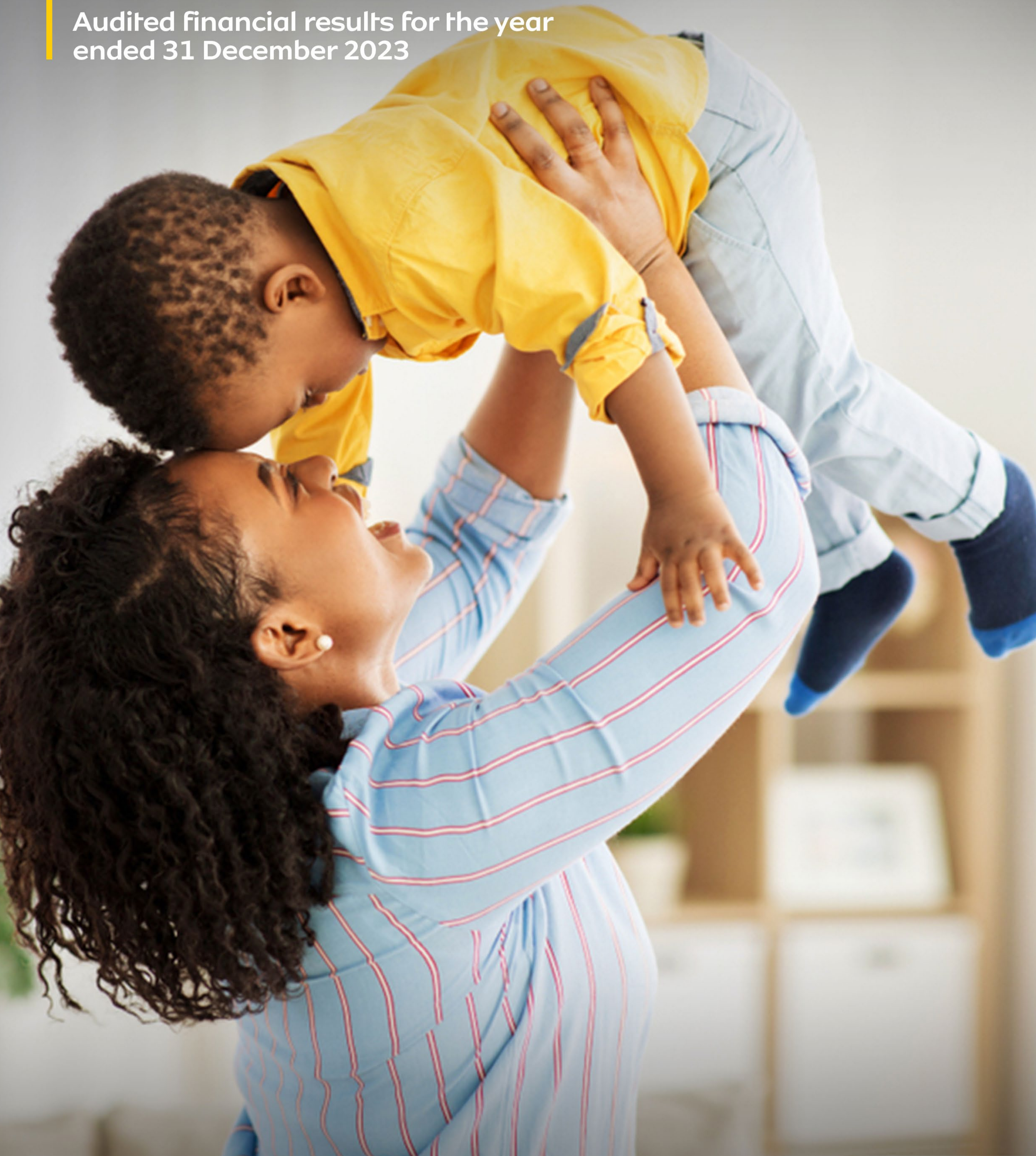
MTN Nigeria Communications Plc

Audited financial results for the year ended 31 December 2023



MTN NIGERIA RELEASES AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Lagos | Nigeria: 29 February 2024

MTN Nigeria Communications Plc (MTN Nigeria) announces its audited results for the year ended 31 December 2023.

Salient points:

- Total subscribers increased by 5.3% to 79.7 million
- Active data users increased by 12.7% to 44.6 million
- Active mobile money (MoMo PSB) wallets increased by 163.2% to 5.3 million
- Service revenue increased by 22.4% to N2.5 trillion
- Earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 12.3% to N1.2 trillion
- EBITDA margin decreased by 4.5 percentage points (pp) to 48.7%
- Loss after tax was N137.0 billion due to net forex loss
- Profit after tax (PAT) adjusted for the net forex loss decreased by *14.3%* to *N344.5 billion*
- Earnings per share (EPS) declined to negative N6.38 kobo (*N16.56 kobo* adjusted for the net forex loss, down *14.1%)*
- Net loss for the year has resulted in a depletion of our retained earnings and shareholders' fund to negative N208.0 billion and N40.8 billion, respectively
- Capital expenditure (capex) increased by 13.2% to N571.0 billion (up 24.5% to N449.3 billion, ex-leases)
- Free cash flow increased by 11.6% to N631.6 billion
- Medium-term guidance and outlook: In light of the ongoing volatility in key macroeconomic variables, particularly the naira exchange rate, we have suspended our medium-term guidance for EBITDA margins. We, however, remain committed to accelerating service revenue growth. We continue to see compelling growth opportunities in the market and remain focused on executing on initiatives that will restore earnings and cashflow growth over the medium term.
- Final dividend: In light of the negative retained earnings, the board did not recommend a final dividend for FY 2023.

Unless otherwise stated, financial and non-financial information is year-on-year (YoY, 2022 versus 2023).

MTN Nigeria CEO Karl Toriola comments:

Navigating a challenging operating environment

"2023 witnessed a very challenging operating environment characterised by rising inflation, currency devaluation and foreign exchange shortages, complicated by geopolitical disruptions and cash shortages in Q1 arising from a redesign of the naira. These factors created severe

headwinds for our customers and our business during the year. The inflation rate increased throughout the year, reaching 28.9% in December 2023 – the highest reading in 18 years – with an average rate of 24.5%. This was further exacerbated by higher fuel prices, arising from the removal of the fuel subsidy in May 2023, with the average prices of diesel and petrol up by 66.4% and 257.1% in 2023 to N1,416.8/litre and N600/litre, respectively.

In June 2023, the Central Bank of Nigeria (CBN) adopted a more liberal foreign exchange management system and reintroduced the 'willing buyer, willing seller' model. This has resulted in a 96.7% unfavourable movement in the exchange rate against the US dollar from N461.1/US$ in December 2022 to N907.1/US$ (Nigerian Autonomous Foreign Exchange Market (NAFEM) rate) *in December 2023. This development contributed meaningfully to the upward pressure on the cost of doing business in Nigeria, and for MTN Nigeria in particular, significantly increased the costs in relation to our tower leases.*

In December 2023, we released an announcement relating to an industry-wide directive issued by the Nigerian Communications Commission (NCC) to operators in the country. This directed operators to implement full network barring on all subscriber lines for which subscribers have not submitted their National Identity Numbers (NINs) and those whose NINs are unverified.

To mitigate the effects of these headwinds on our operations, we continued to invest in our network infrastructure – with a disciplined focus on value-based capital allocation and efficiencies – to enhance capacity and expand coverage. This enabled us to meet the rising demand for data and, coupled with compelling and competitive propositions for our customers, accelerate the growth of our commercial operations.

Creating shared value in our communities

Notwithstanding the elevated volatility in our operating environment in 2023, we maintained our pledge to create shared value in Nigeria, which is a key priority of our Ambition 2025 strategy. From an environmental perspective, we progressed our commitment and work towards achieving net-zero emissions by 2040 through the utilisation of the most up-to-date and efficient technologies. We also formed service partnerships to increase energy and cost efficiencies, as well as to lower carbon emissions. We reduced our cumulative scope 1 and 2 emissions by 21% in 2023 compared to the baseline value determined in 2021.

In building sustainable societies, we expanded internet access to Nigerians by increasing our broadband coverage by 1.9pp to 89.8% as at December 2023. Female representation in our workforce increased to 38.3% by December 2023 (December 2022: 35.6%), marking pleasing progress towards our 2030 goal of 50%. Additionally, we committed N1.7 billion to our corporate social investment programmes through the MTN Nigeria Foundation, which is focused on youth development and national priority projects. As part of our commitment to supporting national priority projects, MTN Nigeria Foundation signed a memorandum of agreement and collaboration with the Private Sector Health Alliance to boost healthcare at the grassroots level through revitalising 52 primary healthcare centres nationwide.

We achieved a significant milestone with the commencement of the rehabilitation of the 110-kilometre Enugu-Onitsha Expressway under the Road Infrastructure Tax Credit (RITC) scheme. We are pleased with the progress, having reached 17% completion. This is a crucial step towards improving the transportation infrastructure in the region, and it helped to improve the ease of commuting, particularly during the festive season. More broadly, we believe the project will have a transformative impact on the lives of Nigerians and the country's economy once completed. The tax credit arising from this investment will enable us to offset future tax liabilities.

As part of our five-year deal to support the Nigerian Football Federation as the official communications partner, we actively supported the Super Eagles' participation in the 2023 African Cup of Nations competition.

To demonstrate our unwavering commitment to transparency and accountability, we have resolved to be early adopters of the IFRS S1 and S2 standards for sustainability disclosure, which will be incorporated into our 2023 sustainability report. We are excited to lead the way in adopting higher levels of reporting and setting an example for other corporates to follow.

Sustaining our solid commercial momentum

We maintained strong commercial momentum in our connectivity business and platforms, supported by the growth in the user base. We added over 4 million subscribers in 2023, bringing our total base to 79.7 million. We also increased our data subscribers by over 5 million to 44.6 million, which helped to drive total data traffic growth of 44.9%. This reflected the sustained growth in demand for data, supported by our compelling propositions to customers and the consistent investment in the quality and coverage of our network. The additional 2600MHz spectrum we acquired in September 2023 also helped us to deploy additional capacity to our network more efficiently.

The priority in our fintech business was to build robust structures that support the acceleration of wallet adoption and the growth of our merchant ecosystem. This has positioned us to capture significant opportunities in our market and deepen financial inclusion in Nigeria. 2023 presented some challenges to the business, including delays in CBN approvals for some of our commercial initiatives as well as the inability of many prospective customers to meet the NIN requirement for Know Your Customer (KYC). While the development of the business has been slower than anticipated, we are pleased with the progress in building our MoMo PSB wallet base, increasing monthly active users by over 3.3 million in the year to 5.3 million. Our agent network expanded by 103k to 327k, and our active merchant ecosystem, which started in March 2023, reached over 324k merchants by December 2023.

Near-term pressures on earnings

Our solid commercial development enabled us to deliver service revenue growth in line with our previous guidance of 'at least 20%', with topline up by 22.7% in 2023. Pleasingly, this was driven by improvements across all our key revenue lines and supported by bundle optimisation initiatives. Service revenue growth accelerated in Q4 to 25.0% YoY, with data leading the way.

EBITDA, however, came under severe pressure and recorded slower growth of 12.3%. This was primarily due to the effects of the naira devaluation in the year, exacerbated by higher energy costs and general inflation. EBITDA was also affected by the introduction of VAT on leases (in Q4), as well as a provision relating to the Tax Appeal Tribunal (TAT) decision on the FIRS VAT assessment (also taken in Q4). As a result, EBITDA margin declined by 4.5pp to 48.7%, aligned with the upper end of our guidance range of 47-49%. Adjusting for the naira devaluation effects and the once-off provision for the FIRS VAT assessment, the EBITDA margin would have been 53.5%. The impact of these pressures was moderated by an increased focus on efficiency measures put in place by management.

As required by IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), we reflected the impact of unrealised forex losses on our tower lease contract liabilities, in line with IAS 21 (Effect of Changes in Foreign Exchange Rates) and IFRS 16 (Leases). Refer to note 56 of our audited financial statements for full details. This resulted in a reduction of N73.1 billion in retained earnings at the end of December 2022.

The significant devaluation of the naira in 2023 resulted in a materially higher net forex loss of N740.4 billion (2022 restated: N81.8 billion), reflected within net finance costs, which resulted in a reported loss after tax of N137.0 billion compared to a restated PAT of N348.7 billion in 2022. This has resulted in negative retained earnings and shareholders' equity at the end of December 2023 of N208.0 billion and N40.8 billion, respectively. Adjusting for the net forex loss, PAT would have been N344.5 billion (down by 14.3%).

Notwithstanding these movements, we are pleased to have maintained strong free cash flow generation (up 11.6% YoY to N631.6 billion), demonstrating the underlying strength of our business.

Outlook, medium-term guidance and final dividend

We anticipate a challenging 2024 as we tackle the complexity and ongoing effects of high inflation and elevated forex volatility on our operations. Given the material uncertainty these present in the near term, we have suspended our medium-term guidance for EBITDA margins. We maintain the medium-term guidance for service revenue. In light of the negative retained earnings at the end of 2023, the Board of Directors has resolved not to declare a final dividend for 2023.

Looking forward, we remain focused on sustaining our commercial momentum and accelerating our service revenue growth, improving the profitability of the business and strengthening the balance sheet. Since December 2023, we have progressed constructive discussions with IHS on changes to the existing tower lease contracts that could, if successful, result in improvements that help us mitigate macro risks, including currency. As we execute our strategy, we will continue to invest in the business and unlock efficiencies to drive operating leverage with a focus on reestablishing earnings growth as well as sustaining our strong free cash flow generation and returns."

Impacts of naira devaluation and restatement of results

On 14 June 2023, the Central Bank of Nigeria announced changes in the Nigerian forex operations, which required the immediate collapse of all segments of the market into the investor and exporter (I&E) window and reintroduced the 'willing buyer, willing seller' model to improve forex liquidity. This led to a 96.7% movement in the exchange rate since the announcement to N907/US$ (NAFEM rate) at the end of December 2023 as the market seeks an equilibrium level. The significant movement in the exchange rate impacted our operations – mainly our operating expenses and net finance costs.

MTN Nigeria's operations are exposed to foreign currency volatility on its operating and capital expenditure. The most significant of these exposures relates to the tower lease costs, which comprised the bulk of the 45-50% foreign currency exposure in our operating expenses in 2023. The majority of the lease costs are indexed to the US dollar but are invoiced and paid in naira. Our tower lease costs are recognised in line with IFRS 16 and IAS 21, which has had several impacts on our financial performance.

The nature of payment for tower contracts requires quarterly payments at the beginning of each quarter using the applicable exchange rate based on the reference rate at the end of the preceding quarter for some of the contracts and the average rate in the same preceding quarter for others. The impact of the devaluation on operating expenses arose mainly from N79.8 billion and N8.8 billion increases in lease rental costs and information technology-related costs, respectively. This resulted in a reduction of the EBITDA margin by 3.6pp.

Historically, only realised exchange differences on US dollar-indexed leases were accounted for and included in the "net finance costs" line in the income statement. After the significant devaluation of the naira in June 2023, a review of the relevant lease agreements concluded that the US dollar-indexed portion of the lease liability should be remeasured to the N/US$ spot exchange rate at the end of each reporting period, in line with IAS 21 and IFRS 16 (refer to note 56 of our audited financial statements).

Consequently, on the revised treatment, 2022 net forex losses in "net finance costs" were restated higher by N25.6 billion to N81.8 billion, reducing 2022 PAT from N358.9 billion to N348.7 billion. The restatement resulted in a cumulative reduction of N73.1 billion in retained earnings at the end of December 2022.

In FY 2023, we recorded a forex gain of N93.8 billion (58.3% unrealised) from the revaluation of our financial assets and a forex loss of N834.3 billion (82.8% unrealised) from the revaluation of our financial liabilities. These led to the reported net foreign exchange loss of N740.4 billion in 2023, bringing our "net finance costs" to N951.5 billion, up 341.9%. This resulted in the reported loss after tax of N137.0 billion and a depletion of our retained earnings and shareholders' funds to negative N208.0 billion and N40.8 billion, respectively. Excluding the net forex loss, "net finance costs" increased by 58.1% to N211.1 billion due to higher borrowings costs and interest rates.

Given the non-cash nature of most of these effects, our free cash flow generation remains robust at N631.6 billion (up 11.6%).

Key financial highlights

Items *(in millions)*	FY 2023	FY 2022 (Restated)	YoY	Q4 2023	Q4 2022 (Restated)	YoY
Total Revenue	**2,468,847**	**2,012,272**	**22.7%**	**695,898**	**556,137**	**25.1%**
Service Revenue	2,454,745	2,006,184	22.4%	691,887	553,492	25.0%
Voice	1,136,953	1,036,684	9.7%	302,951	282,909	7.1%
Data	1,069,468	764,821	39.8%	319,943	215,165	48.7%
Fintech	86,426	84,396	2.4%	21,736	23,158	-6.1%
Digital	37,455	22,047	69.9%	12,740	6,141	107.5%
Other Service Revenue	124,443	98,236	26.7%	34,516	26,120	32.1%
Expenses	1,266,318	941,907	34.4%	401,297	266,337	50.7%
Cost of Sales	406,001	341,607	18.9%	116,433	93,373	24.7%
Operating Expenses	860,317	600,300	43.3%	284,864	172,964	64.7%
EBITDA	1,202,530	1,070,365	12.3%	294,601	289,799	1.7%
EBITDA Margin	48.7%	53.2%	-4.5pp	42.3%	52.1%	-9.8pp
Depreciation & Amortisation	428,869	336,202	27.6%	129,366	93,316	38.6%
Net Finance Costs	951,546	215,341	341.9%	575,588	78,335	634.8%
Finance Income	25,815	13,768	87.5%	4,694	5,554	-15.5%
Finance Costs	(236,927)	(147,287)	60.9%	(72,681)	(29,933)	142.8%
Net foreign exchange loss	(740,434)	(81,822)	804.9%	(507,602)	(53,956)	840.8%
PBT	(177,885)	518,822	-134.3%	(410,353)	118,148	-447.3%
Taxation	(40,865)	170,096	-124.0%	(125,970)	38,462	-427.5%
PAT	(137,020)	348,726	-139.3%	(284,383)	79,688	-456.9%
Profit attributable to:						
Owners of the company	(133,840)	351,381	-138.1%	(281,931)	81,043	-447.9%
Non-controlling interest	(3,180)	(2,655)	19.8%	(2,453)	(1,355)	81.0%
PAT	(137,020)	348,726	-139.3%	(284,383)	79,688	-456.9%
Capital Expenditure	570,971	504,332	13.2%	165,970	125,330	32.4%
Capital Expenditure excluding Right of Use Assets	449,328	361,033	24.5%	147,951	109,251	35.4%
Capex Intensity	23.1%	25.1%	-2.0pp	23.8%	22.5%	1.3pp
Capex Intensity excluding Right of Use Assets	18.2%	17.9%	0.3pp	21.3%	19.6%	1.6pp
Free Cash Flows	631,558	566,033	11.6%	128,632	164,469	-21.8%
Mobile Subscribers	79.7	75.6	5.3%	79.7	75.6	5.3%
Data Subscribers	44.6	39.5	12.7%	44.6	39.5	12.7%
Fintech Subscribers	14.5	14.9	-2.7%	14.5	14.9	-2.7%
Ayoba Subscribers	8.6	5.2	65.6%	8.6	5.2	65.6%

Operational and financial review

The demand for our services has remained resilient despite the overall challenging operating conditions. **Service revenue** was up by 22.4%, in line with our medium-term growth guidance, with pleasing growth acceleration in Q4 (up 25.0%). Data was the main driver, with voice growth remaining solid. Our mobile subscribers increased by 5.3% to 79.7 million, underpinned by increased gross connections and churn management initiatives.

Our **Voice** revenue increased by 9.7%, benefitting from the mobile subscriber base growth and increased usage on the back of our customer value management initiatives and revamped voice propositions. However, growth in Q4 was 7.1% from a high base in the prior year.

We recorded pleasing growth of 39.8% (up 48.7% in Q4) in **data** revenue supported by a revamp of our data bundle offerings – particularly in Q4 – as well as the significant investment in our network coverage and capacity. Our 4G network now covers 81.5% of the population, up from 79.1% in December 2022, and 5G at 11.3%. On the back of these initiatives, smartphone penetration rose to 55.6% (up 3.1pp YoY), underpinning data usage (GB per user) growth of 29.1% to 8.6GB. As a result, we recorded a 44.9% growth in data traffic, with the 4G network accounting for 81.8% of the total traffic (up 0.6pp YoY) and 5G at 5.2%.

We expanded home broadband penetration to support the growing use cases for digital adoption, leveraging our 5G fixed wireless access devices, mobile broadband solutions, and fibre-to-the-home connectivity. We added over 800k subscribers in 2023, bringing our home broadband subscribers to over 2 million. Our infrastructural strength, technology mix and partnerships position us to capture a significant share of market opportunities.

Fintech revenue increased by 2.4%, led by Xtratime (our airtime lending product), which rose by 2%. However, despite the challenges from the NIN requirement for KYC introduced in Q4 by the CBN, we added 3.3 million active wallets in the year to 5.3 million. This helped to drive MoMo PSB revenue, which rose by 8.1%.

The growing adoption and increased activity within our fintech ecosystem spurred transaction volume growth of 49.2% YoY. We also now have over 326k MoMo agents, up 46.0% YoY, and over 324k merchants since we started to build out our merchant ecosystem in March 2023. While the overall development of fintech has been slower than anticipated, these milestones mark solid and important progress in scaling our business, particularly the advanced services within our MoMo ecosystem.

Our **digital** business has continued to gain traction on the optimisation of our digital service offers and improved customer journey and partnerships. These underpinned the growth in the active user base of our digital services, with rich media subscriptions excluding ayoba up by 57.2% to approximately 8 million. Our instant messaging platform, ayoba, recorded a 65.6% growth to 8.6 million active monthly users. We continue to drive the onboarding of new partners within our digital ecosystem and expand the bouquet of service offerings to sustain the growth of the business. Overall, service revenue from digital services was up by 69.9%.

Service revenue from the **enterprise** business rose by 44.2% due to increased uptake of our services as we addressed the communication and ICT needs of businesses and public sector institutions. Mobile and fixed connectivity services were the main revenue drivers, driven by the onboarding of new customers across all customer segments and increased usage, with expanded offerings in new verticals. We are taking the lead by extending our play into non-core services, such as Cloud, Unified Communications, and IoT applications, leveraging our growing

5G footprint and positioning us to capture future opportunities. In addition, we are actively engaging the regulators to resolve the USSD dispute with banks.

Our disciplined capital allocation and strong operational execution have helped us to maintain revenue growth momentum, cushioning the effects of rising cost pressures. The combined effects of naira devaluation, higher general inflation and energy costs, and the introduction of the 2023 Finance Act VAT on tower leases resulted in higher **operating expenses** (opex). This was exacerbated by the N30.2 billion additional provision FIRS VAT assessment, leading to a 52.4% increase in opex. Excluding these effects, opex increased by 13.1%, below the average inflation rate and a testament to the work done to drive expense efficiencies. Although constrained by macro headwinds, our expense efficiency programme delivered N11.5 billion in cost savings in 2023.

Consequently, **EBITDA** grew by 12.3% with a 4.5pp decline in EBITDA margin to 48.7% (Q4 2023: 42.3%). Adjusting for the effects of naira devaluation (3.6pp) and the provision for FIRS VAT assessment (1.2pp), the EBITDA margin for FY 2023 would have been 53.5% (Q4 2023: 54.1%). Also affecting the performance were the VAT on the tower leases (0.7pp) as well as the impacts of higher CPI and energy costs, which reduced underlying EBITDA margin by 1.7pp and 0.5pp, respectively.

Depreciation and amortisation increased by 27.6%, mainly due to increased site rollout and the spectrum licences we acquired. We rolled out 9,589 4G sites and 1,945 5G sites that cover all the states in the country and acquired an additional 2600MHz spectrum, supporting the growth of data.

Net finance costs increased by 341.9% to N951.5 billion due to increased borrowings, higher interest rates and a significant devaluation of the naira from N461/$ in December 2022 to N907.1/US$ in December 2023. This was a result of the liberalisation of the forex market in June 2023. Consequently, forex loss was N740 billion (FY 2022: N81.8 billion), while finance costs were up by 60.9% to N236.9 billion. The underlying net finance cost, excluding the forex loss, increased by 58.1% to N211.1 billion.

The effective tax rate decreased by 9.8pp to 23.0%, driven mainly by the reported loss before tax and the derecognition of deferred tax assets from Y'ello Digital Financial Services (YDFS). Overall, we recorded a **loss after tax** of N137.0 billion.

Adjusting for the net forex loss, **PAT** would have been *N344.5 billion* (*down by 14.3%*). Further adjusting for the impact of naira devaluation in opex and the once-off provision for the FIRS VAT assessment, PAT would have been up by 3.*8%* to *N421.9 billion*.

Capex increased by 13.2% to N571.0 billion, reflecting the impact of the currency devaluation. Our core capex, ex-leases, rose by 24.5% to N449.3 billion, with a capex intensity of 18.2%, in line with our target level. The increase in capex also reflects our continued investment in the resilience of our network. In addition, we generated strong free cash flow, which grew by 11.6% to N631.6 billion.

Our debt metrics remain within all our financial covenants, with a net debt-to-EBITDA ratio of 0.7 times and a cash balance of N299.2 billion. Approximately 48% of our debts have fixed interest rates, while 52% are floating. These debts are 55% local currency denominated and 45% foreign currency, including short-term trade loans for letters of credit establishment. Overall, our balance sheet remains strong with sufficient headroom to withstand macro volatility, supported by our value-based capital allocation strategy.

Update on regulatory and other matters

NCC's directive on NIN-SIM registration

In December 2023, the NCC issued an industry-wide directive requiring full barring of subscriber lines not linked to their NIN. Since the directive, we have approximately 19 million lines going through the verification process, of which 4.3 million have been verified as at 28 February 2024. We also had approximately 4.2 million lines disconnected for which the subscribers did not submit their NIN. Several of these lines were low-value subscribers, minimising the revenue impact. We are actively engaging the authorities to accelerate the NIN verification process. We have also increased our engagement with the affected customers, providing various channels for verification to minimise service disruption.

Allocation of managed network sites to ATC

We have reallocated the leases for tower services of approximately 2.5k network sites due to expire in 2024 and 2025, for which IHS Nigeria Limited (IHS) currently provides tower services. ATC Nigeria Wireless Infrastructure Solutions Limited (ATC) will provide tower services for those sites at the expiration of the IHS contract. This is part of our proactive initiatives to improve network cost efficiency. Also, it will further diversify our site portfolio and align with renegotiating tower agreements, ensuring terms that will help cushion the business from the volatility in our trading environment.

A legal action instituted at the Federal High Court in Lagos by the Human and Environmental Development Agency (HEDA) in November 2023 resulted in an interim injunction, on environmental grounds, to prevent ATC from erecting or installing any mast near sites belonging to IHS. It further restrains MTN Nigeria from using such a mast if it is already built. MTN has challenged the injunction, and the case has been adjourned to a later date to be advised by the court. We are optimistic that the matter will be speedily resolved, and the sites will be transitioned smoothly in a way that minimises service disruptions.

Tax tribunal ruling on VAT assessment

In 2018, the Attorney General of the Federation and Minister of Justice (AGF) demanded approximately US$2 billion in tax arrears from the Company. In 2020, the AGF withdrew its demand against the Company and referred the matter to FIRS for resolution. After a series of engagements, the FIRS reduced the initial assessment to US$135.7 million, representing a principal tax liability of US$47.8 million and an interest and penalty of US$87.9 million. To clarify the interpretation of the VAT Act's provisions concerning the tax treatment of the transactions that led to the assessments, MTN Nigeria filed an appeal at the Tax Appeal Tribunal (TAT).

On 20 October 2023, the TAT upheld the principal liability of US$47.8 million and set aside the interest and penalty charges of US$87.9 million. Although we have made full provision for the tax liability in line with International Accounting Standards (IAS 37), we have appealed the decision of the Tribunal and are awaiting the outcome. We remain committed to meeting our tax obligations.

Outlook

We expect 2024 to be a challenging year due to the rising inflation and devaluation of the naira. In January 2024, the inflation rate reached 29.9%, while the exchange rate has further devalued to N1582/$ as at 26 February 2024. This is anticipated to put additional pressure on consumers, the cost of doing business and further potential forex losses.

On the regulatory front, we have deployed additional resources at our service outlets and provided alternative channels to drive compliance with NCC's NIN-SIM directive and ensure as many of our customers as possible are properly registered. We remain engaged with the relevant authorities to accelerate the verification process and minimise service disruptions to our base as well as the potential impact on our revenue.

As we continue to execute on our commercial strategies to expand our subscriber base and drive usage, we also remain engaged with authorities on tariff adjustments through the telecom industry body. Given the elevated volatility in our trading environment – particularly inflation, energy costs and exchange rates – an appropriate pricing level is required for the industry to support its sustainability and ability to continue investing in networks.

We are committed to sustaining investment in the growth of our business, particularly to accelerate topline growth to mitigate the near-term pressures bearing on our operations. Our disciplined focus on unlocking further expense efficiencies will help to drive the underlying operating leverage in the business to restore profit growth over time.

For MoMo PSB, we will continue to drive consumer education and awareness, leveraging our distribution network, which has enabled us to grow the active wallets and scale the agent and merchant ecosystem. Additionally, we are expanding the bouquet of services from basic to advanced services, including cross-border remittances, to boost adoption and monetisation. We will leverage the momentum from Q4 to accelerate the growth of wallets and adoption of services as we expand our merchant ecosystem.

The devaluation of the naira has had a material impact on our financial position, resulting in the reported loss and depleted reserves. Therefore, in addition to accelerating service revenue growth, we have progressed constructive discussions with IHS on changes to the existing tower lease contracts that could, if successful, result in improvements that help us mitigate macro risks, including currency. We believe this will go a long way in restoring stability in our operating and earnings profile and reserves.

As we navigate the near-term headwinds to our business, we remain committed to delivering on our growth strategy through commercial execution and continued investment, guided by a disciplined focus on unlocking further efficiencies. We will drive the operating leverage in our business to restore growth in earnings and sustain strong cash flow generation and returns over the medium term.

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About MTN Nigeria

MTN Nigeria is one of Africa's largest providers of communications services, connecting over 79 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 operating in 19 countries in Africa and the Middle East.

Visit www.mtn.ng for more information.

Consolidated and separate statement of profit or loss

	Group		Company	
	2023 N million	2022 restated* N million	2023 N million	2022 restated* N million
Revenue	**2,468,847**	**2,012,272**	**2,472,473**	**2,011,935**
Direct network operating costs	(650,500)	(456,253)	(650,210)	(456,252)
Value added services	(28,374)	(25,551)	(28,367)	(25,551)
Costs of starter packs, handsets and accessories	(30,293)	(21,250)	(30,293)	(21,250)
Interconnect costs	(159,542)	(146,169)	(159,542)	(146,169)
Roaming costs	(8,855)	(7,049)	(8,855)	(7,049)
Transmission costs	(11,120)	(7,969)	(11,120)	(7,969)
Discount and commissions	(121,846)	(96,001)	(117,066)	(93,496)
Advertisements, sponsorships and sales promotions	(50,902)	(31,958)	(28,999)	(24,191)
Employee costs	(65,002)	(45,080)	(60,462)	(43,524)
Other operating expenses	(139,884)	(104,626)	(147,467)	(89,739)
Depreciation of property and equipment	(231,540)	(180,853)	(231,540)	(180,853)
Amortisation of intangible assets	(79,033)	(53,955)	(72,289)	(48,636)
Depreciation of right of use assets	(118,296)	(101,394)	(118,296)	(101,394)
Operating profit	**773,660**	**734,164**	**807,967**	**765,862**
Finance income	25,815	13,768	24,753	12,763
Finance costs	(236,927)	(147,287)	(236,604)	(147,287)
Net foreign exchange loss	(740,434)	(81,822)	(740,358)	(81,822)
(Loss)/profit before taxation	**(177,886)**	**518,823**	**(144,242)**	**549,516**
Tax credit/(expense)	40,865	(170,096)	39,732	(179,305)
(Loss)/profit for the year	**(137,021)**	**348,727**	**(104,510)**	**370,211**
(Loss)/profit attributable to:				
Owners of the company	(133,841)	351,382	(104,510)	370,211
Non-controlling interest	(3,180)	(2,655)	-	-
	(137,021)	348,727	(104,510)	370,211
(Loss)/earnings per share - basic/diluted (N)	**(6.38)**	**16.76**	**(4.98)**	**17.66**

Consolidated and separate statement of other comprehensive income

	Group		Company	
	2023 N million	2022 restated* N million	2023 N million	2022 restated* N million
(Loss)/profit for the year	(137,021)	348,727	(104,510)	370,211
Other comprehensive (loss) /income:				
Items that will not be reclassified to profit or loss (net of taxation):				
Remeasurement (loss)/gain on employee benefits	(79)	174	(79)	174
Items that may be reclassified to profit or loss (net of taxation):				
Fair valuation (loss)/gain on investments at FVOCI	(884)	605	(877)	605
Other comprehensive (loss)/income for the year net of taxation	(963)	779	(956)	779
Total comprehensive (loss)/income	**(137,984)**	**349,506**	**(105,466)**	**370,990**
Total comprehensive (loss)/income attributable to:				
Owners of the company	(134,804)	352,161	(105,466)	370,990
Non-controlling interest	(3,180)	(2,655)	-	-
	(137,984)	**349,506**	**(105,466)**	**370,990**

Consolidated and separate statement of financial position as at 31 December 2023

	Group			Company		
	2023	2022 restated*	1 January 2022 restated*	2023	2022 restated*	1 January 2022 restated*
	N million	N million	N million	N million	N million	N million
Assets						
Non-current assets						
Property and equipment	1,095,111	928,357	774,113	1,095,111	928,357	774,113
Right of use assets	478,826	475,479	450,665	478,826	475,479	450,665
Intangible assets	447,599	335,599	245,558	426,300	314,684	219,324
Investments in subsidiaries	-	-	-	100,378	74,328	57,928
Contract acquisition costs	7,136	6,602	5,602	7,136	6,602	5,602
Other investments	6,632	10,585	10,845	6,632	10,585	10,845
Deferred tax	151,362	11,018	3,404	140,777	-	-
Prepayments	26,380	10,685	12,340	26,380	10,685	12,340
	2,213,046	**1,778,325**	**1,502,527**	**2,281,540**	**1,820,720**	**1,530,817**
Current assets						
Inventories	6,027	3,678	5,310	6,027	3,678	5,310
Trade and other receivables	215,414	191,496	127,232	239,692	212,232	135,958
Current investments	13,326	20,288	57,664	8,689	17,406	57,664
Restricted cash	402,010	196,082	146,188	394,209	194,622	146,188
Cash and cash equivalents	339,004	349,500	260,891	309,478	324,244	247,025
	975,781	**761,044**	**597,285**	**958,095**	**752,182**	**592,145**
Total assets	**3,188,827**	**2,539,369**	**2,099,812**	**3,239,635**	**2,572,902**	**2,122,962**
Equity and liabilities						
Equity						
Share capital	420	407	407	420	407	407
Share premium	166,362	17,216	17,216	166,362	17,216	17,216
Other reserves	701	1,664	885	708	1,664	885
Treasury shares	(4,869)	(4,869)	-	(4,869)	(4,869)	-
(Accumulated loss)/retained	(208,018)	246,679	183,483	(127,842)	297,524	215,499
Equity attributable to the owners of the company	(45,404)	261,097	201,991	34,779	311,942	234,007
Non-controlling interest	4,560	1,445	-	-	-	-
	(40,844)	**262,542**	**201,991**	**34,779**	**311,942**	**234,007**
Liabilities						
Non-current liabilities						
Borrowings	487,817	439,463	340,425	487,817	439,463	340,425
Lease liabilities	813,634	519,651	566,657	813,634	519,651	566,657
Deferred tax	1,149	57,573	77,063	-	54,828	72,723
Provisions	46	43	41	46	43	41
Share based payment liability	16,910	8,569	8,547	16,910	8,569	8,547
Employee benefits	9,703	6,835	6,685	9,703	6,835	6,685
	1,329,259	**1,032,134**	**999,418**	**1,328,110**	**1,029,389**	**995,078**
Current liabilities						
Trade and other payables	707,787	514,892	443,895	693,435	514,206	440,023
Borrowings	689,352	250,210	152,835	689,352	250,210	152,835
Lease liabilities*	190,777	140,365	55,066	190,777	140,365	55,066
Contract liabilities	102,796	92,861	72,336	102,414	92,479	71,954
Current tax payable	157,971	199,959	144,163	157,669	199,687	143,891
Provisions	28,216	42,087	29,736	27,187	31,562	29,736
Derivatives	15,912	3,062	372	15,912	3,062	372
Deposit held for MoMo	7,601	1,257	-	-	-	-
	1,900,412	**1,244,693**	**898,403**	**1,876,746**	**1,231,571**	**893,877**
Total liabilities	**3,229,671**	**2,276,827**	**1,897,821**	**3,204,856**	**2,260,960**	**1,888,955**
Total equity and liabilities	**3,188,827**	**2,539,369**	**2,099,812**	**3,239,635**	**2,572,902**	**2,122,962**

Consolidated and separate statement of cash flows

	Group		Company	
	2023	2022 restated*	2023	2022 restated*
	N million	N million	N million	N million
Cash flows from operating activities				
Cash generated from operations	1,369,821	1,138,142	1,388,957	1,142,073
Finance income received	24,554	12,319	24,522	11,314
Finance costs paid	(212,965)	(147,287)	(212,965)	(147,287)
Tax paid	(184,507)	(139,511)	(184,507)	(139,511)
Net cash generated from operating activities	**996,903**	**863,663**	**1,016,007**	**866,589**
Cash flows from investing activities				
Acquisition of property and equipment	(392,997)	(326,736)	(392,997)	(326,736)
Acquisition of right of use assets	(34,501)	(16,369)	(34,501)	(16,369)
Acquisition of intangible assets	(165,029)	(132,036)	(165,029)	(132,036)
Proceeds from sale of property and equipment	1,225	4,582	1,225	4,582
Purchase of contract acquisition costs	(5,029)	(4,739)	(5,029)	(4,739)
Increase in restricted cash	(200,456)	(48,637)	(200,456)	(48,435)
Purchase of non-current FGN bonds	-	(3,821)	-	(3,821)
Sale of non-current FGN bonds	4,066	4,086	4,066	4,086
Purchase of bonds, treasury bills and foreign deposits	(11,943)	(132,691)	(10,170)	(129,809)
Sale of bonds, treasury bills and foreign deposits	38,683	170,383	38,683	170,383
Investment in subsidiary	-	-	(25,200)	(16,400)
Net cash flows used in investing activities	**(765,981)**	**(485,978)**	**(789,408)**	**(499,294)**
Cash flows from financing activities				
Proceeds from borrowings	635,825	479,243	635,825	479,243
Repayment of borrowings	(501,280)	(361,431)	(501,280)	(361,431)
DIvidend paid	(171,697)	(288,186)	(171,697)	(288,186)
Repayment of lease liabilities	(110,103)	(100,709)	(110,103)	(100,709)
Non-controlling interest investment in MoMo PSB	-	1,000	-	-
Net cash flows used in financing activities	**(147,255)**	**(270,083)**	**(147,255)**	**(271,083)**
Net increase in cash and cash equivalents	83,667	107,602	79,344	96,212
Cash and cash equivalents at beginning of the year	339,837	261,494	314,581	247,628
Exchange loss on cash and cash equivalents	(78,336)	(19,308)	(78,336)	(19,308)
Cash and cash equivalents at the end of the year	**345,168**	**349,788**	**315,589**	**324,532**