

# MANAGEMENT REPORT

## December 2020

## Introduction

2020 will remain a special year marked by the Covid-19 pandemic. Despite series of measures taken by the authorities to contain it, this pandemic has led to unprecedented health, economic and financial disruptions worldwide.

Economic activity in sub-Saharan Africa has deteriorated since the first quarter of 2020. Growth rates observed in recent years in the region are expected to contract sharply compared to the latest forecasts.

In the countries of presence of the Sonatel Group, the latest growth forecasts stand at + 0.7% in Senegal against an initial forecast of 6.9%; -2% in Mali in 2020 against 4.7%; 1.4% in Guinea against 6% initially, -2.9% in Bissau against 5% and -3.1% in Sierra Leone against 3.5% (source World Bank).

Nevertheless, Sonatel Group has been able to maintain solid operational and financial performance. It remains a leading operator in West Africa and leader in all of its countries of presence except Bissau, with respective volume market shares of 55.6% in Senegal, 55.3% in Mali, 58.7% in Guinea, 52.2% in Sierra Leone and 48% in Guinea Bissau.

Sonatel Group's revenues increased by 2.3% compared to 2019 and the operating margin increased by 7.6% over the period, greater than the revenues despite the pandemic effects and tougher competition. In addition, the Group was strongly impacted by the depreciation of the currency in Guinea and Sierra Leone, with operating revenue growth, restated for currency effects, up by 4.5% compared to 2019 and a restated EBITDAal up by 10.2%.

The Group continues to reap the beneficial effects of a strong contribution of growth drivers, in particular mobile data, Orange Money and fixed broadband with a high growth of customers bases and 4G and orange money penetration rates.

The EBITDAal margin has significantly improved thanks to a robust cost control policy and saving opportunities in communication and general expenses linked to the pandemic.

Sonatel Group deploys in all its countries of presence a vivid Corporate Social Responsibility (CSR) policy. We are therefore fully committed to the fight against covid19, through donations and subsidies, provision of medical and protective equipment, provision of free access to certain financial services as well as facilitation and encouragement of teleworking and distance education through free bundles and abundant offers.

All Sonatel Group employees were mobilized during this difficult time to guarantee the quality of the network and services. The Group is committed to remain unreservedly customer-centric. Our ambition is to provide our customers with an incomparable experience, through a recognized technical and commercial Quality (NPS leadership) while providing solutions to accelerate the digital transformation of societies in West Africa.

## Group Financials

Financial results as of December 31<sup>st</sup>, 2020

En MCFA	2020.12 YTD		
	Actual	yoy	yoy %
<b>Revenue</b>	<b>1 206 086</b>	<b>+26 862</b>	<b>+2,3%</b>
Direct costs	-240 419	-5 480	-2,3%
% revenue	-19,9%	-0,0pt	
<b>Direct margin</b>	<b>965 667</b>	<b>+21 382</b>	<b>+2,3%</b>
% revenue	80,1%	-0,0pt	
Indirect costs	-446 449	+15 159	+3,3%
% revenue	-37,0%	+2,1pt	
<b>EBITDAaL</b>	<b>519 218</b>	<b>+36 541</b>	<b>+7,6%</b>
% revenue	43,0%	+2,1pt	
<b>eCapex</b>	<b>204 411</b>	<b>+864</b>	<b>+0,4%</b>
% revenue	16,9%	-0,3pt	
<b>Operating Cash Flow</b>	<b>314 808</b>	<b>+35 677</b>	<b>+12,8%</b>
% revenue	26,1%	+2,4pt	

## Group revenues

**Sonatel Group revenues amounted to 1,206 billion XOF**, up by 2.3 % (+28 billion XOF) compared to 2019. Growth is driven by all countries except Senegal impacted by the fall in market value induced by the aggressive competitive environment combined with the effects of the covid19 pandemic and Guinea Bissau, whose economy continues to gloom.

These performances are linked to the development of usages with the expansion of network coverage (3G / 4G / 4G +), the launch of several innovative services and the good dynamics of the subscriber bases. The expansion of coverage is possible thanks to the sustained orientation of network investments on broadband expansion, in particular 4G and fiber access.

**Retail revenues amounted to 1,097 billion** and represent 91% of revenues, an increase of 4.1 % driven by growth drivers that are mobile data, Orange Money, and fixed broadband service. These represent the bulk of revenue growth compared to 2019 and are respectively up by 20.2 %, 2 3.5 % and 18.6 %.

**Data revenues amounted to 285 billion in 2020**, a contribution of 23.6% to the Group's total revenues, up by 3 points.

**Orange money revenues amounted to 151 billion**, representing a contribution of 12.5% to the Group's revenues.

**Fixed Broadband revenues reached 42.2 billion**, registering an increase of 18.6 % compared to 2019, thanks to the development of fiber and flybox offers (+81k customers) that compensates drop in ADSL. They represent 3,5 % of revenues and

contribute to revenue growth up by to 12.7 %. The Senegal and Mali do most of the revenues even though revenues in Guinea are increasing significantly.

**Wholesale Revenues stood at 108.6 billion** and represent 9 % of revenues, a decrease of - 13.1 % compared to 2019; even if this decline remains less significant compared to 2019 and 2018.

**Revenues from international wholesale** with 69.4 billion recorded a larger decline than last year in connection with the development of OTT and covid19 crisis which has a strong impact on this activity, as well as one roaming. Compared to 2019, this decrease of - 19.6 % is mainly driven by the subsidiaries more particularly in Mali.

**Revenues on local interconnection** stand at 31.1 billion and recorded an increase of 7 % driven mainly by Senegal and to a lesser extent Sierra Leone. This increase in income is linked to the increase in traffic following the abundance offers in all markets.

## Evolution of the customer base

The Fixed, Mobile and Internet customer base grew by + 9.9% compared to 2019 and reached 35.9 million despite the slowdown in recruitments observed in the second quarter of 2020 with the end of sales activities during the first days of the COVID19 health crisis.

	décembre		
PARC FMI	Réel 2019	Réel 2020	Réel 2020 / Réel 2019
<b>Sénégal</b>	9 575 174	10 594 894	↑ 10,6%
<b>Mali</b>	11 881 918	12 318 240	↑ 3,7%
<b>Guinée</b>	7 670 324	8 503 852	↑ 10,9%
<b>Bissau</b>	709 819	801 536	↑ 12,9%
<b>Sierra Leone</b>	2 473 881	3 234 775	↑ 30,8%
<b>Mobile</b>	32 311 116	35 453 297	↑ 9,7%
<b>Fixe</b>	206 173	227 645	↑ 10,4%
<b>Internet</b>	228 640	309 749	↑ 35,5%
<b>TOTAL PARC</b>	32 745 929	35 990 691	↑ 9,9%

**The mobile customer base** totals 35.4 million customers, with an increase of 9.7 % driven by good sales momentum in all countries around sales promotion, price redesigns, the launch of new offers (Bundles) and the increase in the number of sites improving network coverage.

**The mobile Data customers base** of the Group reached 12,7 million customers, an increase of 1 2.5 % year on year. The 4G active base reached 4.8 million customers, an increase of + 55% with respect to 2019 while the Data services penetration rate is stable around 35.8 %.

**The Orange Money active base** totalled 8.8 million customers, up by 29,1% year on year (+ 2 million active customers and + 4.3 million registered customers vs. 2019) thanks to the decision of the BCEAO to authorize the opening of accounts to all telco customers. Almost 62 % of Orange Money active customers are Fully KYCed (fully identified per Central Bank requirements) and have therefore seen their monthly transaction threshold uncapped. Orange Money penetration on the mobile subscriber base has increased with one in five mobile customers using Orange Money mobile financial services on a monthly basis.

**The fixed broadband customer base** account 309,749 clients, an increase of 81.6% thanks to the acceleration of FTTx rollout in Senegal, Mali and a strong growth in recruitments. At the end of December 2020, nearly 52% of our broadband customers had either a Fiber or Flybox offer and more than 25.1% of the potential for fiber connections had been connected.

## EBITDAal

**The Group consolidated EBITDAal** amounted to 519.2 billion XOF. It recorded a **growth of + 7.6%** (+37 billion XOF), thanks to an excellent control of indirect costs which is added at an increasing direct margin. The reduction in indirect costs comes mainly from all headings and includes linked to the context of the pandemic in all countries.

## Operating margin

**Group operating margin** amounted to 339 billion XOF, an **increase of + 5.9 %** though reduced by the increase in depreciation in Guinea, Senegal and OSL, following in particular the investment efforts in recent years.

**Group finance charges and interests** remains negative at -27 billion XOF mainly in Senegal and Mali. It deteriorates slightly due to the cost of debt and the increase in exchange losses.

**Sonatel Group net income amounted to 201.3 billion XOF, an increase of 3% or +5.9 billion XOF, driven by operational performance.**

## eCAPEX

**Sonatel Group eCAPEX** amounted to 204 billion CFA francs in 2020, with slight increase of 0.4 % (0, 9 billion XOF) compared to 2019. The ECAPEX/Revenues ratio stands at 16.9%, down by 0.3pt. The investments mainly focused on mobile access networks (extension, densification, 3G, 4G, 4G +), deployment of fiber and swap and upgrade projects on transmission networks.



En MCFA	2020.12 YTD		
	Actual	yoy	yoy %
<b>Revenue</b>	<b>496 064</b>	<b>-14 911</b>	<b>-2,9%</b>
Direct costs	-115 463	+1 292	+1,1%
% revenue	-23,3%	-0,4pt	
<b>Direct margin</b>	<b>380 601</b>	<b>-13 619</b>	<b>-3,5%</b>
% revenue	76,7%	-0,4pt	
Indirect costs	-183 850	+23 093	+11,2%
% revenue	-37,1%	+3,4pt	
<b>EBITDAaL</b>	<b>196 751</b>	<b>+9 473</b>	<b>+5,1%</b>
% revenue	39,7%	+3,0pt	
<b>eCapex</b>	<b>88 336</b>	<b>-1 035</b>	<b>-1,2%</b>
% revenue	17,8%	+0,3pt	
<b>Operating Cash Flow</b>	<b>108 414</b>	<b>+10 508</b>	<b>+10,7%</b>
% revenue	21,9%	+2,7pt	

2020 have been strongly impacted by the context of a global pandemic to which are added the effects of the highly competitive environment (in both telco and mobile money). Despite this particular context, **mobile customer base** reached 10.6 million customers, representing significant annual growth of 1.02 million.

Orange has strengthened its leadership with a volume market share of 55.2%, up by +1.6 pts vs. 2019. The value market share represents 74.3%, down slightly by -0.8 point compared to 2019 due to the revamping of the mobile offers at the start of the year in reaction to competing offers which led to a drop in value on the market.

**Mobile Data customers base** recorded a good performance thanks to good commercial momentum, more abundant and more attractive bundles (Illimix and Mixel and data bundles). It reached 4.36 million of active customers including 2.6 million 4G active customers (+ 1.1 million compared to 2019).

**Orange Money customer base** recorded 2.9 million active customers, a strong growth of +433,000 customers thanks to the effect of the BCEAO measures and the dynamic Customer Base Management (CBM) campaigns.

**Fixed Broadband customer base** reached 250,000 customers at the end of 2020, an increase of + 29% compared to 2019 thanks the increase in Fiber access (61.9 thousand customers, up by + 32 thousand) and Flybox (72.4 thousand customers, an increase of +31 thousand vs 2019).

**Voice traffic** was marked by the rise of the National incoming (+78.7%) and National outgoing (+237.3%), mainly due to offers of abundance in the market. Hubbing is doing well with growth of + 19%, however the drop in international incoming continues (-12.5%) as well as that of fixed voice traffic (-15%).

**Total data traffic** is up by 70% vs. 2019, driven by the abundance of offers following the repositioning carried out at the end of 2019 as a response to the competition and in 2020 due to the Covid context. 4G data traffic represents 55% of annual traffic in 2020, i.e. an increase of +17pts.

Despite this increase of traffic, significant improvement was noted in network availability and quality of service KPIs compared to 2019.

**Senegal's revenues** stood at 496 billion CFA francs in 2020, a decrease of 2.9% mainly driven by the poor performance of Retail in the context of Covid19 and the overall decline in the market linked to strong competition.

The 2020 financial year is marked by strong growth in Orange Money revenues, the contribution of which to Senegal's income increased by 22.4% and reached 56 billion XOF, globally driven by all services including national transfer, International transfer, and merchant and bill payment services.

Wholesale revenues in recorded a decline of more than 5%, with strong decline of international incoming and roaming revenues offset by higher revenues from hubbing and national incoming traffic.

**Direct costs show a decrease of -1.1%** compared to 2019 and lead to a margin improvement of 3.5%. This decrease reflects different trends, in one hand an increase in interconnection costs following the increase in inbound national traffic and hubbing; an increase in Orange Money commissions linked to the increase in revenues, in the other hand a bonus thanks to the lower consumption of equipment and reduction of bad debts impairments.

**Indirect costs show a decrease of XOF 23.1 billion XOF** thanks to efforts to control costs, especially in communication and overheads. An economy on operating taxes in connection with the lower cost of frequencies and lower taxes is also noted.

**EBITDAal in Senegal** amounted to 196.8 billion XOF, **an increase of 5.1%** compared to 2019, or + 9.5 billion CFA francs thanks to the positive effect of the cost control plan and the strong performance of the direct margin linked to the good performance of Orange Money, Data and Fiber revenues. The EBITDAal rate is at 39.7% against 37.8% in 2019, an improvement of nearly 2 points.

**Operating income in Senegal** represents 122 billion XOF, an increase of 5% compared to 2019, driven mainly by the increase in EBITDAal. Total annual depreciation amounted to 75.7 billion XO, an increase of 9% compared to 2019 in connection with the investment drive on the network.

**The Financial Result** is 70.9 billion XOF against 74.4 billion XOF in 2019 due to the sharp depreciation of the GNF on the dividends received from Orange Guinee.

**Net profit in Senegal** amounted to 157.8 billion CFA francs, down by 1.3% compared to 2019. The net margin rate is at 33%, stable compared to 2019.

**Senegal eCAPEX** amounted to 88.3 billion XOF of which 71.3 billion XOF were invested over the network. Despite the covid pandemic the pace of deployment of th investments was good (-1.2% compared to 2019).

2020 investments are focused on the deployment of 3G / 4G, fiber, Energy equipment (modernisation and redundancy) and the extension of IP/MPLS networks and submarine cables to cope with the increase internet and data traffic.



# International

\*Statutory accounts Mali, Guinée, Bissau, Sierra Leone

en MCFA	2020.12 YTD			
	Actual	Proforma	yoy	yoy %
<b>Revenue</b>	<b>747 411</b>	<b>705 146</b>	<b>+42 265</b>	<b>+6,0%</b>
Direct costs	-155 128	-148 452	-6 676	-4,5%
% revenue	-20,8%	-21,1%	+0,3pt	
<b>Direct margin</b>	<b>592 283</b>	<b>556 695</b>	<b>+35 588</b>	<b>+6,4%</b>
% revenue	79,2%	78,9%	+0,3pt	
Indirect costs	-269 815	-262 015	-7 801	-3,0%
% revenue	-36,1%	-37,2%	+1,1pt	
<b>EBITDAaL</b>	<b>322 468</b>	<b>294 680</b>	<b>+27 788</b>	<b>+9,4%</b>
% revenue	43,1%	41,8%	+1,4pt	
<b>eCapex</b>	<b>116 074</b>	<b>112 777</b>	<b>+3 298</b>	<b>+2,9%</b>
% revenue	15,5%	16,0%	-0,5pt	
<b>Operating Cash Flow</b>	<b>206 393</b>	<b>181 903</b>	<b>+24 490</b>	<b>+13,5%</b>
% revenue	27,6%	25,8%	+1,8pt	

International operations achieved exceptional financial and operational performance, despite a year 2020 marked by political tensions in Mali, Guinea and Bissau with unfavourable effects on the economy, combined with the context of the health crisis.

## Operational results of international operations

Nombre de clients internet fixe (en milliers)	2020	2019	Variation	
Nombre de Clients (en milliers)	24 918	22 771	↑	9,4%
Lignes Internet (Fibre/FDD/TDD)	60	35	↑	70,5%
Clients Mobiles	24 858	22 736	↑	9,3%
Clients Data Mobiles	8 352	7 294	↑	14,5%
Clients Actifs 4G	2 101	1 184	↑	77,5%
Clients Actifs Orange Money	5 855	4 304	↑	36,0%

The mobile customer base of international operation has reached 24.9 million customers, an increase of 9.3% driven by good recruitment dynamics despite the slowing effects of COVID19 (restrictions on field actions).

Mobile Internet customer base stood at a of 8.4 million customers, up by 14.5% over the year 2020. The active 4G base reached 2.1 million customers, an increase of +77.5% compared to 2019.

**The Orange Money customer base** reached 5.9 million customers, **an increase of 36 %**.

**Fixed services** totalled 60, 000 accesses as of December 31, 2020, **a sharp increase of 70.5%** over one year, mainly driven by the growth in very high-speed fixed- access around fiber and FDD / TDD.

## Financials results of international operations

### Revenues

Revenues of our affiliates **grew by 6% in 2020**. This progression is linked to the remarkable commercial performances in Sierra Leone, Guinea and Mali, the good contributions of mobile data, Orange money and the rise of fixed broadband.

The continued deployment of very high broadband mobile and fixed networks, the improvement of the quality of our mobile networks have greatly contributed to the development of usages.

Mobile data, one of the Group's main growth engines, continues to represent strong potential thanks to the expansion of 3G/4G coverage of populations (nearly 96% in Mali, 63% in Guinea, 70% in Bissau and 71 % in Sierra Leone). Mobile data revenues are up by 29% thank to a significant growth of the active mobile data customers base.

The access to the fixed connectivity is accelerating thanks to the increase of number of FTTx home passed in Mali (44, 000 households), and the continued deployment of flybox on all countries (+ 56%).

Regarding Orange money, good trade dynamics, reinforcement of distribution networks amplified by the measures of BCEAO that have boosted enrolment, helped to record an increase in revenues of 20% driven by the cash out, merchant payments and bill payment.

### EBITDAal

**EBITDAal in international operations** reached 322 billion XOF, **an increase of 9.4%** compared to 2019. The margin rate of over 43.1 % with a transformation rate of delta Revenues into delta EBITDAal al 66 % thanks to a strong cost control policy implemented in all operations.

### eCAPEX

More than 116 billion XOF were invested in support of the growth of activity. The investments focused on the development of very high speed service and the

strengthening and modernization of our networks. ECAPEX of international operation has increased by 3 % compared to 2019.