MTN Group Limited

Quarterly update for the period ended 31 March 2020

(Incorporated in the Republic of South Africa)
(Registration number: 1994/009584/06)
(Share code: MTN)
(ISIN: ZAE000042164)
(MTN or the group)

Quarterly update for the period ended 31 March 2020

MTN is an emerging market mobile operator with a clear vision to lead the delivery of a bold, new digital world to our 257 million customers across 21 operations. We are inspired by our belief that everyone deserves the benefits of a modern connected life.

Salient features

- Subscribers increased by 6,6 million to 257,3 million
- Active data subscribers increased by 2,9 million to 98,3 million
- Active MTN Mobile Money (MoMo) customers increased by 0,4 million to 35,1 million
- Group service revenue increased by 11,1%
- Group earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 43,2% (from 41,1%)
- MTN South Africa service revenue decreased by 6,2%, with an EBITDA margin of 36,6% (from 38,8%)
- MTN Nigeria service revenue increased by 16,7%, with an EBITDA margin of 52,7% (from 53,3%)

Unless otherwise stated, financial growth rates are presented on a constant currency basis and are year-on-year (YoY, 1Q20 versus 1Q19). Non-financial growth rates are presented quarter-on-quarter (QoQ, 1Q20 versus 4Q19).

Service revenue excludes device and SIM card revenue. Data revenue is mobile and fixed access data and excludes roaming and wholesale. Fintech includes MoMo, insurance, airtime lending and e-commerce. Active data users include all subscribers at a point in time who are part of the RGS90 subscriber base who, in the 30 days prior to that point in time had data usage greater than or equal to five megabytes. Excluding telemetry (machine to machine) subscribers based on tariff. MoMo users are 30-day active users.

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Group president and CEO, Rob Shuter comments:

"The effects of the COVID-19 pandemic on the global economy have brought about unprecedented uncertainty, volatility and challenges which are impacting our markets at both socio-economic and macroeconomic levels. The impact of the pandemic on our quarter one performance was not significant as lockdown restrictions for our consolidated subsidiaries were only implemented from the last week of March 2020.

For the first quarter, MTN delivered a solid performance by increasing service revenue by 11,1% and EBITDA by 15,6% with the EBITDA margin improving by 2,1pp to 43,2%, in line with our medium-term targets.

MTN Nigeria and MTN Ghana generated strong double-digit service revenue growth and improving EBITDA margins, contributing to the solid group performance.

MTN South Africa's (MTN SA) performance was negatively impacted by the wholesale business, as we continue to account for Cell C roaming revenue on a cash basis, as well as the loss of revenue from the Telkom roaming agreement which came to an end in June 2019. We are encouraged by the stabilisation of the consumer prepaid business which was affected by the implementation of the new out-of-bundle data usage rules. Also pleasing was the continued progress in the enterprise business, which recorded 8,2% service revenue growth.

The group recorded voice, data and fintech revenue growth of 6,3%, 26,4% and 26,0% respectively as we continued to execute on our strategic objectives and progress toward becoming a digital operator. Digital revenue has returned to growth, increasing by 15,6%.

We continued to build commercial momentum, adding 6,6 million subscribers in the quarter, with active data users increasing by 2,9 million and MoMo subscribers by 0,4 million. We continued to scale our Ayoba platform, recording 2,6 million monthly active users. We accelerated our MoMo agency network in Nigeria under our super-agent licence, adding 70 000 agents in the first quarter and bringing the total number of registered agents to 178 000.

In these difficult times we continue to focus on our key priorities: looking after our people, our customers and our networks while we focus on efficiencies. For our people, the immediate priority is their health and safety, where the work-from-home programmes across our markets empower our staff to work remotely while ensuring continuity in our operations. For our customers, we have ramped up our digital channels as a service alternative to enable them to continue purchasing airtime and accessing our products and services seamlessly as well as launching ***Y'ello*** Hope Packages in most of our markets. Our various initiatives support governments across our markets with communication systems and connectivity as we do our part to help minimise the economic and social impact.

The COVID-19 situation is an evolving one and will undoubtedly affect the year ahead. Given the uncertainties associated with the duration and economic impact of the pandemic, it is difficult to reliably quantify the direct and indirect financial effects on the business at this early stage. The group will continue to focus on business continuity and efficiency, and we have implemented strict measures to preserve resources and strengthen our resilience.

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We maintain our medium-term guidance and will update the market in future of any changes in that regard. The group remains committed to delivering on its strategy including delivering on our asset realisation programme, which aims to simplify our portfolio, reduce risk, improve returns and realise capital of at least a further R25 billion over the medium term."

The group's results are presented in line with the group's operational structure. This is South Africa, Nigeria, the Southern and East Africa and Ghana (SEAGHA) region, the West and Central Africa (WECA) region and the Middle East and North Africa (MENA) region and their respective underlying operations.

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

MTN South Africa

MTN SA has seen its **prepaid business** starting to recover, following the impact of regulation changes, while the **postpaid customer base** saw an increase in net additions in challenging macro and competitive environment. The revival in the **enterprise business** continued, with growth for a second consecutive quarter. This progress validates the investment made in MTN SA's leading network, which once again won the *Best in Test* Award for the third successive year.

MTN SA recorded a slight increase in total subscribers (by 75 000 QoQ) to end the quarter with a base of 29,0 million. Service revenue declined by 6,2% owing largely to a sharp reduction in wholesale revenue resulting from the effects of a change to cash accounting for Cell C roaming revenue and the loss of the Telkom roaming agreement. If we adjust the numbers by removing national roaming (both Cell C and Telkom), then overall Q1 service revenue for MTN SA would have been flat, highlighting the progress made in the underlying business. The momentum in overall data revenue in MTN SA has also been pleasing and grew by 7,1%, supported by a 53% YoY increase in traffic.

The overall first quarter performance was impacted by a challenging trading environment brought about by weak macroeconomic conditions compounded by the global outbreak of the COVID-19 pandemic, currency depreciation and loadshedding.

The **consumer prepaid** business continued on its improving trajectory, with service revenue coming in flat YoY, compared to a decline of 4,1% in 2019. The performance of the business remained affected by the base effects of the Independent Communications Authority of South Africa's (ICASA) end-user subscriber regulations, with out-of-bundle (OOB) data revenue still included in the first two months of the prior period before the new regulations took effect from 1 March 2019. There was encouraging momentum in prepaid data revenue, which increased by 3,3% YoY. This was driven by a 31,0% increase in prepaid data traffic following a slight decline of 0,7% in 2019.

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MTN SA made further progress in lowering churn and stabilising the quality of the prepaid base. In 2019, these interventions included the discontinuation of the loss-generating 1GB acquisition promotion along with similar incentives in prepaid, which helped to drive distribution cost efficiencies. The trajectory in net additions has stabilised and started to show a steady recovery over the past few quarters, with a 0,1 million QoQ reduction in prepaid subscribers in Q1, to a closing base of around 22,7 million. MTN SA continues to focus on making data more affordable for its customers, which is evident in the 21,0% YoY reduction in the effective prepaid data tariff.

The **consumer postpaid** business service revenue was flat YoY in a competitive market. The postpaid subscriber base was also flat, reflective of the tight competitive environment and pressure on consumers due to tough economic conditions. The slower acquisition volumes were also a result of stricter vetting rules aimed at reducing credit risk.

Wholesale revenue declined by 44,0% YoY. This resulted from our roaming agreement with Telkom having concluded at the end of June 2019 as well as lower revenue recognised from Cell C due to the ongoing cash basis of accounting.

For Cell C specifically, roaming revenue continued to be accounted for on a cash basis in line with IFRS 15 and MTN SA recognised approximately R292 million in revenue during the quarter. At 31 March 2020, R450 million in Cell C revenue remained unrecognised. MTN SA commenced phase two of the roaming agreement with Cell C, effective 1 May 2020.

The progress made in the **enterprise** business continued in Q1 2020, where growth was achieved for the second consecutive quarter with service revenue up 8,2% YoY. The business continued to benefit from interventions aimed at stabilising churn, adding new corporate customers and driving growth in our ICT offering.

MTN SA's **EBITDA** margin was 36,6%, a decrease of 2,2pp due to the factors mentioned above, including the reduction in OOB data and national roaming revenue.

As part of the group-wide response to the **COVID-19** pandemic detailed later in this report, MTN SA has implemented several initiatives to assist in reducing cash circulation and containing the spread of COVID-19. The MTN MoMo app allows free person-to-person cash payments under R200, while a number of electronic transfer and payment channels on our platforms will also be zero-rated. To further ease the burden on consumers, MTN SA has also launched discounted social bundle prices to MoMo users and waived in-app cash service fees.

For our communities, MTN has eased the COVID-19 disruption with digital innovations, including zero-rated channels for the benefit of businesses, schoolchildren and families across South Africa. MTN SA has also zero-rated USSD lines and other COVID-19 channels, including Ayoba, to report infections and other critical information.

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In aid of the Department of Basic Education's academic recovery plan, MTN SA is supporting learners by providing access to a number of e-learning platforms, which are zero-rated for all MTN customers. The MTN Foundation has also contributed R3 million to sponsor students to have full access to a broad range of learning materials.

The assistance in combating COVID-19 in South Africa extends to the Department of Health through the supply of personal protective equipment including the delivery of more than 30 000 face masks and 18 000 bottles of hand sanitisers to provincial health departments to date.

MTN Nigeria

MTN Nigeria followed the encouraging momentum achieved in Q4 2019 with another solid performance in Q1 2020, where double-digit service revenue growth accelerated to 16,7% YoY, supported by voice and data growth.

Voice revenue growth remained healthy at 7,4%, supported by subscriber growth. MTN Nigeria continued to gain market share and added 4,2 million subscribers to its network to end the quarter at 68,5 million. This was underpinned by the deployment of additional subscriber registration devices, while the continued implementation of various customer value management (CVM) initiatives also helped to increase voice traffic.

Data revenue continued to accelerate with growth of 59,2% YoY. This was achieved through a higher number of active data subscribers, which increased by 1,7 million to 26,8 million, as well as improved 4G penetration, which supported traffic growth of 130,4% YoY. Some 1,6 million new smartphones joined the network, bringing smartphone penetration to 42,6% of the base.

The digital business returned to growth, with revenue increasing 63,7% supported by an improved uptake of products within our portfolio of digital offerings and improvements in the customer journey experience. During the quarter, we added 1,7 million new users, bringing the active base for digital subscriptions to 3,8 million users.

Fintech revenue grew by 36,3% in Q1 2020, driven by an increase in the adoption of MTN Xtratime, an airtime lending service. MTN Nigeria added 70 000 MoMo agents in the quarter, bringing the total number of registered agents to 178 000 nationwide. As part of the ***Y'ello*** Hope Package, transaction fees were suspended for all money transfers using the MoMo agent network for an initial period of one month starting 23 March 2020.

The **enterprise** business segment continued to improve, with revenue growth of 12,7%.

EBITDA rose by 15,3% YoY, while the EBITDA margin moderated by 0,7pp to 52,7% due to the increase in costs relating mainly to higher lease rentals following an aggressive 4G roll site rollout, as well as once-off costs relating to litigation and value added tax (VAT) that was implemented during the period.

In terms of the agreements MTN Nigeria has with tower companies, a component of the payments are quantified in foreign currency. The recent reset by the Central Bank of Nigeria (CBN) to a naira/US dollar exchange rate of N360, from N305, will apply to the relevant contracts with effect from 1 April 2020 and will have an impact on MTN Nigeria margins going forward. MTN Nigeria is in continued discussions with tower providers to optimise the terms of these long-term contracts.

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Southern and East Africa and Ghana (SEAGHA)

The **SEAGHA region** recorded solid service revenue growth of 21,2%, with all operations achieving growth in Q1 2020. The region recorded a 1,5 million increase in subscribers to 50 million.

MTN Ghana was once again a key contributor to the region's strong performance, with service revenue up 20,6%, supported by voice and data growing in double digits as well as continued strong growth in fintech revenue (up 31,6%). The EBITDA margin expansion achieved of 5,3pp, to 53,3%, was supported by various cost-efficiency initiatives including enhanced penetration of electronic distribution channels, realigning the device strategy and optimising network costs.

MTN Uganda also delivered a solid performance with service revenue up 13,4%, driven by accelerated growth in voice (up 9,5%), data (up 29,1%) and fintech revenue (up 15,2%). The EBITDA margin declined 1,2pp to 48,5% because of higher provisions.

Overall, the SEAGHA portfolio excluding MTN Ghana delivered pleasing service revenue growth of 21,9% in the quarter.

West and Central Africa (WECA)

The **WECA region** delivered a solid performance. Service revenue grew by 9,8% YoY, significantly above the blended average inflation of approximately 3,5% across the region. This performance was enabled by improvements in fintech and data revenue and continued customer growth across the markets of 0,4 million QoQ to 36,6 million.

MTN Ivory Coast delivered a 6,7% increase in service revenue, supported by growth in data (up 18,9%) and fintech (up 11,6%). The EBITDA margin expanded by 4,9pp to 25,7%.

MTN Cameroon recorded service revenue growth of 8,7%, supported by double-digit growth in data (up 22,6%) and fintech (up 50,4%), notwithstanding the continued challenging environment marked by conflict in the northwest/southwest regions. The EBITDA margin for MTN Cameroon widened by 3,0pp to 32,8%.

Excluding MTN Cameroon and MTN Ivory Coast, the WECA markets grew their service revenue by an aggregate of 12,9%, driven by double-digit service revenue growth in MTN Benin, MTN Conakry and MTN Liberia.

Middle East and North Africa (MENA)

In a challenging operating environment, the **MENA region** achieved a pleasing performance in the quarter, with service revenue up 24,0%, supported by solid growth in data revenue. Subscribers (excluding MTN Irancell) were stable at 26,1 million.

MTN Syria grew service revenue by 20,7%, driven by growth in voice (up 8,3%) and data (up 19,8%). The EBITDA margin improved by 6,5pp to 42,1%. **MTN Sudan** grew service revenue by 62,7%, underpinned by growth in voice (up 47,6%) and data (up 92,3%) on the back of higher usage. The EBITDA margin expanded by 3,8pp to 36,5%. **MTN Afghanistan** and **MTN Yemen** also delivered growth, with service revenue up by 16,2% and 7,3% respectively.

MTN Irancell, our equity-accounted joint venture, delivered a solid performance despite its challenging operating environment, the depreciation of the currency and the high rate of inflation. MTN Irancell was the only operation to be significantly affected by COVID-19 during Q1, as Iran was one of the countries experiencing the pandemic

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early on. Against this backdrop, service revenue grew by 29,8%, with data revenue up by 43,5%, and the EBITDA margin improving by 1,8pp to 37,9%.

Regulatory and legal considerations

MTN Afghanistan anti-terrorism complaint

On 27 December 2019 a complaint for violation of the Anti-Terrorism Act was filed in the United States District Court for the District of Columbia (the Complaint). The Complaint was filed on behalf of American service members and civilians who were killed or wounded in Afghanistan between 2009 and 2017, and on behalf of their families. The Complaint alleges that several Western businesses supported the Taliban by, *inter alia*, making payments to ensure the protection of their infrastructure. The defendants named in the Complaint are six different groups of affiliated companies, one of which is MTN and certain of its subsidiary companies, including MTN Afghanistan.

In late April 2020, MTN filed a 'motion to dismiss' that asks the United States court to end the lawsuit and grant a judgment in MTN's favour for two independent reasons: because the court lacks jurisdiction over MTN, which does not operate in the United States, and because the complaint does not allege any conduct by MTN that would have violated the Anti-Terrorism Act.

MTN remains of the view that it conducts its business in a responsible and compliant manner in all its territories and will defend its position where necessary.

MTN South Africa Competition Commission inquiry

In March 2020, MTN SA announced the outcomes from its engagement with the Competition Commission (CompCom) and its response to the Data Service Market Inquiry. The announcement set out a range of voluntary solutions to deepen our ongoing drive to reduce the cost to communicate. These focused on the affordability of monthly prepaid data bundles, the provision of lifeline data access utilising the Ayoba app and the zero-rating of data for public benefit service websites.

In late April 2020, MTN SA concluded its consent agreement with the CompCom to regulate these arrangements and the agreement has been submitted to the Competition Tribunal.

Spectrum temporary allocation and auction in South Africa

On 17 April 2020, ICASA released free emergency spectrum for use by operators during the national state of disaster. The allocation of spectrum to MTN SA was: 40 MHz from the 700 to 800 MHz band, 50 MHz from the 2,6 GHz band and 50 MHz from the 3,5 GHz band. The temporary allocation is subject to certain minimum obligations. MTN SA will be ready to make use of the additional spectrum allocation within six weeks of it being issued and we expect it to significantly ease the congestion in hotspots across the country where data traffic has surged. The temporary spectrum will be available for use until November 2020.

Uganda licence renewal

We have agreed with the authorities in Uganda to extend our licence in that market to June 2032, for a consideration of US$100 million. We made an initial payment of US$50 million in March 2020 and the final payment will be made on settlement of the detailed terms and conditions of the licence.

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COVID-19 pandemic impact on the business

For MTN, the main considerations arising from the COVID-19 impact revolve around four areas namely: **social** (our people and communities), **commercial** (including our customers), **network and supply chain**, as well as **funding and liquidity**. Our operating companies (opcos) have customised their respective responses within this framework.

Social

Our immediate priority has been the health and safety of our people and playing our part in slowing down the transmission of the virus. We initiated work-from-home programmes across our markets, enabling our staff to work remotely while ensuring the continuity in our operations. Our daily health monitor survey allows us to ascertain the wellbeing of our staff and their families and we have increased our health and safety measures, including the compulsory wearing of masks, as well as the use of alcohol-based hand sanitisers and other personal protective equipment (PPE) across our offices, branches and experience centres for use by customers and employees.

More broadly, in addition to our employees, our social response also focuses on our customers, vulnerable groups, support of government efforts and participating in industry interventions. To this end, MTN Group has announced a R250 million relief package to be deployed in four areas. Firstly, we established the MTN Global Staff Emergency Fund for employees impacted by the pandemic. The relief fund has been launched in part through the contributions of MTN Group directors, executives and staff. This includes a pledge from the chairman, group CEO, group CFO and a number of directors to contribute 30% of their board fees and salaries for the second quarter.

Secondly, we have invested in ***Y'ello*** Hope Packages for customers. This includes free SMS services, the waiving of fees for certain Mobile Money transactions, discounted calling during off-peak periods, zero-rating of certain health, social services and educational sites and payment concessions to our business customers.

Thirdly, the group will contribute R70 million towards the MTN Foundations across our markets, which have been mobilised to reach those most vulnerable through contributions towards tackling health emergencies to minimise the spread of COVID-19 (disease commodity packages and ICT services needed for health ministries and health professionals) and enabling students to remain productive by accessing vital school and university content. Finally, as part of these initiatives contributions MTN will make a contribution to the government's Solidarity Fund in South Africa, the market of its birth.

Many of these initiatives are also being amplified at an opco level in our various markets.

Commercial

From March 2020, countries within our footprint implemented a series of restrictions on people's movements and business operations to varying timelines and degrees ranging from full lockdowns, partial lockdowns to 'business as usual'. We have observed varying impacts on our commercial performance, including a slowdown in subscriber additions and recharges.

There has been some counterbalance to this from reduced churn and increased electronic recharges as we have ramped up our digital channels as a service alternative, to ensure that customers are able to continue purchasing airtime and accessing our products and services seamlessly. This has also provided some mitigation for distribution costs. From a revenue viewpoint, the trends have indicated some shift in mix, with data revenue

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increasing, roaming declining and voice revenue coming under pressure. Fintech revenue has also come under pressure due to the restriction of movement and as our opcos have discounted many of their fintech services in support of COVID-19 initiatives.

The increase in demand for our data and digital services has driven a surge in usage and traffic on our networks. In addition to the effects of increased teleworking and home data usage, the increase in data traffic has also been driven by some of the relief packages and additional value we have put into the market in support of customers and stakeholders during this time.

Data traffic on our networks has, on aggregate, accelerated by more than 30% when comparing traffic levels at the end of April 2020 against February 2020, which is before COVID-19-related behaviour, such as work-from-home, began in earnest. In our three largest markets on this basis, data traffic in MTN Nigeria was up 32% (and 156% YoY), in MTN SA was up 56% (and 85% YoY) and in MTN Ghana was up 39% (181% YoY).

The picture for voice revenue has thus far been mixed across our opcos. The disruption of COVID-19 has resulted in a slowdown in voice usage due to lower economic activity, which has been compounded by the abovementioned migration to digital connectivity arising from increased teleworking. For voice traffic, we have observed aggregate declines averaging in the mid- to upper-single-digits in most markets when comparing 2020 traffic levels for end-April against end-February. On the same basis, voice traffic in MTN Nigeria was down 9% (and 9% YoY), in MTN SA was down 3% (and 10% YoY), while in MTN Ghana it was up 10% (and 31% YoY).

How these dynamics will settle remains uncertain at this relatively early stage and we expect this to become clearer in the coming quarters depending on how national responses and the economic impact thereof unfold. The initial trends from April indicate pressure on voice revenue because of lockdowns, particularly in those of our markets with lower penetration of electronic recharges. However, we are encouraged that in markets where some lifting of restrictions has started to happen, such as Nigeria and Ghana, we have already noted signs of recovery in subscriber additions, recharges and voice traffic, while data traffic appears to be holding up at current elevated levels.

Network and supply chain

Our core connectivity services have become more critical over this period and we have prioritised network continuity, focusing on the availability of spares and equipment as well as the upgrading of capacity. We note that in some markets like South Africa, the regulator has provided free additional spectrum on a temporary basis which will help alleviate the pressure on network from increased traffic in these markets. Our biggest focus for the remainder of the year is ensuring the resilience and capacity of our networks.

To date, there has been moderate disruption to our supply chain. We have put measures in place to ensure resilience of our networks and mitigate supply chain risk and are working closely with our suppliers and partners in implementing increased visibility and control processes. We have built up inventory and have procured critical spares for at least 12 months. MTN SA, our principal device market, is experiencing some challenges with the availability of top-end handsets and there are also some impacts on procurement of SIM cards. We continue to closely monitor our inventory to minimise significant interruptions.

Funding and liquidity

We have worked to ensure balance sheet strength and resilience over the past few years, which positions us relatively well to weather the prevailing volatility. Our holdco net debt stood at R55,4 billion at March 2020, which

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is slightly lower than the December 2019 level. As at the end of March 2020, our holdco leverage was at 2,5x, primarily affected by the 21,5% weakening of the rand against the US dollar as at the end of the period.

We are comfortably within our debt covenants, which are gauged on a group consolidated basis. Our group net-debt/EBITDA ratio stood at 1,1x as at 31 March 2020 (31 December 2019: 1,3x) against our covenant of 2,5x and our interest cover ratio at 31 March 2020 was 9,4x (31 December 2020: 6,6x) compared to the covenant of 5,0x. Our group cash balance at the end of March 2020 stood at R42,1 billion.

We continue to actively manage our maturity profile and have made good progress on our 2020/2021 refinancing priorities, with approximately R15 billion (R12,5 billion in term and revolving credit facilities, plus R2,5 billion in a domestic medium-term note (DMTN) programme) in debt maturing over the next 10 months that we are refinancing this year. Of the total refinancing, we have already concluded R1 billion in local capital markets (under DMTN). This transaction was successfully closed amid volatile and uncertain local market conditions. We are at an advanced stage in securing R11 billion of the R12,5 billion of bank funding by the end of June 2020.

We continue to be prudent in our approach around liquidity management and note that, as at 31 March 2020, our holding company liquidity headroom stood at approximately R45,2 billion – comprising R19,3 billion in cash and R25,8 billion in committed, undrawn credit facilities. The final dividend payment of approximately R6,7 billion was paid after the quarter-end. Our debt maturity profile for 2020 and 2021 is R6,5 billion and R12,2 billion respectively.

In terms of dividend upstreaming from our two larger markets, MTN Ghana declared an interim dividend in April, of which approximately US$61 million is attributable to the group, and MTN Nigeria declared its final 2019 dividend in February, of which approximately US$131 million is attributable to the group subject to shareholder approval at its AGM on 15 May 2020.

Our medium-term priorities remain to reduce our exposure to US dollar debt and improve the funding mix at the holdco level. Amid the nearer-term risks and uncertainties of the impact of COVID-19 on markets, we remain focused on preservation of cash and maintaining a healthy liquidity position.

Outlook

Looking ahead, the current environment is marked by significant uncertainties. It is still too early to assess the economic impact of the pandemic on our customers and reliably quantify the direct or indirect financial effects on our business. The remainder of the year will be shaped by the ramifications of the pandemic and we will continue to update shareholders as the effects become clearer.

The effects of COVID-19, and other macro developments, have increased risks such as exchange rate volatility, economic growth and capital flows in our markets. We have seen the sovereign credit ratings of our two largest markets, South Africa and Nigeria, downgraded by credit ratings agencies in the past few months. This will have an impact on economic prospects of the markets as well as MTN at a group and opco levels. We monitor these developments very closely to assess their implications, and manage our responses, in order to mitigate these risks. In the meantime, we believe that our extensive interventions already being implemented will safeguard the sustainability of the business, its people and its customers in the prevailing challenging environment.

In addition to the work we have done around further strengthening our operational and financial position, we have implemented cost control measures, focusing on mission critical expenses and enhanced oversight of expenditure.

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Our capital expenditure (capex) focus will be on ensuring the resilience and capacity of our networks. We anticipate that disruptions in the supply chain and challenges in rolling out coverage under lockdown rules, combined with our emphasis on liquidity, will impact on our capex programme for the year. Our updated capex guidance for 2020 is between R21 billion and R22,0 billion, from R28,3 billion guided at the 2019 results.

We are not only focused on managing the risks brought about by COVID-19, but also on the opportunities it creates in the accelerated digitalisation it has brought about. We are well positioned as a company to benefit from this evolution, especially given our focus on growth in our data, digital and financial services businesses. The group remains focused on the execution of our BRIGHT strategy to deliver sustainable growth in our operations.

While the current financial year will be challenging, at this stage we are maintaining our medium-term framework. We are progressing with the expense efficiency initiatives across our markets that will support margin management and liquidity across the business. Over the next three to five years we remain committed to growing service revenue, improving efficiencies, executing on our asset realisation programme and reducing our holdco leverage ratio. The board will continue to monitor the environment in the context of our clearly defined capital allocation framework and provide any update in this regard with our interim results in August 2020.

The financial information on which this quarterly update is based, including constant currency information, has not been reviewed and reported on by MTN's external auditors. Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the prior financial reporting period's results have been adjusted to the current period average exchange rates determined as the weighted average of the monthly exchange 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 year constant currency results compared to the current year 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 and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied.

Fairland
14 May 2020

Lead sponsor
Tamela Holdings Proprietary Limited

Joint sponsor
JP Morgan Equities (SA) Proprietary Limited

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Subscribers
Including WIMAX
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Country	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
South Africa	**30 010**	**29 248**	**28 948**	**28 890**	**28 966**
Postpaid	5 866	5 899	5 979	6 086	**6 270**
Prepaid	24 144	23 349	22 969	22 804	**22 696**
Nigeria	**60 265**	**61 498**	**61 633**	**64 310**	**68 489**
SEAGHA	**45 044**	**45 992**	**47 008**	**48 489**	**49 995**
Ghana	18 595	18 874	19 181	19 777	**20 674**
Uganda	11 713	11 937	12 124	12 642	**13 196**
Rwanda	4 600	4 677	4 906	5 203	**5 205**
Zambia	6 381	6 751	7 004	6 989	**6 941**
South Sudan	1 103	1 129	1 155	1 232	**1 314**
Botswana (joint venture)	1 703	1 676	1 684	1 709	**1 709**
eSwatini (joint venture)	948	948	954	937	**957**
WECA	**32 361**	**33 762**	**34 595**	**36 203**	**36 641**
Ivory Coast	11 357	11 742	12 007	12 408	**12 220**
Cameroon	8 742	9 360	9 199	10 170	**10 182**
Benin	5 114	5 238	5 462	5 494	**5 624**
Guinea-Conakry	2 932	3 140	3 411	3 362	**3 563**
Congo-Brazzaville	2 419	2 463	2 518	2 625	**2 808**
Liberia	1 033	1 026	1 184	1 297	**1 380**
Guinea-Bissau	763	793	814	847	**863**
MENA	**68 921**	**69 713**	**71 480**	**72 927**	**73 237**
Iran (joint venture)	44 783	44 665	45 634	46 849	**47 112**
Syria	5 412	5 738	6 001	5 866	**5 726**
Sudan	8 212	8 408	8 804	9 136	**9 447**
Yemen	4 251	4 357	4 458	4 344	**4 313**
Afghanistan	6 263	6 545	6 583	6 733	**6 638**
Total subscribers	**236 601**	**240 212**	**243 664**	**250 819**	**257 327**

MTN Group Limited

Quarterly update for the period ended 31 March 2020

ARPU
(Local currency)

Country	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
South Africa*	93,58	96,29	102,45	108,70	**100,75**
Postpaid	141,76	141,23	138,90	137,29	**127,98**
Postpaid (excluding telemetry)	294,98	286,85	291,90	290,52	**270,17**
Prepaid	71,72	74,83	80,18	86,79	**79,94**
Nigeria	1 510,01	1 470,03	1 489,20	1 589,67	**1 576**
SEAGHA					
Ghana	21,23	21,61	22,84	24,37	**23,41**
Uganda	11 429,22	11 185,90	11 259,00	11 909,00	**11 583,00**
Rwanda	1 898,71	2 001,35	2 077,58	1 957,26	**2 017,96**
Zambia	26,97	27,80	29,63	29,71	**26,89**
South Sudan	804,38	1 016,12	1 375,76	1 441,34	**1 490,42**
Botswana (joint venture)	67,14	71,00	74,00	76,36	**76,36**
eSwatini (joint venture)	100,09	103,27	105,07	107,91	**107,49**
WECA					
Ivory Coast	1 979,53	1 950,08	1 866,52	1 961,23	**1 988,14**
Cameroon	2 025,11	1 863,64	1 911,19	1 838,00	**1 804,00**
Benin	2 840,22	2 877,16	2 919,76	2 837,46	**2 937,03**
Guinea-Conakry	18 270,13	19 304,20	19 284,52	19 243,02	**19 868,37**
Congo Brazzaville	3 472,56	3 825,62	3 923,36	3 748,50	**3 493,22**
Liberia	2,72	2,84	3,06	2,89	**2,89**
Guinea-Bissau	1 696,98	1 835,67	1 498,28	1 494,84	**1 519,86**
MENA					
Iran (joint venture)	182 205,00	203 148,41	220 272,81	210 358,00	**229 864,04**
Syria	1 188,01	1 269,88	1 421,66	1 293,42	**1 353,71**
Sudan	51,46	52,55	59,04	65,68	**74,85**
Yemen	1 069,29	1 154,61	1 123,66	1 103,81	**1 133,11**
Afghanistan	119,99	126,52	129,16	128,65	**131,51**

** Subscribers base reallocation from core to telemetry resulting in a restatement of 1Q 18 to 1Q 19.*

MTN Group Limited

Quarterly update for the period ended 31 March 2020

ARPU
(US dollar)

Country	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20
South Africa*	6,72	6,69	6,98	7,36	**6,48**
Nigeria	4,17	4,08	4,11	4,37	**4,28**
SEAGHA					
Ghana	4,05	4,03	4,19	4,35	**4,19**
Uganda	3,10	3,00	3,05	3,22	**3,10**
Rwanda	2,15	2,24	2,26	2,11	**2,16**
Zambia	2,25	2,18	2,28	2,14	**1,75**
South Sudan	5,19	6,45	8,64	9,01	**9,24**
Botswana (joint venture)	6,20	6,60	6,60	6,91	**6,91**
eSwatini (joint venture)	7,19	7,17	7,16	7,31	**6,92**
WECA					
Ivory Coast	3,45	3,34	3,15	3,31	**3,35**
Cameroon	3,53	3,19	3,23	3,10	**3,04**
Benin	4,95	4,93	4,93	4,79	**4,95**
Guinea-Conakry	2,01	2,11	2,10	2,06	**2,12**
Congo-Brazzaville	6,04	6,54	6,63	6,33	**5,89**
Liberia	2,72	2,84	3,06	2,89	**2,89**
Guinea-Bissau	2,96	3,14	2,53	2,54	**2,56**
MENA					
Iran (joint venture)	2,14	2,01	1,98	1,94	**1,84**
Syria	2,71	2,90	3,25	2,95	**2,81**
Sudan	1,08	1,15	1,31	1,46	**1,46**
Yemen	2,81	3,04	2,96	2,90	**2,96**
Afghanistan	1,60	1,61	1,64	1,64	**1,73**

** Subscribers base reallocation from core to telemetry resulting in a restatement of 1Q 18 to 1Q 19.*

MTN Group Limited

Quarterly update for the period ended 31 March 2020

Average exchange rates

ZAR: local currency	1Q 20	1Q 19	ZAR:LC strengthening/ (weakening) %
Nigerian naira	23,73	25,98	(8,7)
Iranian rial	8 048	6 108	31,8
Ghanaian cedi	0,36	0,38	(5,3)
Cameroon franc	38,05	41,25	(7,8)
Ugandan shilling	238,29	264,79	(10,0)
Syrian pound	31,53	31,46	0,2
Sudanese pound	3,29	3,42	(3,8)

USD: local currency	1Q 20	1Q 19	LC:USD strengthening/ (weakening) %
South African rand	15,75	13,92	(13,1)
Nigerian naira	368,23	362,09	(1,7)
Iranian rial	125 217	85 006	(47,3)
Ghanaian cedi	5,59	5,24	(6,7)

MTN Group Limited

Quarterly update for the period ended 31 March 2020

Service revenue
Rm

Country	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	YoY movement Reported %	YoY movement Constant currency %
South Africa	9 092	8 969	8 481	9 888	**8 531**	(6,2)	(6,2)
Nigeria	10 833	11 356	11 710	12 709	**13 861**	28,0	16,7
SEAGHA	6 087	6 417	6 949	7 301	**7 707**	26,6	21,2
Ghana	3 154	3 295	3 528	3 753	**3 969**	25,8	20,6
Uganda	1 552	1 607	1 670	1 810	**1 952**	25,8	13,4
Rwanda	450	483	518	499	**561**	24,7	18,6
Zambia	639	658	729	705	**602**	(5,8)	7,9
South Sudan	241	325	447	484	**575**	138,6	121,2
Business Group	51	49	57	50	**48**	(5,9)	(11,1)
WECA	5 173	5 330	5 485	5 662	**6 141**	18,7	9,8
Cameroon	1 282	1 305	1 365	1 375	**1 507**	17,6	8,7
Ivory Coast	1 695	1 687	1 680	1 818	**1 949**	15,0	6,7
Guinea-Bissau	99	114	102	103	**112**	13,1	4,7
Guinea-Conakry	257	282	306	311	**345**	34,2	24,1
Congo Brazzaville	656	701	737	729	**756**	15,2	6,3
Liberia	128	132	137	163	**185**	44,5	29,4
Benin	1 056	1 109	1 158	1 163	**1 287**	21,9	13,0
MENA	1 940	2 146	2 407	2 447	**2 560**	32,0	24,0
Syria	629	713	853	791	**776**	23,4	20,7
Sudan	379	426	502	591	**641**	69,1	62,7
Yemen	510	557	578	571	**604**	18,4	7,3
Afghanistan	422	450	474	494	**539**	27,7	16,2
Joint ventures							
Iran	2 028	1 936	1 964	1 983	**1 997**	(1,5)	29,8
Botswana	–	–	812	288	**286**	–	100,0
eSwatini	92	92	91	94	**95**	3,3	2,6
Equity accounting exclusion	(2 120)	(2 028)	(2 867)	(2 365)	**(2 378)**	12,2	
Head office companies and eliminations	(32)	347	95	134	**46**		
Total	33 093	34 565	35 127	38 141	**38 846**	17,4	11,1
Hyperinflation	91	126	268	419	**(177)**		
Total including hyperinflation	33 184	34 691	35 395	38 560	**38 669**	16,5	11,1

MTN Group Limited

Quarterly update for the period ended 31 March 2020

EBITDA margin (IFRS 16 reported numbers)

Country	1Q 19 %	2Q 19 %	3Q 19 %	4Q 19 %	Reported 1Q 20 %	Constant currency %
Group	41,1	45,1	41,5	41,8	**59,4***	43,2
South Africa	38,8	34,2	37,0	39,3	**36,6**	
Nigeria	53,3	54,2	53,6	54,2	**52,7**	

** Includes gain on disposal of tower companies.*

Capital expenditure
Rm

	1Q 19	2Q 19	3Q 19	4Q 19	1Q 20	Estimated IAS 17 2020	Estimated IFRS 16 2020
Group (excluding hyperinflation)	5 511	6 706	5 597	8 311	**4 529**	**22 336**	**28 178**

COVID-19 traffic trends
% change

	Data traffic				Voice traffic				Fintech transaction volume			
	Group	SA	Nigeria	Ghana	Group	SA	Nigeria	Ghana	Group	SA	Nigeria	Ghana
Apr'20 vs Feb'20	34	56	32	39	–	(3)	(9)	10	(2)	–	–	(7)
Apr'20 vs Apr'19	115	85	156	181	10	(10)	(9)	31	16	–	–	10