

# &sonatel group

mid year 2011 results  
*august 2011*



# summary

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# 1 highlights

## key messages

- & The Sonatel group recorded during the first half of 2011 a growth in turnover of 5.7% in spite of unfavorable impact of tax measures, strong competitive pressure and depreciation of the guinean franc.
- & The strong growth in subscribers of 31% recorded in the first half is the result of the effect of the development of multisim thanks to the dynamism of operators in the recruitment of new subscribers and animation via abundance offers. This strong growth of the subscribers, however, induces a more limited traffic growth: Arpu drops about 11%.
- & Our market share is up in our operations in Guinea and Guinea Bissau, but down in our key markets of Senegal and Mali due to competitive pressure. However, they remain above 60% in these markets. Our response to competition is driven by the desire to preserve the value.
- & The margin level is still high at 52% for Ebitda although a decline was driven by the pressure of competition, unfavorable tax and increased network costs induced by the change in the mix of sales. The evolution of the net margin is marked by the end of the exemption from corporation tax in Mali after nearly 8 years of activity. The end of the exemption has been well considered in the evaluation of our cash generation and should not impact our dividend policy.
- & The investment rate in the first half of 2011 remains the same as the first half of 2010 to 12%.

# key messages

- increase in the tax and regulatory pressure
- unfavorable impact of rising 2 to 5% of Rutel on prepaid turnover in Senegal
- institution of Codete (parafiscal tax: contribution to the development of the universal service of telecommunications and energy sector) in Senegal
- attribution of the 3G license in Senegal and in Guinea
- the agency of regulation becomes an independent authority

- consolidated revenue growth of 5.7%
- the mobile business grew by 9% and the Internet (15%) are the main drivers of this growth
- the evolution of current in Guinea and unfavorable tax have negatively impacted this growth

regulatory

turnover

- operating margin maintained at a significant level...
- ... but drops under the impact of tax measures, competitive pressure and increasing network expenses induced by the development of abundance
- net income decrease due to the end of the exemption from tax on companies in Mali

margins

- subscribers strong growth in all markets (31%)
- significant growth thanks to the animation around the abundance
- decline in arpu limited in spite of abundance and development of multisim.

market share

markets

subscribers/arpu

- strong development of the abundance offers pulling the tariffs by minute down
- increased the sim penetration rates in all countries because of competition

- declining market share in Senegal and Mali due to the competitive dynamism and development of multisim
- strong growth in Guinea (+5 pts) and Guinea Bissau (+6 pts)
- growth in the number of subscribers supported by the development of multisim

# 1.highlights S1 2011



## Senegal

□ **growth of subscribers (18.7%) and turnover (3.4%) more sustained in 2011 in a context of:**

**📌 increase in the tax pressure and regulation**

- ✓ institution of a new tax (Codete) to replace the universal service tax
- ✓ the agency of regulation becomes an independent authority
- ✓ adoption of a new code of telecommunications
- ✓ unfavourable impact of the rise from 2% to 5% of Rutel on the prepaid turnover

**📌 increased offensive of the competitors**

- ✓ of abundance
- ✓ of the phenomenon of the multisim

# 1.highlights S1 2011

## Mali




 leadership maintained in spite of the strong pressure of the competitors

- ✓ drops on behalf of market under the effect of the multisim and the aggressiveness of the competitors
- ✓ end of the exemption of the corporation tax

## Guinea




 maintenance of the operational performances thanks to the development of the market share

- ✓ strong growth of the subscribers (58%) and the turnover (10%)
- ✓ positive performance in spite of the unfavorable evolution of the guinean franc
- ✓ normalization of the political and institutional environment following the organization of the presidential elections at the end of 2010

## Guinea Bissau







 maintenance of the good commercial dynamism with a development of the market share (+4%)





- ✓ lower tariffs of interconnection by 48%
- ✓ lifting of the sanctions imposed by the European Union following the standardization of the political situation

# 2 operational results

## 2. sustained growth of subscribers in 2011 driven by the competitive dynamism and development of multisim

<i>number of subscribers</i>	06/09	06/10	06/11	Δ 10/09	Δ 11/10
 fixed lines	241 214	269 436	288 479	12%	7%
 mobile	7 854 284	9 795 715	12 843 724	25%	31%
 internet	64 839	72 508	105 337	12%	45%
	8 160 337	10 137 659	13 237 614	24%	31%

## 2.growth of the mobile subscribers driven by animation of market and multisim

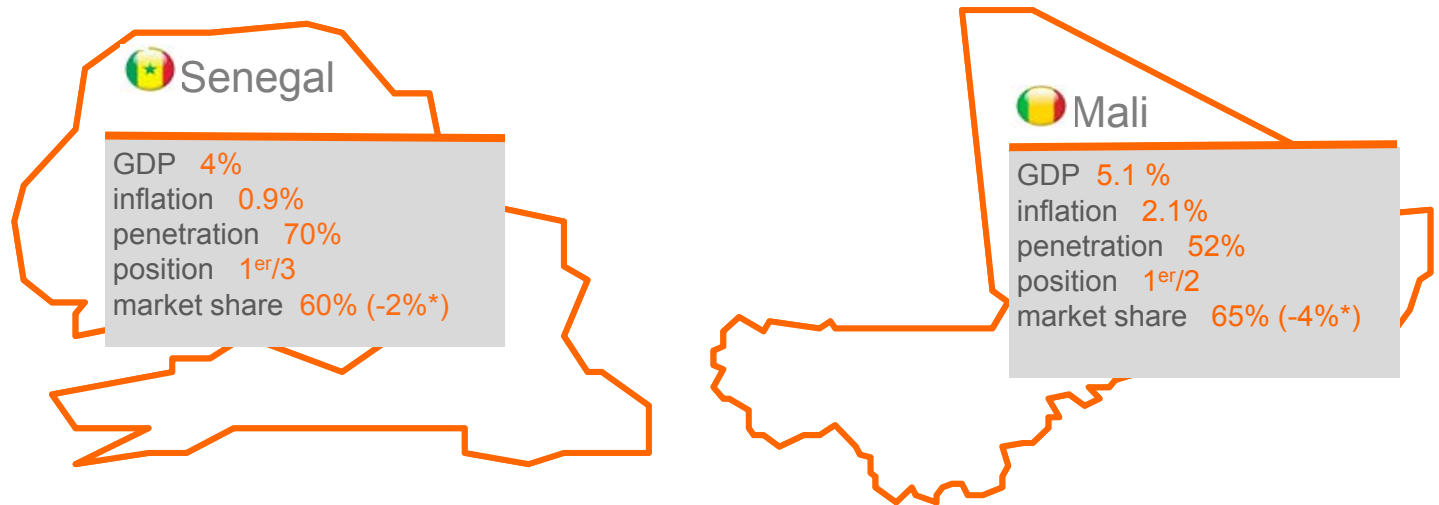
mobile subscribers	06/10	06/11	Δ 11/10
<u>total</u>	9,795,715	12,843,724	31%
 Senegal	4,782,735	5,689,329	19%
 Mali	4,076,305	5,682,681	39%
 Guinea	783,292	1,227,037	57%
 Bissau	153,383	244,677	60%

## 2. maintaining strong positions and penetration rates driven by competitive dynamism

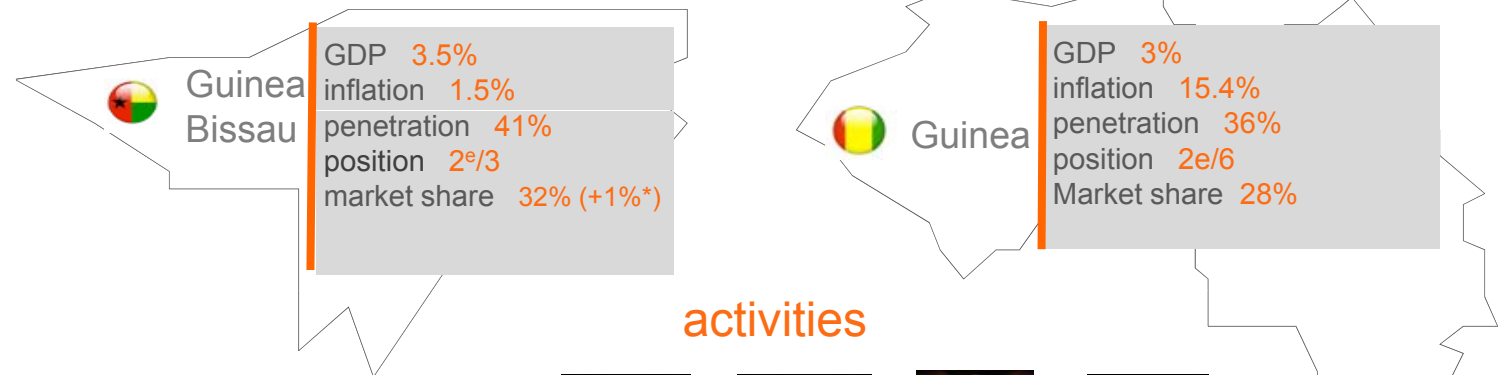
• maintenance of our strong positions in all the countries of presence in spite of the fall of our market shares in Senegal and Mali

• reinforcement of the positions in Guinea and Guinea Bissau

• strong improvement of penetration rates with the development of the multisim



**sonatel**







activities



fixed line – mobile – internet – leasing line – TV adsl – Orange Money

\* variation from december 2010

## 2.limited arpu erosion in spite of the strong growth of suscribers and the fall of tariff per minute as a result of abundance offers

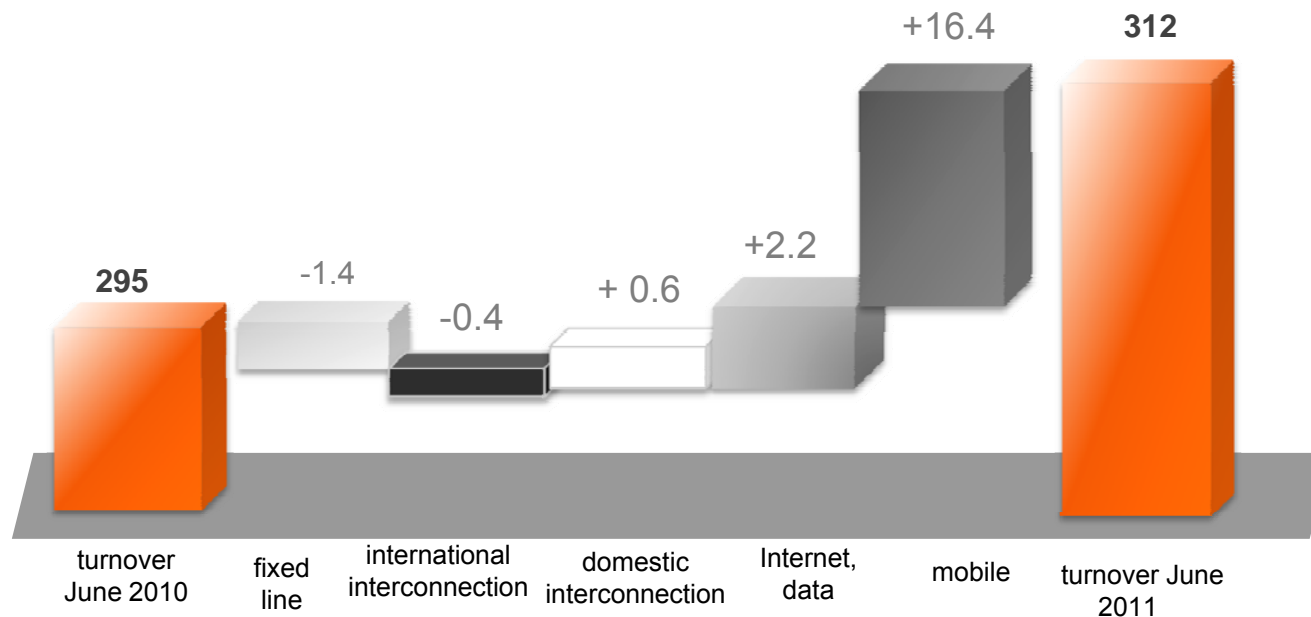
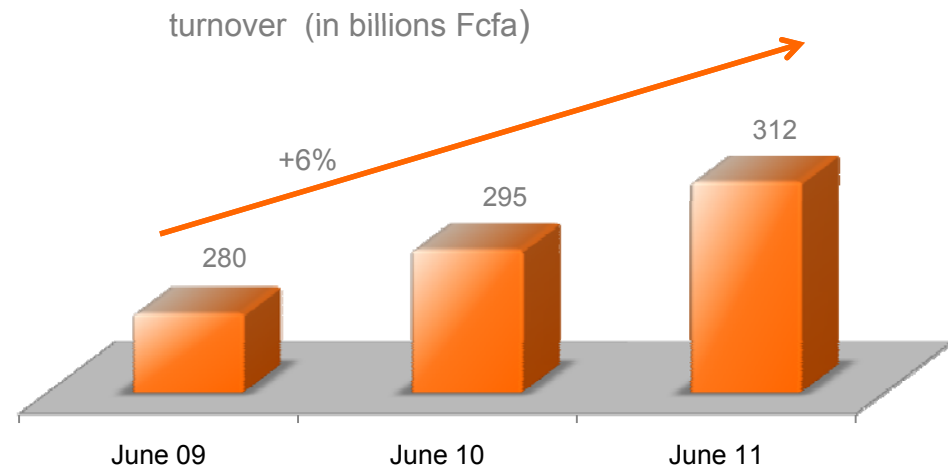
<i>monthly arpu</i>		06/09	06/10	06/11	Δ11/10	↑ subscribers
Senegal 	fixed line	95 167	92 334	86 166	-6.7%	7.1%
	mobile prepaid	5 500	4 334	3 780	-12.8%	19%
in CfaF						
Mali 	mobile prepaid	4 500	3 667	3 170	-13.6%	39%
in XOF						
Guinea * 	mobile postpaid	31 167	37 832	29 768	-21.3%	57%
in GNF						
Bissau 	mobile prepaid	3 000	3 500	3 430	-2%	60%
in CfaF						

\* exchange rate (06/30/2011) 1 CfaF = 14.81 GNF

# 3 financial results

### 3. maintaining the level of growth in turnover

revenues increase to 5.7% in spite of unfavorable tax (tax rate Rutel from 2% to 5%), development of free access induced by competition and depreciation of guinean currency

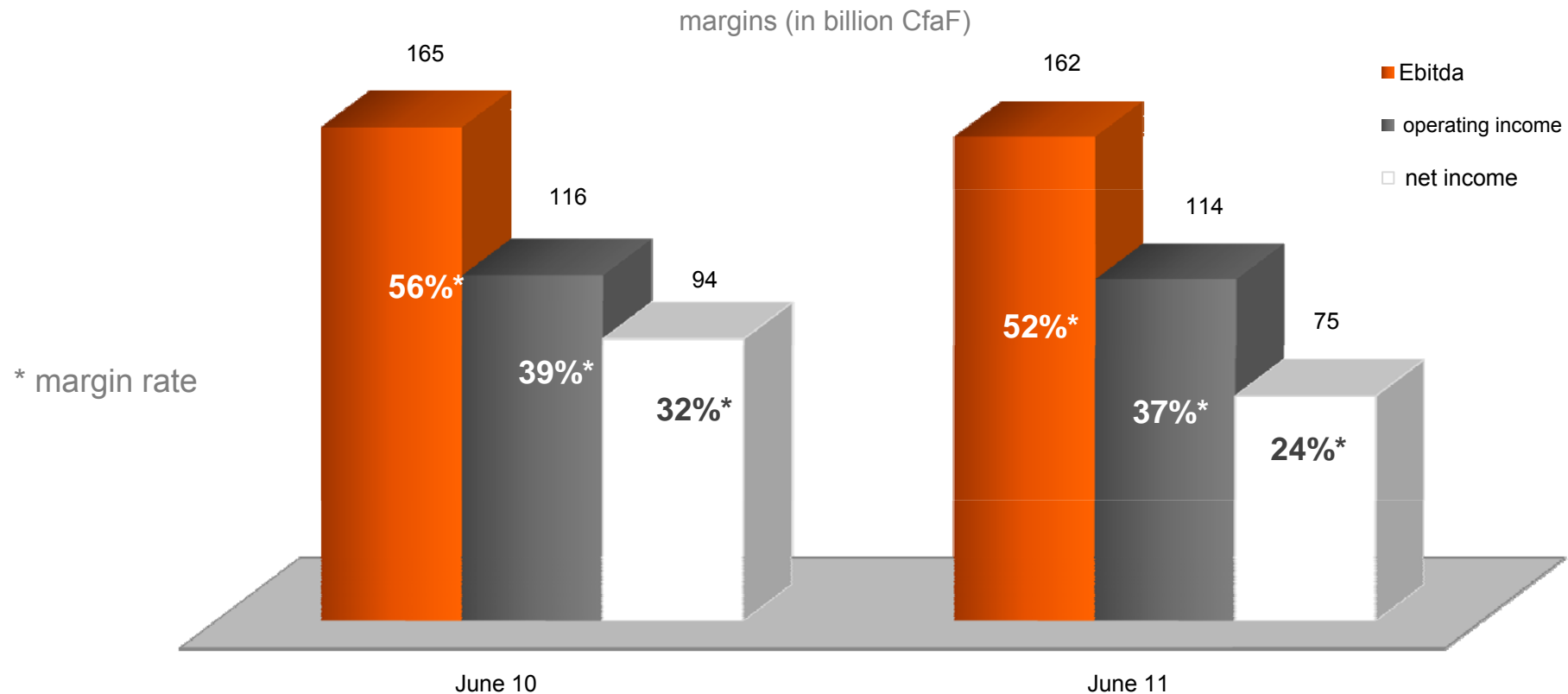


growth driven by mobile and Internet activities

### 3. margins still high but decreasing under competition and tax pressure

& margins remaining at a significant level but down as a result of competition, unfavorable tax measures and development of network expenses induced by the abundance offers

& net margin impacted by the end of the exemption from corporation tax in Mali

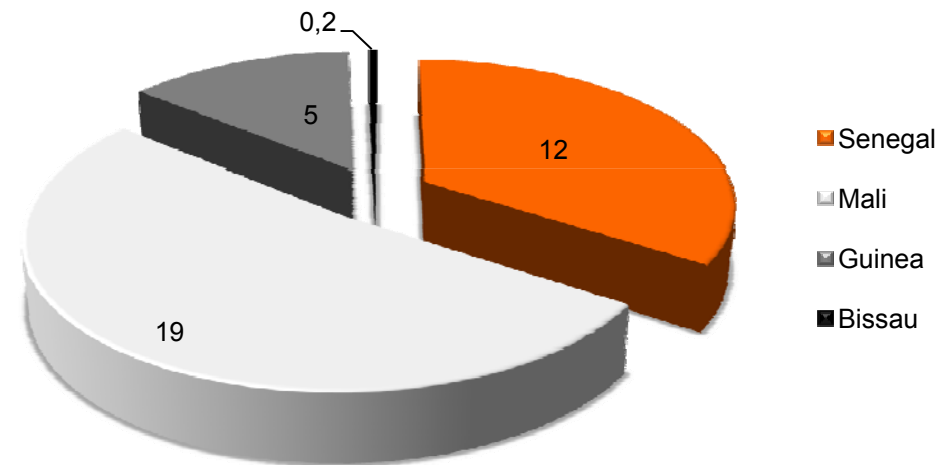


## 3.investment effort is continuing: 12% of turnover

& networks investments (mobile coverage extension and development of 3G) represent the largest part of investments with nearly 90% of total

	in billion CfaF		
	H1 2010	H1 2011	Δ 11/10
mobile networks	20.6	27.7	35%
%	68.0%	76.0%	
fixed networks	6.7	5	-25%
%	22.3%	13.8%	
information systems	1.4	1.8	29%
%	4.6%	4.9%	
buildings, logistics and others	1.5	1.9	27%
%	5.1%	5.3%	
<b>total</b>	<b>30</b>	<b>37</b>	<b>21%</b>
<b>% turnover</b>	<b>10%</b>	<b>12%</b>	

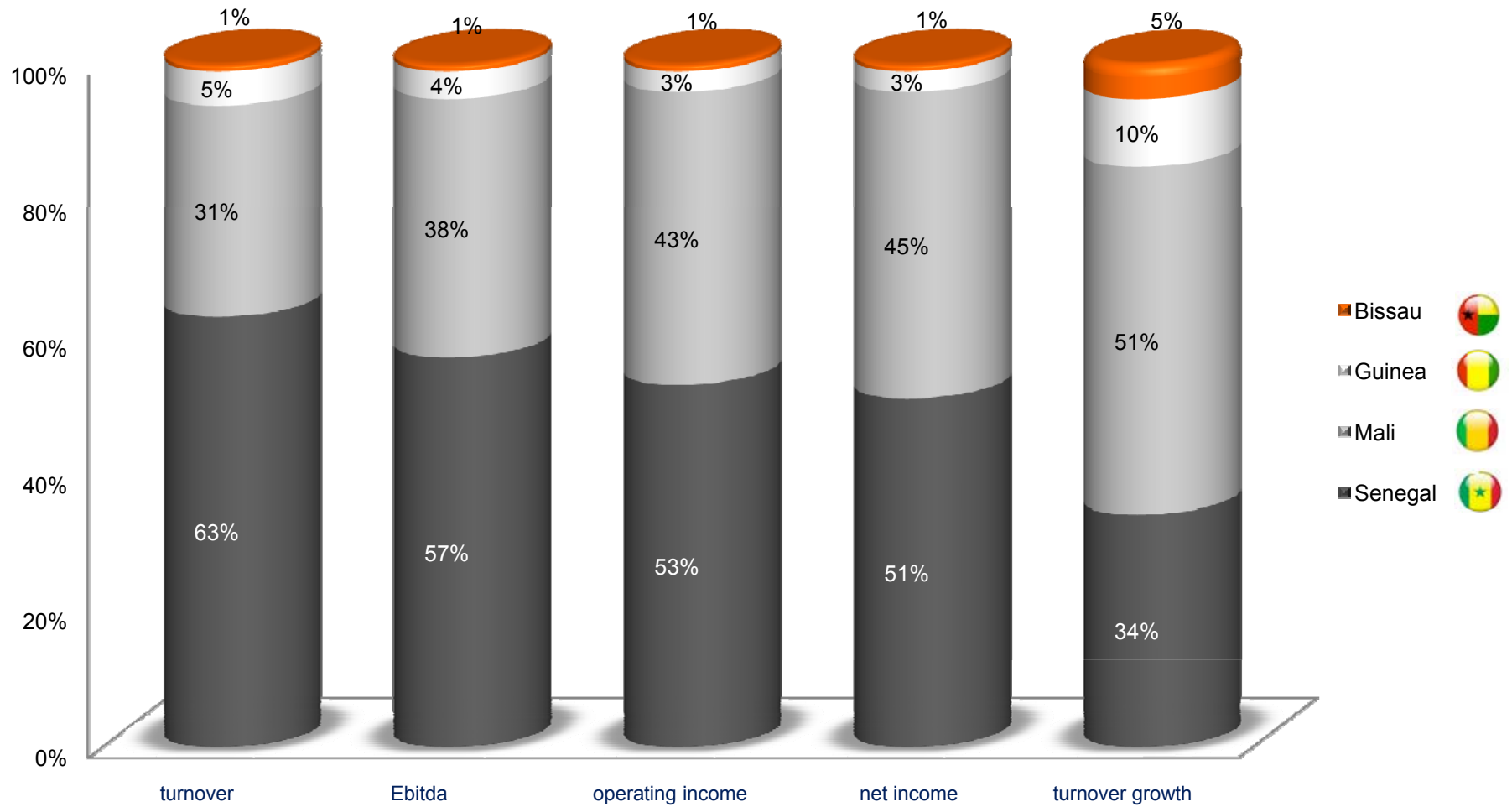
investments per country (in billions CfaF)



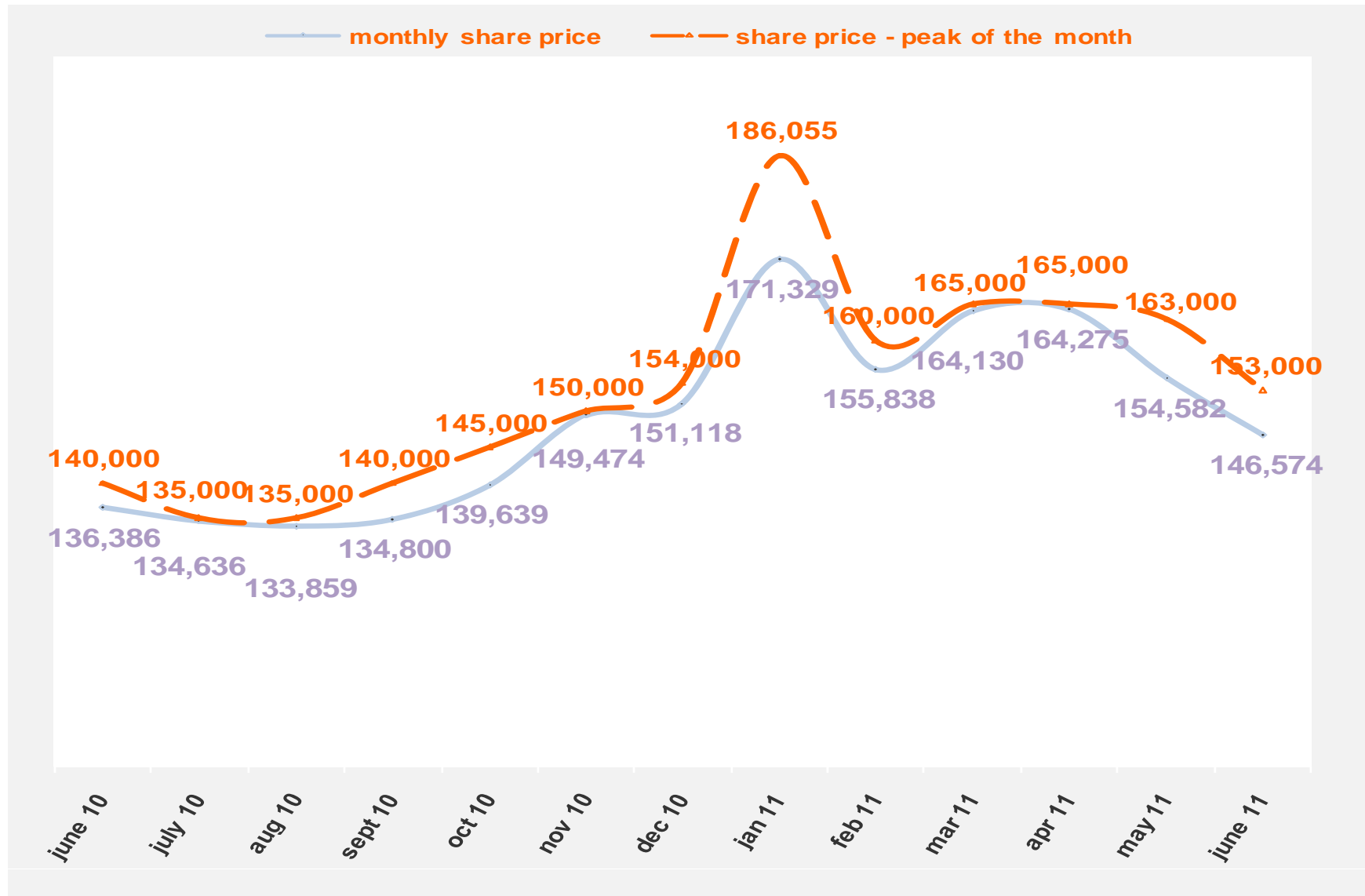
& 52% of investments are made in Mali

& 34% et 14% is invested in Senegal and Guinea

### 3. positive contribution to results for all entities



### 3.a stock price growth of 8% over the period







# 4 prospects

## 4.prospects

- 📌 The group has maintained its strong positions in all its markets and during the first half of 2011, the same level of growth on turnover as in 2010 in spite of increased competition and unfavorable impacts of tax measures and depreciation of the guinean currency.
- 📌 Our growth prospects remain favorable and supported by:
  - development of broadband, mobile data, VAS and multiplay offers,
  - improving macroeconomic and institutional environments of our guinean subsidiaries and their market positions,
  - extension of our networks coverage to meet the residual potential of penetration in Mali, Guinea and Guinea Bissau,
  - pursuit of our development through external growth.
- 📌 The turnover of the group will also remain properly lined for the rest of the year. The pressure on margins should be well limited with the enhanced program of optimization of costs that the group will lead in the second half of 2011. However, increased competition and its impact on preserving value remain our challenges.
- 📌 The end of the exemption from corporation tax in Mali was much anticipated in our dividend policy and will not impact on this one.

# 5 appendix

# 5.appendix 1

		(in billions CfaF)	consolidated	Senegal 	Mali 	Guinea 	Bissau 
turnover	social			207	102	17	5
	$\Delta / H1\ 2010$			3%	11%	10%	30%
	contribution		312	197	96	16	4
	$\Delta / H1\ 2010$		5.7%	3%	10%	12%	29%
Ebitda			162	92	63	6	2
	$\Delta / H1\ 2010$		-2%	-10%	12%	1%	70%
operating result			115	61	50	4	0
	$\Delta / H1\ 2010$		-1%	-10%	12%	-14%	169%
net result			75	39	34	2	0
	$\Delta / H1\ 2010$		-20%	-16%	-27%	39%	144%
Capex			36	12	19	5	0
	$\Delta / H1\ 2010$		21%	-23%	67%	124%	-59%

thank you

[www.au-senegal.com](http://www.au-senegal.com)

