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 2021

MTN is a pan-Africa mobile operator with the strategic intent of ***Leading digital solutions for Africa's progress***. We have 277 million customers in 21 markets and are inspired by our belief that everyone deserves the benefits of a modern connected life.

Highlights

- Group service revenue grew by 2.1% (19.7%*)
- EBITDA (before once-off items) grew by 6.6% (24.1%*)
- EBITDA margin (before once-off items) up 1.5 percentage points (pp) to 44.8% (up 1.6pp* to 44.9%*)
- Reported HEPS at 387 cps, down 10.0%; non-operational impacts decreased HEPS by 118 cps
- Holding company (Holdco) net debt down to R36.7 billion (from R43.3 billion); leverage improved to 1.4x from 2.2x in December 2020
- Return on equity (ROE) improved to 18.3% YoY, from 14.1%
- Capex of R14.8 billion (R11.6 billion under IAS 17, with capex intensity of 13.3%)
- Subscribers decreased by 2.3 million to 277.3 million, impacted by new SIM registration regulations in Nigeria (excluding Nigeria, subscribers were up 5.4 million)
- Active Mobile Money (MoMo) customers increased by 27.9% year-on-year (YoY) to 48.9 million
- MoMo value of transactions up 88.3% YoY to US$115.2 billion
- No interim dividend declared, in line with 2021 guidance

**Constant currency information after accounting for the impact of the pro forma adjustments as defined and included throughout this Stock Exchange News Service of the JSE Limited (SENS) announcement.*

Any forward-looking financial information disclosed in this results announcement, including the dividend guidance, is the directors' responsibility and 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 MTN. 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. This pro forma financial information 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, property, plant and equipment, intangible assets and joint ventures & associates, fair value gain on acquisition of aYo, impairment loss on remeasurement of disposal groups, loss on deconsolidation of MTN Syria, impairment of investment in MEIH, impairment of Iran receivable, gain on disposal of ATC Ghana and ATC Uganda and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the reviewed condensed consolidated financial results for the six months ended 30 June 2021. 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 2020.

Constant currency information has been presented to remove the impact of movement in currency rates on the Group's results and has been calculated by translating the prior financial reporting period's results at the current period's average 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 period constant currency results compared to the current interim 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, Iran and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied. Hyperinflation accounting was applied to MTN Syria until loss of control by the Group.

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 as follows:

On MTN's website at:
https://www.mtn.com/investors/financial-reporting/interim-results/

and on SENS on the JSE's website at:
https://senspdf.jse.co.za/documents/2021/JSE/ISSE/MTN/MTNH121.pdf

This announcement is itself not reviewed or audited but is extracted from the underlying unmodified reviewed information by the external joint auditors of MTN, being PricewaterhouseCoopers Inc. and Ernst and Young Inc., available for inspection at MTN's registered office at no charge, and at the offices of our sponsors from 09:00 to 16:00 weekdays.

The external joint auditors' unmodified limited assurance report prepared in terms of ISRE 2410 is also available for inspection at the MTN's registered office, weekdays from 09:00 to 16:00.

The directors of MTN take full responsibility for the preparation of this announcement and ensuring that the financial information has been correctly extracted from the underlying reviewed information.

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

The Group's results and segmental report are presented in line with the Group's operational structure. The Group's underlying operations are clustered as follows: South Africa (SA), Nigeria, the Southern and East Africa (SEA) region, the West and Central Africa (WECA) region and the Middle East and North Africa (MENA) region and their respective underlying operations.

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

In line with the Group's strategy announced in March 2021, MTN Ghana results have been reported under the WECA region effective 1 January 2021 (previously included in SEAGHA region). Prior year numbers have been restated for SEA and WECA accordingly.

MTN Syria results have been disclosed up to February for 2021 and up to 31 December for 2020, as a result of loss of control effective February 2021, following MTN Syria being placed under judicial guardianship.

Group President and CEO Ralph Mupita comments:

"Notwithstanding the many challenges presented by the COVID-19 pandemic, MTN delivered a solid H1, exceeding most of the Group's medium-term targets through sustained commercial momentum as we executed on our ***Ambition 2025*** *strategy.*

Our sustained investment in our networks and platforms, strong market positions, leading African brand and capital allocation disciplines, have placed MTN in a strong position to be able to support societies that we operate in to navigate the COVID-19 pandemic. We believe that drive for faster digitalisation of economies is a structural change that will accelerate through the pandemic and beyond.

In H1, we continued to prioritise the health and safety of our people as well as sustain initiatives to support the continent's recovery from the pandemic's devastating impacts on lives and livelihoods. By 12 July 2021, we had recorded 2 452 COVID-19 infections and mourned the loss of 18 of our staff across the markets.

We are encouraged by the rollout of COVID-19 vaccination programmes across our markets. By 12 July 2021, we had recorded 1 780 (8.1%) of our staff vaccinated with at least one dose. Our efforts to support the rollout of vaccines across the African continent continue, and we anticipate that the US$25 million vaccine donation to the Africa Centres for Disease Control and Prevention (Africa CDC) will be fully utilised in H2 2021 as vaccine availability improves. One million vaccine doses were distributed by the Africa CDC in H1 2021, ahead of challenges in securing vaccines through the COVAX facility as the Delta variant became more prevalent.

We added our voice to the calls by the World Health Organisation and the Africa CDC for COVID-19 vaccine equity for developing markets. The push for herd immunity across the world and a return to broad-based socio-economic global growth will not be possible while developing markets battle to access vaccines. Public private partnerships focused on a sustainable future for our planet will be critical in order to successfully navigate this pandemic.

With the launch of the #OneMorePush campaign, we have extended our partnership with the Africa CDC. This campaign encourages people to not give up in the fight against COVID-19 – and to continue to wear their masks, wash their hands and practise social distancing, at a time when vaccination levels across our markets still lag developed markets.

A key part of Ambition 2025 is to create shared value to support the progress of Africa. Notwithstanding the challenges of slow vaccine rollout in the period, we were encouraged by the progress in digital and financial inclusion across our markets. We reduced the cost to communicate to ensure that we remain true to our core belief that *everybody deserves the benefits of a modern connected life. We added approximately R50 billion of economic value during H1 to sustain societies that went a long way in supporting the nation states in which we operate and serve.*

Group service revenue grew by 19.7% and EBITDA increased by 24.1%*, with continued operating leverage as the EBITDA margin expanded by 1.6pp* to 44.9%*. This reflects pleasing service revenue growth from our large operations, operating leverage achieved and on-going execution of our expense efficiency programme. All MTN South Africa's (MTN SA) business units recorded good growth, and both MTN Nigeria and MTN Ghana delivered double-digit percentage increases in service revenue.*

Reported HEPS were impacted by a number of non-operational and once-off items, which included accounting adjustments relating to our Middle East portfolio and material COVID-19 donations to the AU for vaccines and the Coalition Against COVID-19 (CACOVID) in Nigeria. Excluding these items, adjusted HEPS increased by 31.5%. This supported the further expansion of our adjusted ROE, which was up by 4.2pp to 18.3% versus June 2020.

The solid results were delivered despite a 2.3 million decline in the number of subscribers to 277.3 million, due to new industry-wide SIM registration regulations in Nigeria. These included a ban on new SIM activations, which was lifted in April 2021. New additions in Nigeria have since remained muted, as expected, owing to the new registration requirements. Excluding Nigeria, Group subscribers increased by 5.4 million and we expect subscriber growth to normalise over time as more of MTN's enrolment centres in Nigeria are certified for SIM registration. Active data subscribers increased by 3.1 million to 117.4 million.

In our platform businesses, the number of monthly active users (MAU) rose by 27.9% YoY to 48.9 million for MoMo and by 299.7% YoY to 8.0 million for ayoba. The growth in these businesses is underpinned by the momentum in their underlying value drivers, which continued to trend strongly in the period.

The work to structurally separate the fintech business by the end of Q1 2022 is on track. We are pleased to announce the InsurTech alliance with the Sanlam Group across Africa. This strategic alliance has the potential to change the face of insurance in Africa by leveraging the brand and reach of MTN, together with Sanlam's licensing, insurance expertise and extensive footprint. Through this partnership, we will develop and distribute a comprehensive range of insurance, investment and savings products to MTN customers using digital channels. We believe that this will support our ambition to scale our InsurTech portfolio more rapidly in line with our pan-African focus. Our

InsurTech business, through aYo, currently has 6.3 million active policies with a 2025 target of 30 million policyholders.

The structural separation of the fibre business is also underway and is targeted to be completed in the next two years.

The focus on the faster de-leveraging of our balance sheet is progressing well, with the continued improvement in consolidated net debt-to-EBITDA to 0.6x (from 0.8x) and Holdco leverage to 1.4x (from 2.2x). This was boosted by cash of R9.3 billion upstreamed from our Operating Companies (Opcos) (including R4.0 billion from Nigeria) in H1, as well as R1.8 billion in proceeds from the sale of Belgacom International Carrier Services SA (BICS) in February 2021 as part of our asset realisation programme (ARP). There is also good progress being made to realise value in our stake in IHS in the near term as well as in the work on a transaction for the tower portfolio in MTN SA, which remains on track for a decision by the end of Q3 2021.

Our exit from the Middle East, in line with the pan-African focus of our strategy, is underway. The Group has initiated an exit of Syria, through abandoning the operation given regulatory actions and demands that make operating in the market untenable. We reserve our rights to seek redress through international legal processes given the actions of the Syrian authorities that have left us with no other choice than to exit. In H1, MTN Syria represented less than 1% of MTN Group EBITDA, prior to deconsolidation in February 2021. Exploration of the options to exit Yemen and Afghanistan in an orderly manner is ongoing and we will keep the market updated as the processes develop.

*Looking ahead, we remain focused on executing on **Ambition 2025**, driving growth, deleveraging the Holdco balance sheet and unlocking value, while navigating the impacts of the pandemic. We maintain our Group capex guidance of approximately R30.1 billion for the year, on current currency assumptions, as we remain committed to investing in the capacity and resilience of all our networks as well as scaling our platforms to drive accelerated growth and achieving our medium-term targets."*

Revenue

Group revenue increased by 20.0%* to R86.7 billion (2020: R84.1 billion).

EPS

Basic **earnings per share** (EPS) decreased by 78.0% to 148 cents (2020: 674 cents). 2021 EPS were impacted by impairment losses of 71 cents relating to MTN Yemen and derecognition losses relating to MTN Syria of approximately 262 cents. There was some offset arising from the gain on disposal of BICS, amounting to approximately 67 cents. EPS in June 2020 had included the benefit from gains amounting to approximately 341 cents on the disposal of the ATC Uganda and ATC Ghana tower associates announced in March 2020.

HEPS

Reported **headline earnings per share** (HEPS) declined by 10.0% to 387 cents (2020: 430 cents). HEPS were negatively impacted by net non-operational and once-off items amounting to 118 cents from the following items: hyperinflation (excluding impairments) of 5 cents (10 cents in 2020), the impact of foreign exchange gains and losses of -99 cents (28 cents in 2020), the reversal of the time value loss recognised on the Irancell receivable of 0 cents (8 cents in 2020) and material COVID-19 donations of -24 cents (0 cents). We thus continued to show pleasing momentum in the growth of underlying earnings at the bottom line; on an adjusted basis HEPS was up 31.5% to 505 cents.

Dividend and medium-term dividend policy update

As previously communicated, the board of directors of MTN (Board) has suspended dividend payments until March 2022 (H1 20: no interim dividend). At that time, the Board will communicate a revised medium-term dividend policy along with the announcement of FY 2021 results.

We have also previously advised shareholders that the Board anticipates paying a minimum ordinary dividend of at least 260cps as a final dividend for FY 2021. On assessment of the progress of cash upstreaming from Nigeria, ARP delivery and COVID-19 impacts, the Board will consider returning further cash to shareholders, in line with our capital allocation framework, in the form of special dividends or share repurchases after the release of FY 2021 results.

For and on behalf of the board,

MH Jonas	**RT Mupita**	**TBL Molefe**
Group Chairman	**Group President and CEO**	**Group CFO**

11 August 2021
Fairland

Date of release 12 August 2021

Lead sponsor

JP Morgan Equities (SA) Proprietary Limited

Joint sponsor

Tamela Holdings Proprietary Limited