



MTN NIGERIA UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

Lagos | Nigeria: Friday, 26 July 2019

MTN Nigeria Communications Plc (MTN Nigeria) announces its unaudited results for the six months ended 30 June 2019. In January 2019, MTN Nigeria adopted IFRS 16 accounting standards in line with global best practice and adjustments are reflected in the results. All financial comparisons are year-on-year (YoY) unless otherwise stated. All subscriber numbers are compared to end of December 2018 unless otherwise stated.

Highlights:

- Service revenue increased by 12.2%
- Voice revenue increased by 11.4%
- Data revenue increased by 31.7%
- Fintech revenue increased by 21.2%
- Digital revenue decreased by 64.5%
- EBITDA grew by 40.0% to N304.9 billion (IAS 17: 16.2% to N253.0 billion)
- EBITDA margin increased by 10.7 pp to 53.8% (IAS 17: 44.6%, up 1.5pp)
- Capex increased by 63.8% to N105.8 billion (IAS 17: 48.9% to N96.1 billion)
- Mobile subscribers increased by 3.3 million to 61.5 million

MTN Nigeria CEO, Ferdi Moolman comments:

"In the first half of 2019, we sustained a solid performance, delivering double-digit growth in service revenue, underpinned by growth in voice and data revenue. We added 3.3 million customers to our network, increasing our subscriber base to 61.5 million. Pleasingly we saw data subscribers increase in the period by 2.1 million to 20.7 million.

We made significant network investments to improve network quality and expand our 4G coverage. Our recent work to revamp our data prices and accelerate our 4G network has put us in a strong competitive position to offer more value to our customers, supporting data and voice revenue growth which will ultimately strengthen our business.

We are pleased with obtaining a super-agent licence from the Central Bank of Nigeria, which will enable us to build an agent network and accelerate the growth of our fintech business.



In May, MTN Nigeria was successfully listed on the Nigerian Stock Exchange (NSE), making us the first mobile network operator to list on the NSE. The listing demonstrates our commitment to the Nigerian market and provides local investors with an opportunity to participate in and benefit from the company's growth prospects.

We made changes to our Board following the retirement of six pioneer Non-Executive Directors on the expiration of their tenure and in compliance with applicable corporate governance codes. We express our heartfelt appreciation to our out-going Directors for their contributions to the success of the Company. We also welcome the incoming ones whose combination of extensive experience across the worlds of technology, finance, regulatory and policy development and corporate governance offers a hugely synergistic set of skills that will be of great benefit to us as we move into a new phase of growth.

Our Chief Financial Officer (CFO), Mr. Adekunle Awobodu has also indicated his intention to resign from the position of the CFO of the company in H2 of 2019 for family related reasons. The identification of a suitable successor has reached an advanced stage to facilitate a seamless transition. To ensure continuity on certain projects, Mr Awobodu has graciously accepted to continue to support the company on consultancy basis. The Board extends its appreciation to Mr. Awobodu for his contributions to the growth of the company.

In line with our dividend policy guidance at listing, the Board has approved a maiden interim dividend as a listed company, of N2.95 kobo per share to be paid out of distributable net income.

Operational review

MTN Nigeria delivered a solid performance, with strong voice (+11.4%) and data revenue (+31.7%) driving double-digit service revenue growth and further improving the margin on earnings before interest, taxation, depreciation and amortization (EBITDA).

Voice revenue growth was supported by an increase in subscribers (+5.7%), relatively stable tariffs and our focus on pro-consumer activities. This was boosted by our targeted customer value management (CVM) initiatives.

Data revenue growth was driven by an increased number of smartphones on the network, greater data usage and growth in the number of active data users. We added 2.5 million smartphones, increasing smartphone penetration by 2.1pp to 39.2%. Active data subscribers increased by 11.0% to 20.7 million and data traffic rose by 67% YoY.

Our fintech business continued to gain momentum with 21.2% growth in revenue YoY. The super-agent licence will allow us to leverage our established distribution channels to offer a wide range of mobile financial services. We will continue to work towards obtaining a Payment Service Banking licence that we applied for in late 2018. Digital



revenue continued to be impacted by the optimisation of value-added services (VAS). However, our focus is to build a sustainable base of active digital users in order to boost revenue growth.

Our enterprise business also delivered satisfactory results, with revenue increasing by 31.3% to contribute 11.9% to service revenue.

We recorded an EBITDA margin of 53.8% on account of the implementation of IFRS 16. On an IAS 17 basis, operating expenses increased by 9.7%, below inflation. The 1.5pp improvement in the EBITDA margin was supported by a stable naira against the US dollar benefiting our operating expenses as well as lower digital expenses arising from our VAS optimisation initiatives. Our bottom line remained strong with 30.9% and 34.8% growth in profit before and after tax respectively, while earnings per share increased by 34.8% to 486 kobo.

IFRS 16 and IAS 17 comparison

	IFRS 16 as at Jun 30, 2019 N'm	IAS 17 as at Jun 30, 2019 N'm	IAS 17 as at Jun 30, 2018 N'm
EBITDA	304,868	253,042	217,739
EBITDA margin, %	53.8%	44.6%	43.1%
Capex	105,756	96,149	64,576
Profit before tax	141,797	150,808	108,355
Profit after tax	98,931	105,019	73,395
Earnings per share, kobo (k)	486k	516k	361k

Corporate and legal matters

The hearing on the Attorney General of the Federation (AGF) matter, which was originally scheduled to hold on June 26, 2019 for commencement of trial on the substantive issue before the court was adjourned to October 29 and 31 2019. We remain resolute that MTN Nigeria has not committed any offence and will continue to defend this position.

The redemption of MTN Nigeria's Preference shares has always been envisaged as a necessary part of the simplification of our capital structure. The redemption process is underway and will be completed after necessary regulatory process.

Outlook

Our overriding priority for the rest of the year is to focus on our BRIGHT strategy to build a sustainable business and create value for customers. We will continue to progress in the second half of the year making improvements to our network experience, subscriber growth and enhance operational efficiency. We expect lower



data pricing and our acceleration of the 4G network expansion to bolster the acquisition of customers and data traffic volumes in the second half.

For and behalf of the board

Ferdi Moolman
Chief Executive Officer

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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 61 million people in communities across the country with each other and the world. Guided by a vision to lead the delivery of a bold new digital world, MTN Nigeria's leadership position in coverage, capacity and innovation has remained constant since its launch in 2001. MTN Nigeria is part of the MTN Group – a multinational telecommunications group which operates in 21 countries in Africa and the Middle East.

Visit www.mtnonline.com for more information



Condensed consolidated statement of profit or loss

For the six months ended 30 June 2019

	Group		Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	N'000	N'000	N'000	N'000
Revenue	566,946,039	505,667,542	565,808,584	504,622,956
Other income	48,062	45,432	48,062	45,432
Direct network operating costs	(117,877,009)	(149,443,206)	(118,106,324)	(149,308,673)
Value added services costs	(5,997,237)	(10,286,929)	(5,966,389)	(10,276,959)
Cost of handsets and other accessories	(5,386,940)	(3,561,616)	(5,386,791)	(3,561,616)
Interconnect costs	(52,358,155)	(46,769,707)	(52,342,210)	(46,765,910)
Roaming costs	(1,732,210)	(2,540,789)	(1,721,645)	(2,536,120)
Transmission costs	(2,821,669)	(2,736,912)	(2,821,669)	(2,736,912)
Employee benefits	(14,979,586)	(12,420,885)	(14,979,586)	(12,420,885)
Discounts and commissions	(27,449,450)	(25,023,121)	(27,440,891)	(25,023,121)
Advertisements, sponsorships and sales promotions	(8,514,390)	(7,953,600)	(8,512,387)	(8,003,600)
Reversal of Impairment/(impairment) of property, plant and equipment	3,008,348	(758,926)	3,008,348	(758,926)
Other operating expenses	(28,017,254)	(26,346,392)	(27,562,648)	(26,228,537)
Depreciation	(72,610,738)	(68,341,298)	(72,610,738)	(68,341,298)
Depreciation on right of use assets	(27,377,827)	-	(27,377,827)	-
Amortisation of intangible assets	(14,476,819)	(13,028,580)	(11,799,883)	(10,351,921)
Operating profit	190,403,165	136,501,013	192,236,006	138,353,910
Finance income	10,484,838	12,366,468	10,484,840	12,366,100
Finance costs	(59,090,621)	(40,512,561)	(59,090,621)	(40,023,744)
Profit before tax	141,797,382	108,354,920	143,630,225	110,696,266
Income tax expense	(42,866,424)	(34,959,533)	(43,388,571)	(35,542,636)
Profit for the year	98,930,958	73,395,387	100,241,654	75,153,630
Attributable to:				
Owners of the parent	98,930,958	73,395,387	100,241,654	75,153,630
	98,930,958	73,395,387	100,241,654	75,153,630
Earnings per share - basic/diluted	N4.86	N3.61	N4.92	N3.69



Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2019

	Group		Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	N'000	N'000	N'000	N'000
Profit for the period	98,930,958	73,395,387	100,241,654	75,153,630
<i>Items that may be reclassified to profit or loss</i>				
Net fair value loss on financial assets held at FVOCI	(26,649)	(155,340)	(26,650)	(155,340)
Total comprehensive income for the period	98,904,309	73,240,047	100,215,004	74,998,290
Attributable to:				
Owners of the parent	98,904,309	73,240,047	100,215,004	74,998,290
	98,904,309	73,240,047	100,215,004	74,998,290

Financial assets classified as financial assets at fair value through other comprehensive income are Federal Government treasury bills investments which are exempted from company income tax.



Condensed consolidated statement of financial position

As at 30 June 2019

	Group		Company	
	30 June	31 December	30 June	31 December
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
ASSETS				
Non-current assets				
Property, plant and equipment	628,061,390	607,023,544	628,000,710	606,962,868
Intangible assets	113,658,107	119,368,123	74,069,570	77,107,651
Right of use assets	495,510,300	-	495,510,300	-
Investment in subsidiaries	-	-	43,828,000	43,828,000
Other non current assets	17,586,866	19,493,033	17,586,866	19,493,033
	1,254,816,663	745,884,700	1,258,995,446	747,391,552
Current assets				
Inventories	1,166,278	1,538,766	1,173,006	1,545,496
Trade and other receivables	50,859,383	38,617,125	50,690,505	38,485,289
Current investments	100,324,544	65,468,259	100,324,544	65,468,259
Derivatives	5,765	-	5,765	-
Restricted cash	26,460,418	37,219,023	26,410,419	37,169,023
Cash and cash equivalents	46,724,035	53,011,748	46,594,336	52,806,185
	225,540,423	195,854,921	225,198,575	195,474,252
Total assets	1,480,357,086	941,739,621	1,484,194,021	942,865,804
EQUITY				
Share capital	407,090	646,510	407,090	646,510
Share premium	17,216,293	64,498,466	17,216,293	64,498,466
Retained profit	83,406,805	154,201,270	98,096,091	167,579,860
Other reserves	272,138	6,069	272,139	6,069
	101,302,326	219,352,315	115,991,613	232,730,905
LIABILITIES				
Non-current liabilities				
Borrowings	227,467,115	31,438,349	227,467,115	31,438,349
Lease liabilities	469,346,424	-	469,346,424	-
Deferred tax and other non-current liabilities	113,982,566	110,000,896	105,662,613	100,926,273
	810,796,105	141,439,245	802,476,152	132,364,622
Current liabilities				
Trade and other payables	328,435,225	213,715,210	324,093,740	211,055,001
Current tax liabilities	70,670,957	54,131,436	70,273,683	53,667,534
Borrowings	67,644,803	143,875,889	67,644,803	143,875,889
Lease liabilities	29,541,021	-	29,541,021	-
Other current liabilities	71,966,649	169,225,526	74,173,009	169,171,853
	568,258,655	580,948,061	565,726,256	577,770,277
Total liabilities	1,379,054,760	722,387,306	1,368,202,408	710,134,899
Total equity and liabilities	1,480,357,086	941,739,621	1,484,194,021	942,865,804



Condensed consolidated statement of changes in equity

For the six months ended 30 June 2019

Group	Attributable to owners of the parent					
	Share capital	Share premium	Total share capital	Other reserves	Retained profit	Total Equity
	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	47,127,950	112,769,570
Profit for the six months period	-	-	-	-	73,395,387	73,395,387
Other comprehensive income	-	-	-	(155,340)	-	(155,340)
Dividends paid	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 30 June 2018	646,510	64,498,466	65,144,976	341,304	81,910,756	147,397,036
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	154,201,270	219,352,315
Profit for the six months period	-	-	-	-	98,930,958	98,930,958
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,649	-	26,649
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,138	83,406,805	101,302,326
Company						
Balance at 1 January 2018	646,510	64,498,466	65,144,976	496,644	57,561,887	123,203,507
Profit for the six months period	-	-	-	-	75,153,630	75,153,630
Other comprehensive income	-	-	-	155,340	-	155,340
Dividends paid	-	-	-	-	(38,612,581)	(38,612,581)
Balance at 30 June 2018	646,510	64,498,466	65,144,976	651,984	94,102,936	159,899,896
Balance at 1 January 2019	646,510	64,498,466	65,144,976	6,069	167,579,860	232,730,905
Profit for the six months period	-	-	-	-	100,241,654	100,241,654
Redemption of preference shares	(239,420)	(47,282,173)	(47,521,593)	-	(96,725,423)	(144,247,016)
Transfer to Capital redemption reserve fund (CRRF)	-	-	-	239,420	-	239,420
Other comprehensive income	-	-	-	26,650	-	26,650
Dividends paid	-	-	-	-	(73,000,000)	(73,000,000)
Balance at 30 June 2019	407,090	17,216,293	17,623,383	272,139	98,096,091	115,991,613

There was no impact of the adoption of IFRS 16 on retained earnings.

The Directors declared interim dividends of N60 billion for the period ended June 2019 (year ended 31 December 2018: N73 billion fully paid).



Condensed consolidated statement of cash flows

For the six months ended 30 June 2019

	Group		Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	N'000	N'000	N'000	N'000
Cash flows from operating activities:				
Cash generated from operations	267,120,524	194,376,754	275,180,360	203,668,926
Increase in share based payments	-	(775)	-	(775)
Interest received	10,328,590	14,183,461	10,484,840	14,362,997
Interest paid	(49,083,908)	(20,608,079)	(59,090,621)	(20,901,385)
Dividends paid	(73,000,000)	(38,612,581)	(73,000,000)	(38,612,581)
Regulatory fine paid	(110,000,000)	(55,000,000)	(110,000,000)	(55,000,000)
Tax paid	(19,726,573)	(11,980,520)	(19,427,421)	(20,955,224)
Net cash generated from operating activities	25,638,633	82,358,260	24,147,158	82,561,957
Cash flows from investing activities:				
Acquisition of property, plant and equipment	(98,808,727)	(104,109,441)	(98,808,727)	(104,109,441)
Movement in contract acquisition cost	(1,974,130)	(1,320,974)	(1,974,130)	(1,320,974)
Proceeds from disposal of property, plant and equipment	408,828	328,684	408,828	328,684
Movement in non-current prepayments	(3,137,606)	-	(3,137,606)	-
Acquisition of intangible assets	(2,783,612)	(2,298,427)	(2,783,612)	(2,298,427)
Disposal of/ (investment) in bonds, treasury bills and foreign deposits	(36,450,275)	(52,236,974)	(34,882,935)	(52,236,974)
(Increase)/decrease in restricted cash	10,758,605	(7,214,626)	10,758,604	(7,214,626)
Net cash used in investing activities	(131,986,917)	(166,851,758)	(130,419,578)	(166,851,758)
Cash flows from financing activities:				
Proceeds from borrowings	201,864,436	105,546,176	201,864,436	105,546,176
Repayment of borrowings	(81,903,741)	(52,298,404)	(81,903,741)	(52,298,404)
Obligations under leases	(19,907,913)	-	(19,907,913)	-
Net cash generated from financing activities	100,052,782	53,247,772	100,052,782	53,247,772
Net decrease in cash and cash equivalents	(6,295,502)	(31,245,726)	(6,219,638)	(31,042,029)
Cash and cash equivalents at beginning of the period	53,011,748	89,564,964	52,806,185	89,027,405
Exchange gain on cash and cash equivalent	7,789	1,275,303	7,789	1,275,303
Cash and cash equivalents at end of the period	46,724,035	59,594,541	46,594,336	59,260,679