

SONATEL

AA-/Stable/w-2

COMPANY PROFILE

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RATINGS

Scale	Regional	International
Methodology	Corporate	Corporate
Long-term rating	AA-	iBB
Outlook	Stable	Stable
Short-term rating	w-2	iw-5
Watch	No	No

EVOLUTION OF THE LONG-TERM RATING



SUMMARY

- Sonatel Group is a major player in the West African telecom sector

Sonatel Group provides comprehensive telecom solutions in both the landline and mobile spaces, the Internet, TV and data for households and companies. Today a leader in the countries where it is active, the Sonatel Group is the reference telecom operator in the region, built on a modern and efficient network, at the cutting edge of technology. The Group is present in Senegal, its home country, in Mali, in Guinea Conakry, in Guinea-Bissau and in Sierra Leone.

For its first-time rating, WARA assigns to Sonatel Group **AA-/Stable/w-2** ratings and outlook on its regional rating scale. The outlook is **stable**.

Presentation of Group Sonatel

- Group Sonatel has been serving the development of telecommunications in Senegal and the West African region for 34 years

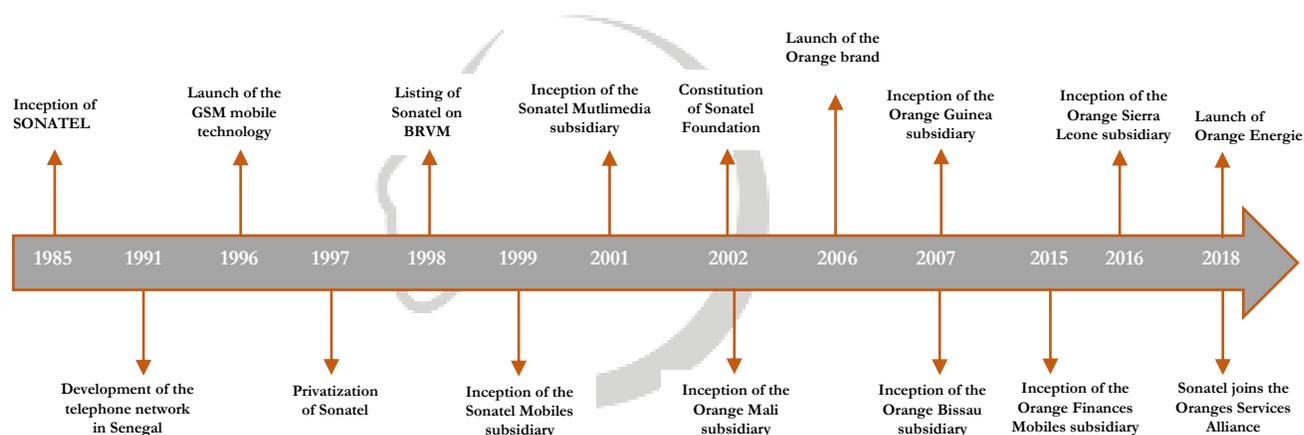
Société Nationale des Télécommunication du Sénégal (SONATEL) was created on July 23, 1985, responding to the state's desire to see the Senegalese population access to a quality network and reliable and efficient telephone services. From its inception, its management style was inspired by the private sector, the objective being to stay in phase with technological evolutions, by nature very dynamic. Also, since its creation, the Sonatel Group has been investing massively, in order to develop the network, improve the quality of technical and commercial service, and above all to ensure a good coverage of the national territory. Sonatel has also invested in its human resources in order to be one of the best managed companies in the country and the region. Given the good performance posted by Sonatel, the State of Senegal has decided to welcome new shareholders, and attract private companies of international standing. Thus, in 1996, France Telecom became a shareholder of Sonatel with 33% of capital. This event has enabled Sonatel to receive the support an experienced partner, able to assist the Senegalese company in its cycles of technological evolution and facilitate its development. The clearly stated ambition was to become the first telecommunications company in West Africa. The rest of the capital remains the property of the State of Senegal for 37%, small holders for 20%, and Sonatel's staff for 9%.

Between 1997 and 2002, Sonatel and its strategic partner France Telecom have pursued an ambitious investment policy, in order to meet the challenges of the region. With the advent of mobile telephony and the Internet, the first challenge was to modernize and digitize the network, while developing international communications by installing submarine cables. Always seeking excellence, Sonatel became, on October 2, 1998, the first Senegalese company listed on the Regional Stock Exchange (BRVM). At the same time, in line with what was provided for in the concession contract, the State of Senegal sold 9% of its shares to France Telecom, which stood, consequently, as the main shareholder of the Sonatel Group with 42% of its capital.

Since 2002, Sonatel has deployed its geographic diversification strategy, reflected in its regional expansion. In 2002, the Sonatel Group entered Mali. In addition, France Telecom, which became Orange, heavily supported Sonatel in this cross-border growth strategy. This allowed the company to diversify its sources of income in countries with high market potential. From the beginning, this strategy has been a success. In order to improve the quality of life of disadvantaged populations, the Sonatel Foundation was created in 2002, in line with the Group's development and its social policy in the areas of health, education and culture. In order to make the most of the worldwide reputation of its long-standing partner, the Sonatel Group decided to market its products and services under the Orange brand in 2006. Consistent with its expansion in neighboring countries, the Group set up operations in Guinea-Bissau and Guinea Conakry in 2007, and in Sierra Leone in 2016. In addition to its leading role in the development of the telecommunications sector, the Sonatel Group strives to create value and jobs in all countries where the company is present.

In parallel with its geographic diversification strategy, the Sonatel Group has also embarked on a strategy to diversify its lines of business. This approach consists on identifying new sources of growth to offset the decline of revenues in some of its historical lines of business such as international calls. The Orange Money service was launched in 2010, the initial goal being to retain the customer base of the Sonatel Group. Given the success of Orange Money, the Sonatel Group created in 2015 a subsidiary called Orange Finances Mobiles, responsible for the distribution and development of this product. Always guided by this desire for operational diversification, the Group launched in 2018 Orange Energie, intended for the distribution of SHS (Solar Home System), which are solar kits to homes and small businesses in rural areas. This offer was a great success with nearly 800 households equipped in 2018.

The key steps of Sonatel Group's evolution since inception have been as shown below:



Thanks to the success of its differentiation and diversification strategies, the Sonatel Group enjoys excellent financial performance, in particular a constantly increasing revenue base. Indeed, revenues increased from CFAF 62 billion in 1996 to just over CFAF 1,021 billion in 2018, thanks to the contributions of its network of subsidiaries. In 2018, the Group strengthened its leadership while consolidating already strong commercial positions in Guinea Conakry with a 63% market share, and gained market share in Sierra Leone with +4.5 points compared to 2017. The Group's market position remains relatively stable in Senegal at 53%, and in Mali and Guinea-Bissau at 56%. Operational execution and governance are outstanding. Since 2011, Sonatel has been referring to the Corporate Governance Code developed by the Senegalese Institute of Directors (ISA). The purpose of this code is to promote good governance practices within companies in both the public and private sectors. The provisions of the code, inspired by the laws of the OHADA, constitute a set of rules for the robust management practices of the company.

Sonatel Group's subsidiaries

- The Group has been built on a network of subsidiaries forming together a matrix of product and country specialists

- **Sonatel SA (Senegal)**

The parent company of the Group, *which is also the consolidating entity rated by WARA*, covers the entire Senegalese territory. Through its Orange brand, the company maintains its leadership in the mobile market with more than 53% share of the Senegalese market in 2018. Sonatel is a strategically important company for the economy of its home country and has made Senegal a hub and a major player in the development of telecommunications in West Africa. The company has built a modern network, fully digitized by transmission loops and international high-speed optical fiber submarine cables. In 2018, investments in Senegal stood at CFAF 84.7 billion, of which 71 billion allocated to the network. The achievements in 2018 focused mainly on network expansion and strengthening, particularly in terms of mobile access, fiber equipment and the quality of transmission. The consolidated turnover of Sonatel SA in 2018 reached CFAF 466.3 billion.

- **Orange Mali**

In 2002, the Sonatel Group embodied its desire to embark on an external growth strategy by setting up business in Mali. This operation was possible following the acquisition of a license by tender, that of Ikatel. As a corporate citizen, Orange Mali intends to be the partner of choice for the digital transformation in Mali. Orange Mali has committed itself to the authorities on ambitious coverage targets, in order to contribute to the country's digital growth. The first key factor of success has been massive investments to expand the network into cities, regions and villages. At the same time, it was necessary to offer an affordable price to respond to a democratization strategy in which volumes would compensate for low prices. This is how the Group quickly became a leader, and supported this strategy by recruiting the best talent to gain expertise and agility. In 2018, despite a difficult economic and security environment, Orange Mali had a year of growth. On the Malian territory, the distribution network has developed in a regular and structured way to ensure the availability of recharge cards everywhere and at all times. The corporate market has offered new opportunities through innovation, like the development of broadband internet solutions. Significant investments were made in 2018, bringing cumulative investments to more than CFAF 548 billion since the creation of Orange Mali, and to 1,685 the total number of radio sites built to date. Orange Mali provides the population with products and services that fit well to their main telecommunications needs. 98% of the population is covered by the Orange Mali network.

- **Orange Bissau (Guinea Bissau)**

Present in Guinea-Bissau since 2007, the Sonatel Group has supported the development of its Bissau-Guinean subsidiary with massive investments for the construction of a reliable, high-performance and state-of-the-art network. Thanks to this industrial process, Orange Bissau is today the market leader with 56% market share. Orange Bissau is known for the good quality of its network (i.e. good coverage in the capital and regional capitals) and its first-class service. Despite significant political risks, Orange Bissau maintains its growth and investments in order to always offer its customers a modern and efficient service. This focus on growth and

investments in Guinea-Bissau has helped the company increase the volume of mobile customer recruitments, through the continuous expansion of network coverage, improvements in service quality, and the supply of 3G / 4G technologies.

- **Orange Guinée (Guinea Conakry)**

Since its launch in Guinea Conakry in 2007, Orange Guinée's objective has been to be the preferred operator in Guinea, and a leader in the mobile market: the company is working to offer the best technology to the largest possible number of customers. This is evidenced by the many mobile offers and services, but also by the ease of access to the Internet through affordable packages aiming at meeting the needs of each. Orange Guinée is also a committed player in the social development of the people of Guinea. Orange Guinée leads with 63% market share and network coverage three times larger than its direct competitor, MTN.

- **Orange Sierra Leone**

Established in 2016, this subsidiary of the Sonatel Group is a challenger in this market, with 45% market share, and more than 330 sites covering nearly 70% of the population. 2018 was the year when the Orange network further expanded in Sierra Leone, punctuated by its modernization. The company thus gained more than 6 points of market share in 2018, thanks to actions of proximity, a portfolio of products and services based on abundant and innovative offers and a large-scale commercial deployment. After a phase of network modernization in 2017, Orange Sierra Leone accelerated its expansion program in 2018 with the opening of new strategic sites, the deployment of 3G and the preparation of 4G. The investment program, amounting to CFAF 14 billion, made significant progress in 2018:

- the modernization of the 2G and 3G access network
- the modernization of the collection and transport network
- 35 new sites, including 13 with 3G
- preparations for the commercial launch of 4G in 2019
- the modernization of several service platforms.

- **Sonatel Mobiles**

The subsidiary Sonatel Mobiles was created in 1999 with the brand Alizé which supported the advent of mobile offers until 2006. This subsidiary manages all the mobile offers of the Group. In 2006, the marketed brand moved from Alizé to Orange, allowing it to make a new mark in terms of notoriety.

- **Orange Finances Mobiles**

Mobile banking remains at the heart of the Sonatel Group's strategy. Orange Money, led by Orange Finances Mobiles, continued to grow and diversify its services.

As a reference, Orange Finances Mobiles Senegal (OFMS) is positioning itself as a leader in mobile phone payment and digital banking. In the foreground are the proximity of its customer relationship and confidence in its security architecture. Having been a forerunner in this sector in Senegal, Orange Money will continue its role of educating customers to these new digital financial services, while insisting on the concepts of compliance, security and trust. OFMS obtained its license as an issuer of electronic money in 2015. This license is in line with a number of standards issued by the regulator (BCEAO) to stand as an issuer of electronic

money. In recent years, thanks to a good balance between collaboration with its partners and proximity with its customers, Orange Money has witnessed growth in activity. This growth is reflected in the strength of its distribution network with more than 30,000 points of sale throughout Senegal. The steady increase of its turnover (which doubled between 2017 and 2018) and its position as the largest player in the mobile money market in Senegal confirm its leadership position.

- **Sonatel Business Solutions**

Through its Sonatel Business Solutions subsidiary, the Group offers companies integration, unified communications, security, connection, networking and consulting solutions. Sonatel accompanies them from design to implementation, through a tailor-made offer, whatever their size or sector.

- **Sonatel Multimedia**

In 2018, the Sonatel Group, through its subsidiary Sonatel Multimedia, strengthened its position in the field of digital content. The subsidiary continued to enrich its catalog and strengthened its capacity for production and acquisition of content, through the creation of a Content Factory department. Sonatel Multimedia's mission is to support exclusive audiovisual productions in the discovery, promotion and emergence of local artists.

- **The Sonatel Foundation**

Concerned about the well-being of populations in terms of health, wishing to make education a key factor of development and aiming at participating in the cultural endeavors of host countries, Sonatel decided to set up a formal sponsorship policy by creating the Sonatel Foundation in 2002. The Sonatel Foundation has been given a public utility status, as it supports any project able to enhance social, human and cultural development initiatives. Its actions target the most vulnerable populations in society through material and / or financial support. The Foundation has made the option to focus its sponsorship efforts on three fundamental areas: health, education and culture. Its objectives are:

- to work towards access to quality education for all
- to participate in the efforts made by the State to facilitate access to quality medical care
- to play a leading role in the cultural endeavors of host countries.

The Sonatel Foundation has set itself the mission of contributing to the improvement of the quality of life of the populations by:

- strengthening and modernizing basic medical care
- improving the living conditions of the disabled or disadvantaged
- encouraging policies of prevention
- supporting the schooling of girls
- promoting digital access for all, especially young people and women
- fighting against illiteracy
- supporting culture and heritage preservation.

As part of its overall mission of supporting public authorities, the Sonatel Group is positioned as a major player in economic development in all its host countries. Its "Village Project" concept, set up in conjunction with the Orange Foundation, is a concrete example with nearly 15 initiatives in three countries over the past three years.

Key figures of the Sonatel Group in the different countries where the company is present:

Country Indicators (2018)	Senegal	Mali	Guinea Conakry	Guinea- Bissau	Sierra Leone
Population	15.7 million	19 million	11.9 million	1.5 million	7.8 million
Market share	53%	56%	63%	56%	45%
Position	Leader	Leader	Leader	Leader	Challenger
Mobile base	8.7 million	10.4 million	7.2 million	682,700	2 million
Mobile penetration	105%	106%	101 %	79%	54%
Orange Money customers	2 million	2.1 million	1.2 million	22 200	400,000
Orange Money penetration	22.7%	19.9%	16.0%	3.3%	18.9%
Network	2G, 3G, 4G, 4G+	2G, 3G, 4G	2G, 3G	2G, 3G, 4G	2G, 3G
Network coverage rate	98%	98%	95%	90%	84%
Data penetration	40.7%	37.0%	32.9%	19.0%	41.0%
ARPU (prepaid)	3,063 CFAF	1,939 CFAF	26,452 CNF	2,701 CFAF	18,729 SLL

Main shareholder: Orange SA

Orange is one of the leading European and African operators of mobile and ADSL internet access, and one of the world leaders in business telecommunications services.

Orange improved home connectivity with the FTTH (Fiber to the Home) technology, which enables broadband speeds of up to 10 Gbps to be available to the public. At the end of 2018, Orange had 32.5 million homes connected at very high speed in the world. In the Africa and the Middle East, fiber is marketed in Jordan, Egypt, Ivory Coast, Morocco, Senegal and Mali. At the end of 2018, Orange's 4G boasted a coverage rate of 62% in Senegal. The Group has subsidiaries in 27 countries and operates in 220 countries and territories, under the Orange Business Services brand. As of June 30, 2019, the Group's consolidated half-year net profit stood at € 1,137 million, up 29.4%, for more than € 20 billion in revenues.

Orange is firmly positioned as a partner in the digital transformation of Africa. The Orange Group remains alert as to markets and their peculiarities, to supply an offer that is in line with lifestyle and consumption types, as well as the needs of its customers. The digitization of the continent is a major challenge as far as its competitiveness is concerned, and ultimately, for its development. Given its historic presence in Africa, the Group seems well positioned to connect African economies in general, and West Africa in particular, to the ever-accelerating globalization process.

Sonatel Group's social responsibility

In September 2018, the Sonatel Group received from the AFNOR Certification the CSR Engaged label, recognizing its contribution to sustainable development, in line with the ISO 26,000 standard. This recognition confirms the continuous improvement process put in place by the Sonatel Group for more than 10 years. In 2018, the Corporate Social

Responsibility (CSR) policy took into account seven key issues that, according to international best practices, must guide all sustainable development actions. The objective is to place sustainable development at the heart of the company, its vision and its relationships around four explicit areas: i) well-being of communities, ii) good governance, iii) growth and economic development, and iv) preservation of the environment. CSR is of course deployed at the level of each subsidiary of the Group.

Good governance involves not only strengthening relationships with stakeholders through regular exchanges, but also setting up committees: audit, market intelligence, risk management, ethics and compliance in particular.

The Sonatel Group is recognized as a major player in the fight for the preservation of the environment. In Senegal, it is the privileged partner of the Ministry of Environment and Sustainable Development. The Group is a member of the Strategic Committee set up by the Ministry, and supports the measurement of air quality for health prevention.



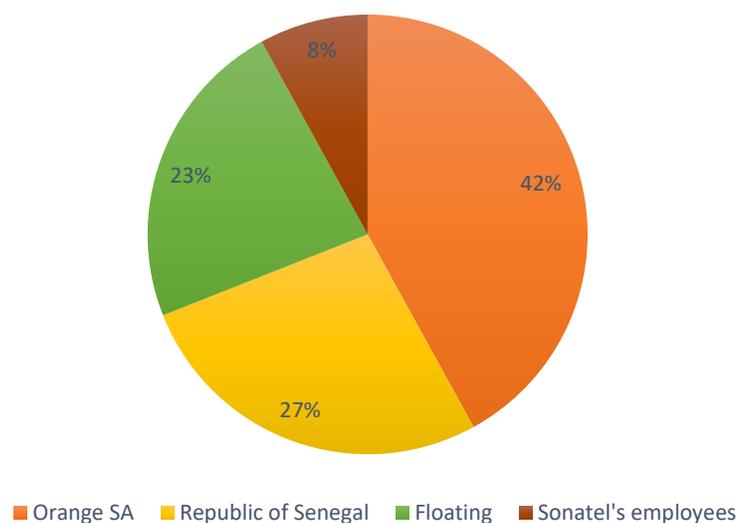
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SHAREHOLDING AND BOARD OF DIRECTORS

Shareholding structure

- Orange SA is Sonatel's major shareholder

As of December 31, 2018, the shareholding structure of Sonatel was as follows:



Symbol	SNTS
Date of IPO	2 October 1998
Number of equity shares	100,000,000
Stock price in CFAF at 12/31/2018	16,000
Stock price in CFAF at 09/27/2019	15,190
Global market cap at 12/27/2018 (FCFA)	1,519,000,000,000
Floating market cap at 12/27/2018 (FCFA)	331,737,433,580
% of BRVM total market cap at 12/27/2018	35.77%

The Sonatel Group is formed by the following entities:

Counties	Companies	Control	% of control
Senegal	Sonatel SA	Direct	Parent company
	Sonatel Mobiles	Direct	100%
	Sonatel Multimedia	Direct	100%
	Sonatel Business Solutions	Direct	100%
	Orange Finances Mobiles Senegal	Direct	100%
Mali	Orange Mali	Direct	70%
	Orange Finances Mobiles Mali	Indirect	70%
Guinea Conakry	Orange Guinée	Direct	89%
	Orange Finances Mobiles Guinea	Indirect	89%
Guinea-Bissau	Orange Bissau	Direct	90%
Sierra Leone	Orange Sierra Leone	Direct	50%
	Orange Money SL Limited	Indirect	50%
MEA	Groupement Orange Services	Indirect	47%

Composition of the Board of Directors

- Sonatel's Board of Directors reflects its shareholding structure

As of December 31, 2018, Sonatel's Board of Directors was constituted as follows:

Members of Sonatel's Board of Directors		
Names	Positions	End date of Directors' mandates
Alioune NDIAYE	Chairman	31 December 2020
Bassirou Samba NIASSE	Director	31 December 2022
Hugues FOULON	Director	31 December 2022
Abdoulaye DIOP	Director	31 December 2022
Mamadou Aidara DIOP	Director	31 December 2020
Colonel Koly FAYE	Director	31 December 2022
Ludovic PECH	Director	31 December 2020
Jérôme HENIQUE	Director	31 December 2020
Thierry BRETON	Director	31 December 2020
Abdoulaye KAMARA	Representative of the Financial Controller	31 December 2019

BUSINESS MODEL AND ORGANISATION

Lines of business

- The Sonatel Group distributes a comprehensive range of mobile, landline and internet products and services through its Orange brand, intended for individual and corporate customers.
- Thanks to its operating diversification strategy, Sonatel has identified new growth drivers such as Orange Money services, the marketing of solar kits and the distribution of multimedia contents.

The Sonatel Group provides comprehensive offerings of prepaid and postpaid services for voice and mobile data, as well as Internet services to both individual and corporate customers. With 4G and 4G+ technologies, the Group offers its customers high speed mobile connectivity. With the advent of fiber, the Group offers a catalog of innovative and integrated service solutions dedicated to households, professionals, companies and other institutional entities.

Number of customers	2016	2017	2018	% growth 2017-2018
Landline	277,859	285,291	302,243	+6%
Mobile	27,319,568	29,723,690	29,146,650	-2%
Internet	143,620	144,753	219,144	+51%
Total	27,741,047	30,166,130	29,668,037	-2%

The Group's mobile customer base stood at 29 million at the end of 2018. It decreased by -2% compared to 2017, due to a deliberate slowdown in activity in Mali. Outside Mali, growth of 8.6% was driven by a client-acquisition momentum backed by the Group's strategic advantage in terms of network coverage as well as landline and mobile broadband connectivity.

Growth in landline broadband access remained strong in 2018, with a total of 219,000 customers, including 82,000 Flybox customers and 7,000 fiber customers. This performance reflects the success of landline broadband offers through the various technologies available (ADSL, Flybox, fiber, LTE / TDD).

The landline customer base totals more than 300,000 lines at the end of 2018. This growth was mainly driven by the commercial success of the Flybox and fiber-backed offerings, combined with the rise in net connections on ADSL, in the wake of the tariff cuts experienced by the sector.

In parallel with its core lines of business, the Group has diversified its revenues by identifying high-potential growth drivers. This includes Orange Money, Orange Energie, as well as the production and distribution of multimedia content via its dedicated subsidiary.

Orange Money is a money transfer and mobile payment service company. In addition, diversification into the energy sector began with the launch of Orange Energie's pilot project in the Mbour and Fatick regions of Senegal. In addition to batteries and solar panels, the kits also include equipment such as lamps, a phone charger, and even a TV set. The subscriptions vary between 170 CFAF per day for the basic kit, and 450 CFAF per day for the TV kit. Finally, the Group has also succeeded in developing its multimedia content creation and distribution activities with the production of TV movies and series, which are distributed via its video-on-demand platform (Orange TV). Sonatel Multimedia also accompanies local artists in their musical productions, and is therefore an important player in the socio-cultural environment of the countries where it operates.

Strategy

- The development of the landline as well as mobile networks and the improvement of service quality are the major strategic focus areas for Sonatel
- In addition, the Group seems quite committed to its geographic and operating diversification strategy

The development of the network, both in the landline and mobile spaces, and the improvement of service quality are at the heart of the Group's strategy: these two focus items therefore concentrate the bulk of investments. The Sonatel Group, keen to have a mobile network that is always at the cutting edge of technology, has carried on with the major modernization and expansion of its mobile network. In 2018, the Group's investments stood at CFAF 194.3 billion, i.e. an increase of 5.7%. The investments mainly converged towards enhancing the network, particularly in Mali, Senegal and Guinea, with the aim of improving the quality of service and increasing the operator's strategic advantage in terms of landline broadband connectivity. and mobile availability.

Added to this is a strategy of twin geographic and business diversification, based on the identification, at a very early stage, of growth drivers. Indeed, faced with demanding and potentially volatile customers, the rapid obsolescence of products and tools, a profoundly changing environment and the challenges of revenue growth, it has become necessary for Sonatel to steer its twin diversification process, proactively.

"Sonatel in 2022, a resolutely customer-oriented Group, a privileged partner in the digital transformation of our companies": beyond the slogan, the vision has been promoted by the Group's Chief Executive Officer. This vision is divided into five major objectives which are in turn made explicit in the Sonatel 2022 Company Project:

- Transform Sonatel into an agile, open and customer-oriented organization
- Become a multiservice operator thanks to an active partnership policy in the digital ecosystem
- Be the preferred and most trusted partner for the key stakeholders
- Revamp the human resources policy and align skills with the Group's new ambition
- Provide enhanced connectivity for digital transformation by fostering value creation for stakeholders.

Certifications

- The Sonatel Group seems committed to continuous improvement
- Many ISO certifications support this process

The Sonatel Group enjoys the following certifications in their most recent versions:

ISO 9001: The ISO 9001 standard is a quality management standard. It provides evidence in terms of organizational quality within any type of structure. The ISO 9001 certification is to showcase that a system of continuous improvement has been set up within the company. The ISO 9001 standard is based on the principles of quality management: (i) customer orientation: being able to adapt to the needs of its customers; (ii) leadership: management takes ownership of the system's performance; (iii) collaboration: involving the company's employees in the setting up and achieving objectives; (iii) focus on process: manage resources and activities as processes; (iv) improvement; (v) evidence-based decision-making; and (vi) managing relationships with interested parties.

ISO 14001: The ISO 14001 certification provides evidence in terms of control of environmental impacts in the company. It takes into consideration all the company's impacts: waste, noise, greenhouse gas emissions, energy, etc. To be ISO 14001 certified is to prove that a company has implemented a process of continuous improvement in order to reduce, in the short, medium and long term, all the environmental impacts of the company. A systematic approach to environmental management must provide the company's leaders with information enabling it to make a long-term contribution to sustainable development by: (i) protecting the environment through the elimination or mitigation of significant environmental risks; (ii) limiting the potential negative effect of the environment on the organization; (iii) strengthening environmental performance; (iv) controlling or influencing the way in which the products and services are designed, manufactured, distributed, consumed, and disposed of in a life-cycle perspective; (v) realizing the financial and operational benefits that can result from the implementation of alternatives friendly to the environment; and (vi) communicating environmental information to stakeholders.

ISO 26000: The ISO 26000 certification aims at helping organizations take responsibility for their actions and decisions on the environment. The ISO 26000 certification takes into account the different types of possible interactions with the environment to determine the way they should be managed. ISO 26000 stands as a complement to the ISO 14001 certification.

ISO 27001: The ISO 27001 standard is the reference in terms of management systems for securing computer data around the world. It is aimed at all organizations that manage sensitive data, either for third parties or for themselves. This ISO 27001 standard defines the set of rules and best practices to maximize the security of information systems. The security perimeter covers infrastructure, people and software.

ISO 50001: This standard guides the Sonatel Group in its energy management system that will enable the company to make better use of energy. Effective energy management helps the Group save money by reducing consumption and addressing the problem of global warming.

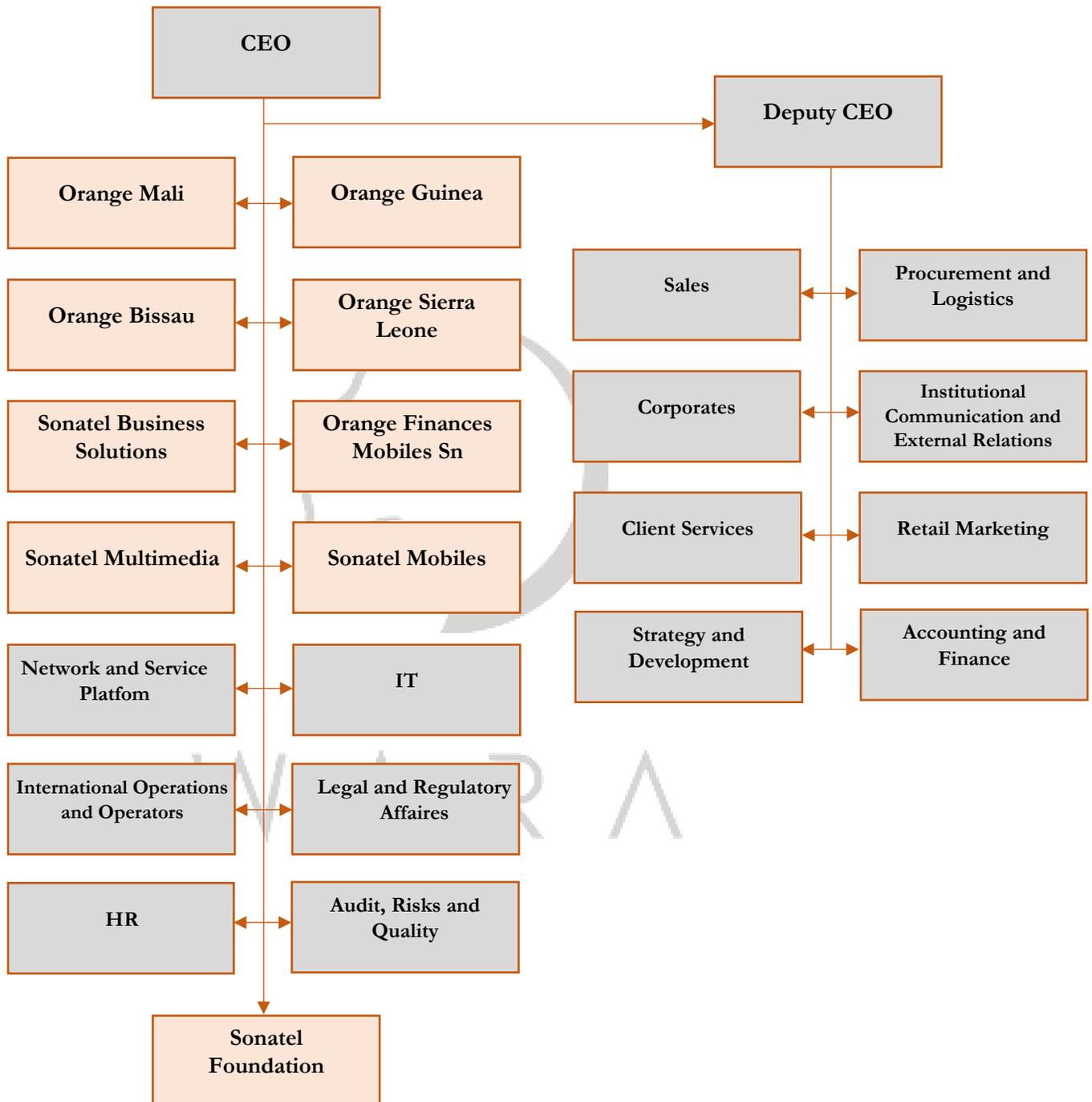
OHSAS 18001: It is the acronym for "Occupational Health and Safety Assessment Series", which ultimately means occupational safety and health. Sonatel applies the OHSAS 18001 standard, which establishes a number of evaluation criteria for an effective management system for health and safety at work.



W A R A

Group organization

The organization chart of Sonatel's main divisions stands as follows:



FINANCIAL DATA AND RATIOS

The OHADA Uniform Act on Accounting Law and Financial Reporting and the OHADA Accounting System annexed thereto (together known as the "Revised SYSCOHADA ") came into effect on January 1, 2018. In compliance with this new accounting framework, a conversion of the current accounting system as well as the publication of the 2017 comparative financial statements in line with the provisions of the Revised SYSCOHADA were required for the financial statements as of yearend 2018. The subsidiaries under exclusive control are fully consolidated.

INCOME STATEMENT (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Turnover (TO)	816 019	863 291	905 036	972 905	1 021 956
Production capitalized	2 288	3 426	3 877	4 687	2 040
Other revenues	17 400	23 926	28 582	16 800	37 175
OPERATING INCOME	835 707	890 643	937 495	994 392	1 061 171
Goods purchased	-52 444	-52 334	-53 420	-61 237	-61 094
Transport	0	0	-2 081	-2 114	-2 245
Services purchased	-280 122	-308 334	-299 915	-332 967	-345 745
Other operating expenses	0	0	-17 473	-16 041	-25 099
VALUE ADDED	503 141	529 975	564 606	582 033	626 988
% TO	61,7%	61,4%	62,4%	59,8%	61,4%
Taxes	0	0	-38 382	-39 746	-46 093
Personnel expenses	-76 908	-74 119	-83 449	-93 625	-108 417
EBITDA	426 233	455 856	442 775	448 662	472 478
% TO	52,2%	52,8%	48,9%	46,1%	46,2%
Depreciation and amortization	-121 466	-138 736	-131 426	-160 593	-168 955
Reversal of provisions	11 182	10 670	11 809	19 718	8 764
NET OPERATING INCOME	315 949	327 790	323 158	307 787	312 287
% TO	38,7%	38,0%	35,7%	31,6%	30,6%
Financial income (net)	3 593	3 012	-10 426	-8 658	-13 517
Extraordinary income (net)	226	-1 812	3 647	-1 662	-3 426
Deferred taxes	1 855	2 203	1 156	-1 659	2 474
Income tax	-103 408	-110 105	-101 655	-93 622	-95 567
CONSOLIDATED NET INCOME (NI)	218 215	221 088	215 880	202 186	202 251
Share of the minority interests	26 224	27 829	29 549	29 732	29 784
Net income of the consolidating entity	191 991	193 259	186 331	172 454	172 467
% TO	26,7%	25,6%	23,9%	20,8%	19,8%

WEST AFRICA RATING AGENCY

BALANCE SHEET (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Capitalized expenses	17	13	1 200	898	0
Intangible assets	28 519	31 138	77 558	297 606	287 572
Fixed assets	530 360	565 288	595 046	652 255	706 798
Securities	130 966	141 977	255 536	155 950	163 352
Inventories	16 327	15 645	16 143	14 237	13 157
Due from customers	187 633	192 978	197 128	243 379	285 054
Treasury - assets	224 072	266 027	248 690	231 339	317 440
TOTAL ASSETS (TA)	1 117 894	1 213 066	1 391 301	1 595 664	1 773 373
Share capital	50 000	50 000	50 000	50 000	50 000
Premium and consolidated reserves	347 742	380 803	410 697	407 353	403 276
Translation adjustment	2 249	839	-5 699	-3 688	819
Net income of the consolidating entity	191 991	193 259	186 331	172 454	172 467
Total equity of the consolidating entity	591 982	624 901	641 329	626 119	626 561
Minority interests	63 038	67 340	69 799	89 822	90 865
Financial debt	45 508	55 820	61 821	218 684	262 995
Short-term liabilities	0	0	1 200	277	249
Advances from customers	0	0	97 621	107 769	139 765
Due to suppliers	182 606	195 411	188 325	273 017	264 233
Tax liabilities	0	0	119 676	116 618	149 720
Social liabilities	0	0	12 148	14 942	11 869
Other liabilities	207 489	231 727	2 706	1 460	3 127
Treasury - liability	27 271	37 867	196 676	146 956	223 989
TOTAL LIABILITIES	1 117 894	1 213 066	1 391 301	1 595 664	1 773 373

OTHER INFORMATION (in million CFAF)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Cash flows from operations (CFO)	329 282	351 785	336 369	350 630	366 471
- Variation of working capital requirement (negative if negative variation)	-65 706	-27 695	-10 732	-16 943	-25 375
- Investments	141 178	168 257	315 521	368 031	213 225
+ Capital increase	0	0	3 734	0	0
- Debt reimbursement (negative if new debt)	-7 289	-2 521	-280	-206 197	-44 403
Free Cash Flow (FCF) (1)	261 099	213 744	35 594	205 739	223 024
Dividend payments	155 000	183 386	192 757	191 097	195 404
Net financial debt (2)	-151 293	-172 340	9 807	134 301	169 544

WEST AFRICA RATING AGENCY

GROWTH RATES - INCOME STATEMENT (%)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Turnover (TO)	10,5	5,8	4,8	7,5	5,0
Production capitalized	-3,1	49,7	13,2	20,9	-56,5
Other revenues	81,7	37,5	19,5	-41,2	121,3
OPERATING INCOME	11,4	6,6	5,3	6,1	6,7
Goods purchased	4,4	-0,2	2,1	14,6	-0,2
Transport	--	--	--	1,6	6,2
Services purchased	12,6	10,1	-2,7	11,0	3,8
Other operating expenses	--	--	--	-8,2	56,5
VALUE ADDED	11,5	5,3	6,5	3,1	7,7
Taxes	--	--	--	3,6	16,0
Personnel expenses	13,0	-3,6	12,6	12,2	15,8
EBITDA	11,2	6,9	-2,9	1,3	5,3
Depreciation and amortization	2,3	14,2	-5,3	22,2	5,2
Reversal of provisions	23,7	-4,6	10,7	67,0	-55,6
NET OPERATING INCOME	15,5	3,7	-1,4	-4,8	1,5
Financial income (net)	1 704,0	16,2	446,1	17,0	-56,1
Extraordinary income (net)	105,8	901,8	301,3	145,6	-106,1
Deferred taxes	-80,7	18,8	-47,5	-243,5	-249,1
Income tax	15,8	6,5	-7,7	-7,9	2,1
CONSOLIDATED NET INCOME	15,1	1,3	-2,4	-6,3	0,0
Share of minority interests	23,1	6,1	6,2	0,6	0,2
Net income of the consolidating entity	15,8	6,5	-7,7	-7,9	2,1

GROWTH RATES - BALANCE SHEET (%)	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Capitalized expenses	142,9	-23,5	9 130,8	-25,2	-100,0
Intangible assets	-16,1	9,2	149,1	283,7	-3,4
Fixed assets	7,0	6,6	5,3	9,6	8,4
Securities	5,7	8,4	80,0	-39,0	4,7
Inventories	-11,6	-4,2	3,2	-11,8	-7,6
Due from customers	-0,7	2,8	2,2	23,5	17,1
Treasury - assets	24,1	18,7	-6,5	-7,0	37,2
TOTAL ASSETS	7,3	8,5	14,7	14,7	11,1
Share capital	0,0	0,0	0,0	0,0	0,0
Premium and consolidated reserves	3,2	9,5	7,9	-0,8	-1,0
Translation adjustment	-370,0	-62,7	-779,3	-35,3	-122,2
Net income of the consolidating entity	14,1	0,7	-3,6	-7,4	0,0
Total equity of the consolidating entity	6,8	5,6	2,6	-2,4	0,1
Minority interests	7,0	6,8	3,7	28,7	1,2
Financial debt	-19,2	22,7	10,8	253,7	20,3
Short-term liabilities	--	--	--	-76,9	-10,1
Advances from customers	--	--	--	10,4	29,7
Due to suppliers	20,6	7,0	-3,6	45,0	-3,2
Tax liabilities	--	--	--	-2,6	28,4
Social liabilities	--	--	--	23,0	-20,6
Other liabilities	24,6	11,7	-98,8	-46,0	114,2
Treasury - liability	-49,5	38,9	419,4	-25,3	52,4
TOTAL LIABILITIES	7,3	8,5	14,7	14,7	11,1

RATIOS	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Profitability					
Profit margin (NI/TO) %	26,7	25,6	23,9	20,8	19,8
Asset rotation (TO/TA) %	73,0	71,2	65,0	61,0	57,6
Asset leverage (TA/TE) %	170,7	175,2	195,6	222,9	247,2
Return on equity ROE (NI/TE) %	33,3	31,9	30,4	28,2	28,2
Return on assets ROA (NI/TA) %	19,5	18,2	15,5	12,7	11,4
Gross margin on goods %	100,0	100,0	100,0	100,0	100,0
Operating expenses/Operating revenues %	62,7	63,6	66,0	69,6	70,8
Liquidity					
General liquidity ratio (CA/CL) %	52,3	48,8	50,6	50,1	52,4
Asset liquidity ration (CA/TA) %	18,2	17,2	15,3	16,1	16,8
Inventory coverage (in days of purchase)	112,1	107,6	108,8	83,7	77,5
Inventory turnover (number of times per year)	50,0	55,2	56,1	68,3	77,7
Due from customers (in days of turnover) (3)	69,0	67,1	65,3	75,0	83,7
Due to suppliers (in days of turnover) (3)	67,1	67,9	62,4	84,2	77,6
Financial Flexibility					
Gearing (Financial debt/TE) %	6,9	8,1	8,7	30,5	36,7
Interest coverage (EBITDA/interest expenses)	80,3	53,6	21,8	23,6	19,1
Financial debt/EBITDA %	10,7	12,2	14,0	48,7	55,7
Leverage (TE/TA) %	58,6	57,1	51,1	44,9	40,5

Notes

(1) FCF = CFO +/- Variation working capital requirements - Investments, i.e. cash flows free of any operating commitment

(2) Net financial debt = Financial debt + Treasury assets - Treasury liabilities

(3) VAT tax rate 20%

CFO = Cash flows from operations

NI = Group net income

TO = Turnover

TA = Total assets

TE = Total equity = Total equity of the consolidating entity + Minority interests

CA = Current assets

CL = Current liabilities

W A R A



WARA



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