

MTN Group Limited

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

Summary of MTN Ghana unaudited results for the nine months ended 30 September 2020

Salient features:

- Subscribers quarter-on-quarter (QoQ)
 - Subscribers increased by 8.7% to 23.4 million*.
 - Active data subscribers increased by 8.3% to 9.8 million#.
 - Active Mobile Money (MoMo) users increased by 4.3% to 10.2 million*.
- Service revenue up by 18.8% to GH¢4,422 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) up by 26.7% to GH¢2,375 million.
- EBITDA margin up by 3.3 percentage points (pp) to 53.3%.
- Capital expenditure (capex) for the period was GH¢876 million^
- Capital investments: Market conditions have necessitated capex investment and related operating expenditure (opex) spend in network capacity expansion and resilience in the period and beyond.
- Economic conditions: Ghana has experienced some improvements in economic activity following the lifting of various restrictions imposed as a result of COVID-19; despite this, we continue to maintain a measured stance given the continued uncertainty regarding the extent of economic impact of COVID-19.

Snapshot of key financial items year-on-year (YoY)

	30 September 2020 GH¢ 000	30 September 2019 GH¢ 000	Change
Total revenue	4,469,042	3,747,449	19.3%
Service revenue	4,421,857	3,722,909	18.8%
EBITDA	2,374,807	1,874,712	26.7%
EBITDA margin	53.3%	50.0%	3.3pp
Profit before tax	1,492,934	989,017	51.0%
Profit after tax	1,053,970	688,565	53.1%
Capex	875,864	862,448	1.6%

Due to ongoing discussions on the potential change in regulatory subscriber definitions, subscriber data in this report will be limited to the MTN Group definition until the regulatory definitions are finalized.

* Aligned with the MTN Group definition, subscribers are SIMs which generate or participate in an event that generates revenue for MTN Ghana.

Active data subscribers as per MTN Group definition are data subscribers who have used more than 5MB in a month.

^ Capex under IFRS 16 is made up of core capex spend of GH¢427.6m, intangibles of GH¢409.4m (Network licence, Software, etc) and right of use (RoU) assets of GH¢38.8m for the period.

Commentary

The year to date has been characterised largely by the COVID-19 pandemic and its implications on the business. COVID-19 has had a significant effect on the economy with the informal sector severely impacted. Consequently, GDP growth has been revised downwards from 6.8% to about 1%, as announced by the Ghanaian Finance Minister during the presentation of the mid-year review of the Budget Statement and Economic Policy for the 2020 financial year.

COVID-19 has led to shifts in consumer behaviour with the dependency on, and usage of, digital options increasing significantly. The increase in demand for digital and data services have placed significant pressure on our network infrastructure. This has necessitated our capex spend of GH¢876 million in network capacity and infrastructure expansion projects to meet the needs of Ghanaians in this era of accelerated digitalisation and we are committed to the further investments required.

Our investments to date will support and enable continued economic productivity. In the period, we have rolled out 115 2G, 115 3G and 547 LTE sites, which has supported a significant improvement in network coverage, customer experience and quality of service (QoS). This has helped us to accommodate the demand for digital and data services that has been accelerated by the COVID-19 pandemic.

Service revenue increased by 18.8%, supported by growth in voice, data, MoMo and digital revenue.

Voice revenue grew by 12.1%, benefitting from an increase in the number of subscribers* (+8.7%) during the period, as well as various customer value management (CVM) initiatives, which helped to manage churn and improve usage. The contribution of voice to service revenue declined from 45.0% to 42.5% YoY in favour of our new growth areas in line with our revenue diversification strategy and building a digital operator.

Data revenue growth of 20.7% was driven by an increase in active data subscribers# (+8.3%), a higher number of smartphones on the network (+12.6%) and a general increase in demand and 58.9% growth in usage. Data revenue contribution to service revenue increased from 28.5% to 29.0% YoY.

The growth in MoMo revenue (up 27.3%) was supported by an increase in the number of active users* (+4.3%) from new activations in the period, higher person-to-person (P2P) transactional activity and broader penetration of more advanced services such as retail merchant payments and international remittances. MoMo revenue contribution to service revenue increased from 18.5% to 19.9% YoY.

Digital revenue continued its recovery (up 52.9%), driven by growth in the number of active subscribers* (+13.7%) as well as improvements to our video and gaming offerings and increased adoption of our MyMTN and Ayoba messaging apps. Digital revenue contribution to service revenue increased from 3.4% to 4.4% YoY.

Reported EBITDA grew by 26.7%, with a corresponding margin expansion of 3.3 pp to 53.3%. Our margin improvement continued to benefit from our cost efficiency initiatives, digital distribution efficiencies and other transformation activities.

Growth in top-line revenue, coupled with short-term cuts in expenses and cash preservation as a response to COVID-19, resulted in an increase (+53.1%) in profit after tax.

COVID-19

Over the period we have seen a progressive removal of COVID-19 restrictions imposed by the President of Ghana earlier in the year and the economy continues to open up. We have also seen the level of active cases drop below 500 following proactive interventions from the Government. Despite the positive developments, we continue to experience some supply chain challenges, as well as the overall effects of the economic slowdown on our manufacturing and hospitality customers. We are seeing some improvements in activity from our small

and medium enterprise (SME) customers, though the level of activity following the general decline due to COVID-19 remains subdued.

The impact of COVID-19 on economic activity and consumer incomes showed some easing through the third quarter and this trend is expected to continue through the final quarter of the year.

In our bid to continue supporting Government's efforts and promote activities that are in the best interest of the safety of our customers, MobileMoney Limited, a wholly owned subsidiary of Scancom PLC, extended the offer for free MoMo P2P transfers up to a value of GH¢100 per day to the end of 2020. This will save customers an estimated total of at least GH¢90 million in transaction fees while promoting the safety of Ghanaians and deepening financial inclusion.

MTN Ghana continues to support Government's efforts in the fight against the pandemic by providing free access to over 200 websites for online education for public and private institutions until the end of the pandemic. To date, we have supported over 4.5 million students and teachers with over 150 Terabytes of free data valued at more than GH¢3 million. To augment this effort, MTN through the MTN Ghana Foundation donated GH¢5 million worth of personal protective equipment (PPEs) and other essentials to support frontline medical staff through the Government's COVID-19 Trust Fund activities.

In support of Government's efforts to curb the COVID-19 pandemic and to keep Ghanaians safe, MTN Ghana launched the 'BE WISE' campaign aimed at encouraging Ghanaians across the nation to keep wearing their face masks and wear them the correct way to protect themselves and their loved ones. Together with donations of PPEs, this campaign has created awareness to protecting one another through a selfless act of wear ones' face mask. Today, this campaign has transitioned into the MTN's global 'Wear It For Me' campaign which seeks to continue creating awareness of wearing face masks in order to protect our loved ones, future generations and prevent another wave of the pandemic.

We will continue to provide PPEs and sanitizers, and ensure all safety protocols are adhered to, across our branch network. The cumulative value of our efforts in the fight against COVID-19 stood at approximately GH¢100 million as at end of September 2020.

We remain focused on our people, customers, network resilience and efficiency in delivering on our quest to make the lives of our customers a whole lot BRIGHTer in these uncertain times.

Regulatory update

On September 1st, 2020, the High Court of Justice (Commercial Division) dismissed the company's application – made on procedural grounds – for a judicial review of the declaration by the National Communications Authority (NCA) of MTN Ghana as a significant market power (SMP).

On September 4th, MTN Ghana filed an application with the Supreme Court to review the High Court's judgement. Following that, MTN Ghana embarked on a series of engagements with the regulator and other key stakeholders to have the concerns raised addressed in an amicable manner.

Given the progress made, in good faith, on settlement discussions with the NCA and Ministry of Communications, the company on October 13th, 2020 withdrew its application filed at the Supreme Court. It is our expectation that this action will pave the way for further discussions and an amicable resolution, using the renewed channels of engagement. We remain grateful to the NCA, the Ministry of Communications and key stakeholders for their openness and commitment to engage with the view to resolve the issues amicably.

MTN Ghana remains focused on providing the enabling technology to support Ghana's digital economy through partnerships with the Government of Ghana and other Ghanaian telecommunications players.

Further Localisation of Scancom PLC

In September 2018, Scancom PLC completed an initial public offer in which 12.5% of its shares was listed on the Ghana Stock Exchange (GSE) and nearly 130,000 Ghanaians were welcomed as shareholders in the company. MTN Group has agreed with the Government of Ghana to sell down a further 12.5% of its investment in Scancom PLC, with a focus on local shareholding, which will increase Scancom PLC's shareholding on the GSE to 25%. This process of further increasing localisation and deepening shared value is underway and we look forward to providing updates in future performance updates.

2021 marks MTN Ghana's 25th Anniversary

2021 marks the 25th anniversary of MTN Ghana and as part of the celebrations, MTN is committing the equivalent of \$25 million (or GH¢150 million) to a fund supporting Ghana's post-COVID-19 recovery efforts. MTN Ghana will seek to further its strategic partnership with the Government of Ghana through investments in digital ecosystem projects as part of Government's long-term transformation agenda. We will share more details in H1 2021, about this exciting development when plans are finalised with Government and partners.

Outlook

Although a progressive recovery is expected into 2021, the macro outlook for the rest of 2020 remains relatively uncertain. As a business, we remain cautious of the uncertainties surrounding the extent of economic impact of COVID-19 although the continued gradual opening up of the economy is encouraging. We expect business performance to continue to be influenced by the shifts in consumer behaviour towards accelerated digital adoption and usage as well as the rate of economic recovery following the easing of COVID-19 regulations and restrictions imposed earlier in the year. There would be continuous need for more capex and related opex to accommodate the usage growth and build resilience in all areas including cyber security. Certain costs had to be postponed whilst managing the COVID-related uncertainties would start to be incurred as the local and global economies open up more and more.

Our focus remains our employees' and customers' safety; regulatory risk; supply chain challenges mitigation; liquidity, currency and counterparty risk management; and the potential revenue impact of reduced consumer spend. Our social support programs towards those severely impacted by the pandemic will continue.

In the fourth quarter of the year, we continue our journey from a traditional mobile telecommunications operator to an emerging digital operator, with 2020 being the 'Year of the customer: the digital experience'.

This announcement is only a summary of the information in the full announcement and does not contain full or complete details. Please visit <https://mtn.com.gh/financial-reports/> for the unaudited results for the nine months ended 30 September 2020.

Fairland

29 October 2020

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