

SYNTHESIS
MANAGEMENT REPORT
June 2022

Introduction

Sonatel's group continues to grow and consolidates the performance achieved in the first quarter despite a difficult economic context in all countries, the war in Ukraine has reinforced the inflation installed during the post-covid period throughout the world.

These performances were achieved in particularly difficult political, economic, fiscal, regulatory, and competitive environments.

In Senegal, a latent political tension at the end of the January local elections can be seen with the preparation of the legislative elections scheduled for the end of July; the revision of the amount of the fine imposed at the end of 2021 is accompanied by a strong requirement on investments.

In Mali, the negative impacts of almost a semester of embargo have been added to the persistent insecurity, resulting in a drop in purchasing power and constraints in accessing and operating the network (destruction of several sites with direct loss of income).

In Guinea, apart from political tensions, regulatory and tax measures have slowed down strong revenue growth in the first half of the year with the introduction of taxation of mobile money revenue and a new general tax code which further increases the level of taxation.

In Bissau, the political situation in the country has improved and the President has recently been appointed to head the ECOWAS Presidency. Note the deployment of ECOWAS forces to provide security following the February coup attempt. The good cashew campaign was a favorable factor for the economy.

In Sierra Leone, the deterioration of the exchange rate, the introduction of a new tax, the reduction in interconnection tariffs and the increase in energy costs in line with inflation impacted the performance of the subsidiary.

Despite this context, the Sonatel Group achieved good operational and financial performance in the first half of 2022, confirming its resilience capacities. Indeed, the Group is the leader in all its countries of presence with respective volume market shares of 58.3% in Senegal, 56.0% in Mali, 59.8% in Guinea, 55.5% in Sierra Leone and 63.4% in Guinea Bissau.

The Sonatel Group shows a 3.8% increase in the number of subscribers to 39.3 million customers, an increase in turnover of 11.1%, i.e., an amount of 71.4 billion and an increase of 9, 9% of EBITDAal or +27.5 billion.

The strong double-digit growth is based on excellent commercial performance and great operational efficiency, generating an Ebitdaal margin rate of 42.6% higher than forecast despite the increase in direct costs.

Growth was driven by all the countries of the Sonatel Group, particularly Guinea, which also benefits from the improvement in the exchange rate, Mali and Senegal. It was generated thanks to the strengthening of the contribution of Data, the progression of voice, Fixed Broadband, and VAS. Wholesale is returning to growth thanks to revenues from international inbound which are holding up well, reinforced by the performance of hubbing, inbound national but also the sale of expertise services.

In its objective to increase the very high-speed coverage of the populations and to always provide the best customer experience, the Sonatel Group has pursued a sustained investment policy both in Mobile and in the Fixed sector, in particular Broadband.

CSR actions continue in all countries and the commitment of the Sonatel Group remains resolutely customer-oriented and its vision centered on the creation of long-term value for all stakeholders in an environment that is changing with strategic challenges, technological and regulatory.

Group DATA

Financial results as of June 30th, 2022

in Mxof	2022.06 YTD		
	Actual	yoy	yoy %
Revenue	713 367	71 380,3	11,1%
Direct costs	- 136 323	-15 462,4	-12,8%
% revenue	-19,1%	-0,3	
Direct margin	577 044	55 917,9	10,7%
% revenue	80,9%	-0,3	
Indirect costs	- 272 964	-28 434,5	-11,6%
% revenue	-38,3%	-0,2	
EBITDAaL	304 080	27 483,3	9,9%
% revenue	42,6%	-0,5	
eCapex	110 249	7 059,9	6,8%
% revenue	15,5%	-0,6	
Operating Cash Flow	193 831	20 423,4	11,8%
% revenue	27,2%	0,2	
EBIT	206 454	14 556,6	7,6%
% revenue	28,9%	-1,0	
Résultat financier	- 7 251	3 590,9	33,1%
Résultat net	130 311	11 097,1	9,3%
% revenue	18,3%	-0,3	

Evolution of the customer base

The **Fixed, Mobile and Internet** customer base grew by +3.8% compared to June 2021 and reached 39.3 million thanks to the continued good momentum of mobile recruitment in Senegal, Sierra Leone and Bissau absorbing delays in Mali following the delay in the deployment of the sites of the 2022 program (embargo impact) and the loss of customers because of the destroyed sites in the North and in Guinea (identification constraints: limitation of the number of sims per subscriber and restriction on the nature of the parts identification).

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PARC FMI	Réel 2021	Réel 2022	Yoy	Vs BI
Sénégal	10 960 877	11 771 679	7,4%	3,3%
Mali	12 986 113	12 516 427	-3,6%	-2,2%
Guinée	8 983 742	8 804 615	-2,0%	-7,8%
Bissau	975 431	1 340 763	37,5%	19,6%
Sierra Leone	3 391 549	4 125 601	21,6%	6,0%
Mobile	37 297 711	38 559 085	3,4%	-0,51%
Fixe	243 000	265 618	9,3%	-2,4%
Internet	371 637	512 847	38,0%	4,8%
TOTAL PARC	37 912 348	39 337 549	3,8%	-0,46%

The mobile customer base totals 38.6 million customers, up 3.4% under the impetus of commercial events, tariff overhauls, the launch of new offers the expansion of network coverage with the opening of new sites and improving the quality of services.

The number of **active mobile Data customers** of the Group stands at 15.6 million, an increase of +9.4% compared to the first half of 2021. The active 4G base, of which nearly half in Senegal (46%) reached 9.8 million customers, an increase of +49.1% compared to June 2021. This solid performance is boosted by the continued strengthening of the deployment of very high speed (3G/4G/4G+).

The Orange Money active customer base reached 9.9 million customers, up +9.4% compared to June 2021. Orange Money's penetration on the mobile subscriber base was strengthened with an increase of 1.4 points.

The fixed broadband customer base has 512,847 customers (including 407,500 fiber and Flybox customers), an increase of 38% thanks to the strong breakthrough of Flybox offers combined with the acceleration of the deployment of Fiber in Senegal, Mali and a good commercial dynamic favoring the maintenance of the progression of recruitments.

Group Turnover

The turnover of the Sonatel group amounts to 713.4 billion, up 11.1% (+71.4 billion) compared to June 2021. This growth is driven by all the countries of the group including Senegal despite a sharp drop in the value of the mobile money market which continues to suffer from the effects of aggressive competition.

Retail revenues represent 92.5% of turnover, i.e. 659.6 billion, and recorded an increase of 11.6% driven by growth drivers for mobile data, voice, content and fixed Broadband. The latter constitute the bulk of the growth in turnover and increased respectively by 26%, 10.6%, 102.2% (impact of reclassification of turnover contained in Senegal) and 33.1% compared to June 2021.

Data revenues represented 210.6 billion in June 2022, i.e. a contribution of 29.5% to the group's total turnover, up 3.5 points. An increase linked to the development of uses with the expansion of 3G / all 4G network coverage thanks to broadband extension and densification projects, the launch of several innovative services and the good dynamic of the subscriber bases.

Voice revenues represent 293.2 billion in June 2022 and are up 11% (+28.9 billion) over one year and maintain their contribution to the group's total turnover at the same level as 2021, i.e. 41, 1%.

Fixed Broadband revenues reached 32.6 billion, recording an increase of +33.1% compared to June 2021, thanks to the development of fiber. They represent 4.6% of turnover and contribute to revenue growth of 11.4%. Senegal and Mali carry the bulk of fixed Broadband revenues.

Orange Money revenues amounted to 65.3 billion, i.e. a decrease of 11.9 billion (-15.5%) compared to June 2021. Their contribution to group revenues was 9.1% i.e. -3, 9 dots. This drop in performance is linked to the sharp drop in market prices in Senegal, Mali and Guinea as well as a drop in the orange money market share in Senegal.

Wholesale revenues with 51.7 billion represent 7.3% of turnover and recorded an increase (+5.3%) compared to June 2021 driven by Senegal mainly on national incoming, hubbing and engineering/consulting revenues with the SBIN (Beninoise Company of Digital Infrastructures) and the One ERP Shared Service Center.

The turnover of **international entrants** with 20.2 billion recorded a greater decline than last year. Compared to June 2021, this decrease of 20.1% is mainly driven by Senegal, Mali and Guinea under the effect of the drop in international incoming traffic due to the development of OTT traffic, in correlation with the strong growth of Mobile Data.

Turnover on the **national interconnection** amounted to 16.1 billion and recorded an increase of 0.1 billion (+0.4%) driven mainly by Senegal and Mali absorbing the drop noted in Guinea and the Sierra Leone following the drop in MTRs.

Operating balance

The group's consolidated EBITDAa1 amounted to 304.1 billion at the end of June 2022. It recorded growth of +9.9% or +27.5 billion XOF, thanks to the significant improvement in revenues. The increase in both direct and indirect expenses under the effect of the evolution of activities, ongoing tax and regulatory pressure and the deterioration of exchange rates was absorbed by the growth in turnover.

The operating margin amounted to 206.4 billion, up by 14.3 billion (+7.4%) despite the growth in depreciation, following growth from the operating margin.

The group's consolidated financial result remained negative at -7.2 billion and improved by 3.6 billion, mainly in Senegal and Mali thanks to the optimization of external financing.

The group's consolidated net income amounted to 130.3 billion. It recorded an increase of 9.3% or (+11.1 billion) thanks to the good operational performance reinforced by an improvement in financial results compared to last year.

Investments

Sonatel group investments amounted to 110.2 billion at the end of June 2022, up 6.8% (+7.1 billion). The CAPEX / turnover rate is down slightly by 0.6 points, around 15.5%. Achievements mainly concerned the mobile access network (extension, densification, 3G, 4G, 4G+), fiber and IT projects.



SENEGAL

in Mxof	2022.06 YTD		
	Actual	yoy	yoy %
Revenue	255 569	5 769,2	2,3%
Direct costs	- 61 906	-9 194,6	-17,4%
% revenue	-24,2%	-3,1	
Direct margin	193 663	-3 425,5	-1,7%
% revenue	75,8%	-3,1	
Indirect costs	- 101 738	-2 376,3	-2,4%
% revenue	-39,8%	0,0	
EBITDAaL	91 925	-5 801,7	-5,9%
% revenue	36,0%	-3,2	
eCapex	34 511	4 931,1	16,7%
Operating Cash Flow	57 414	-10 732,8	-15,7%

A first half of 2022 highlighted by:

- Confirmation of the revision of penalties related to Qos measures to 2.5 billion, effective payment in May
- The rise in the price of basic necessities and that of fuel in connection with the War in Ukraine
- Continued decline in mobile money revenues with the gain in market share of the main competitor and the obtaining of its EME license.
- A historic semester on prepaid mobile allowing Orange Money to catch up on turnover
- Political tensions ahead of the July legislative elections
- Stabilization of the health situation despite a slight reappearance of Covid 19 cases at the end of June.

SENEGAL	S1 2022	S1 2021	Variation
Number of clients (in Thousand)	12 451	11 499	8.3%
Fixed line	266	243	9.3%
Internet (Fiber/FDD/TDD)	413	295	40.1%
Mobile customers	11 772	10 961	7.4%
<i>Data Mobile customers</i>	5 171	4 721	9.5%
<i>Active 4G Customers</i>	4 511	3 190	41.4%
Orange Money registered Customers	7 234	5 014	44.3%
<i>OM active customers</i>	3 043	2 871	6.0%

Mobile base of 11.8 million mobile customers at the end of June, an annual growth of 811 thousand, i.e. a delta base of 568 thousand since December 2021, thanks to a good commercial strategy.

The Mobile Data base continues to grow under the impetus of the 4G/4G+ commercial strategy. It reaches 5.2 million active customers, 88% of which are active 4G customers, i.e. 4.5 million (+1.3 million compared to 2021).

The Orange Money base recorded 3 million active customers, an increase of +173 K customers vs June 2021, good resilience despite the strong competitive aggressiveness.

The fixed Broadband base reached 413,000 customers at the end of June, an increase of +40% compared to 2021 thanks to the acceleration of the fiber deployment program, which recorded a base of 117,000 customers, an increase of 30.3,000 customers, and the boom in Flybox demand with 194 K customers (+96.3 thousand vs 2021).

Nationally, increase in **outgoing traffic** (+44%) driven by customer base, slight growth in incoming national traffic of 2%.

Increase in **inbound hubbing** (+27%) thanks to better competitiveness on certain destinations and new interconnections. International incoming traffic is down 8%, mainly due to the impact of OTTs.

Senegal's turnover stood at 256.6 billion XOF in the first half of 2022 against 249.8 billion in 2021, representing a growth of 2.3% (+5.8 billion XOF) driven mainly by the good performance of Retail via mobile data relays and fixed Broadband, followed by integration.

The first half of 2022 is marked by the continuation of the difficulties on **Orange Money** whose contribution to Senegal's turnover stands at 4% (-51% vs 2021), still suffering the effects of the tariff repositioning carried out in June 2021 against the aggressiveness of the competition.

Wholesale revenue growth of +28%, mainly driven by engineering and consulting revenue thanks to the delegated management contracts signed with SBIN (Beninoise Company of Digital Infrastructures) and with the ERP Shared Service Center, followed by the hubbing (volume effect) and national entrants.

Direct costs increased by 17.4% YoY (+9.2 billion), generating a drop in the margin rate of 3.1 pts. The increase in costs is driven by interconnection linked with the volume effects on hubbing and outgoing off-net, equipment costs in order to cope with the breakthrough of fixed Broadband (Flybox) and integration, followed by other direct costs with the increase in trade receivables and the effect of a favorable one off in 2021 on repayments.

Indirect costs show an increase of 1.7 billion driven by operating taxes (impact of ARTP fine and increase in taxes indexed to turnover) and personnel costs (mainly three-year

increase). These increases are partially mitigated by IT & Network costs with “last mile” investments and other indirect costs (recovery of ARTP fine provision).

Senegal's **EBITDAal** amounts to 91.3 billion XOF, down 6.6% compared to June 2021, i.e. 6.4 billion XOF due to the drop in the direct margin mainly driven by the advance on the interconnection, commissions and equipment, despite the good growth in turnover. In addition to an increase in direct costs, EBITDA is impacted by indirect costs, in particular personnel costs and operating taxes. The Ebitdaal rate fell from 39.1% in 2021 to 35.7% at the end of June 2022, i.e., a deterioration of 2.9 pts.

Investments in Senegal amount to 34.5 billion XOF, up 4.9 billion vs 2020 (+16.7%). Achievements mainly focused on 2G/3G radio access, LTE (4G), fiber, transport and transmission, special projects (Datacenter, new Orange Money platform, etc.), energy and environment, IT with infrastructure, security and digital.

International

*Data for Mali, Guinée, Bissau, Sierra Leone

in Mxof	International		
	Actual	yoy	yoy %
Revenue	476 806	66 910,3	16,3%
Direct costs	- 89 286	-6 675,4	-8,1%
% revenue	-18,7%	1,4	
Direct margin	387 521	60 234,8	18,4%
% revenue	81,3%	-11,9	
Indirect costs	-175 365	-26 949,8	-18,2%
% revenue	-36,8%	-0,6	
EBITDAaL	212 155	33 285,1	18,6%
% revenue	44,5%	0,9	
eCapex	75 739	2 128,8	2,9%
% revenue	15,9%	-2,1	
Operating Cash Flow	136 417	31 156,3	29,6%
% revenue	28,6%	2,9	

Despite difficult environments characterized by precarious security in Mali and Guinea, an embargo throughout the semester in Mali, increased competition on Mobile Money, increased tax and regulatory pressure in all our geographies, the Sonatel Group recorded remarkable performances internationally in the first half of 2022 with double-digit growth in all financial indicators.

Evolution of the customer base

International achieved very good commercial performance despite environmental and regulatory difficulties in Mali (embargo impact on the 2022 site deployment program and loss of customers located on destroyed sites in the North) and in Guinea (identification constraints: limitation of the number of sims per subscriber and restriction on the nature of identification documents). These elements nevertheless led to a deceleration in the growth of their mobile base.

International	S1 2022	S1 2021	Variation
Number of clients (in Thousand)	26 887	18 844	1.8%
Internet (Fiber/FDD/TDD)	100	77	30%
Mobile customers	26 787	18 769	1.7%
Data Mobile customers	10 401	9 515	9.3%
Active 4G Customers	5 311	3 074	56.3%
Orange Money registered Customers	16 833	13 821	21.8%
OM active customers	6 855	6 180	10.9%

The **mobile customer base** increased by 0.45 million customers to reach 26.8 million subscribers, an increase of 1.7% driven by the good momentum of recruitment in Sierra Leone and Bissau which offset the performances recorded in Mali and Guinea. These two countries were respectively impacted by the embargo and the destruction of sites in the North and regulatory restrictions.

The main driver of growth, **Mobile Data** benefited from a solid increase in the 4G customer base (+56.3% over one year) with the extension of the positive impacts of the deployment of very high speed with the ALL 4G, All Data combined with a commercial sale around sims swap in 4G. Internationally, there are more than 10.4 million mobile data users, including more than 5.3 million on 4G.

The **Orange Money customer base** reached 16.8 million registered customers, including nearly 6.9 million active customers, up 10.9% in a context of increased and tougher competition.

Breaking **the 100,000 fixed Broadband access milestone** (+30% over one year) thanks mainly to the good commercial momentum on Flybox offers combined with an acceleration in the deployment of Fiber.

Turnover

In the first half of 2022, **international** generated revenue of **476.8 billion**, up 16.3% compared to the same period of 2021. This performance is driven by **retail services** excluding Orange Money Data, voice, and fixed Broadband, while mobile financial services were down 4.8% (-2.8 billion), notably impacted by price changes made in response to competition. Wholesale services are also in decline, impacted by the development of OTT voice in correlation with the strong growth of Mobile Data combined with the declines in MTRs in Guinea and Sierra Leone.

Data revenue amounted to **137.4 billion**, up 35.2%, driven by the significant increase in the active base, particularly 4G, and an increase in traffic in connection with programs to expand the 3G/4G network coverage (All 4G plan in Mali, All Data in Guinea, mobile extension project in Bissau).

Orange Money's international turnover amounted to **56.0 billion**, down 4.8% following the impact of price revisions made in Mali in response to competition. Recent price changes in Bissau and Guinea have also had a slowing effect on the evolution of their mobile money turnover, which is still growing. Note a strong growth in transactions both in volume and value of respectively 39.5% and 63% despite the tough competition.

International EBITDAal reached 212.2 billion in the first half of 2022. The 18.6% increase (+33.3 billion) compared to the same period of 2021 is mainly driven by Guinea and Bissau, which represent 99% of growth. Mali, impacted by the context of the embargo and the destruction of these sites in the North, only contributes slightly to growth. Sierra Leone is experiencing a decrease following increases in these indirect costs driven by inflation and the depreciation of the exchange rate combined with changes in the scope of ITN costs, CECOM fees (Orange Money Center of Expertise and Compliance) and colocation of sites.

Overall, this increase is mainly due to the growth in revenues, mitigated however by the increase in expenses following the development of the activity, the impact of regulatory changes as well as the effects of exchange rates in Sierra Leone and inflation on all countries. The Ebitdaal/Sales ratio stood at 44.5%, up 0.9 points compared to 2021. The rate of transformation of the growth of turnover into growth of Ebitdaal is 50%.

Investments

Capex stood at 75.7 billion on the international market, up 2.9% compared to 2021, driven mainly by Guinea, Mali being impacted by the embargo which made it difficult to transport equipment on the first semester. Investments directed primarily towards very high-speed fixed and mobile networks (4G and Fiber) to support the growth of these activities.