and the balance sheet.

Capital allocation priorities and suspension of interim dividend

We are committed to a disciplined capital allocation framework that prioritises the deployment of our resources to growth, supported by investment in our network; reduction of debt and management of our funding mix and liquidity; and dividend growth.

We are pleased with the performance and resilience of our networks, which have ably sustained the explosion of growth in traffic, not only during the recent COVID-19 crisis, but over the past few years as we have connected more users. Our financial position continues on a steady path of improvement and optimisation and, as mentioned, places the group well to navigate the prevailing volatility.

We have made meaningful progress in strengthening our financial position and maintaining a healthy liquidity position. As announced in our trading statement dated 31 July 2020, in order to sustain this progress, and in line with our capital allocation framework, the board has decided not to declare a 2020 interim dividend (2019: 195cps) in the context of the COVID-19 impacts and the material uncertainties these present. Should conditions warrant a final dividend, this would be no more than 390 cents per share, aligned to the current dividend policy. The key factors to consider will include the general macro-economic environment, the status of cash upstreaming from operating companies and the outlook for the holding company leverage ratio.

Prospects and guidance

Well positioned to deliver growth

The global COVID-19 pandemic has brought about significant volatility and uncertainty across our markets, placing unprecedented pressure on the various economies and affecting the daily lives of our people, customers and other stakeholders.

The operational performance of our portfolio in H1 has demonstrated the resilience and agility of the MTN business model, as well as our operations' ability to sustain growth in challenging circumstances as our products and services are fundamental to the people and economies of our markets. This lies at the heart of MTN's digital operator strategy. While we expect the remainder of the year to be shaped by the ongoing challenges presented by the pandemic, we believe that MTN will remain comparatively resilient in the current environment and is well-placed to sustain its growth over the medium-term.

As we weather the prevailing storm, focusing on managing the risks brought about by COVID-19, through strict cost-control measures and enhanced oversight of expenditure, we are also alive to the opportunities the pandemic has presented, particularly the accelerated need for digitisation. This was embodied in the strong H1 performance of our data, digital and fintech growth curves as the impacts of COVID-19 took hold.

As we continue building a digital operator, we are well-positioned to further unlock this opportunity over time, on the foundation of our strong position in high-growth markets where the populations are youthful and fast-growing. The opportunity to increase the adoption and usage of our data, digital and fintech services over the medium to long-term remains substantial.

We are pleased with the turnaround in the core consumer and enterprise businesses in MTN SA against a challenging macro environment. Whilst COVID-19 impacts will present ongoing headwinds in the second half of the year we are pleased with the work done to build the operational resilience of MTN SA and believe it is well-positioned to navigate the volatility.

In Nigeria, we will continue to invest in our network and ramp up the rollout of 4G, which was slowed down by the impact of COVID-19 during H1. The increased adoption and growth in usage of data remains a key priority to drive further data revenue growth. We remain committed to expanding our fintech and digital service offerings, as we continue to expand our MoMo agent network with the conversion of our existing airtime agents into MoMo agents and broaden our service offerings. We remain on track to achieve our agent network target of 300,000 by year-end.

We will further strengthen and grow our digital offerings. The work is ongoing to scale Ayoba and build on the progress already achieved in increasing conversion and retention rates, as well as engagement on the channel which is gaining some traction. In the broader digital business, advancements continue in broadening the accessibility of services for our customers and stimulating increased engagement.

Medium-term guidance

We remain committed to delivering on our guidance framework over the medium-term (3 to 5 years), although, as mentioned, we expect the remainder of the year to be challenging. Within this context, we maintain our medium-term target of double-digit growth in group service revenue in constant currency terms; double-digit growth in MTN Nigeria's service revenue and mid-single-digit growth in service revenue from MTN South Africa.

We expect to continue to improve our group EBITDA margin through the execution of our group efficiency programme and to deliver on our ROE target.

By leveraging historical investments, improved procurement processes and an increasing revenue contribution from our digital businesses, we expect the group capex intensity to improve steadily over the medium term on an IFRS reported basis.

We aim to secure at least a further R25 billion in asset realisations over the medium-term. This is within the context of our localisation ambitions, MTN's portfolio of assets that have been identified as not long-term strategic and market conditions being conducive. Our holdco leverage ratio target over the medium-term is 'below 2,0x' and we remain focused on delivering on our capital allocation priorities.

We have made meaningful progress in strengthening our financial position, and we maintain a healthy liquidity position. As mentioned, in order to sustain this, particularly in context of COVID-19 impacts and the material uncertainty these present, the board has decided not to declare a 2020 interim dividend. Should conditions warrant a final dividend, this would be no more than 390c per share, aligned to the current dividend policy.

In light of the ongoing assessment of our networks and the disruptions in supply chain and challenges in rolling out coverage in the current COVID-19 environment, we revise our guidance for capex in 2020 to at least R24,0 billion – this is up from the guidance of R22,0 billion provided in our Q1 2020 trading update.

For and on behalf of the board,

MH Jonas **RA Shuter** **RT Mupita**

Group chairman **Group president and CEO** **Group CFO**

5 August 2020
Fairland

Date of release 6 August 2020

Lead sponsor

Tamela Holdings Proprietary Limited

Joint sponsor

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