Airtel Africa plc

Results for the quarter ended 30 June 2023

27 July 2023

Strong operating performance driving improved constant currency revenue growth and EBITDA margins despite foreign exchange headwinds in Nigeria.

Highlights

Operating key performance indicators (KPIs)

- Total customer base grew by 8.8% to 143.1 million, as the penetration of mobile data and mobile money services continued to rise, driving a 22.0% increase in data customers to 56.8 million and a 24.3% increase in mobile money customers to 34.3 million.
- Constant currency ARPU growth of 11.1% was largely driven by increased usage across voice, data and mobile money.
- Mobile money transaction value increased by 47.2% in constant currency, with Q1'24 annualised transaction value of $107bn in reported currency.

Financial performance

- Revenue in constant currency grew by 20.4%, with reported currency revenues up by 9.6% to $1,377m.
- While each segment's reported currency revenue growth was impacted by currency devaluation, they all delivered double-digit constant currency revenue growth. Across the Group mobile service revenue grew by 19.1% in constant currency, driven by voice revenue growth of 11.9% and data revenue growth of 29.8%. Mobile money revenue grew by 31.2% in constant currency.
- EBITDA increased by 22.5% in constant currency, and 11.1% in reported currency to $682m, with an EBITDA margin of 49.5%, reflecting a 69bps margin improvement despite inflationary cost pressures.
- Profit after tax was negative ($151m) driven largely by a foreign exchange loss of $471m recorded in finance cost before tax and $317m after tax because of the devaluation of the Nigerian naira in the month of June 2023. This impact has been classified as a non-operating exceptional item.
- EPS before exceptional items was 3.9 cents, an improvement of 3.3%. EPS before exceptional items and excluding foreign exchange and derivative losses was 6.0 cents, up by 16.2%. Basic EPS at negative (4.5 cents) compared to 4.4 cents in the prior period, impacted by $317m net exceptional loss on account of naira devaluation in the month of June 2023.

Capital allocation

- Capex at $140m is flat compared to the prior period as we continue to invest for future growth.
- In July 2022, the Group prepaid $450m of outstanding external debt at HoldCo. The remaining debt at HoldCo is now $550m, falling due in May 2024. Cash at the holding companies was $505m at the end of the period. Leverage of 1.3x in June 2023, was broadly stable despite over $500m of spectrum investment in the last fiscal year and the renewal of 2100 MHz spectrum licence in Nigeria in the period.

Sustainability strategy

- The Annual Report and Accounts 2022/23 was published in June 2023, updating on the Group's progress against its sustainability goals, continued contribution to the UN SDGs and commitment to sustainability which underpins the Group's business strategy.
- Our landmark five-year $57m partnership with UNICEF was launched across eight of the 13 of our markets providing access to educational resources, free of charge, to more than 250,000 children on our way to reaching one million children through our programmes by 2027.
- We are on track with the Group's ambition to achieving a near-term target of 62% reduction in Scope 1 and 2 emissions intensity by 2032 and the long-term target to achieve net zero by 2050. We're progressing in tandem with our partners and suppliers to formulate our Scope 3 strategy which will contribute to the overall reduction of carbon emissions across our value chain.

Olusegun Ogunsanya, chief executive officer, on the trading update:

'The Group delivered a strong operating performance with improvement in both constant currency revenue growth and EBITDA margin despite the challenging macro environment. The acceleration in voice, data and mobile money revenue growth is testament to the success of our six-pillar 'win-with' strategy. Our continuing investment in network and distribution enabled us to expand our customer base further, driving increased usage on our network. This strong momentum is supported by a continued focus on cost efficiencies, which enabled us to expand our EBITDA margins in the quarter.

Despite the strong operating performance, our results have been impacted by foreign exchange headwinds. This quarter saw the announcement of the change to the FX market in Nigeria which resulted in a significant naira devaluation. We have welcomed this reform as very positive for the medium and long-term development of our business in Nigeria, our largest market. The country offers significant untapped growth potential, underpinned by highly attractive fundamentals. This has supported and sustained a strong operating performance which has seen a five-year revenue and EBITDA CAGR of 23.5% and 27.3% in constant currency, respectively.

We expect the FX reforms to improve liquidity over time, thereby alleviating the challenges faced by international businesses over the last few years associated with accessing US dollars and thus hindering accelerated growth. However, in the reporting period the devaluation has had a material impact on our results. Over the last few years, we have actively reduced our FX exposure across the Group, and this will continue to be a focus area in the future to limit the impact of any future devaluation.

Our focus remains on areas which we can control: the provision of reliable telecom and mobile money services, at affordable rates across our 14 sub-Saharan markets in Africa where demand for these services remains significant. The excellent operating performance over the last quarter highlights this success, and we are well positioned to deliver against the growth opportunities these markets offer, with a continued focus on margin resilience.'

Alternative performance measures (APM) [1]
(Quarter ended)

Description	Jun-23 $m	Jun-22 $m	Reported currency change	Constant currency change
Revenue	1,377	1,257	9.6%	20.4%
EBITDA	682	614	11.1%	22.5%
EBITDA margin	49.5%	48.8%	69 bps	83 bps
EPS before exceptional items ($ cents)	3.9	3.8	3.3%	
Operating free cash flow	542	473	14.6%	

[1] Alternative performance measures (APM) are described on page 19.

GAAP measures
(Quarter ended)

Description	Jun-23 $m	Jun-22 $m	Reported currency change
Revenue	1,377	1,257	9.6%
Operating profit	462	425	8.7%
(Loss)/Profit after tax	(151)	178	(184.7%)
Basic EPS ($ cents)	(4.5)	4.4	(204.0%)
Net cash generated from operating activities	580	389	49.3%

About Airtel Africa

Airtel Africa is a leading provider of telecommunications and mobile money services, with a presence in 14 countries in Africa, primarily in East Africa and Central and West Africa.

Airtel Africa offers an integrated suite of telecoms solutions to its subscribers, including mobile voice and data services as well as mobile money services, both nationally and internationally. We aim to continue providing a simple and intuitive customer experience through streamlined customer journeys.

Enquiries

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Conference call

Management will host an analyst and investor conference call at 12:00pm UK time (BST), on Thursday 27th July 2023, including a Question-and-Answer session.

To receive an invitation with the dial in numbers to participate in the event, please register beforehand using the following link:

Conference call registration link

Key consolidated financial information

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Profit and loss summary					
Revenue [1]	**$m**	**1,377**	**1,257**	**9.6%**	**20.4%**
Voice revenue	$m	621	610	1.9%	11.9%
Data revenue	$m	486	418	16.3%	29.8%
Mobile money revenue [2]	$m	201	159	26.2%	31.2%
Other revenue	$m	114	106	7.4%	19.7%
Expenses	$m	(702)	(645)	8.9%	19.4%
EBITDA [3]	**$m**	**682**	**614**	**11.1%**	**22.5%**
EBITDA margin	%	49.5%	48.8%	69 bps	83 bps
Depreciation and amortisation	$m	(220)	(189)	16.8%	27.4%
Operating exceptional items	$m	-	-		
Operating profit	**$m**	**462**	**425**	**8.7%**	**20.3%**
Other finance cost – net of finance income	$m	(212)	(151)	39.9%	
Finance cost – exceptional items [4]	$m	(471)	-		
Total finance cost	$m	(683)	(151)	(351.5%)	
(Loss)/Profit before tax	**$m**	**(221)**	**276**	**(179.9%)**	
Tax [5]	$m	(84)	(119)	(29.0%)	
Tax - exceptional items [4, 6]	$m	154	21	640.0%	
Total tax credit/(charge)	$m	70	(98)	(171.1%)	
(Loss)/Profit after tax	**$m**	**(151)**	**178**	**(184.7%)**	
Non-controlling interest	$m	(19)	(15)	31.1%	
Profit attributable to owners of the company – before exceptional items	$m	147	143	3.3%	
(Loss)/Profit attributable to owners of the company	**$m**	**(170)**	**163**	**(203.9%)**	
EPS – before exceptional items	Cents	3.9	3.8	3.3%	
Basic EPS	Cents	(4.5)	4.4	(204.0%)	
Weighted average number of shares	million	3,751	3,754	(0.1%)	
Capex	$m	140	141	(0.5%)	
Operating free cash flow	$m	542	473	14.6%	
Net cash generated from operating activities	$m	580	389	49.3%	
Net debt	$m	3,321	3,056		
Leverage (net debt to EBITDA)	Times	1.3x	1.3x		
Return on capital employed	%	23.7%	23.0%	71 bps	
Operating KPIs					
ARPU	$	3.2	3.2	1.1%	11.1%
Total customer base	million	143.1	131.6	8.8%	
Data customer base	million	56.8	46.5	22.0%	
Mobile money customer base	million	34.3	27.6	24.3%	

(1) Revenue includes inter-segment eliminations of $45m for the quarter ended 30 June 2023 and $36m for the prior period.

(2) Mobile money revenue post inter-segment eliminations with mobile services was $156m for the quarter ended 30 June 2023, and $123m for the prior period.

(3) EBITDA includes other income of $7m for the quarter ended 30 June 2023 and $2m for the prior period.

(4) Non-operating exceptional items of $471m for the quarter ended 30 June 2023 is on account of derivative and foreign exchange losses due to Nigerian naira devaluation in June 2023 (from 465 NGN/USD in May'23 to 752 NGN/USD in Jun'23). This has resulted in an exceptional tax gain of $154m. Hence, negative impact on profit after tax was $317m.

(5) The tax charge of $84m is net of tax gain of $30m arising from reversal of deferred tax liability on account of reduction of undistributed retained earnings of Nigeria. This reduction is an indirect consequence of one-time exceptional foreign exchange loss of $471m.

(6) Tax exceptional items in the quarter ended 30 June 2022 reflect the initial recognition of a deferred tax credit of $21m in Kenya.

Financial review for the quarter ended 30 June 2023

Revenue in reported currency grew by 9.6%, with constant currency growth of 20.4% for the Group. The gap in constant and reported currency revenue growth of 10.8% in Q1'24 is primarily due to the impact of average currency devaluations between the periods, mainly in the Nigerian naira (22.7%), the Malawi kwacha (16.3%), the Zambian kwacha (8.5%), and the Kenyan shilling (17.9%), in turn partially offset by appreciation in the Central African franc (2.2%).

Double digit constant currency revenue growth was posted across all reporting segments: with mobile services revenue in Nigeria up by 23.0%, East Africa up by 19.8% and Francophone Africa by 13.0%. Group mobile services revenue grew by 19.1%, with voice revenue growth of 11.9%, data revenue growth of 29.8% and other revenues growing by 19.8%. Mobile money revenue grew by 31.2% in constant currency, driven by growth of 35.3% in East Africa and 19.0% in Francophone Africa, respectively.

Due to the timing of the Nigerian naira devaluation, the weighted average NGN/USD rate used to consolidate the Group results in the current period was 503 NGN/USD as opposed to the closing rate of 752 NGN/USD. As a result, the impact of the Nigerian naira devaluation on reported revenue and EBITDA in Q1'24 has been minimal, $45m and $24m, respectively.

If the closing rate of 752 NGN/USD were to be used to consolidate the results of the Group for the three months ended 30 June 2023, reported revenues would have declined by 4.4% to $1,202m, as opposed to 9.6% growth which was reported, and reported EBITDA would have declined by 3.5% to $592m, as opposed to the 11.1% growth reported.

The annualised impact of the devaluation in Nigeria incurred in June 2023, assuming no further devaluation for the remainder of the year, is expected to be between $850m and $900m on annualised revenues and between $450m and $500m on annualised EBITDA, with the large majority of the impact expected to materialise in Q2'24 and the remainder of the fiscal year.

Net finance costs were materially impacted by the Nigerian naira devaluation which resulted in a $471m non-operating exceptional item reflecting the impact from the revaluation of USD balance sheet liabilities and derivatives in Nigeria. All balance sheet liabilities have been revalued at the closing rate of 752 NGN/USD, therefore, assuming no further devaluation, no further impact on finance cost is expected to arise from the revaluation of USD balance sheet liabilities during the remainder of the financial year. Refer to page 6 for a detailed explanation of this impact.

Total tax charges reflected an exceptional gain of $154m on account of naira devaluation during the current quarter compared with deferred tax credit of $21m in Kenya in the prior period, hence a higher exceptional gain of $133m. Tax charges excluding exceptional items was $84m as compared to $119m in the prior period. Basic EPS at negative (4.5 cents) was primarily impacted by the derivative and exchange loss following the naira devaluation in June 2023. EPS before exceptional items and excluding foreign exchange and derivative losses was 6.0 cents, up by 16.2%.

Leverage at 1.3x is flat YoY. Our balance sheet has also been further de-risked by continued localisation of our debt into the OpCos and material debt reduction in HoldCo. Following the prepayment of $450m bonds in July 2022, the remaining debt at HoldCo is now $550m. Cash at the holding company was $505m at the end of the period. The EBITDA used to calculate the leverage ratio of 1.3x is based on the last 12 months and, therefore, does not fully incorporate the impact from the devaluation of the Nigerian naira. On a 12 months basis after including the impact of the Nigeria naira devaluation on both P&L and balance sheet the leverage ratio is expected to be between 1.4x and 1.5x.

GAAP measures

Revenue

Reported revenue increased to $1,377m, up by 9.6% in reported currency, and by 20.4% in constant currency driven by both customer base growth of 8.8% and ARPU growth of 11.1%. The constant currency revenue growth was partially offset by average currency devaluations between the periods, mainly in the Nigerian naira (22.7%), the Malawi kwacha (16.3%), the Zambian kwacha (8.5%) and the Kenyan shilling (17.9%), in turn, partially offset by appreciation in the Central African franc (2.2%).

Mobile services revenue grew by 19.1% in constant currency, supported by growth of 23.0% in Nigeria, 19.8% in East Africa and 13.0% in Francophone Africa. Mobile money revenue grew by 31.2% in constant currency, driven by revenue growth in East Africa of 35.3% and Francophone Africa of 19.0%.

The Group has previously communicated that a 12-month impact of a 1% devaluation of the Nigerian naira would have a negative impact of $22m on revenues. During the period, the Nigerian naira devalued from 461 per US dollar to 752 resulting in a 38.7% appreciation in the US dollar since 31 March 2023. However, the significant part of the devaluation occurred in mid-June, and as such only impacted the period's results for 15 days in the quarter.

In-line with the sensitivity analysis published, the impact of the devaluation seen to date is expected to be between $850m and $900m on annualised revenues. The naira devaluation impact reported this quarter amounts to only $45m reflecting the timing of the devaluation. The weighted average NGN/USD rate used to consolidate the Group results in the current period was 503 NGN/USD. If the closing rate of 752NGN/USD were to be used to consolidate the results of the Group for the 3 months ended 30 June 2023, reported revenues would have declined by 4.4% to $1,202m, as opposed to 9.6% growth which was reported.

Operating profit

Operating profit in reported currency increased by 8.7% to $462m as a result of revenue growth and continued improvements in operating efficiency across the Group.

Net finance costs

Net finance costs (including loss on foreign exchange and derivatives and non-operating exceptional loss due to the Nigerian naira devaluation in June 2023) increased by $532m to $683m in the quarter. Of the $683m, $471m related to a non-operating exceptional item following the naira devaluation in June 2023. Adjusting for this exceptional item, net finance costs (including loss on foreign exchange and derivatives) of $212m increased by $61m, as a result of $30m higher foreign exchange and derivative losses, $11m higher interest payments on lease obligations and $18m higher interest on market debt predominantly resulting from the increased debt following the spectrum acquisitions and license renewal payments made over the last year.

The Group's effective interest rate increased to 8.5% compared to 5.6% in the prior period, largely driven by the repayment of $450m of HoldCo debt, which carried a lower-than-average coupon, and due to higher local currency debt at the OpCo level.

There are two primary components of the $471m naira devaluation impact.

1) Revaluation of foreign currency liabilities in Nigeria (excluding derivatives)

Approximately $360m of the $471m naira devaluation impact relates to the revaluation of USD liabilities held on the Nigerian subsidiary balance sheet. The Group had previously indicated that a 1% devaluation in the Nigerian naira would have a $7m negative impact on finance costs (excluding derivatives) on a 12-month basis. Adjusting for interest cost savings due to lower local currency liabilities which will accrue over a 12-month period, the foreign exchange loss component of the devaluation amounts to $7.6m per 1% of devaluation of the Nigerian naira. During the month of June 2023, the Nigerian naira devalued from 465 per US dollar to 752 resulting in a 38% appreciation in the US dollar. According to our sensitivity analysis this devaluation should have resulted in an approximate $290m impact on foreign exchange losses.

The table below summarises how the $360m impact has been calculated. The impact from the revaluation of the foreign currency liabilities in Nigeria reflects the weighted average NGN/USD exchange rate used to translate the foreign exchange loss which was 611 NGN/USD during the month of June (column D), as opposed to the closing rate for the month of 752 NGN/USD (column C). The difference between the average rate and closing rate is driven by the timing of the devaluation. Column I in the table below highlights the impact that the devaluation would have assuming the devaluation occurred at the beginning of the month. In such a case, the impact would have been broadly in line with our sensitivity analysis.

	Airtel Nigeria financial statement impact from devaluation							HoldCo consolidation	HoldCo consolidation
	Jun'23 US dollar liabilities ($m)[1]	May'23 closing rate (NGN/$)	June'23 closing rate (NGN/$)	Jun'23 weighted average rate used for P&L impact (NGN/$)	Liability in local currency (NGN m) at May'23 rate	Liability in local currency (NGN m) at June'23 rate	Forex loss in Jun'23 (NGN m)	Restatement of FX liabilities in Nigeria at weighted average rate ($m)	Restatement of FX liabilities in Nigeria assuming devaluation occurred on 1st Jun'23 (closing rate is weighted average rate, $m)
	A	B	C	D	E= A x B	F= A x C	G= F - E	H= G/D	I= G/C
Calculation	767	465	752	611	356,755	576,937	220,183	361	293

[1] Foreign currency liabilities primarily include borrowings, trade payables and the foreign currency linked portion of lease liabilities

2) Revaluation of derivative instruments

Approximately $100m of the non-operating exceptional item relates to the revaluation of derivative instruments. The Group had previously indicated that a 1% devaluation in the Nigerian naira on derivative instruments held by the Group would have a negative impact of approximately $1.5m. During the month of June 2023, the Nigerian naira devalued from 465 per US dollar to 752 resulting in a 38% appreciation in the US dollar since 31 March 2023. According to our sensitivity analysis this devaluation should have resulted in an approximate $60m impact on finance costs. The higher impact from the revaluation of the derivative instruments in Nigeria reflects the weighted average NGN/USD exchange rate used to translate the foreign exchange loss which was 611 NGN/USD during the month of June, as opposed to the closing rate for the month of 752 NGN/USD.

Taxation

Total tax charges reflected an exceptional gain of $154m on account of naira devaluation during the current quarter compared with deferred tax credit of $21m in Kenya in the prior period, hence a higher exceptional gain of $133m. Tax charges excluding exceptional items was $84m as compared to $119m in the prior period. The tax charge of $84m is net of tax gain of $30m arising from reversal of deferred tax liability on account of reduction of undistributed retained earnings of Nigeria. This reduction is an indirect consequence of the impact of the Nigerian naira devaluation. Total tax charges was a credit of $70m as compared to $98m tax charge in the prior period.

Profit after tax

Profit after tax was negative ($151m) largely driven by $570m of foreign exchange and derivative losses as a result of the revaluation of foreign currency liabilities in the OpCos. In particular, the devaluation of the Nigerian naira in the month of June 2023 (from 465 to 752 NGN/USD) resulted in a foreign exchange loss of $471m before tax and $317m after tax. The impact of the Nigerian naira devaluation has been classified as a non-operating exceptional item.

Basic EPS

Basic EPS at negative (4.5 cents), as compared to 4.4 cents in the prior period, was impacted by $317m net exceptional loss on account of naira devaluation in the month of June 2023. EPS before exceptional items and excluding foreign exchange and derivative losses was 6.0 cents, up by 16.2%. During the period we benefitted from a $30m one-off gain arising from reversal of deferred tax liability on account of the reduction of undistributed retained earnings of Nigeria. This reduction is an indirect consequence of the impact of the Nigerian naira devaluation.

Net cash generated from operating activities

Net cash generated from operating activities was $580m, 49.3% higher than the $389m of the prior period. This was largely due to lower cash tax payments (higher tax payment in last year due to higher dividend tax) and higher operating cash flows.

Alternative performance measures[1]

EBITDA

EBITDA increased to $682m, up by 11.1% in reported currency, and by 22.5% in constant currency. Growth in EBITDA was led by revenue growth and supported by continued improvement in operating efficiencies which more than offset inflationary cost pressures. The EBITDA margin improved by 69 basis points in reported currency to 49.5%.

Foreign exchange had an adverse impact of $82m on revenue, and $39m on EBITDA, as a result of average currency devaluations, mainly in the Nigerian naira (22.7%), the Malawi kwacha (16.3%), the Zambian kwacha (8.5%), and the Kenyan shilling (17.9%), in turn partially offset by appreciation in the Central African franc (2.2%).

The Group has previously communicated that a 12-month impact of a 1% devaluation of the Nigerian naira would have a negative impact of $12m on EBITDA. During the period, the Nigerian naira devalued from 461 per US dollar to 752 resulting in a 38.7% appreciation in the US dollar since 31 March 2023. However, the significant part of the devaluation occurred in mid-June, and as such only impacted the period's results for 15 days in the quarter.

In-line with the sensitivity analysis published, the impact of the devaluation seen to date is expected to amount to between $450m and $500m on annualised EBITDA. The naira devaluation impact on EBITDA reported this quarter amounts to only $24m reflecting the timing of the devaluation. The weighted average NGN/USD rate used to consolidate the Group results in the current period was 503 NGN/USD. If the closing rate of 752 NGN/USD were to be used to consolidate the results of the Group for the 3 months ended 30 June 2023, reported EBITDA would have declined by 3.5% to $592m, as opposed to 11.1% growth which was reported.

The expected annualised impact of the devaluation in Nigeria incurred in the month of June 2023 is expected to be between $850m and $900m on annualised revenues, and between $450m and $500m on annualised EBITDA. With respect to currency devaluation sensitivity going forward, on a 12-month basis, a further 1% USD appreciation across all currencies in our OpCos would have a negative impact of $48m on revenues, $24m on EBITDA and $21m on finance costs (excluding derivatives). Our largest exposure is to the Nigerian naira, for which a further 1% USD appreciation would have a negative impact of $14m on revenues, $8m on EBITDA and $7m on finance costs (excluding derivatives). This sensitivity analysis assumes the USD appreciation occurs at the beginning of the period.

Tax

The effective tax rate was 39.2%, compared to 39.9% in the prior period, largely due to profit mix changes amongst the OpCos and the lower impact of withholding taxes on dividends. The effective tax rate is higher than the weighted average statutory corporate tax rate of approximately 33%, largely due to the profit mix between various OpCos and withholding taxes on dividends by subsidiaries.

Exceptional items

The non-operating exceptional item of $471m is on account of derivative and foreign exchange losses following the Nigerian naira devaluation in June 2023 (from 465 NGN/USD in May'23 to 752 NGN/USD in Jun'23). This has resulted in an exceptional tax gain of $154m. Tax exceptional items in previous quarter benefited from the initial recognition of a deferred tax credit of $21m in Kenya.

EPS before exceptional items

EPS before exceptional items at 3.9 cents, 3.3% higher compared to 3.8 cents in the prior period. Current period EPS was negatively impacted due to higher finance cost including foreign exchange and derivative losses. EPS before exceptional items and excluding foreign exchange and derivative losses was 6.0 cents, up by 16.2%. During the period we benefitted from a $30m one-off gain arising from reversal of deferred tax liability on account of the reduction of undistributed retained earnings of Nigeria. This reduction is an indirect consequence of the impact of the Nigerian naira devaluation.

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[1] *Alternative performance measures (APM) are described on page 19.*

Operating free cash flow

Operating free cash flow was $542m, up by 14.6%, as a result of higher EBITDA during the period. Capital expenditure during the period at $140m is flat compared to the prior period.

Leverage

Leverage (net debt to EBITDA) at 1.3x in June 2023, stable YoY despite over $500m of spectrum investment in the last fiscal year and the renewal of 2100 MHz spectrum licence in Nigeria in the period. Our balance sheet has also been further de-risked by continued localisation of our debt into the OpCos and material debt reduction in HoldCo. Following the prepayment of $450m bonds in July 2022, the remaining debt at HoldCo is now $550m.

The EBITDA used to calculate the leverage ratio of 1.3x is based on the last 12 months and therefore does not fully incorporate the impact from the devaluation of the Nigerian naira.

Other significant updates

Nigerian naira devaluation

On 14of June 2023, the Central Bank of Nigeria (CBN) announced changes to the operations in the Nigerian Foreign Exchange (FX) Market, including the abolishment of segmentation, with all segments now collapsing into the Investors and Exporters (I&E) window and the reintroduction of the 'Willing Buyer, Willing Seller' model at the I&E window. As a result of the CBN decision, the US dollar has appreciated against the naira in the I&E window. Airtel Africa welcomes these changes as a positive move towards a more stable Nigerian FX market. The market expectation is that the new foreign currency policy and subsequent realignment of the several market exchange rates will provide greater US dollar liquidity and help to alleviate the challenges faced in the last few years to access US dollars in the market.

The Group continues to invest in Nigeria to enable it to capture the growth opportunity. This continued investment will facilitate growth, drive continued digitalisation across the country, facilitate economic progress and transform lives across Nigeria.

Nigeria 2100 MHz spectrum renewal

On the 9th May 2023, the Group announced that its Nigerian subsidiary, Airtel Networks Limited ('Airtel Nigeria'), had made a payment of NGN58.7bn ($127.4m), payable to the Nigerian Communications Commission (NCC), to renew its 2x10MHz 2100 MHz spectrum licence. Once renewed, the licence will be valid for a period of 15 years following the expiry of the previous licence (30 April 2022).

This investment to renew the licence reflects our continued confidence in the opportunity inherent across the Nigerian market, supporting the local communities and economies through furthering digital inclusion and connectivity.

Uganda spectrum

The regulator had previously issued an invitation to apply for spectrum in various bands (700, 800, 2300, 2600, 3300, 3500, etc). Airtel Uganda has submitted its application for acquisition of additional spectrum of 10 MHz in 800 band, 100 MHz in 3500 band and 500 MHz in E-band along with a bank guarantee of $1.5m on 7 June 2023. There is no upfront payout for spectrum but, instead, there is an annual payout of $1.2m for a period of 17 years, which is the validity period for the spectrum. On 26 June 2023, the Uganda Communications Commission confirmed that Airtel Uganda Limited had qualified for the award of the 800MHz (2 (2x5)) and 3500MHz (1x1000).

Information on additional KPIs

An investor relations pack with information on the additional KPIs and balance sheet is available to download on our website at airtel.africa/investors.

Financial review for the quarter ended 30 June 2023

Nigeria – Mobile services

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Summarised statement of operations					
Revenue	**$m**	**528**	**517**	**2.2%**	**23.0%**
Voice revenue [1]	$m	254	259	(2.0%)	17.8%
Data revenue	$m	228	210	8.7%	31.2%
Other revenue [2]	$m	46	48	(3.8%)	15.3%
EBITDA	**$m**	**284**	**274**	**3.7%**	**25.2%**
EBITDA margin	%	53.7%	52.9%	79 bps	94 bps
Depreciation and amortisation	$m	(90)	(75)	20.0%	45.9%
Operating exceptional items	$m	-	-		
Operating profit	**$m**	**182**	**191**	**(4.7%)**	**13.9%**
Capex	$m	47	56	(15.4%)	(15.4%)
Operating free cash flow	$m	237	218	8.6%	48.8%
Operating KPIs					
Total customer base	million	48.2	46.0	4.8%	
Data customer base	million	23.7	20.5	15.2%	
Mobile services ARPU	$	3.6	3.8	(3.6%)	16.1%

(1) Voice revenue includes inter-segment revenue of $0.3m in the quarter ended 30 June 2023 and in the prior period.

(2) Other revenue includes inter-segment revenue of $0.5m in the quarter ended 30 June 2023 and in the prior period. Excluding inter-segment revenue, other revenue was $46m in quarter ended 30 June 2023 and $47m in the prior period.

Revenue grew by 2.2% in reported currency to $528m, and by 23.0% in constant currency. The differential in growth rates is primarily contributed by 22.7% average devaluation in Nigeria naira. The constant currency revenue growth was driven by both customer base growth of 4.8% and ARPU growth of 16.1%, largely driven by higher data revenue growth.

Voice revenue grew by 17.8% in constant currency, driven by customer base growth of 4.8% supported by voice ARPU growth of 11.2%. Voice ARPU growth was driven by per customer usage growth of 3.9% to reach 205 minutes per month.

Data revenue grew by 31.2% in constant currency, driven by data customer base growth of 15.2% and data ARPU growth of 13.9%. Data usage per customer increased by 24.5% to 5.7 GB per month (from 4.6 GB in the prior period). Our continued 4G network rollout has resulted in nearly 100% of all our sites in Nigeria delivering 4G. For the Q1'24 period, 48.5% of our data customer base were 4G users, contributing to 84.0% of total data usage. 4G data usage per customer reached 10.7 GB per month, an increase of 44.4% (from 7.4 GB per customer per month in Q1'23).

Other revenues grew by 15.3% in constant currency, contributed by growth in messaging and value-added services coupled with an 18.8% growth in leased line revenue.

EBITDA was $284m, up by 25.2% in constant currency. The EBITDA margin increase to 53.7% from 52.9% was primarily due largely to the strength in revenues, supported by continued cost efficiencies. The US dollar component of operating costs within our Nigerian business is minimal, and therefore it does not have a material impact on the EBITDA margins following the naira devaluation.

Operating free cash flow was $237m, up by 48.8%, largely due to the strong EBITDA performance and lower capex.

East Africa - Mobile services[1]

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Summarised statement of operations					
Revenue	**$m**	**397**	**359**	**10.7%**	**19.8%**
Voice revenue [2]	$m	212	203	4.1%	12.6%
Data revenue	$m	151	123	23.0%	33.0%
Other revenue [3]	$m	34	33	5.4%	15.4%
EBITDA	**$m**	**195**	**168**	**15.8%**	**24.2%**
EBITDA margin	%	49.1%	46.9%	217 bps	174 bps
Depreciation and amortisation	$m	(74)	(60)	21.8%	31.8%
Operating exceptional items	$m	-	-		
Operating profit	**$m**	**111**	**101**	**9.7%**	**17.1%**
Capex	$m	54	44	23.7%	23.7%
Operating free cash flow	$m	141	124	13.5%	24.5%
Operating KPIs					
Total customer base	million	65.0	58.5	11.1%	
Data customer base	million	23.9	18.5	29.3%	
Mobile services ARPU	$	2.1	2.1	0.6%	8.9%

(1) The East Africa business region includes Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia.

(2) Voice revenue includes inter-segment revenue of $0.2m in the quarter ended 30 June 2023 and in the prior period. Excluding inter-segment revenue, voice revenue was $211m in quarter ended 30 June 2023 and $203m in the prior period.

(3) Other revenue includes inter-segment revenue of $2m in the year ended 30 June 2023 and in the prior period. Excluding inter-segment revenue, other revenue was $32m in year ended 30 June 2023 and $31m in the prior period.

East Africa revenue grew by 10.7% in reported currency to $397m, and by 19.8% in constant currency. The constant currency growth was made up of voice revenue growth of 12.6%, data revenue growth of 33.0% and other revenue growth of 15.4%. The differential in growth rates is primarily contributed by the average devaluation in Kenya shilling (17.9%), Malawi kwacha (16.3%) and Zambian kwacha (8.5%).

Voice revenue grew by 12.6% in constant currency, driven by both customer base growth of 11.1% and voice ARPU growth of 2.4%. The customer base growth was largely driven by expansion of both increased network coverage and the increasing scale of the distribution network. Voice usage per customer increased by 7.7% to 399 minutes per customer per month, driving voice ARPU up by 2.4%.

Data revenue grew by 33.0% in constant currency, largely driven by data customer base growth of 29.3% and data ARPU growth of 7.0%. Our continued investment in the network and expansion of 4G network infrastructure helped us grow both the data customer base and usage levels. 90.4% of our East Africa network sites are now on 4G, compared with 87.0% in the prior period. In Q1'24, 4G customers accounted for 48.1% of our total data customer base and contributed to 72.6% of total data usage. Total data usage per customer increased to 4.5 GB per customer per month, up by 16.4%, and 4G data usage per customer increased to 6.7 GB per customer per month from 6.2 GB per customer per month in the prior period.

EBITDA increased to $195m, up by 24.2% in constant currency. The EBITDA margin improved to 49.1%, an improvement of 174 basis points in constant currency, as a result of revenue growth and improved operating efficiencies.

Operating free cash flow was $141m, up by 24.5%, due largely to EBITDA growth, partially offset by increased capex.

Francophone Africa – Mobile services[1]

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Summarised statement of operations					
Revenue	**$m**	**299**	**262**	**14.0%**	**13.0%**
Voice revenue [2]	$m	158	149	6.2%	5.3%
Data revenue	$m	107	85	25.4%	23.9%
Other revenue [3]	$m	34	28	21.3%	20.6%
EBITDA	**$m**	**131**	**113**	**15.4%**	**14.3%**
EBITDA margin	%	43.8%	43.2%	53 bps	52 bps
Depreciation and amortisation	$m	(50)	(47)	7.3%	6.5%
Operating exceptional items	$m	-	-		
Operating profit	**$m**	**69**	**59**	**17.3%**	**16.1%**
Capex	$m	31	27	15.1%	15.1%
Operating free cash flow	$m	100	86	15.6%	14.1%
Operating KPIs					
Total customer base	million	29.8	27.0	10.5%	
Data customer base	million	9.2	7.5	22.8%	
Mobile services ARPU	$	3.4	3.2	4.6%	3.6%

(1) The Francophone Africa business region includes Chad, Democratic Republic of the Congo, Gabon, Madagascar, Niger, Republic of the Congo, and Seychelles.

(1) Voice revenue includes inter-segment revenue of $1m in the quarter ended 30 June 2023 and in the prior period. Excluding inter-segment revenue, voice revenue was $157m in quarter ended 30 June 2023 and $148m in the prior period.

(2) Other revenue includes inter-segment revenue of $1m in the quarter ended 30 June 2023 and $0.2m in the prior period. Excluding inter-segment revenue, other revenue was $33m in quarter ended 30 June 2023 and $28m in the prior period.

Revenue grew by 14.0% in reported currency and by 13.0% in constant currency. Higher reported currency growth as compared to constant currency is due to appreciation in Central African franc by 2.2% partially offset by 9.5% depreciation in Madagascar ariary.

Voice revenue grew by 5.3% in constant currency, driven by customer base growth of 10.5% partially offset by voice ARPU decline of 3.5%. The customer base growth was driven by expansion of both network coverage and distribution infrastructure.

Data revenue grew by 23.9% in constant currency, supported by customer base growth of 22.8% and ARPU growth of 12.4%. ARPU is largely driven by increased usage. Our continued 4G network rollout resulted in an increase in total data usage of 52.2% and per customer data usage increase of 38.0%. For Q1'24, 4G data users constituted 55.5% of total data users, compared with 49.7% in the prior period. 4G users contributed 73.0% of total data usage this quarter. Data usage per customer increased to 3.9 GB per month (up from 2.9 GB in the prior period), while 4G data usage per customer reached 5.8 GB per month, from 5.0 GB in the prior period.

EBITDA at $131m, increased by 14.3% in constant currency. The EBITDA margin improved to 43.8%, an improvement of 52 basis points in constant currency. This EBITDA growth was driven by continued revenue growth and increased operating efficiencies.

Operating free cash flow was $100m, up by 14.1% in constant currency, due to the increased EBITDA, partially offset by higher capex.

Mobile services

Description	Unit of measure	Quarter ended Jun-23	Jun-22	Reported currency change	Constant currency change
<u>**Summarised statement of operations**</u>					
Revenue [1]	**$m**	**1,223**	**1,135**	**7.8%**	**19.1%**
Voice revenue	$m	621	610	1.9%	11.9%
Data revenue	$m	486	418	16.3%	29.8%
Other revenue	$m	116	107	7.8%	19.8%
EBITDA	$m	610	555	9.9%	22.2%
EBITDA margin	%	49.9%	48.9%	96 bps	126 bps
Depreciation and amortisation	$m	(214)	(182)	17.4%	27.6%
Operating exceptional Items	$m	-	-		
Operating profit	$m	363	351	3.4%	16.1%
Capex	$m	132	127	4.6%	4.6%
Operating free cash flow	$m	478	428	11.6%	29.8%
<u>**Operating KPIs**</u>					
Mobile voice					
Customer base	million	143.1	131.6	8.8%	
Voice ARPU	$	1.5	1.6	(6.0%)	3.2%
Mobile data					
Data customer base	million	56.8	46.5	22.0%	
Data ARPU	$	2.9	2.9	(1.3%)	10.1%

[1] Mobile service revenue after inter-segment eliminations was $1,221m in quarter ended 30 June 2023 and $1,134m in the prior period.

Overall revenue from mobile services grew by 7.8% in reported currency, and in constant currency grew by 19.1%. The constant currency growth was evident in all regions and key services. Mobile services revenue grew in Nigeria by 23.0%, in East Africa by 19.8% and in Francophone Africa by 13.0%, respectively.

Voice revenue grew by 11.9% in constant currency, supported by both customer base growth of 8.8% and voice ARPU growth of 3.2%. Customer base growth was driven by the expansion of our network and distribution infrastructure. The voice ARPU growth of 3.2% was driven by an increase in voice usage per customer of 7.0%, reaching 282 minutes per customer per month, with total minutes on the network increasing by 15.9%.

Data revenue grew by 29.8% in constant currency, driven by both customer base growth of 22.0% and data ARPU growth of 10.1%. The customer base growth was recorded across all the regions supported by the expansion of our 4G network. 90.6% of our total sites are now on 4G, compared with 88.4% in the prior period. 49.5% of total data customers are 4G users (up from 44.1%) contributing to 78.3% of total data usage. Data usage per customer increased to 4.9 GB per customer per month (from 4.0 GB in the prior period) while 4G data usage per customer reached 8.2 GB per month (from 6.6 GB in the prior period). In the quarter, data revenue contributed to 39.8% of total mobile services revenue, up from 36.8% in the prior period.

EBITDA was $610m, growing by 22.2% in constant currency. The EBITDA margin improved by 96 basis points to 49.9% (improvement of 126 basis points in constant currency).

Operating free cash flow was $478m, up by 29.8%, due to the strong EBITDA performance partially offset by higher capex.

Mobile money

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Summarised statement of operations					
Revenue [1]	**$m**	**201**	**159**	**26.2%**	**31.2%**
Nigeria	$m	0	0	-	-
East Africa	$m	155	121	28.0%	35.3%
Francophone Africa	$m	46	38	19.8%	19.0%
EBITDA	$m	103	81	27.7%	32.6%
EBITDA margin	%	51.2%	50.6%	56 bps	54 bps
Depreciation and amortisation	$m	(5)	(4)	28.7%	32.1%
Operating profit	$m	95	75	25.9%	31.1%
Capex	$m	4	9	(62.5%)	(62.5%)
Operating free cash flow	$m	99	72	39.0%	46.3%
Operating KPIs					
Mobile money customer base	million	34.3	27.6	24.3%	
Transaction value	$bn	26.8	18.9	41.9%	47.2%
Mobile money ARPU	$	2.0	2.0	3.4%	7.5%

(1) Mobile money service revenue post inter-segment eliminations with mobile services was $156m in the quarter ended 30 June 2023 and $123m in the prior year.

Mobile money revenue grew by 26.2% in reported currency, with constant currency growth of 31.2%. The differential in growth rates is primarily contributed by average devaluation in Malawi kwacha (16.3%) and Zambian kwacha (8.5%), partially offset by appreciation in Central African franc (2.2%). The constant currency mobile money revenue growth was driven by revenue growth in both East Africa and Francophone Africa, of 35.3% and 19.0%, respectively. In Nigeria, the company remains focussed on customer acquisition through the quarter with 1.5 million of active customers currently registered for mobile money services in Nigeria versus 0.6 million in quarter ended March 2023. Annualised transaction value for Nigeria PSB grew by 64% in current quarter as compared to quarter ended March 2023. Additionally, we added over 15,000 agents during the quarter and reached almost 68,000 agents as of 30 June 2023.

The constant currency revenue growth of 31.2% was driven by both customer base growth of 24.3% and mobile money ARPU growth of 7.5%. The expansion of our distribution network, particularly our exclusive channels of Airtel Money branches and kiosks, supported customer base growth of 24.3%. The mobile money ARPU growth of 7.5% was driven by an increase in the transaction value per customer of 20.6% to $272 per customer per month.

Q1’24 annualised transaction value amounted to $107bn in reported currency, with mobile money revenue contributing 14.6% of total Group revenue in the quarter.

EBITDA was $103m, up by 32.6% in constant currency. The EBITDA margin reached 51.2%, an improvement of 54 basis points in constant currency and 56 basis points in reported currency.

Regional performance

Nigeria

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Revenue	**$m**	**528**	**517**	**2.2%**	**23.1%**
Voice revenue	$m	254	259	(2.0%)	17.8%
Data revenue	$m	228	210	8.7%	31.2%
Mobile money revenue	$m	0	0	-	-
Other revenue	$m	46	48	(3.8%)	15.3%
EBITDA	**$m**	**281**	**273**	**3.1%**	**24.4%**
EBITDA margin	%	53.2%	52.7%	44 bps	56 bps
Operating KPIs					
ARPU	$	3.6	3.8	(3.5%)	16.1%

East Africa

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Revenue	**$m**	**519**	**455**	**14.2%**	**22.9%**
Voice revenue	$m	212	203	4.1%	12.6%
Data revenue	$m	151	123	23.0%	33.0%
Mobile money revenue	$m	155	121	28.0%	35.3%
Other revenue	$m	33	32	5.4%	15.0%
EBITDA	**$m**	**279**	**232**	**20.1%**	**28.0%**
EBITDA margin	%	53.7%	51.1%	262 bps	213 bps
Operating KPIs					
ARPU	$	2.7	2.6	3.8%	11.7%

Francophone Africa

Description	Unit of measure	Quarter ended			
		Jun-23	Jun-22	Reported currency change	Constant currency change
Revenue	**$m**	**330**	**288**	**14.5%**	**13.5%**
Voice revenue	$m	158	149	6.2%	5.3%
Data revenue	$m	107	85	25.4%	23.9%
Mobile money revenue	$m	46	38	19.8%	19.0%
Other revenue	$m	33	28	21.4%	20.7%
EBITDA	**$m**	**155**	**134**	**16.1%**	**15.0%**
EBITDA margin	%	47.0%	46.4%	63 bps	61 bps
Operating KPIs					
ARPU	$	3.8	3.6	5.0%	4.1%

Consolidated performance

Description	UoM	Quarter ended- June 2023					Quarter ended- June 2022				
		Mobile services	Mobile money	Unallocated	Eliminations	Total	Mobile services	Mobile money	Unallocated	Eliminations	Total
Revenue	**$m**	**1,223**	**201**	**(0)**	**(47)**	**1,377**	**1,135**	**159**	**(0)**	**(37)**	**1,257**
Voice revenue	$m	621		(0)	(0)	621	610		(0)	(0)	610
Data revenue	$m	486		-	(0)	486	418		-	-	418
Other revenue	$m	116		-	(2)	114	107		-	(1)	106
EBITDA	**$m**	**610**	**103**	**(31)**	**0**	**682**	**555**	**81**	**(22)**	**0**	**614**
EBITDA margin	%	49.9%	51.2%			49.5%	48.9%	50.6%			48.8%
Depreciation and amortisation	$m	(214)	(5)	(1)	-	(220)	(182)	(4)	(3)	-	(189)
Operating exceptional items	$m	-	-		-	-	-	-	-	-	-
Operating profit	**$m**	**363**	**95**	**4**	**0**	**462**	**351**	**75**	**(1)**	**0**	**425**

Risk factors

The Group's business and industry in which it operates together with all other information contained in this document, including, in particular, the risk factors summarised below. Additional risks and uncertainties relating to the Group that are currently unknown to the Group, or those the Group currently deem immaterial, may, individually or cumulatively, also have a material adverse impact on the Group's business, results of operations and financial position.

Summary of principal risks

1. We operate in a competitive environment with the potential for aggressive competition by existing players, or the entry of new players, which could both put a downward pressure on prices, adversely affecting our revenue and profitability.
2. Failure to innovate through simplifying the customer experience, developing adequate digital touchpoints in line with changing customer needs and competitive landscape could lead to loss of customers and market share.
3. An inability to invest and upgrade our network and IT infrastructure could affect our ability to compete effectively in the market.
4. Cybersecurity threats through internal or external sabotage or system vulnerabilities could potentially result in customer data breaches and/or service downtimes.
5. Adverse changes in our external business environment and macro-economic conditions such as supply chain disruptions, increase in global commodity prices and inflationary pressures could lead to a significant increase in our operating cost structure while also negatively impacting the disposable income of consumers. These adverse economic conditions therefore not only put pressure on our profitability but also on customer usage for our services.
6. Shortages of skilled telecommunications professionals in some markets and the inability to identify and develop successors for key leadership positions could both lead to disruptions in the execution of our corporate strategy.
7. Our internal control environment is subject to the risk that controls may become inadequate due to changes in internal or external conditions, new accounting requirements, delays, or inaccuracies in reporting.
8. Our telecommunications networks are subject to the risks of technical failures, aging infrastructure, human error, wilful acts of destruction or natural disasters.
9. We operate in diverse and dynamic legal, tax and regulatory environment. The group makes every effort to comply with its legal and regulatory obligations in all its operating jurisdictions in line with the group's risk appetite. However, we are continually faced with uncertain and constantly evolving legal and regulatory requirements in some of the markets where we operate.
10. Our multinational footprint means we are constantly exposed to the risk of adverse currency fluctuations and the macroeconomic conditions in the markets where we operate. We derive revenue and incur costs in local currencies where we operate, but we also incur costs in foreign currencies, mainly from buying equipment and services from manufacturers and technology service providers. That means adverse movements in exchange rates between the currencies in our OpCos and the US dollar could have a negative effect on our liquidity and financial condition. In some markets, we face instances of limited supply of foreign currency within the local monetary system. This not only constrains our ability to fully benefit at Group level from strong cash generation by those OpCos but also impacts our ability to make timely foreign currency payments to our international suppliers.

    Given the severity of this risk, specifically in some of our OpCos, the Group management continuously monitors the potential impact of this risk of exchange rate fluctuations based on the following methodology:

    a) Comparing the average devaluation of each currency in the markets in which the Group operates against US dollar on 3-year and 5-year historic basis and onshore forward exchange rates over a 1-year period.

b) If either of the above devaluation is higher than 5% per annum, management selects the highest of these exchange rates.

c) Management then uses this exchange rate to monitor the potential impact of using such rate on the Group's income statement so that the Group can actively monitor and assess the impact on the Group's financials due to exchange rate fluctuations.

Additionally, for our Nigerian operations, management uses different sensitivity analysis for scenario planning purposes which include the impact of the devaluation from the recent changes to the operations in the Nigerian Foreign Exchange (FX) Market.

The expected annualised impact of the devaluation in Nigeria incurred in June 2023 is expected to be between $850m and $900m on annualised revenues, and between $450m and $500m on annualised EBITDA. With respect to currency devaluation sensitivity, on a 12-month basis, a further 1% USD appreciation across all currencies in our OpCos would have a negative impact of $48m on revenues, $24m on EBITDA and $21m on finance costs (excluding derivatives). Our largest exposure is to the Nigerian naira, for which a further 1% USD appreciation would have a negative impact of $14m on revenues, $8m on EBITDA and $7m on finance costs (excluding derivatives). This sensitivity analysis assumes the USD appreciation occurs at the beginning of the period.

For details of the USD appreciation observed in Nigeria, please refer to page 6 of this report.

This does not represent any guidance and is being used solely to illustrate the potential impact of further currency devaluation on the Group for the purpose of exchange rate risk management. The accounting under IFRS is based on exchange rates in line with the requirements of IAS 21 'The Effect of Changes in Foreign Exchange' and does not factor in the devaluation mentioned above.

Based on above-mentioned specific methodology for the identified OpCos, management evaluates specific mitigation actions based on available mechanisms in each of the geographies. For further details on such mitigation action, refer to the risk section of the Annual Report 2022/23.

Forward looking statements

This document contains certain forward-looking statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

These statements are often, but not always, made through the use of words or phrases such as "believe," "anticipate," "could," "may," "would," "should," "intend," "plan," "potential," "predict," "will," "expect," "estimate," "project," "positioned," "strategy," "outlook", "target" and similar expressions.

It is believed that the expectations reflected in this document are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this communication.

Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; changes in domestic or international tax laws and rates; adverse litigation and dispute outcomes and the effect of such outcomes on Airtel Africa's financial condition; changes or differences in domestic or international economic or political conditions; the ability to obtain price increases and the impact of price increases on consumer affordability thresholds; adverse decisions by domestic or international regulatory bodies; the impact of market size reduction and consumer down-trading; translational and transactional foreign exchange rate exposure; the impact of serious injury, illness or death in the workplace; the ability to maintain credit ratings; the ability to develop, produce or market new alternative products and to do so profitably; the ability to effectively implement strategic initiatives and actions taken to increase sales growth; the ability to enhance cash generation and pay dividends and changes in the market position, businesses, financial condition, results of operations or prospects of Airtel Africa.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements contained in this document reflect the knowledge and information available to Airtel Africa at the date of preparation of this document and Airtel Africa undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements.

No statement in this communication is intended to be, nor should be construed as, a profit forecast or a profit estimate and no statement in this communication should be interpreted to mean that earnings per share of Airtel Africa plc for the current or any future financial periods would necessarily match, exceed or be lower than the historical published earnings per share of Airtel Africa plc.

Financial data included in this document are presented in US dollars rounded to the nearest million. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding. The percentages included in the tables throughout the document are based on numbers calculated to the nearest $1,000 and therefore minor rounding differences may result in the tables. Growth metrics are provided on a constant currency basis unless otherwise stated. The Group has presented certain financial information on a constant currency basis. This is calculated by translating the results for the current financial year and prior financial year at a fixed 'constant currency' exchange rate, which is done to measure the organic performance of the Group. Growth rates for our reporting regions and service segments are provided in constant currency as this better represents the performance of the business.

Alternative performance measures (APMs)

Introduction

In the reporting of financial information, the directors have adopted various APMs. These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods and geographical units (such as like-for-like sales), by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance. Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive-setting purposes.

The directors believe the following metrics to be the APMs used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. These measures provide an enhanced understanding of the Group's results and related trends, therefore increasing transparency and clarity into the core results of the business.

The following metrics are useful in evaluating the Group's operating performance:

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
EBITDA and margin	Operating profit	• Depreciation and amortisation	The Group defines EBITDA as operating profit/(loss) for the period before depreciation and amortisation. The Group defines EBITDA margin as EBITDA divided by revenue. EBITDA and margin are measures used by the directors to assess the trading performance of the business and are therefore the measure of segment profit that the Group presents under IFRS. EBITDA and margin are also presented on a consolidated basis because the directors believe it is important to consider profitability on a basis consistent with that of the Group's operating segments. When presented on a consolidated basis, EBITDA and margin are APMs. Depreciation and amortisation is a non-cash item which fluctuates depending on the timing of capital investment and useful economic life. Directors believe that a measure which removes this volatility improves comparability of the Group's results period on period and hence is adjusted to arrive at EBITDA and margin.
Underlying profit / (loss) before tax	Profit / (loss) before tax	• Exceptional items	The Group defines underlying profit/(loss) before tax as profit/(loss) before tax adjusted for exceptional items. The directors view underlying profit/(loss) before tax to be a meaningful measure to analyse the Group's profitability. Exceptional items are additional specific items that because of their size, nature or incidence in the results, are considered to hinder comparison of the Group's performance on a period-to-period basis and could distort the understanding of our performance for the period and the comparability between periods and hence are adjusted to arrive at underlying profit/(loss) before tax.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Effective tax rate	Reported tax rate	• Exceptional items • Foreign exchange rate movements • One-off tax impact of the prior period, tax litigation settlement and impact of tax on permanent differences	The Group defines effective tax rate as reported tax rate (reported tax charge divided by reported profit before tax) adjusted for exceptional items, foreign exchange rate movements and one-off tax items of the prior period adjustment, tax settlements and impact of permanent differences on tax. This provides an indication of the current on-going tax rate across the Group. Exceptional tax items or any tax arising on exceptional items are additional specific items that because of their size, nature or incidence in the results, are considered to hinder comparison of the Group's performance on a period-to-period basis and could distort the understanding of our performance for the period and the comparability between periods and hence are adjusted to arrive at effective tax rate. Foreign exchange rate movements are specific items that are non-tax deductible in a few of the entities which are loss making and/or where DTA is not yet triggered and hence are considered to hinder comparison of the Group's effective tax rate on a period-to-period basis and therefore excluded to arrive at effective tax rate. One-off tax impact on account of the prior period adjustment, any tax litigation settlement and tax impact on permanent differences are additional specific items that because of their size and frequency in the results, are considered to hinder comparison of the Group's effective tax rate on a period-to-period basis.
Underlying profit/(loss) after tax	Profit/(loss) for the period	• Exceptional items	The Group defines underlying profit/(loss) after tax as profit/(loss) for the period adjusted for exceptional items. The directors view underlying profit/(loss) after tax to be a meaningful measure to analyse the Group's profitability. Exceptional items are additional specific items that because of their size, nature or incidence in the results, are considered to hinder comparison of the Group's performance on a period-to-period basis and could distort the understanding of our performance for the period and the comparability between periods and hence are adjusted to arrive at underlying profit/(loss) after tax.
Earnings per share before exceptional items	EPS	• Exceptional items	The Group defines earnings per share before exceptional items as profit/(loss) for the period before exceptional items attributable to owners of the company divided by the weighted average number of ordinary shares in issue during the financial period. This measure reflects the earnings per share before exceptional items for each share unit of the company. Exceptional items are additional specific items that because of their size, nature or incidence in the results, are considered to hinder comparison of the Group's performance on a period-to-period basis and could distort the understanding of our performance for the period and the comparability between periods and hence are adjusted to arrive at earnings for the purpose of earnings per share before exceptional items.
Operating free cash flow	Cash generated from operating activities	• Income tax paid • Changes in working capital • Other non-cash items • Non-operating income • Exceptional items • Capital expenditures	The Group defines operating free cash flow as net cash generated from operating activities before income tax paid, changes in working capital, other non-cash items, non-operating income, exceptional items, and after capital expenditures. The Group views operating free cash flow as a key liquidity measure, as it indicates the cash available to pay dividends, repay debt or make further investments in the Group.
Net debt and leverage ratio	Borrowings	• Lease liabilities • Cash and cash equivalent • Term deposits with banks • Deposits given against borrowings/non-derivative financial instruments • Fair value hedges	The Group defines net debt as borrowings including lease liabilities less cash and cash equivalents, term deposits with banks, deposits given against borrowings/non-derivative financial instruments, processing costs related to borrowings and fair value hedge adjustments. The Group defines leverage ratio as net debt divided by EBITDA for the preceding 12 months. The directors view net debt and the leverage ratio to be meaningful measures to monitor the Group's ability to cover its debt through its earnings.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Return on capital employed	No direct equivalent	• Exceptional items to arrive at underlying EBIT	The Group defines return on capital employed ('ROCE') as underlying EBIT divided by average capital employed. The directors view ROCE as a financial ratio that measures the Group's profitability and the efficiency with which its capital is being utilised. The Group defines underlying EBIT as operating profit/(loss) for the period adjusted for exceptional items. Exceptional items are additional specific items that because of their size, nature or incidence in the results, are considered to hinder comparison of the Group's performance on a period-to-period basis and could distort the understanding of our performance for the period and the comparability between periods and hence are adjusted to arrive at underlying EBIT. Capital employed is defined as sum of equity attributable to owners of the company (grossed up for put option provided to minority shareholders to provide them liquidity as part of the sale agreements executed with them during year ended 31 March 2022), non-controlling interests and net debt. Average capital employed is average of capital employed at the closing and beginning of the relevant period. For quarterly computations, ROCE is calculated by dividing underlying EBIT for the preceding 12 months by the average capital employed (being the average of the capital employed averages for the preceding four quarters).

Some of the Group's IFRS measures and APMs are translated at constant currency exchange rates to measure the organic performance of the Group. In determining the percentage change in constant currency terms, both current and previous financial reporting period's results have been converted using exchange rates prevailing as on 31 March 2023 for all countries, except Nigeria. For Nigeria the constant currency exchange rate used is 752 NGN/USD which is prevailing rate as on 30 June 2023. Reported currency percentage change is derived based on the average actual periodic exchange rates for that financial period. Variances between constant currency and reported currency percentages are due to exchange rate movements between the previous financial reporting period and the current period. The constant currency numbers only reflect the retranslation of reported numbers into exchange rates as of 31 March 2023 (Nigeria as of 30 June 2023) and are not intended to represent the wider impact that currency changes has on the business.

Glossary

Technical and Industry Terms

4G data customer	A customer having a 4G handset and who has used at least 1 MB on any of the Group's GPRS, 3G and 4G network in the last 30 days.
Airtel Money (mobile money)	Airtel Money is the brand name for Airtel Africa's mobile money products and services. The term is used interchangeably with 'mobile money' when referring to our mobile money business, finance, operations and activities.
Airtel Money ARPU	Mobile money average revenue per user per month. This is derived by dividing total mobile money revenue during the relevant period by the average number of active mobile money customers and dividing the result by the number of months in the relevant period.
Airtel Money customer base	Total number of active subscribers who have enacted any mobile money usage event in last 30 days.
Airtel Money customer penetration	The proportion of total Airtel Africa active mobile customers who use mobile money services. Calculated by dividing the mobile money customer base by the Group's total customer base.
Airtel Money transaction value	Any financial transaction performed on Airtel Africa's mobile money platform.
Airtel Money transaction value per customer per month	Calculated by dividing the total mobile money transaction value on the Group's mobile money platform during the relevant period by the average number of active mobile money customers and dividing the result by the number of months in the relevant period.
Airtime credit service	A value-added service where the customer can take an airtime credit and continue to use our voice and data services, with the credit recovered through subsequent customer recharge. This is classified as a Mobile Services product (not a Mobile Money product).
ARPU	Average revenue per user per month. This is derived by dividing total revenue during the relevant period by the average number of customers during the period and dividing the result by the number of months in the relevant period.
Average customers	The average number of active customers for a period. Derived from the monthly averages during the relevant period. Monthly averages are calculated using the number of active customers at the beginning and the end of each month.
Capital expenditure	An alternative performance measure (non-GAAP). Defined as investment in gross fixed assets (both tangible and intangible but excluding spectrum and licences) plus capital work in progress (CWIP), excluding provisions on CWIP for the period.
Constant currency	The Group has presented certain financial information that is calculated by translating the results at a fixed 'constant currency' exchange rate, which is done to measure the organic performance of the Group and represents the performance of the business in a better way. Constant currency amounts and growth rates are calculated using closing exchange rates as of 31 March 2023 for all reporting regions and service segments except for Nigeria region and service segment. For the Nigeria region and service segment, constant currency amounts and growth rates have been calculated using the closing exchange rate prevailing as of 30 June 2023 In June 2023, the Central Bank of Nigeria (CBN) announced changes to the operations in the Nigerian Foreign Exchange Market, including the abolishment of segmentation, with all segments now collapsing into the Investors and Exporters (I&E) window and the reintroduction of the 'Willing Buyer, Willing Seller' model at the I&E window. As a result of this CBN decision, the Nigerian naira has devalued against US Dollar by approximately 62%. This change announced by CBN led to a material impact on the Group's financial statements and for better representation of the performance of the business and comparability the closing exchange rate prevailing as of 30 Jun 2023 i.e. NGN 752.2/USD has been used for calculation of constant currency amounts and growth rates of Nigeria region and service segment.
Customer	Defined as a unique active subscriber with a unique mobile telephone number who has used any of Airtel's services in the last 30 days.
Customer base	The total number of active subscribers that have used any of our services (voice calls, SMS, data usage or mobile money transaction) in the last 30 days.
Data ARPU	Data average revenue per user per month. Data ARPU is derived by dividing total data revenue during the relevant period by the average number of data customers and dividing the result by the number of months in the relevant period.
Data customer base	The total number of subscribers who have consumed at least 1 MB on the Group's GPRS, 3G or 4G network in the last 30 days.
Data customer penetration	The proportion of customers using data services. Calculated by dividing the data customer base by the total customer base.
Data usage per customer per month	Calculated by dividing the total MBs consumed on the Group's network during the relevant period by the average data customer base over the same period and dividing the result by the number of months in the relevant period.
Digitalisation	We use the term digitalisation in its broadest sense to encompass both digitisation actions and processes that convert analogue information into a digital form and thereby bring customers into the digital environment, and the broader digitalisation processes of controlling, connecting and planning processes digitally; the processes that effect digital transformation of our business, and of industry, economics and society as a whole through bringing about new business models, socio-economic structures and organisational patterns.

Diluted earnings per share	Diluted EPS is calculated by adjusting the profit for the year attributable to the shareholders and the weighted average number of shares considered for deriving basic EPS, for the effects of all the shares that could have been issued upon conversion of all dilutive potential shares. The dilutive potential shares are adjusted for the proceeds receivable had the shares actually been issued at fair value. Further, the dilutive potential shares are deemed converted as at beginning of the period, unless issued at a later date during the period.
Earnings per share (EPS)	EPS is calculated by dividing the profit for the period attributable to the owners of the company by the weighted average number of ordinary shares outstanding during the period.
Foreign exchange rate movements for non-DTA operating companies and holding companies	Foreign exchange rate movements are specific items that are non-tax deductible in a few of our operating entities, hence these hinder a like-for-like comparison of the Group's effective tax rate on a period-to-period basis and are therefore excluded when calculating the effective tax rate.
Indefeasible Rights of Use (IRU)	A standard long-term leasehold contractual agreement that confers upon the holder the exclusive right to use a portion of the capacity of a fibre route for a stated period.
Information and communication technologies (ICT)	ICT refers to all communication technologies, including the internet, wireless networks, cell phones, computers, software, middleware, videoconferencing, social networking, and other media applications and services.
Interconnect user charges (IUC)	Interconnect user charges are the charges paid to the telecom operator on whose network a call is terminated.
Lease liability	Lease liability represents the present value of future lease payment obligations.
Leverage	An alternative performance measure (non-GAAP). Leverage (or leverage ratio) is calculated by dividing net debt at the end of the relevant period by the EBITDA for the preceding 12 months.
Minutes of usage	Minutes of usage refer to the duration in minutes for which customers use the Group's network for making and receiving voice calls. It includes all incoming and outgoing call minutes, including roaming calls.
Mobile services	Mobile services are our core telecom services, mainly voice and data services, but also including revenue from tower operation services provided by the Group and excluding mobile money services.
Net debt	An alternative performance measure (non-GAAP). The Group defines net debt as borrowings including lease liabilities less cash and cash equivalents, term deposits with banks, processing costs related to borrowings and fair value hedge adjustments.
Net debt to EBITDA (LTM)	An alternative performance measure (non-GAAP) Calculated by dividing net debt as at the end of the relevant period by EBITDA for the preceding 12 months (from the end of the relevant period). This is also referred to as the leverage ratio.
Network towers or 'sites'	Physical network infrastructure comprising a base transmission system (BTS) which holds the radio transceivers (TRXs) that define a cell and coordinates the radio link protocols with the mobile device. It includes all ground-based, roof top and in-building solutions.
Operating company (OpCo)	Operating company (or OpCo) is a defined corporate business unit, providing telecoms services and mobile money services in the Group's footprint.
Operating free cash flow	An alternative performance measure (non-GAAP). Calculated by subtracting capital expenditure from EBITDA.
Operating leverage	An alternative performance measure (non-GAAP). Operating leverage is a measure of the operating efficiency of the business. It is calculated by dividing operating expenditure (excluding regulatory charges) by total revenue.
Operating profit	Operating profit is a GAAP measure of profitability. Calculated as revenue less operating expenditure (including depreciation and amortisation and operating exceptional items).
Other revenue	Other revenue includes revenues from messaging, value added services (VAS), enterprise, site sharing and handset sale revenue.
Reported currency	Our reported currency is US dollars. Accordingly, actual periodic exchange rates are used to translate the local currency financial statements of OpCos into US dollars. Under reported currency the assets and liabilities are translated into US dollars at the exchange rates prevailing at the reporting date whereas the statements of profit and loss are translated into US dollars at monthly average exchange rates.
Smartphone	A smartphone is defined as a mobile phone with an interactive touch screen that allows the user to access the internet and additional data applications, providing additional functionality to that of a basic feature phone which is used only for making voice calls and sending and receiving text messages.
Smartphone penetration	Calculated by dividing the number of smartphone devices in use by the total number of customers.
Total MBs on network	Total MBs consumed (uploaded and downloaded) by customers on the Group's GPRS, 3G and 4G network during the relevant period.
EBIT	Defined as operating profit/(loss) for the period adjusted for exceptional items.
EBITDA	An alternative performance measure (non-GAAP). Defined as operating profit before depreciation, amortisation and exceptional items.
EBITDA margin	An alternative performance measure (non-GAAP). Calculated by dividing EBITDA for the relevant period by revenue for the relevant period.
Revenue	An alternative performance measure (non-GAAP). Defined as revenue before exceptional items.
Unstructured Supplementary Service Data	Unstructured Supplementary Service Data (USSD), also known as "quick codes" or "feature codes", is a communications protocol for GSM mobile operators, similar to SMS messaging. It has a variety of uses such as WAP browsing, prepaid callback services, mobile-money services, location-based content services, menu-based information services, and for configuring phones on the network.

Voice minutes of usage per customer per month	Calculated by dividing the total number of voice minutes of usage on the Group's network during the relevant period by the average number of customers and dividing the result by the number of months in the relevant period.
Weighted average number of shares	The weighted average number of shares is calculated by multiplying the number of outstanding shares by the portion of the reporting period those shares covered, doing this for each portion and then summing the total.

Abbreviations

2G	Second-generation mobile technology
3G	Third-generation mobile technology
4G	Fourth-generation mobile technology
ARPU	Average revenue per user
bn	Billion
bps	Basis points
CAGR	Compound annual growth rate
Capex	Capital expenditure
CSR	Corporate social responsibility
DTA	Deferred Tax Asset
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FPPP	Financial position and prospects procedures
GAAP	Generally accepted accounting principles
GB	Gigabyte
HoldCo	Holding company
IAS	International accounting standards
ICT	Information and communication technologies
ICT (Hub)	Information communication technology (Hub) IFRS
IFRS	International financial reporting standards
IMF	International monetary fund
IPO	Initial public offering
KPIs	Key performance indicators
KYC	Know your customer
LTE	Long-term evolution (4G technology)
LTM	Last 12 months
m	Million
MB	Megabyte
MI	Minority interest (non-controlling interest)
NGO	Non-governmental organisation
OpCo	Operating company
P2P	Person to person
PAYG	Pay-as-you-go
QoS	Quality of service
RAN	Radio access network
SIM	Subscriber identification module
Single RAN	Single radio access network
SMS	Short messaging service
TB	Terabyte
Telecoms	Telecommunications
Unit of measure	Unit of measure
USSD	Unstructured supplementary service data