

# OUR FRONTIER MARKETS

Dominated in size by Algeria and Bangladesh, our five Frontier Markets (which also include Armenia, Georgia and Kyrgyzstan) are defined by the long-term growth optionality they provide the Group rather than the financial contribution they are currently making. Collectively contributing 20% of Group EBITDA<sup>1</sup> in 2019, these markets possess strong demographics with young, rapidly urbanising populations that provide us with the opportunity to meet data demand through expanding our 3G and 4G networks and, over time, introducing new services.

## Algeria

Algeria is a challenging market but is one in which our operating company, Djezzy, has outperformed its competitors, successfully gaining revenue share of a market that has experienced a significant contraction in total revenue over the past four years. Despite a difficult regulatory context (particularly the recent asymmetric and arbitrary 29% reduction in mobile termination rates), fierce price competition and tough macroeconomic conditions, Djezzy stabilised its top line and regained the top Net Promoter Score (NPS) spot in the market in 2019. To mitigate revenue erosion, Djezzy has modernised its operating model, focusing on its core productive functions and optimising resources allocation thanks to big data. These efforts resulted in the company securing a significantly higher EBITDA share over its competitors in 2019 compared to the previous years; a commendable achievement in these circumstances.

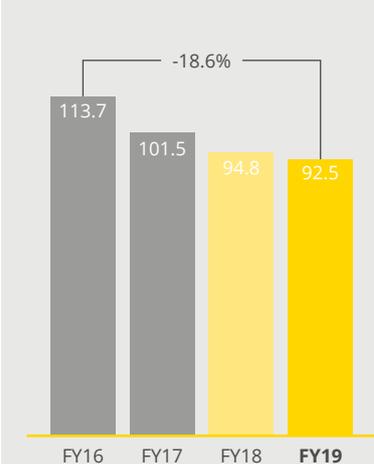
Revenue performance was delivered through solid growth in mobile data revenues (+26% YoY in 2019) and a successful segmented approach to customers. This strategy has put Djezzy in a strong position to seize the considerable mid- to long-term opportunities in data and digital service revenues that Algeria has to offer. Djezzy has been growing its share of 4G users strongly over the past year and aspires to secure the highest share of data market opportunities by further expanding its 3G and 4G networks. Progress here is demonstrated in Djezzy's subscriber mix: out of Djezzy's 15 million customers, 9 million are data users and 25% of them are using 4G.

In the meantime, Djezzy is focusing on digitising its core and on deepening its customer relationships and engagement through its new, highly ranked self-care app Djezzy, which was enabled by last year's DBSS upgrade.

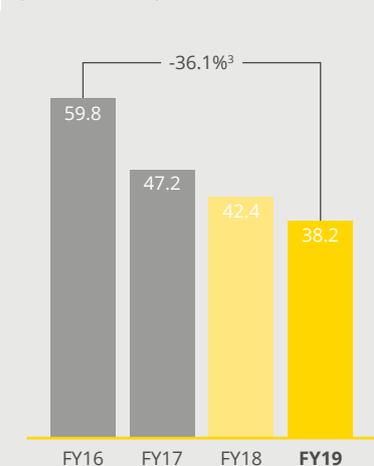
## 2019 Performance

Total operating revenue decreased in 2019 by 5% year-on-year primarily due to decreased mobile ARPU as a result of price competition in both voice and data services and the devaluation of the local currency. Data revenue growth remained strong due to higher usage and an increase in data customers as a result of the rollout of our 4G network. In local currency terms, total operating revenue decreased by 2% year-on-year.

## Revenue (DZD billion)



## EBITDA Pre-IFRS 16<sup>1</sup> (DZD billion)



## Key economic indicators<sup>2</sup>

<b>43m</b> Population	<b>2.0%</b> Inflation rate
<b>2.0%</b> Population growth	<b>0.7%</b> Real GDP growth

## Market characteristics

<b>120%</b> Market penetration	<b>54%</b> 4G market share
<b>95%</b> Prepaid share	<b>54%</b> 4G smartphone penetration

1. EBITDA excluding corporate costs
2. Key economic indicators sourced from IMF database
3. Growth excludes IFRS 16 impact in FY 2019

Adjusted EBITDA decreased by 3% year-on-year primarily due to a decrease in total revenues, coupled with an increase in technology and commercial costs offset by the impact of IFRS 16 adoption. In local currency terms, adjusted EBITDA decreased by 0.3% year-on-year and by 9.9% on a pre-IFRS 16 basis.

In 2019, our customer base in Algeria decreased by 8% year-on-year to 14.6 million, driven by a higher churn rate that also impacted our mobile data customer base, which declined in size by 5% year-on-year.

Mobile ARPU in Algeria decreased by 3% year-on-year to US\$4.2 mainly due to continued and intense price competition in both voice and data services and local currency devaluation. In local currency terms, our mobile ARPU decreased by 1% year-on-year.

## Bangladesh

Bangladesh is another market where we enjoy a strong market presence through our operating company, Banglalink. It is an early-stage market for digital services adoption but one where data demand is growing swiftly. At an industry level, this is currently being met largely through 3G networks, with 4G smartphone penetration still at comparatively low levels (around 10% at the end of 2019). This is a prime long-term opportunity for Banglalink, which already in the course of 2020 has seen the proportion of its data traffic carried on its 4G networks rise to almost 50%.

Bangladesh is an example of how 3G network expansion can provide abundant opportunities for growth in a nascent mobile services marketplace. Here, we have continued to optimise our 3G network footprint through continued investment, driving our population coverage to 72% by the end of 2019.

At the same time, the rapid expansion of our 4G capacity is providing us with opportunities to actively engage our customers with various bundled offers and digital products, including the video streaming platform Toffee and the recent launch of our new MyBanglalink self-care app. Taken together, these initiatives have enabled Banglalink to strengthen its market

relevance with a growing customer base and achieve an impressive rate of data customer acquisition.

## 2019 Performance

Total operating revenue increased by 3% year-on-year primarily due to an acceleration of service revenue growth following spectrum acquisition and enhanced network availability, along with the continued expansion of Banglalink's distribution footprint. In local currency terms, total operating revenue in Bangladesh increased by 4% year-on-year.

Adjusted EBITDA increased by 21% year-on-year due to increased revenue and the impact of IFRS 16 adoption. In local currency terms, adjusted EBITDA increased by

22% year-on-year and by 0.2% on a pre-IFRS 16 basis.

Total customers increased by 4% year-on-year to 33.6 million. The increase was mainly due to improved distribution and network quality. The number of mobile data customers increased by 10% year-on-year due to increased efforts to attract new customers, successful targeting of voice-only customers for data services and network expansion.

In 2019, our mobile ARPU in Bangladesh increased by 0.5% and remained broadly level year-on-year with 2018 at US\$1.3. In local currency terms, mobile ARPU in Bangladesh increased by 1% year-on-year to BDT 112.



### Key economic indicators<sup>1</sup>

**165m**

Population

**5.7%**

Inflation rate

**1.0%**

Population growth

**7.9%**

Real GDP growth

### Market characteristics

**97%**

Market penetration

**18%**

4G market share

**97%**

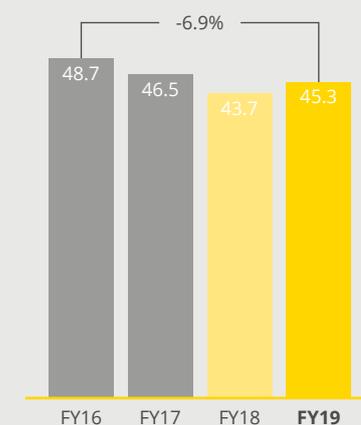
Prepaid share

**10%**

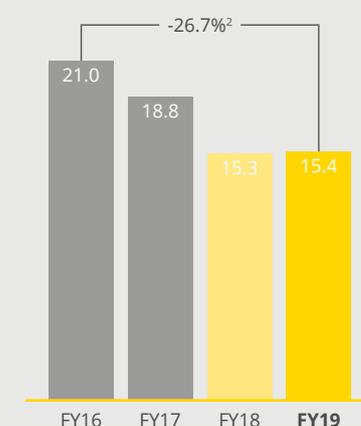
4G smartphone penetration

1. Key economic indicators sourced from IMF database

### Revenue (BDT billion)



### EBITDA Pre-IFRS 16 (BDT billion)



2. Growth excludes IFRS 16 impact in FY 2019