
**SYNTHESIS
MANAGEMENT REPORT
December 2021**



Introduction

Our economies have been strongly affected by the Covid crisis in 2020. This year, growth in sub-Saharan Africa is expected to be 3.7%, a favorable economic rebound despite the ongoing health crisis and the sharp depreciation of the Leone and the Guinean Franc.

The political and social environment remains fragile, with a tough security and geopolitical context in some of our countries of presence, exacerbated by a pervasive security threat in the Sahel, 2 countries in military transition (Mali and Guinea), political tensions in Senegal and Bissau.

Competition is intensifying in our markets, particularly in mobile money in Senegal and Mali, where the disruptive pricing policy has led to a questioning and repositioning of the players, the wholesale market has seen the arrival of infrastructure operators and the mobile market is experiencing strong competition on customer recruitment with increasingly abundant offers and an increase in the rate of multi sims.

The regulatory environment is getting tougher with the introduction of unfavorable decisions such as new quality of service and coverage requirements, the introduction of new taxes, the reduction of national interconnection prices, and still high frequency pricing.

In this context, **the Sonatel Group achieved remarkable operational and financial performance in 2021, demonstrating its exceptional resilience capabilities.** Indeed, the Group is the leader in all its countries of presence with respective volume market shares of 56% in Senegal, 56.4% in Mali, 59.2% in Guinea, 54.6% in Sierra Leone and 58.6% in Guinea Bissau.

The Sonatel group saw **a 6% increase in the number of subscribers to 38.3 million customers, an increase in revenue of 10.7% or an amount of XOF 128.8 billion and an increase of 11.8% in EBITDAal or +61.1 billion.** Strong, double-digit growth, based on excellent commercial performance as well as great operational efficiency, generating an EBITDAAL margin rate of 43.5%.

Growth driven by all five countries of presence, particularly Mali and Guinea. This was generated thanks to the strengthening of the contribution of Data, Fixed Broadband, the progression of voice and SVAs, diversification projects (energy, external assistance) that compensate the decline in the international market. Growth on all retail lines linked to the increase in customer base, data usage and the increase in 4G penetration rates.

In its perspective to increase the very high-speed coverage of the population and to considerably improve the customer experience, the Sonatel Group has once again this year pursued a sustained investment policy in both mobile and fixed broadband.

The Sonatel Group's commitment remains resolutely customer-oriented, and its vision focused on creating long-term value for all stakeholders in a changing environment with strategic, technological, and regulatory challenges.

While maintaining a comfortable lead on the 2021-2025 strategic plan, the Sonatel group intends to succeed in its growth challenges, pursue its quality-of-service ambitions by offering the best of digital technology in the service of the customer experience-, and to expand its contribution to the digital economy.

Group figures

Financial results as of December 31, 2021

in Mxof	2021.12 YTD		
	Actual	yoy	yoy %
Revenue	1 334 874	128 788	10,7%
Direct costs	-248 010	-7 591	-3,2%
% revenue	-18,6%	1,4	
Direct margin	1 086 864	121 196	12,6%
% revenue	81,4%	1,4	
Indirect costs	-506 588	-60 139	-13,5%
% revenue	-38,0%	0,9	
EBITDAaL	580 276	61 058	11,8%
% revenue	43,5%	0,4	
eCapex	213 884	9 473	4,6%
% revenue	16,0%	-0,9	
Operating Cash Flow	366 392	51 585	16,4%
% revenue	27,4%	1,3	
EBIT	399 655	60 573	17,9%
% revenue	29,9%	1,8	
Résultat financier	-24 178	5 282	17,9%
Résultat net	252 459	51 187	25,4%
% revenue	18,9%	2,2	

Evolution of the customer base

The Fixed, Mobile and Internet customer base grew by +6.2% compared to 2020 and reached 38.3 million thanks to good commercial momentum across the cluster with the positive impacts of boost customer base plans, combined with a good pace of customer recruitment around very high-speed internet.

décembre					
PARC FMI	Réel 2019	Réel 2020	Réel 2021	Réel 2021 vs Réel 2020	
Sénégal	9 575 174	10 594 894	11 212 287	↑	5,8% 617 393
Mali	11 881 918	12 400 000	12 560 554	↑	1,3% 160 554
Guinée	7 670 324	8 503 946	8 909 241	↑	4,8% 405 295
Bissau	709 819	801 536	1 113 517	↑	38,9% 311 981
Sierra Leone	2 473 881	3 234 775	3 835 865	↑	18,6% 601 090
Mobile	32 311 116	35 535 151	37 631 464	↑	5,9% 2 096 313
Fixe	206 173	227 623	254 686	↑	11,9% 27 063
Internet	228 640	315 780	431 406	↑	36,6% 115 626
TOTAL PARC	32 745 929	36 078 554	38 317 556	↑	6,2% 2 239 002

The mobile customer base totalled 37.6 million customers, up 5.9% driven by sales promotions, price changes, the launch of new offers, the expansion of network coverage with the opening of new sites and the improvement of the quality of services.

The number of active mobile Data customers of the Group reached 14.5 million, an increase of +14.1% yoy. The active 4G base, more than half of which in Senegal reached 8 million customers, an increase of +67% compared to 2020. This solid performance is supported by the strengthening of the deployment of very high-speed broadband (3G/4G/4G+).

Orange Money's active customer base reached the 10 million customer mark, up +13.4% year-on-year thanks to growth in the active base +1.2 million active customers (+4.7 million registered customers) compared to 2020 and usage (+18.2% transactions in volume over one year). Orange Money's penetration based on mobile subscribers has strengthened with one in four mobile customers using mobile financial services every month, an increase of 1.8 points.

The fixed broadband customer base has 431,406 customers (including 324,201 fiber and Flybox customers), an increase of 63.4% thanks to the acceleration of the deployment of Fiber in Senegal, Mali and a good increase in recruitment around the Flybox, particularly in Senegal and Mali, which represent 90% of the customer base. In addition, at the end of December nearly 75% of our Broadband customers have a Fiber or Flybox offer and more than 27.1% of the potential fiber connections had been connected.

Group turnover

Sonatel Group revenue amounted to XOF1,334.9 billion, up 10.7% (+128.8 billion) compared to 2020. This growth is driven by all the countries of the group including Senegal despite a sharp decline in the value of the mobile money market induced by the aggressive competitive environment.

Retail revenues represented 91.8% of revenue or XOF 1,225.1 billion, an increase of 12.1% driven by mobile data growth drivers, voice and fixed services driven by fixed broadband. The latter constitute the bulk of the revenue growth and increased respectively by 26.2%, 8.2% and 16.7% compared to 2020.

Data revenues represented XOF 359.9 billion in 2021, which is a contribution of 27% to the group's total turnover, up 3.4 points. An increase linked to the development of data usage with the expansion of 3G/4G network coverage thanks to broadband extension and densification projects, the launch of several innovative services and the good dynamics of subscriber bases.

Voice revenues represented XOF 549.2 billion in 2021, a contribution of 44.8% to the group's total turnover, up 8.2%.

Fixed Broadband revenues reached 54.4 billion, up +69.9% compared to 2020, thanks to the development of fiber. They represent 4.1% of the revenue and contribute 17.4% to revenue growth. Senegal and Mali account for the bulk of fixed broadband revenues.

Orange Money revenues amounted to 144.9 billion, a decrease of 6.2 billion (-4.1%) compared to 2020. Its contribution to the group's revenues is 10.9% or -1.6pts. This decrease in performance is linked to the strong competition in Senegal with the resulting price reduction as well as a decline in the orange money market share.

Wholesale revenues with 106.2 billion represent 8% of turnover and continue their decline (-2.1%) compared to 2020, which remains less significant compared to previous years thanks to the increase in national incoming traffic and the contribution of diversification projects.

Revenue **on international incoming traffic**, with 49.6 billion recorded a smaller decline than last year, when the decline was accentuated by the development of OTTs. Compared to 2020, this decrease of 13.9% is mainly driven by subsidiaries, particularly in Mali, due to the decrease in international inbound traffic due to the development of OTT traffic.

Revenue from **national interconnection** amounted to 33.3 billion and recorded an increase of 2.3 billion (+7.4%), mainly driven by Mali and Sierra Leone. This increase in revenue is linked to the increase in traffic following abundance offers.

Management Balances

The group's consolidated EBITDA amounted to XOF 580.3 billion at the end of December 2021. It recorded growth of 11.8% or +XOF 61.1 billion, thanks to the significant improvement in revenues associated with good control of expenses. The increase in indirect expenses due to business developments, the continued tax and regulatory burden and the deterioration in exchange rates was largely absorbed by revenue growth.

The operating margin amounted to XOF 399.7 billion, up by 60.6 billion (+17.9%) following growth from the operating margin reinforced by a control of depreciation and an improvement in financial results compared to last year.

The group's consolidated financial result remained negative at 21.7 billion and improved by 5.7 billion mainly in Senegal (renegotiation of interest rates on the market, early repayment following improvement in cash-flow).

The group's consolidated net income amounted to 252.5 billion. It recorded an increase of 25.4% (+51.2 billion) thanks to the good operating performance.

Investments

The Group's investments amounted to 213.9 billion at the end of 2021, up 4.6% (+9.6 billion). The CAPEX/turnover rate is down slightly by 0.9pt, around 16%. The achievements focused mainly on the mobile access network (extension, densification, 3G, 4G, 4G+) and the deployment of fiber.



SENEGAL

in Mxof	2021.12 YTD		
	Actual	yoy	yoy %
Revenue	507 740	11 677	2,4%
Direct costs	-108 082	7 381	6,4%
% revenue	-21,3%	2,0	
Direct margin	399 659	19 058	5,0%
% revenue	78,7%	2,0	
Indirect costs	-199 663	-15 813	-8,6%
% revenue	-39,3%	2,3	
EBITDAaL	199 996	3 245	1,6%
% revenue	39,4%	0,3	
eCapex	86 509	-1 828	-2,1%
% revenue	17,0%	0,8	
Operating Cash Flow	113 487	5 072	4,7%
% revenue	22,4%	0,5	

A year 2021 marked by:

- the stability of the health situation despite the resurgence of Covid cases in Q4 and the economic recovery.
- the increase in price of necessities strongly decried by the population
- the strong competition on mobile money with aggressive pricing that has a significant impact on Orange Money revenues following the initiated response
- the historic performance on the mobile segment to partially catch up on orange money revenue
- the fine of XOF 16 billion from the ARTP against Orange following the quality-of-service measurement campaign which has been appealed to courts.

SENEGAL	Real 2021	Real 2020	Real 2021 vs Real 2020
Number of customers	11 812	11 072	6.7%
Fixed	255	228	11.9%
High speed Fixed internet (ADSL/FIBER/FDD/TDD)	345	250	38.1%
Mobile customers	11 212	10 595	5.8%
Mobile data customers	5 040	4 356	15.7%
Active 4G customers	4 106	2 683	53.1%
Orange Money customers	5 268	4 826	9.2%
OM active 30days customers	3 000	2 947	1.8%

Mobile customer base of 11.2 million mobile customers at the end of December, up by 617,000 vs 2020 thanks to a good sales promotion strategy which resulted in a significant annual growth of 1.02 million.

The Mobile Data customer base recorded a good performance thanks to the good commercial momentum around 4G/4G+. It reaches 5 million active customers including 4.1 million active 4G customers (+1.4 million compared to 2020).

The Orange Money customer base recorded 3 million active customers, an increase of 53,000 customers despite the strong competitive aggressiveness.

The fixed Broadband customer base reached 345,000 customers at the end of 2021, an increase of +38% compared to 2020 thanks to the acceleration of fiber deployment which recorded 100,600 customers, an increase of 38,700 customers, and the Flybox with 139.6 thousand customers (up +67,200 vs 2020).

Traffic: On the national level, an increase in outbound (+51%) driven by a customer base effect, the inbound is down 10% following the repositioning of the competitor's bundles (Decrease in the number of minutes all networks). Quasi-stability of hubbing (-1%) and international incoming vs December 2020.

Senegal's turnover stood at XOF 507.7 billion in 2021 against 496 billion in 2019, a growth of 2.4% (XOF +11.7 billion) mainly driven by the good performance of Retail via prepaid mobile, fixed broadband, and integration.

The 2021 financial year is marked by a sharp decline in **Orange Money revenues**, whose contribution to Senegal's result fell by 50% following the price repositioning carried out during 2021 and the aggressiveness of the competition.

Wholesale revenue growth by 3.4% after several years of decline, mainly driven by revenues related to the delegated management contracts signed with SBIN (Société Béninoise d'Infrastructures Numériques) and with the ERP Shared Service Center.

Direct costs decreased by 6.4% (XOF -7.4 billion) vs. 2021 and contributed to the improvement of the direct margin by 5%. This decrease reflects different trends, in particular savings on Orange money commissions following the drop in turnover and a quasi-stability in interconnection costs, with a slight increase of 1.2%.

Indirect costs showed an increase of XOF 15.8 billion, driven in particular staff costs (three-year increase), taxes and communication expenses following the resumption of post-covid activities and the response to Orange Money offers.

Senegal's EBITDA amounted to XOF 200 billion, up 1.5% vs. 2020, or XOF 2.9 billion thanks to the good performance of the direct margin in connection with the good performance of prepaid, fixed broadband, wholesale, and integration revenues, despite the health crisis and an aggressive competition (aggressive pricing on the mobile money market). A growth in indirect costs accentuated by the provision on the fine imposed by the ARTP, which mitigates the YoY's EBITDAal growth. The Ebitdaal rate is 39.4% against 39.7% in 2020, a slight deterioration of nearly 0.3 points.

Operating income posted XOF 124.6 billion, up 4.2 billion (3.5%) compared to 2020 due to the increase in EBITDAal and the decrease in restructuring costs, recorded in 2020 following merging entities. Annual depreciation amounted to XOF 76.3 billion, an increase of 0.8% compared to 2020 in connection with the investment effort.

The Financial Result is XOF -15.5 billion vs -19 billion in 2020 related to the sharp depreciation of the Guinean Franc and the decrease in dividends received.

Net income amounted to XOF 163.5 billion, up 4.5% or XOF +7 billion compared to 2020. The net margin rate is 32.2%, or +0.7-point vs 2020.

Senegal's investments amounted to XOF 86.5 billion, a decrease of 1.8 billion vs 2020 (-2.1%). The achievements are mainly focused on 3G/4G extension and densification, prices, LTE, FTTH, EXTENSIONS on IN and IP/MPLS, core network, fiber, energy and environment, IT infrastructure and digital.

in Mxof	International		
	Actual	yoy	yoy %
Revenue	862 198	114 787	15,4%
Direct costs	-168 538	-13 410	8,6%
% revenue	-19,5%	1,2%	-5,8%
Direct margin	693 660	101 377	17,1%
% revenue	80,5%	1,2%	1,5%
Indirect costs	-313 380	-43 564	16,1%
% revenue	-36,3%	-0,2%	0,7%
EBITDAaL	380 280	57 813	17,9%
% revenue	44,1%	1,0%	2,2%
eCapex	127 375	11 301	9,7%
% revenue	14,8%	-0,8%	-4,9%
Operating Cash Flow	252 905	46 512	22,5%
% revenue	29,3%	1,7%	6,2%

In 2021, the Group recorded solid performances at the international level supported by good commercial momentum despite a precarious political and security situation in Mali and Guinea, a difficult competitive environment, and the tightening of tax regulations with new taxes on the telecom sector in Guinea, Bissau and Sierra Leone. combined with the context of the health crisis.

Evolution of the customer base

International sales have achieved very good commercial performance.

INTERNATIONAL	Real 2021	Real 2020	Real 2021 vs Real 2020
Number of customers (thousand)	26 506	25 006	6.0%
High speed Fixed internet (FIBER/FDD/TDD)	86	66	30.9%
Mobile customers	26 419	24 940	5.9%
Mobile data customers	9 473	8 360	13.3%
Active 4G customers	3 866	2 101	84.0%
Orange Money customers	16 058	11 778	36.3%
OM active 30days customers	6 982	5 855	19.3%

The **mobile customer** base grew by **1.5 million** subscribers to **26.4 million subscribers**, an increase of **5.9%** driven by the good recruitment momentum in the different country of presence thanks to sales promotion, price redesigns and the attractiveness of offers.

At the end of 2021, **Data** mobile recorded a customer base of **9.5 million customers**, up **13.3%**, thanks to the acceleration of the deployment of very high-speed broadband, the extension of network coverage and good commercial momentum. The active 4G base reached **3.9 million customers**, an increase of **+84.0%** compared to 2020.

The **Orange Money customer base** reached **16.1 million registered customers**, including nearly **7.0 million active customers**, an increase of **19.3%** despite the difficult competitive environment of the mobile money market made up of a multitude of players adopting very reduced rates.

Fixed services totaled **86.4 thousand in access**, up **30.9%**, mainly driven by the growth of the flybox customer base, particularly in Mali thanks to good commercial momentum.

Turnover

A strong international presence representing a turnover of **XOF 862.2 billion**, up **15.4%** compared to 2020. This increase is mainly driven by revenues from Retail Data, voice, Broadband fixe and Orange Money, particularly in Mali, Guinea, Sierra Leone, and Bissau to a lesser extent. Nevertheless, this decline is mitigated by the drop in wholesale, and all countries except Sierra Leone, with a continuous decrease of the international entrant despite the good momentum on the national.

Data revenue stood at **221.4 billion**, up **33.9%**, driven by the significant increase in the active customer base and an increase in traffic in connection with the 3G/4G network coverage expansion programs (All 4G plan in Mali, UMTS 900 in Guinea, mobile extension project in Bissau).

Orange Money's international turnover amounted to **XOF 116.9 billion**, up **25.1%** thanks to the increase of the customer base, good commercial momentum, and the strengthening of the distribution network, despite the decrease in rates in Mali in Q4 2021 due to competitive aggressiveness.

International EBITDAal reached **380.3 billion** in 2021. This increase of **17.9%** compared to 2020 is mainly driven by Mali and Guinea, which account for 84% of growth. Nevertheless, Sierra Leone and Orange Bissau also achieved exceptional results with respectively EBITDAAL growth of 49.3% (despite the deterioration in the exchange rate) and 37%.

Overall, this increase is mainly due to revenue growth, mitigated however by higher expenses resulting from the development of the business, the impact of regulatory changes and currency effects in Guinea and Sierra Leone. The Ebitdaal ratio stood at **44.1%**, up **1 point** compared to 2020. The conversion rate of EBITDAAL's growing revenue growth is **50.4%**.

Investments

Capex stood at **XOF 127.4 billion** internationally, up 9.7% compared to 2020, driven by all countries except Sierra Leone in support of the growth of the access network activity. This increase in investments is driven by the ALL4G program in Mali, the extension of the network, the deployment of UMTS900 in Guinea, the ASAP project for the extension and finally a complete swap of the network in Bissau.