



MTN NIGERIA RELEASES UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

Lagos| Nigeria: 29 April 2022

Today, MTN Nigeria Communications Plc (MTN Nigeria) announces its unaudited results for the quarter ended 31 March 2022.

Key metrics:

- Mobile subscribers declined by 1.3 million to 70.2 million YoY, impacted by the regulatory restrictions on new SIM sales and activations
 - Added 1.7 million subscribers in Q1 2022 vs Q4 2021
- Active data users increased by 3.4 million to 35.9 million YoY
 - Added 1.6 million active users in Q1 2022 vs Q4 2021
- Active fintech subscribers rose by 6.2 million to 10.7 million YoY
 - Added 1.3 million subscribers in Q1 2022 vs Q4 2021
- Service revenue increased by 22.0% to N469.8 billion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 25.7% to N257.1 billion
- EBITDA margin increased by 1.5 percentage points (pp) to 54.6%
- Profit after tax (PAT) grew by 31.3% to N96.8 billion
- Earnings per share (EPS) rose by 31.3% to N4.76 kobo
- Capital expenditure (Capex) rose by 80.8% to N162.5 billion (up 156.8% to N81.2 billion, excluding right of use assets)
- Final dividend of N8.57 kobo per share for FY 2021

Unless otherwise stated, financial information is year-on-year (YoY, 3M 2022 versus 3M 2021), and non-financial information is year-on-year (YoY, March 2022 versus March 2021).

MTN Nigeria Communications PLC

Corporate Head Office : MTN Plaza, Falomo, Ikoyi, Lagos.
P.M.B. 80147 Adeola Odeku Post Office, Victoria Island, Lagos, Nigeria
Website: www.mtnonline.com
RC 395,010

1 | Page

Directors: Dr. E. Ndukwe, OFR (Chairman) Mr. K. Olutokun Toriola (CEO) Mr. M. Kadri (CFO) Mr. M.K. Ahmad, OON Mr. M. Ajukwu Mr. A. Alli Dr. O. Johnson Mrs. I. M. Omoigui Okauru, MFR Mr. A.B. Mahmoud, SAN OON *Mr. R. Gasant *Ms. T. Molefe *Mr. F. Moolman *Mr. R. Mupita **Mr. J. Schulte-Bockum

**South African **German*



MTN Nigeria CEO, Karl Toriola comments:

"We have continued to make good progress in the first quarter, building on the momentum we achieved in Q4 2021 and delivering several key milestones as we grow our connectivity business and platforms. This was achieved against a backdrop of significant geopolitical volatility exacerbated by the war in Ukraine. This conflict has significantly impacted energy prices, broader inflation, supply chains and consumer spending.

Nevertheless, I am pleased that we have made significant strides in deepening our relationships with all our stakeholders while substantially enhancing our contributions to government revenue. In recognition of our remarkable performance in remittance of taxes despite the challenges posed by the pandemic, the Federal Inland Revenue Services (FIRS) recognised MTN Nigeria as a top 20 taxpayer and one of the best tax compliant organisations in Nigeria for the 2021 tax year.

In terms of strategic milestones, we concluded the first phase of a series of transactions to increase Nigerian ownership in MTN Nigeria, and we are delighted to have welcomed 126,720 retail investors to our shareholder base, many of whom are first-time investors. This includes Nigerian pension funds representing approximately 6.5 million Nigerian contributors. As at 31 March 2022, the number of retail shareholders had increased to approximately 139,000, demonstrating the advances in MTN's localisation imperative.

We also completed a group-wide brand refresh to position the business appropriately as we accelerate our growth and scale our platforms through our Ambition 2025 strategy.

In addition, we have fully paid for one lot of 100MHz in the 3.5GHz spectrum band and have been assigned the 3500 – 3600 MHz frequencies for 10 years. We will launch our 5G services once regulatory approval is obtained.

Post the reporting period, we were granted final approval for our MoMo Payment Service Bank (PSB) by the Central Bank of Nigeria (CBN). This will enable us to offer financial services in line with the CBN's guidelines and support the government in fulfilling its agenda of driving financial inclusion in Nigeria.

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Although our mobile subscriber base declined by 1.9% YoY from 71.5 million in March 2021 to 70.2 million, we sustained the growth trajectory from Q4 2021 as we ramp up capacity for SIM registration and NIN enrolment. As a result, we added 1.7 million subscribers in Q1 2022. In addition, active data subscribers rose by 10.5% YoY to 35.9 million, with 1.6 million added in Q1 as we continued to drive data conversion from our new and existing subscriber base.

To enable the growth in subscribers and traffic, we continued to enhance the capacity of our network. In doing so, we frontloaded our capex plan for the year, deploying capex of N162.5 billion in the period to accommodate the sustained demand for data and accelerate the rollout of our 4G network, which now covers approximately 72% of the population and accounts for 76% of data traffic.

Our existing MoMo business provides a solid foundation for launching MoMo PSB and driving digital and financial inclusion in Nigeria. As at the end of March 2022, we had approximately 10.7 million active users and 166k active MoMo agents.

Our financial performance in the quarter was underpinned by strong commercial momentum, driving growth across our key revenue lines. Service revenue grew by 22%, in line with our medium-term growth guidance of 'at least 20%'. This was led by growth in data and supported by voice, fintech and digital services.

Our ability to drive service revenue growth while managing expenses resulted in an acceleration in EBITDA growth to 25.7% and EBITDA margin expansion of 1.5pp to 54.6% YoY. This underpinned profit before tax (PBT) and PAT growth of 39.4% and 31.3%, respectively.

At the Annual General Meeting held on 28 April 2022, the shareholders approved a final dividend of N174.5 billion, representing N8.57 kobo per share for FY 2021.

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On the regulatory front, on 4 April 2022, the Nigerian Communications Commission (NCC) announced its decision not to extend the deadline for NIN-SIM linkage further, requiring all operators to restrict outgoing calls for subscribers whose SIMs were not associated with National Identity Numbers (NINs). We have complied with this directive and continue to support the Government's efforts in their NIN enrolment process. As at 25 April 2022, approximately 60 million subscribers have submitted their NINs, representing about 85% of our subscriber base.

The MTN Nigeria Foundation continued its initiatives in Q1, reaching more than 10,000 people in over 90 communities in five states through medical outreach. The Foundation also awarded scholarships worth N74 million to 370 scholars, bringing the total value of granted scholarships to approximately N3 billion, benefitting about 5,000 young Nigerians.

Furthermore, I am pleased that we have a new Chief Operating Officer, Hassan Jaber, who will continue the great work Mazen Mroue has done over recent years to drive the operational efficiency that will support our continued growth. We wish Mazen the best in his new role as MTN Group Chief Information and Technical Officer.

Finally, we will continue executing our strategy to deliver service revenue growth in line with medium-term guidance. We continue to focus on driving operating leverage and extracting efficiencies to support earnings, cash flow growth and returns over the medium term.

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***South African **German**



Financial highlights

Items (in millions)	Q1 2022	Q1 2021	YoY
Total Revenue	470,984	385,318	22.2%
Service Revenue	469,819	385,111	22.0%
Voice	258,766	244,617	5.8%
Data	162,731	105,694	54.0%
Digital	5,108	3,775	35.3%
Fintech	20,893	14,265	46.5%
Other Service Revenue	22,322	16,760	33.2%
Expenses	213,836	180,768	18.3%
Cost of Sales	79,569	64,738	22.9%
Operating Expenses	134,267	116,030	15.7%
EBITDA	257,148	204,550	25.7%
EBITDA Margin	54.6%	53.1%	1.5pp
Depreciation & Amortisation	77,821	71,443	8.9%
Net Finance Costs	35,738	30,118	18.7%
PBT	143,588	102,989	39.4%
Taxation	46,769	29,241	59.9%
PAT	96,819	73,748	31.3%
Capital Expenditure	162,484	89,876	80.8%
Capital Expenditure excluding Right of Use Assets	81,165	31,612	156.8%
Capex Intensity	34.5%	23.3%	11.2pp
Capex Intensity excluding Right of Use Assets	17.2%	8.2%	9.0pp
Free Cash Flows	94,664	114,674	-17.4%
Mobile Subscribers	70.2	71.5	-1.9%
Data Subscribers	35.9	32.5	10.5%
Fintech Subscribers	10.7	4.6	135.2%

Solid commercial momentum underpinning service revenue growth

MTN Nigeria recorded a solid Q1 2022 performance, tracking positively against our medium-term targets with 22.0% growth in service revenue and the expansion of EBITDA margins. This was delivered through solid commercial momentum and the ongoing execution of our Ambition 2025 strategy despite challenging trading conditions.

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Voice revenue grew by 5.8% as we recorded increased gross connections and higher usage from our active SIM base. This was enabled by our expanded customer acquisition touchpoints and rural telephony initiatives, as well as our enhanced customer value management (CVM) toolkit, which reduced the impact of the SIM registration and activation restrictions.

Data revenue rose by 54.0%, maintaining the accelerated growth trajectory through growth in subscriber base and data usage. This was sustained by an aggressive 4G network expansion and enhanced quality and capacity of our network to support rising data traffic. Data traffic rose by 84.8% YoY and usage (MB per user) by 69.8%.

In addition, we added about a million new smartphones to our network in Q1, bringing smartphone penetration to 50.0%. As a result, our 4G network now covers 71.7% of the population, up from 70.3% in December 2021.

We continue to drive home broadband penetration, reaching over 775k users, up by over 160k in Q1. Our goal is to *Own the Home* through differentiated value propositions, creating experiences that position MTN as the broadband service provider of choice. We are leveraging our unique assets and capabilities to capture a significant share of market growth.

Fintech revenue rose by 46.5% on the back of the growing adoption of our fintech services and expanded user base. We continue to expand our MoMo agent network with more than 800k registered agents and over 166k active agents (agents who perform a minimum of ten revenue-generating transactions within 30 days).

Having established a significant foundation of registered agent network, we are now focusing on scaling the active base. We have expanded our agent services to include card withdrawal services by deploying point of sales (POS) terminals to the agent network. This has contributed to growing our total volume of transactions to over 56.1 million, up 132.7% YoY, by more than 10.7 million active users (up 135.2%).

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Digital revenue grew by 35.3% as penetration of our digital products continues to deepen, driven by increased usage from our active base. We have reached 7.4 million digital subscriptions (up 164.1% YoY), with ayoba accounting for 45% of the subscriptions and Rich Media accounting for 55%.

Revenue from digital services was driven by Rich Media, Mobile Advertising and Content VAS. We are transforming our Y'ello Digital Platforms into a one-stop destination that caters to all consumer segments.

Revenue from the **enterprise** business rose by 34.3%, underpinned by the onboarding of new customers across segments and the uptake of our enhanced services. Our enterprise business is transitioning from product to platform while leveraging core mobile and fixed connectivity to serve customers across all segments better.

We have commenced executing programs to digitise and transform micro, small and medium enterprises (MSMEs) in Nigeria. Key among these is developing a cloud technology marketplace to empower, educate and enrich MSMEs. Our goal is to drive further adoption of enterprise platforms (internet of things and cloud), creating additional value for our customers and enabling them to innovate while remaining profitable.

Value-based capital allocation drives efficiency and improves margins

We continue to progress with our expense efficiency programme (through which we realised N6.3 billion in Q1) and remain disciplined with capital allocation. As a result, we contained the 15.7% increase in operating expenses below the rate of inflation in Nigeria. This was achieved despite the ongoing effects of Naira depreciation on lease rental costs and acceleration in our site rollout. Consequently, our ability to drive operating leverage has enabled EBITDA growth of 25.7% and the expansion of our EBITDA margin by 1.5pp to 54.6%.

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Depreciation and amortisation rose by 8.9%, resulting from increased site rollout, while net finance costs increased by 18.7% on higher borrowings. Profit before tax (PBT) consequently increased by 39.4%. Taxation increased by 59.9% due to the PBT growth, the net movement in deferred tax provisions, and the education tax rate increase to 2.5%. These led to a 31.1% increase in PAT.

Capital expenditure in the period was up by 80.8% off a lower base in Q1 2021 and aggressive coverage expansion to capture growth opportunities, focusing on the 4G network and rural telephony programme. We are also frontloading some of our capex plan for the year as part of risk mitigation on supply chain disruption.

Core capex, excluding the right of use assets, increased by 156.8%, with capex intensity of 17.2% remaining within target levels. We deployed 2,260 4G sites, representing approximately 85% of the total sites deployed during the period and reflecting solid data revenue growth.

The higher capex resulted in a 17.4% decline in free cash flow to N94.7 billion. However, we expect this to improve as the capex run-rate moderates over the year.

In April 2022, we tapped into the debt market to raise N127 billion through commercial paper issuance. This aligns with our strategy to diversify our financing options, with the proceeds being deployed towards working capital and general corporate purposes.

Overall, our funding and liquidity remain well-managed, supported by our cash flows and approved facilities. Our debt metrics remain well within our financial covenants, and we can comfortably meet our operational, financial and capex investment obligations. In addition, our foreign currency exposure is within manageable limits, with 92% of our debt in local currency, so that our balance sheet can withstand currency volatility.

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Navigating the impact of the NCC's directive on NIN-SIM linkage

Following the NCC's directive on 4 April 2022 that all operators should restrict outgoing calls for subscribers whose SIMs are not associated with NINs, we implemented the directive on approximately 19 million of our affected subscribers at that date. However, subscribers whose outgoing calls were restricted for non-submission of their NINs require their NINs to be verified before being reactivated.

As at 25 April 2022, about 8.7 million of those restricted submitted their NINs for verification, of which approximately 1.2 million have been reactivated, many of whom are high-value customers. Outgoing voice revenue from the subscribers who are yet to be reactivated therefore contributed approximately 7.8% of total service revenue based on FY 2021.

In terms of how general traffic trends have evolved since the implementation of the directive, we have seen a drop off in traffic following our compliance with the directive. However, we have started to see a gradual recovery as the affected subscribers are reconnected to resume voice calls. Data revenue has continued a steady increase but has currently not fully compensated for the decline in voice revenue of restricted subscribers. Encouragingly, we have seen an acceleration in new connections.

As MTN Nigeria, we continue to engage our affected subscribers while providing hardware support for the National Identity Management Commission to accelerate the verification of NINs submitted. We have taken significant steps to help drive NIN enrolment for subscribers who do not yet have a NIN, deploying over 4,200 points of enrolment across the country. We have also provided multiple channels to enable our customers to submit their NIN for verification and linkage.

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Outlook

Looking ahead, we are focused on building on the solid foundation of growth we have laid thus far. We will continue to ramp up gross connections through our rural connectivity drive and leverage CVM initiatives to grow our subscriber base and usage further. To support further growth in our connectivity business, we will continue to accelerate the expansion of our 4G network towards achieving our goal of 80% coverage by year-end while providing home broadband to capture a significant share of market growth.

Following the 5G spectrum acquisition, we will commence the initial rollout of 5G services in the six geopolitical zones once we receive regulatory clearance. This will enable us to deepen broadband penetration in Nigeria, enhance customer experience and unlock new revenue streams from the numerous use cases 5G offers.

Having obtained the final approval for our MoMo PSB, which we expect to launch the business in Q2, we will leverage our agent network to accelerate the rollout of advanced services in our mission to drive digital and financial inclusion.

We remain committed to driving cost management across the business through our expense efficiency programme and strengthening our operations and financial position to improve returns to shareholders.

In the near term, our margins will be impacted by the NCC's directive on NIN-SIM linkage, higher energy-related costs as well as the investment to launch and rollout PSB. We, therefore, anticipate that EBITDA margins for the full year will be slightly below our medium-term target range of 53% -55%, on current operating and economic assumptions.

We have put in place interventions to moderate the impact of the NIN-SIM linkage regulation on both revenue and the subscriber base. This still has dependency on NIMC validation capacity. While limited incremental costs will be incurred to support NIMC's NIN enrolment capacity, we expect muted impact on the 2022 outlook for top line.

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We anticipate an increase in churn across the sector in Q3 as the industry potentially loses affected subscribers who may stop activity after initial restriction. We believe that mitigating actions will recover the base in line with our broad expectations for FY 2022.

While the impact on short-term service revenue growth remains uncertain at this stage, we maintain our medium-term service revenue growth guidance of "at least 20%".

For and on behalf of the Board

A handwritten signature in black ink, appearing to read "Karl Toriola".

Karl Toriola
Chief Executive Officer

Contact

Chima Nwaokoma

Snr. Manager, Investor Relations
MTN Nigeria Communications Plc
Telephone: +234 803 200 0186
Email: Investorrelations.ng@mtn.com

Funso Aina

Snr. Manager, External Relations
MTN Nigeria Communications Plc
Telephone: +234 803 200 4168
Email: mediaenquiries.NG@mtn.com

About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 70 million people in communities across the country with each other and the world. Guided by a belief that everybody deserves the benefits of a modern connected life, MTN Nigeria's leadership position in coverage, capacity and innovation has remained constant since its launch in 2001. MTN Nigeria is part of the MTN Group - a multinational telecommunications group, which operates in 19 countries in Africa and the Middle East.

Visit www.mtnonline.com/investors for more information.

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Condensed consolidated and separate statement of profit or loss

In millions of Nigerian Naira	Group		Company	
	3 Months ended 31 March 2022	3 Months ended 31 March 2021	3 Months ended 31 March 2022	3 Months ended 31 March 2021
Revenue	470,984	385,318	470,691	385,241
Direct network operating costs	(107,275)	(92,347)	(107,275)	(92,347)
Value added services	(5,712)	(4,699)	(5,712)	(4,699)
Costs of starter packs, handsets and accessories.	(4,904)	(269)	(4,904)	(269)
Interconnect costs	(35,539)	(31,176)	(35,539)	(31,176)
Roaming costs	(1,215)	(851)	(1,215)	(851)
Transmission costs	(2,007)	(1,989)	(2,007)	(1,989)
Discounts and commissions	(21,790)	(18,914)	(21,324)	(18,733)
Advertisements, sponsorships and sales promotions	(5,951)	(3,609)	(5,726)	(3,457)
Employee costs	(10,997)	(9,316)	(10,782)	(9,131)
Depreciation of property and equipment	(40,979)	(32,224)	(40,979)	(32,224)
Depreciation of right of use assets	(24,566)	(20,717)	(24,566)	(20,717)
Amortisation of intangible assets	(12,277)	(18,502)	(10,947)	(17,172)
Other operating expenses	(18,446)	(17,598)	(17,250)	(17,383)
Operating profit	179,326	133,107	182,465	135,093
Finance income	4,587	1,227	4,543	1,227
Finance costs	(40,325)	(31,345)	(40,325)	(31,345)
Profit before taxation	143,588	102,989	146,683	104,975
Taxation	(46,768)	(29,241)	(47,697)	(29,836)
Profit for the period	96,820	73,748	98,986	75,139
Earnings per share - basic/diluted	4.76	3.62	4.86	3.69

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Condensed consolidated and separate statement of other comprehensive income

	Group		Company	
	3 Months ended 31 March 2022	3 Months ended 31 March 2021	3 Months ended 31 March 2022	3 Months ended 31 March 2021
In millions of Nigerian Naira				
Profit for the period	96,820	73,748	98,986	75,139
Items that may be reclassified to profit or loss				
Transfer of fair value reserve of investments designated at FVOCI*	52	-	52	-
Other comprehensive income for the period net of taxation	52	-	52	-
Total comprehensive income for the period	96,872	73,748	99,038	75,139
Attributable to:				
Owners of the parent	96,872	73,748	99,038	75,139
	96,872	73,748	99,038	75,139

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

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Condensed consolidated and separate statement of financial position

In millions of Nigerian Naira	Group		Company	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Assets				
Property, plant and equipment	821,739	774,113	821,739	774,113
Intangible assets	345,103	245,558	320,199	219,324
Right-of-use assets	667,821	613,812	667,821	613,812
Investments in subsidiaries	-	-	57,928	57,928
Other Investments	10,587	10,845	10,587	10,845
Other non current assets	17,471	17,942	17,471	17,942
	1,862,721	1,662,270	1,895,745	1,693,964
Current assets				
Inventories	2,053	5,310	2,053	5,310
Trade and other receivables	125,792	127,232	137,118	135,958
Current investments	43,839	57,664	43,839	57,664
Restricted cash	210,641	146,188	210,413	146,188
Cash and cash equivalents	210,704	260,891	198,610	247,025
	593,029	597,285	592,033	592,145
Total assets	2,455,750	2,259,555	2,487,778	2,286,109
Equity and liabilities Equity				
Share capital	407	407	407	407
Share premium	17,216	17,216	17,216	17,216
Treasury shares	(4,869)	-	(4,869)	-
Other reserves	937	885	937	885
Retained profit	343,293	246,473	377,475	278,489
	356,984	264,981	391,166	296,997
Liabilities				
Borrowings	324,538	340,425	324,538	340,425
Lease liabilities	680,745	628,325	680,745	628,325
Deferred tax	87,853	104,683	87,846	103,747
Provisions	41	41	41	41
Employee benefits	5,993	6,549	5,993	6,549
Other non-current liabilities	11,612	8,547	11,612	8,547
	1,110,782	1,088,570	1,110,775	1,087,634
Current liabilities				
Trade and other payables	445,679	443,895	444,186	440,023
Current tax payable	207,761	144,163	207,489	143,891
Borrowings	170,194	152,835	170,194	152,835
Lease liabilities	71,846	62,531	71,846	62,531
Contract liabilities	67,028	72,336	66,646	71,954
Provisions	24,969	29,736	24,969	29,736
Employee benefits	507	136	507	136
Derivatives	-	372	-	372
	987,984	906,004	985,837	901,478
Total liabilities	2,098,766	1,994,574	2,096,612	1,989,112
Total equity and liabilities	2,455,750	2,259,555	2,487,778	2,286,109

MTN Nigeria Communications PLC

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P.M.B. 80147 Adeola Odeku Post Office, Victoria Island, Lagos, Nigeria
Website: www.mtrnonline.com
RC 395,010

Directors: Dr. E. Ndukwue, OFR (Chairman) Mr. K. Olutokun Toriola (CEO) Mr. M. Kadri (CFO) Mr. M.K. Ahmad, OON Mr. M. Ajukwu Mr. A. Alli
Dr. O. Johnson Mrs. I. M. Omoigui Okauru, MFR Mr. A.B. Mahmoud, SAN OON *Mr. R. Gasant *Ms. T. Molefe *Mr. F. Moolman
*Mr. R. Mupifa **Mr. J. Schulte-Bockum

***South African **German**



Condensed consolidated and separate statement of cash flows

In millions of Nigerian Naira	Group		Company	
	3 Months ended 31 March 2022	3 Months ended 31 March 2021	3 Months ended 31 March 2022	3 Months ended 31 March 2021
Cash generated from operations				
Cash flows from operating activities	264,719	170,215	266,307	167,247
Interest paid	(42,159)	(24,457)	(42,159)	(24,457)
Interest received	6,170	877	6,126	877
Tax paid	-	(4,000)	-	(4,000)
Employee benefits payments	(176)	(37)	(176)	(37)
Share based payments	-	(376)	-	(376)
Provisions payments	(1,112)	(3,449)	(1,112)	(3,449)
Net cash generated from operating activities	227,442	138,773	228,986	135,805
Cash flows from investing activities				
Acquisition of property, plant and equipment	(52,156)	(31,350)	(52,156)	(31,350)
Acquisition of right of use assets	(5,073)	(276)	(5,073)	(276)
Proceeds from disposal of property, plant and equipment	3,176	142	3,176	142
Purchase of contract acquisition costs	(719)	(295)	(719)	(295)
Investment in non-current FGN bonds	260	6,967	260	6,967
Acquisition of other intangible assets	(141,529)	(61,519)	(141,529)	(61,519)
Purchase of bonds, treasury bills and foreign deposits	(24,086)	-	(24,086)	-
Sale of bonds, treasury bills and foreign deposits	38,221	33,152	38,221	33,152
Movement in restricted cash	(64,453)	(3,265)	(64,225)	(3,265)
Net cash flows used in investing activities	(246,359)	(56,444)	(246,131)	(56,444)
Cash flows from financing activities				
Proceeds from borrowings	-	118,230	-	118,230
Repayment of borrowings	(12,090)	(112,207)	(12,090)	(112,207)
Repayment on lease liabilities	(17,362)	(15,687)	(17,362)	(15,687)
Net cash flows used in financing activities	(29,452)	(9,664)	(29,452)	(9,664)
Net (decrease)/increase in cash and cash equivalents	(48,369)	72,665	(46,597)	69,697
Cash at the beginning of the period	261,494	275,825	247,628	271,668
Exchange loss/(gain) on cash and cash equivalents	(2,269)	201	(2,269)	201
Total cash at end of the period	210,856	348,691	198,762	341,566

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