



*Together,
we're unstoppable*

**MTN UGANDA LIMITED UNAUDITED
FINANCIAL RESULTS**

For the six months ended 30 June 2023



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MTN UGANDA LIMITED UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Kampala, Uganda | Friday 4th August 2023

MTN Uganda Limited (MTN Uganda) today announces unaudited financial results for the six months ended 30th June 2023.

SALIENT FEATURES

- Mobile subscribers increased by **11.2%** to **18.1 million**
- Active data subscribers grew by **21.4%** to **6.9 million**
- Active fintech subscribers increased by **11.6%** to **10.9 million**
- Service revenue grew by **15.0%** to **Ush 1,250 billion**
- Data revenue grew by **22.1%** to **Ush 290.2 billion**
- Fintech revenue grew by **18.6%** to **Ush 358.3 billion**
- Earnings before interest, tax, depreciation, and amortization (EBITDA) grew by **16.8%** to **Ush 641.0 billion**
- EBITDA margin up by **0.4 percentage points (pp)** to **50.6%**
- Capital expenditure (IAS 17) for the period decreased by **0.02%** to **Ush 201.7 billion**
- Profit After Tax (PAT) increased by **17.8%** to **Ush 228.0 billion**
- First interim dividend up by **19.0%** to **Ush 5.6 (Ush 125.4 billion)**

*Unless otherwise stated, financial and non-financial growth rates are presented on a year-on-year basis (YoY, 6M to 30 June 2023 versus 6M to 30 June 2022)

Service revenue excludes device and SIM card revenue. Data revenue is mobile and fixed access data and excludes roaming and wholesale. Fintech includes payments, remittances, insurance, airtime lending and e-commerce. Active mobile users is a count of all subscribers at a point in time which had a revenue generating event in the specified period of time (90 days) prior to that point in time. Active data users is a count of subscribers who during the past 30 days had data usage greater than or equal to 5 megabytes. Active fintech users is a count of subscribers who have transacted on the platform during the past 30 days.

Our CEO's Message



MTN Uganda CEO, Sylvia Mulinge

During the first half of 2023, we delivered a resilient performance in uncertain and evolving local and global macroeconomic conditions. The heightened inflationary environment during the period had a significant impact on consumers and business operations. Inflation in H1 2023 averaged 8.0%, compared to 4.6% in H1 2022.

We are, however, encouraged by an easing of inflation in Q2, which closed the half at a rate of 4.9%, compared to a January 2023 peak of 10.4%. This was achieved on the back of improved shilling stability and receding food, fuel and utility prices over the six months. The interest rate environment has also remained relatively stable with the policy rate fixed at 10% in the period under review. This improvement in macroeconomic conditions should ease some of the pressure on our customers and business going forward.

Against this backdrop, our **service revenue** growth of 15.0% was in line with our medium-term target, with a resilient performance in voice and a double-digit growth in our data and fintech revenues. That said, the effects of heightened inflation drove cost pressures upwards, which we mitigated through expense efficiencies. This supported the expansion in our EBITDA by 16.8% and EBITDA margin by 0.4pp to 50.6%.

Building on our momentum from Q1, we continued to deliver on our business strategy, with a focus on increased customer and stakeholder engagement to drive sustainable and inclusive growth. Improving our segmented customer value plans and increased network investment to cement our leading network quality position, has positively stimulated our subscriber base by 11.6% to 18.1 million customers. This pleasing outcome demonstrates the appreciation of the brand, and this gives us the confidence in our future growth potential.

Our investment in this period has been focused on additional spectrum acquisition and acceleration of 4G connectivity alongside our fibre to home strategy. We are pleased to report that the Uganda Communications Commission (UCC) granted us spectrum on the 2600Mhz, 2300Mhz, 700MHz and e-Band in the period. This will go a long way in enhancing our future network performance and 5G operationalisation, which will augment our growth ambitions. In terms of network rollout, we have added 361 4G sites in the period, boosting 4G population coverage to 83.4% (H122: 67.7%). Our 3G and 2G coverage grew to 92.4% (H122: 91.0%) and 98.4% (H122: 98.0%) respectively.

On the commercial side, we ramped up efforts on smartphone adoption through partnerships with manufacturers and enhanced our device financing programme to address the affordability challenges. These initiatives drove a 24.1% growth in smartphone users and improved our smart phone penetration to 35.7% (+3.7pp).

On the fintech front, our efforts were directed towards digitalisation of our customer value chains to drive cashless payments with MoMo Pay and enhancements in our international remittances portfolio to support borderless payments in key trade markets. This has augured well for our advanced revenue contribution growing to 26.3% (+8.8pp) in line with our medium-term objectives.

As we aim to deliver a **bold and new digital world** for our customers, MTN Uganda launched 'API as a Service', a solution that provides our customers access to our proprietary software. We also relaunched the Webphone with Webex solution, a digital solution that allows our customers in the diaspora to communicate at local rates. These services will support our intent of enabling digital transformation for our customers.

In line with our **Ambition 2025** social commitment to prioritise shared value, we continued to drive ESG initiatives in our market. As we celebrate 25 years of operation in Uganda, our staff participated in the annual 21 Days of **Y'ello** care, this time for 25 days, under the theme "Empowering Communities to Drive Economic Recovery" training communities in digital skills. We also contributed Ush 36 billion to the Uganda Communications Universal Service and Access Fund for the year 2023 aligning with our commitment to increase access and reduce the cost of communication for our customers. Both these initiatives will further enable digital and financial inclusion in line with the Uganda Vision 2040 goals.

In Governance, we expanded our board constitution to seven directors adding Ms. Winnie Tarinyeba Kiryabwire following her approval at the Annual General Meeting. She brings a wealth of experience and expertise in corporate law, securities regulation, and corporate governance. I take this opportunity to welcome her to the MTN family and wish her the best in this journey.

We are encouraged with our performance thus far and the improvements in our macro environment, which should bode well for our performance in the second half of the year. I reiterate management's commitment to ensure sustained business growth and EBITDA margin resilience as per our guidance.

KEY HIGHLIGHTS

Ush (in millions)	H1 23	H1 22	YoY
Total Revenue	1,267,089	1,094,031	15.8%
Other Income	55	713	-92.3%
Service Revenue	1,250,059	1,087,299	15.0%
Voice	544,659	497,681	9.4%
Data	290,239	237,646	22.1%
Fintech	358,282	302,120	18.6%
Others	56,879	49,852	14.1%
Expenses	626,117	546,038	14.7%
EBITDA	641,027	548,706	16.8%
EBITDA Margin	50.6	50.2	+0.4pp
Depreciation & Amortization	211,174	195,475	8.0%
EBIT	429,853	353,231	21.7%
EBIT Margin	33.9	32.3	1.6pp
Net Finance Costs	104,212	77,588	34.3%
Profit Before Tax (PBT)	325,641	275,643	18.1%
Taxation	97,606	82,083	18.9%
Profit After Tax (PAT)	228,035	193,560	17.8%
Earnings Per Share	10.2	8.6	17.8%
PAT Margin	18.0	17.7	0.3pp
Capex	201,743	201,793	-0.0%
Capex Intensity	15.9%	18.4%	-2.5pp
Non-Financials ('000)			
Overall Mobile Subscribers	18,080	16,255	11.2%
Data Subscribers	6,915	5,694	21.4%
Fintech Subscribers	10,939	9,806	11.6%

NOTES

- Voice revenue includes interconnect and outbound roaming voice.
- Data revenue includes outbound roaming, fixed and mobile data, Digital revenue excludes bulk SMS and USSD services.
- Fintech revenue includes MTN Xtra-time and mobile financial services.
- CAPEX excludes right-of-use assets.
- Other service revenue includes inbound roaming data, SMS, USSD, Information and Communications Technology (ICT) & infrastructure and devices

OPERATIONAL REVIEW

Voice performance maintains positive growth momentum.

Service revenue increased by 15.0%, driven by the continued momentum in our voice portfolio. Our data and fintech segments remained robust with strong double-digit performance recorded.

Voice revenue increased by 9.4% underpinned by solid growth in our customer base. Our net additions in the half increased by 910k customers to 18.1 million as a result of strong gains in our customer value management addressing product affordability and competitiveness. Our customer NPS also improved with notable increments in our network quality performance, product innovation and brand appreciation. On the commercial side, we revamped our regional structure which has improved engagement with our customers. Further to this, our efforts to decongest 2G traffic through migration of customers to 3G has further enhanced the customer experience.

Our voice contribution to service revenue decreased to 43.0% (H122: 45.5%) as our data and fintech revenue segments maintained their growth momentum.

Data revenue increased by 22.1% with our active data subscribers growing by 21.4% to 6.9 million. This has been anchored by our increased focus on driving smartphone adoption; we have partnered with TakeNow in the MTN Pay Mpola Mpola drive and intensified MTN Kabode smartphone sales. Our smartphone penetration in the period improved to 35.7% (+3.7pp) with 24.1% growth in smartphone users. Our MB per user has also grown strongly by 25.0% in this period.

We also note structurally higher demand for data services from our enterprise business segment as we improve our offering in the SME space. These consolidated efforts have increased our data traffic by 53.4% with over two thirds carried on 4G.

Home broadband revenue grew by 50.4% supported our aggressive activation strategy which yielded a 65.0% growth in our subscriber base.

The overall data contribution to service revenue increased to 22.9% (H122: 21.7%).

Fintech revenue grew by 18.6% supported by a steady subscriber base of 10.9 million customers (+11.6%). Our growth has been driven by our advanced revenues with strong growth in our payments and international remittances contributions. Increasing customer adoption to MoMoPay has supported solid merchant growth to 267k (+223%) which enabled a 26.3% increase in our transaction volumes to 1.6 billion and transaction value growth by 44.4% to Ush 61.6 trillion. Our agent numbers however declined to 162k (-5.5%) as we continued to execute our agent rationalisation strategy geared towards sustainable growth.

The fintech contribution to service revenue increased to 28.7% (H1 22: 27.8%).

Our **digital** portfolio continued to perform well with solid progress on product adoption particularly in music and gaming by our youthful base. Our customer base grew by 52.3% in the period translating to growth in revenues of 155.7% to Ush 4.7 billion. We note strong growth in our ayoba platform with 69.6% growth in subscribers in the period under review.

EBITDA grew by 16.8% with an EBITDA margin uplift of 0.4pp to 50.6%. This expansion was supported by successful implementation of our expense efficiency programme despite our costs increasing strongly by 14.7%.

Capex excluding right-of-use assets remained flat at Ush 201.7 billion with the focus on 4G and 5G network requirements. With higher revenues, our capex intensity declined by 2.5pp to 15.9%. We expect this to remain in targeted mid teen levels as we deploy our commitments in the remainder of the year.

Depreciation and amortisation grew by 8.0% largely due to increase in commissioned network sites impacting IFRS 16 lease costs. The increase in lease costs further impacted our net finance costs by 34.3%. We also note that with our debt portfolio fully localised, we have no foreign currency impact. Our debt metrics remain well within our financial covenants enabling us to comfortably meet our financial obligations.

Consequently, we delivered **PAT** growth of 17.8 % to Ush 228.0 billion, and as per our dividend policy, the board has approved a proposed dividend of Ush 5.6 per share to be paid out of net distributable income.

OUTLOOK

According to the central bank, the current monetary policy stance, coupled with decreasing global inflation is expected to maintain inflation levels around 5% in Q3. The optimistic inflation outlook coupled with effective cost discipline is anticipated to augment our performance going forward. That said, the risks to inflation remain hinged on global macros which could impact the Shilling and uncertain weather conditions.

Our focus for the remainder of the year will be on seamless execution of our **Ambition 2025** plans which include **driving industry leading connectivity** operations with the new spectrum allocation. We expect improved data speeds, introduction of e-sims and 5G connectivity to address our growing customer needs.

In the fintech space, we will accelerate our cashless conversion through key partnerships and aggressive mobile money ecosystem expansion. We have resumed rollout of MoMo agents to meet the growing market demand and are modifying our merchant proposition. We remain confident in the structures in place to support our fintech growth ambitions.

From a financial perspective, we will continue to ensure disciplined capital allocation in our investments while managing our working capital to preserve our balance sheet and liquidity position.

We maintain our guidance of low double digit service revenue growth, with a focus on EBITDA stability through operational efficiency. We continue to maintain stable EBITDA margins above 50% and expect capex (IAS 17) intensity to remain in our target range of mid-teens percent.

INTERIM DIVIDEND RECOMMENDATION

Notice is hereby given that the Company's directors have proposed the payment of the first interim dividend of Ush 5.6 per share (Ush 125,378,647,738) for the six months ended 30 June 2023. This is subject to deduction of withholding taxes. The number of ordinary shares in issue at the date of this declaration is 22,389,044,239.

In compliance with the requirements of USE Listing Rules 2021, the salient dates relating to the payment of the dividend are as follows:

Book Closure Date **Friday, 1 September 2023**

Dividend Payment Date **Friday, 22 September 2023**

In line with the Uganda Securities Exchange (USE) Trading Rules 2021, the ex-dividend date will be Tuesday, 29 August 2023. Accordingly, an investor who buys MTN Uganda shares on or before this date will be entitled to the interim dividend. Any investor buying MTN Uganda shares after Tuesday, 29 August 2023 will not be entitled to the interim dividend declared for the period.

The dividend will be transferred electronically to the bank accounts or mobile money wallets.

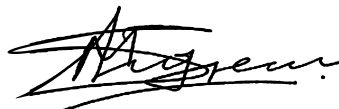
DIRECTORS STATEMENT

The below interim financial statements for the period ended 30 June 2023 were reviewed by Ernst & Young Uganda.

The interim financial statements were approved by the Board of Directors on Thursday, 3 August, 2023 and signed on their behalf by:



SYLVIA MULINGE
Chief Executive Officer/
Executive Director



ANDREW BUGEMBE
Chief Finance Officer/
Executive Director

Unaudited Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	June - 23 Unaudited	June - 22 Unaudited	Dec - 22 Audited
	Shs'000	Shs'000	Shs'000
Revenue from contracts with customers	1,267,089,363	1,094,031,044	2,286,251,974
Other income	54,959	712,876	827,339
Direct network operating costs	(166,956,810)	(134,930,071)	(284,343,020)
Government and regulatory costs	(29,743,359)	(27,722,345)	(57,935,672)
Cost of handsets and other accessories sold	(18,636,329)	(8,664,626)	(23,878,564)
Interconnect and roaming	(28,031,000)	(24,322,570)	(49,455,209)
Employee benefits	(63,729,159)	(59,751,836)	(126,574,477)
Selling, distribution and marketing expenses	(222,270,275)	(200,508,078)	(414,176,823)
Increase in impairment of trade receivables	(1,096,702)	(5,456,410)	(7,797,794)
Other operating expenses	(95,653,695)	(84,681,636)	(143,525,853)
Depreciation of property, plant and equipment	(178,416,615)	(156,206,332)	(330,505,073)
Amortisation of intangible assets	(32,757,677)	(39,268,910)	(76,609,606)
Operating profit	429,852,701	353,231,106	772,277,222
Finance income	33,719,516	12,275,923	37,923,920
Finance costs	(137,931,055)	(89,863,555)	(219,172,077)
Profit before tax	325,641,162	275,643,474	591,029,065
Income tax expense	(97,606,038)	(82,083,195)	(184,978,704)
Profit for the period	228,035,124	193,560,279	406,050,361
Other comprehensive income for the period net of tax	-	-	-
Total comprehensive income for the period	228,035,124	193,560,279	406,050,361
Basic / diluted earnings per share	10.19	8.65	18.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	June - 23	June - 22	Dec - 22
	Unaudited	Unaudited	Audited
	Shs'000	Shs'000	Shs'000
Assets			
Non-current assets			
Property, plant and equipment	1,031,959,769	935,779,083	949,189,267
Right-of-use assets	1,030,095,262	724,941,291	949,357,815
Intangible assets	347,346,388	375,452,730	357,716,576
Deferred tax assets	22,085,688	20,927,612	14,615,302
Contract assets	15,582,044	9,747,912	10,702,428
Receivables and prepayments	68,517,997	49,880,319	55,876,044
	2,515,587,148	2,116,728,947	2,337,457,432
Current assets			
Inventories	27,603,528	20,917,036	27,432,437
Income tax recoverable	1,391,295	12,355,416	429,270
Contract assets	14,695,399	9,023,451	10,585,068
Trade and other receivables	190,481,891	176,451,014	185,363,265
Mobile money deposits	1,253,979,015	1,096,360,863	1,207,758,423
Cash and cash equivalents	145,197,937	140,396,623	200,772,719
Short-term investments	11,000,000	11,000,000	-
	1,644,349,065	1,466,504,403	1,632,341,182
Total assets	4,159,936,213	3,583,233,350	3,969,798,614
Equity			
Ordinary share capital	22,389,044	22,389,044	22,389,044
Retained earnings	986,503,889	901,967,263	881,608,509
	1,008,892,933	924,356,307	903,997,553
Liabilities			
Non-current liabilities			
Borrowings	52,618,196	125,211,470	82,897,391
Lease liabilities	1,041,297,949	733,671,044	965,891,796
Contract liabilities	11,761,998	12,659,829	12,215,045
Provisions	11,401,422	9,376,337	19,513,613
	1,117,079,565	880,918,680	1,080,517,845
Current liabilities			
Trade and other payables	446,517,239	373,999,863	460,430,472
Contract liabilities	15,457,454	11,022,112	16,507,615
Income tax payable	718,845	-	4,323,181
Borrowings	165,223,638	166,935,017	166,675,565
Lease liabilities	130,720,273	110,152,326	106,595,075
Mobile money deposits	1,253,979,015	1,096,360,863	1,207,758,423
Provisions	21,347,251	19,488,182	22,992,885
	2,033,963,715	1,777,958,363	1,985,283,216
Total liabilities	3,151,043,280	2,658,877,043	3,065,801,061
Total equity and liabilities	4,159,936,213	3,583,233,350	3,969,798,614

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Retained earnings	Total equity
	Shs'000	Shs'000	Shs'000
For the six months ended 30 June 2022			
As at 1 January 2022	22,389,044	813,769,826	836,158,870
Comprehensive income:			
Profit for the period	-	193,560,279	193,560,279
Total comprehensive income for the period	-	193,560,279	193,560,279
Transactions with owners:			
Dividends paid	-	(105,362,842)	(105,362,842)
At 30 June 2022 (unaudited)	22,389,044	901,967,263	924,356,307
For the year ended 31 December 2022			
As at 1 January 2022	22,389,044	813,769,826	836,158,870
Comprehensive income:			
Profit for the year	-	406,050,361	406,050,361
Total comprehensive income for the year	-	406,050,361	406,050,361
Transactions with owners:			
Dividends paid	-	(338,211,678)	(338,211,678)
At 31 December 2022 (audited)	22,389,044	881,608,509	903,997,553
For the six months ended 30 June 2023			
As at 1 January 2023	22,389,044	881,608,509	903,997,553
Comprehensive income:			
Profit for the period	-	228,035,124	228,035,124
Total comprehensive income for the period	-	228,035,124	228,035,124
Transactions with owners:			
Dividends paid	-	(123,139,744)	(123,139,744)
At 30 June 2023 (unaudited)	22,389,044	986,503,889	1,008,892,933

CONSOLIDATED STATEMENT OF CASH FLOWS

	June 23	June 22	Dec 22
	Unaudited	Unaudited	Audited
	Shs'000	Shs'000	Shs'000
Operating activities			
Cash generated from operations	534,040,421	565,092,854	1,237,180,299
Interest received	5,989,179	3,392,001	28,046,231
Interest paid on borrowings	(17,980,641)	(15,071,889)	(29,191,791)
Income tax paid	(109,642,785)	(106,557,678)	(186,891,550)
Net cash generated from operating activities	412,406,174	446,855,288	1,028,437,058
Cash flow from investing activities			
Purchase of property, plant, equipment and IRU assets	(139,920,596)	(182,227,469)	(295,573,672)
Proceeds from disposal of property, plant and equipment	172,937	1,277,145	4,832,840
Purchase of intangible assets	(21,231,651)	(19,460,449)	(42,085,919)
Net cash used in investing activities	(160,979,310)	(200,410,773)	(332,826,751)
Financing activities			
Repayments of borrowings	(66,709,634)	(78,663,263)	(120,451,228)
Proceeds from borrowings	35,000,000	-	-
Repayments of lease liability	(150,833,490)	(105,895,239)	(220,753,172)
Dividends paid	(123,139,744)	(105,362,842)	(338,211,678)
Net cash used in financing activities	(305,682,868)	(289,921,344)	(679,416,078)
Net increase in cash at bank and in hand	(54,256,004)	(43,476,829)	16,194,229
Movement in cash at bank and in hand			
At start of period	200,772,719	188,814,310	188,814,310
(Decrease) / increase	(54,256,004)	(43,476,829)	16,194,229
Exchange losses on cash at bank and in hand	(1,318,778)	(4,940,858)	(4,235,820)
At end of period	145,197,937	140,396,623	200,772,719

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