



# Annual Report 2018

| BAOBAB GROUP



**BAOBAB**

LOANS, SAVINGS & MORE







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# BAOBAB GROUP

*Leader in digital financial inclusion  
in Africa and China*

## OUR MISSION

Our mission is to unleash the potential of our customers by offering them simple and easy-to-use financial services.

We offer a wide range of digital and mobile solutions enabling our customers to manage their finances simply, quickly and securely.

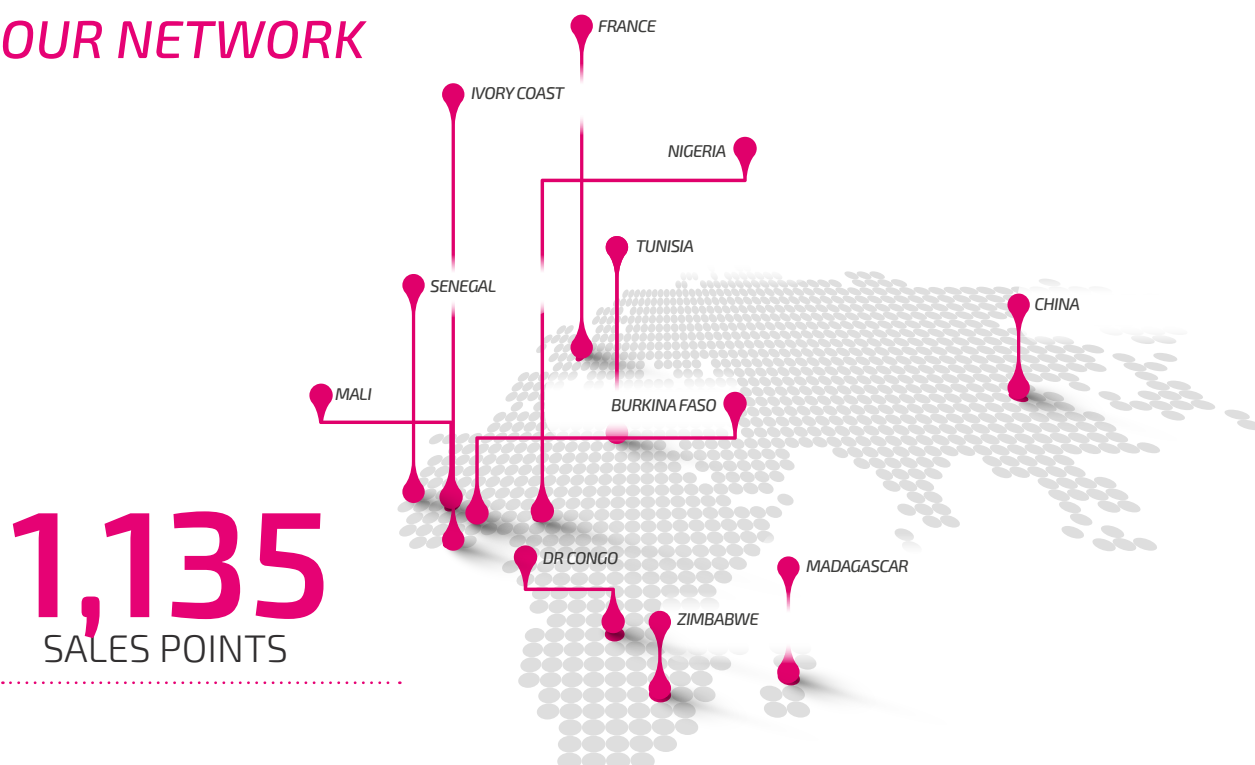


OUR CLIENTS  
**+880,000**

OUR EMPLOYEES  
**+4,000**

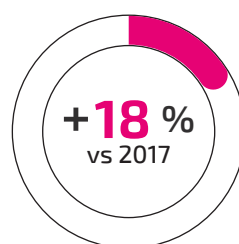
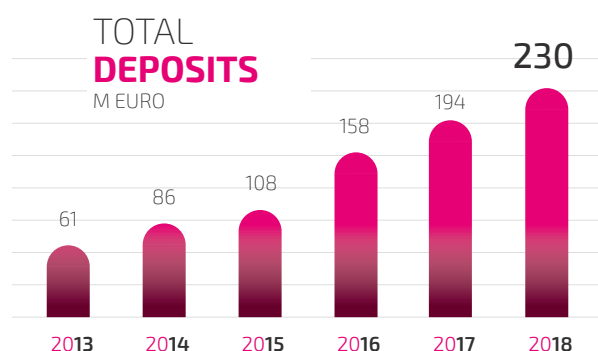
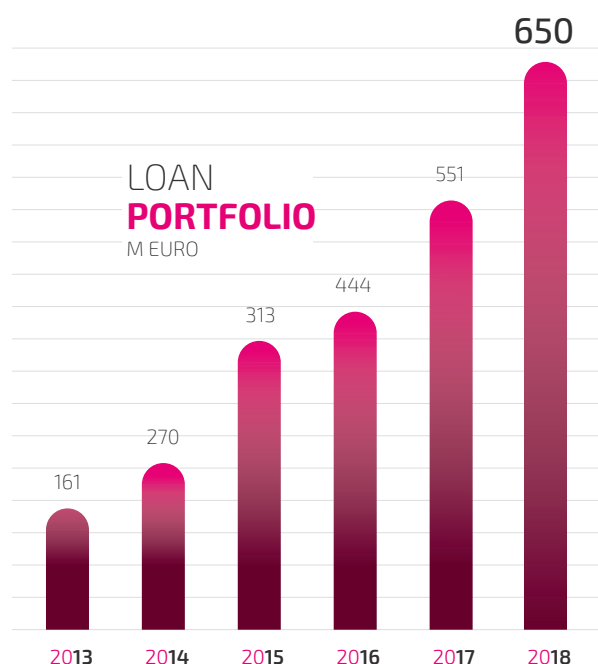
LOANS DISBURSED IN 2018  
**+400,000**

## OUR NETWORK

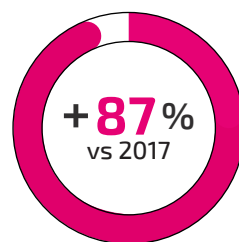




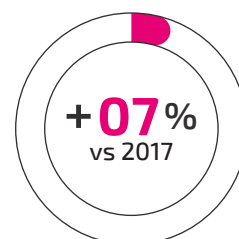
# OUR KEY FIGURES



TOTAL ASSETS  
**752**  
M EUR



NET RESULT  
**17,8**  
M EUR



TOTAL EQUITY  
**140**  
M EUR

**44 %** DIGITAL LOANS  
IN 2018

**50 %** CLIENTS UNDER  
35 YEARS OLD

**45 %** EMPLOYEES  
ARE WOMEN

# OUR SHAREHOLDERS



**MAJ  
INVEST**







A word from  
**ARNOLD  
EKPE**

CHAIRMAN OF THE SUPERVISORY  
BOARD'S STATEMENT

**“We will continue to work actively to position Baobab Group to take advantage of the emerging opportunities in our markets.”**

2018 was a good year in spite of looming economic and political uncertainty. Global economic outlook trended downwards in 2018 reflecting a combination of several factors including the escalating trade tensions between the two major global economies, macroeconomic and political tensions in many emerging markets and tightening financial conditions.

In Africa, and more specifically in Sub-Saharan Africa, growth has continued in many of the markets, albeit at a slower rate. The outlook is further clouded by the fact that several African countries have elections in 2019 which typically have a significant effect on economic activity.

In China, our main market outside Africa, economic activities have been adversely affected by the ongoing trade conflict with the USA. Unless this is resolved, we expect significant negative impact on the Chinese market which may affect our business in that market and potentially in other markets in Africa where we are present..

Despite these mixed developments, we see significant opportunities and expect continued growth within the Baobab Group. Providing innovative financial solutions to micro, small and medium enterprises and consumers to support real economic activity remains the key element of our activities in countries in which we operate.

In 2019, we will continue the process of transforming the Group. We will refresh our talent pool to better position the Group for the many changes and challenges in our target geography. We will energise our strategy and business model to take greater advantage of the impact of digital technology and artificial intelligence. We will review our portfolio to focus on high growth markets and to improve profitability and efficiency. In brief, we will continue to work actively to position Baobab Group to take advantage of the emerging opportunities in our markets.

In conclusion, on behalf of the Board and shareholders, I would like to extend our appreciation and gratitude to the management team, our employees and customers across the Group and other stakeholders for their commitment and dedication to the continued success of the Baobab Group.

We look forward to the future with confidence, guided by our commitment to improve the lives of the businesses and customers in the markets we serve. ■



A word from  
**ARNAUD  
VENTURA**

CEO'S  
STATEMENT



“

*In 2018, Baobab's financial performance ranks it among the leaders in microfinance in Africa and China. 2019 looks even more favorable in terms of its financial results.*

”

Financial inclusion and access to credit for micro-enterprises and SMEs is one of the key challenges for emerging countries and particularly for the African continent. Less than 35% of the population has access to an account and micro-enterprises and SMEs often do not have access to financing for their development. Today, the financing need is estimated at more than EUR 300 billion per year for African micro-enterprises and SMEs. It is in this context that Baobab Group has become the French financial inclusion leader in Africa and one of the forefront actors in the field in China.

Baobab ended 2018 serving more than 800,000 individuals, micro-enterprises and SMEs, disbursing to them a total of EUR 940 M, corresponding to more than 415,000 loans in Africa and China. With financing starting from a few Euros and reaching EUR 250,000, Baobab supports micro-enterprises to SMEs in their projects.

Our loan portfolio reached more than EUR 653 million and customer deposits reached EUR 236 million, representing a growth of 20% compared to 2017. The consolidated Net Income After Tax is the highest in the Group's history, reaching almost EUR 18 million for a return on equity of 13.5%, which makes Baobab one of the best performing microfinance companies (financing micro-enterprises & SMEs) in Africa and China.

Furthermore, through Baobab+, our clients have access to innovative non-financial products, such as solar kits and digital tablets. Thanks to Pay-As-You-Go (PAYG) technology, nearly 180,000 low-income rural households have been equipped with solar lamps and 25,000 with digital products across four countries (Ivory Coast, Madagascar, Mali and Senegal).

These past years, Baobab placed a greater emphasis on delivering digital solutions to provide seamless and secure financial transaction capabilities to our customers. In 2018, 44% of our financing was disbursed through mobile phones. Digital technology further enables Baobab to improve the customer experience and that is why it is at the core of our "Destination 2020" strategic transformation project. In this frame, 2018 was also the occasion to create digital partnerships with Orange, Jumia and HelloGold.

With more than 4,000 employees and a network of more than 1,135 points of service, Baobab is above all a Group of committed employees with a strong corporate culture. Many of our current leaders have built their careers within the Group and have been able to move towards management positions, thanks to training opportunities offered by the Group.

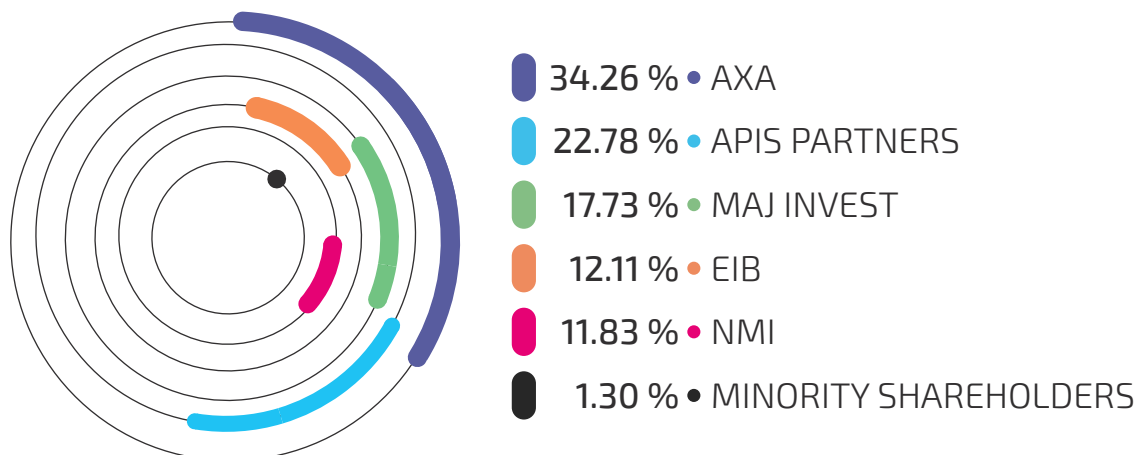
The year 2019 offers many opportunities for Baobab, its customers, shareholders and employees with new offers and products, including partnerships with HelloGold, Orange, Jumia, and others •



# | **GOVERNANCE**



# SHAREHOLDING STRUCTURE



# SUPERVISORY BOARD



Chairman  
▶ **Arnold EKPE**  
HONORARY PRESIDENT OF  
THE BUSINESS COUNCIL  
FOR AFRICA



Vice Chairman  
▶ **Jean-Michel PIVETEAU**  
INDEPENDENT  
CONSULTANT



▶ **Thierry PORTÉ**  
MANAGING DIRECTOR  
J.C. FLOWERS & CO.



▶ **Kasper SVARRER**  
PARTNER  
MAJ INVEST



▶ **Erick DECKER**  
CHIEF INVESTMENT OFFICER  
SOUTHERN EUROPE AND  
EMERGING MARKETS AXA



▶ **François ROBINET**  
PRESIDENT OF AXA STRATEGIC  
VENTURES – AXA



▶ **Garance WATTEZ RICHARD**  
HEAD OF AXA EMERGING  
CUSTOMERS – AXA



▶ **Alain NADEAU**  
HEAD OF REPRESENTATION  
CHINA AND MONGOLIA – EIB



▶ **Thomas KLUNGSOYR**  
INVESTMENT DIRECTOR  
NMI FRONTIER FUND



▶ **Asad NAQVI**  
PARTNER  
APIS PARTNERS



▶ **Nikhil TALWAR**  
VENTURE PARTNER  
APIS PARTNERS



# ADVISORY BOARD



► **Lionel ZINSOU**

FORMER CHAIRMAN OF PAI PARTNERS  
FORMER PRIME MINISTER OF BENIN



► **Kablan YAO-SAHI**

FORMER CEO OF BCEAO  
DIRECTOR OF BAOBAB IVORY COAST



► **Younoussi TOURE**

FORMER PRIME MINISTER OF MALI  
CHAIRMAN OF BAOBAB MALI



► **Marcel KODJO**

FORMER BCEAO GENERAL SECRETARY  
DIRECTOR OF BAOBAB IVORY COAST  
DIRECTOR OF BAOBAB MALI



► **Hassen ZARGOUNI**

CHAIRMAN OF  
BAOBAB TUNISIA



► **Bernardus ZWINCKELS**

CHAIRMAN OF AFRICINVEST  
CHAIRMAN OF BAOBAB NIGERIA



► **Xavier LEROY**

PARTNER AT EGON ZEHNDER AFRICA  
DIRECTOR OF BAOBAB ZIMBABWE



► **Greg RUNG**

PARTNER AT OLIVER WYMAN  
DIRECTOR OF BAOBAB+



► **Alain LEPATRE-LAMONTAGNE**

FORMER CEO OF BOA MADAGASCAR & BURKINA FASO  
CHAIRMAN OF BAOBAB BURKINA FASO



► **Amadou KANE**

PRESIDENT BAOBAB SENEGAL  
FORMER FINANCE MINISTER OF SENEGAL

# GROUP MANAGEMENT

**Arnaud VENTURA**  
CHIEF EXECUTIVE OFFICER

Arnaud founded Baobab in 2005 after having successfully co-founded and led PlaNet Finance (Positive PlaNet) an organization focusing on financial inclusion globally. Prior to this, Arnaud worked with BNP Paribas in France and Argentina.



**Ruben DIEUDONNÉ**  
CHIEF OPERATIONS OFFICER

Ruben has more than twenty years of experience in the financial inclusion sector, with eight years in management positions. He has held the position of Director of Operations of Haiti's largest MFIs for 2 years and was an independent consultant in financial inclusion before joining the Baobab Group. Ruben headed Baobab Senegal for more than seven years, now in second position among the country's microfinance institutions. He was appointed head of Baobab Côte d'Ivoire in December 2017, in order to sustain the subsidiary's growth while ensuring better control of the subsidiary's credit risk and operational risk. Recently, Ruben took over as Group Chief Operations Officer.



**Fanny MASSON**  
GROUP CHIEF MARKETING &  
PRODUCT OFFICER

Fanny is an HEC Grande Ecole and Sciences-Po Paris graduate in Corporate and Public Management. After graduating, she joined McKinsey & Company. There she worked in a wide variety of sectors (Banking, Telecom, Asset Management, Automotive, Public sector, etc.) and countries (France, Belgium, Australia, Togo, Morocco) on subjects related to strategy and performance. She then joined Baobab Group and worked on topics relating to performance, development of the digital offering and product portfolio management.



**Frédéric VINCENT**  
GROUP CHIEF FINANCIAL  
OFFICER

Frédéric joined Baobab in March 2018, after having held the position of Chief Financial Officer of the Pierre et Vacances Center Parcs Group and Executive Director in charge of the support functions of the Spir Communication Group. Frédéric graduated from the ESCM Business School in Tours and holds a Postgraduate Diploma in Finance and Accounting (DESCF).



**Guillaume LESAY**  
GROUP CHIEF RISK OFFICER

Guillaume is in charge of setting risk management policies and strategies to support the main operational and financial objectives of Baobab. He has accumulated significant experience through several global assignments (Indonesia, Brazil, USA, Singapore, Turkey) with Société Générale and GE Capital.



**Delphine MARTIN**  
GROUP CHIEF PEOPLE  
OFFICER

Delphine oversees Baobab Group's human resources in the 10 subsidiaries in Africa and China. She also supports employees in the company's digital transformation process. Delphine joined Baobab in 2018 after working as Human Resources Director for more than six years at F. Iniciativas. Previously, she held similar positions in international companies for more than 18 years.



**Hervé GUYON**  
GENERAL COUNSEL

Hervé has been Group General Secretary since 2012. He joined Baobab in 2006 as Chief Financial Officer of Baobab Banque Madagascar and held this position until 2009. He was then CFO of Baobab Senegal until 2012. Previously, Hervé was manager of the Legal & Tax Department of CM-CIC Group's market activities.





# *BUSINESS* ***INSIGHT***



# HIGHLIGHTS OF 2018

In 2018, Baobab continued its strong expansion strategy in all of its countries, with the opening of more than 50 new branches, reinforcing its proximity strategy.

The Group also opened more than a hundred Baobab points of service in Ivory Coast. This local network consists of merchants contracted by Baobab to provide customers with secure banking services using biometric fingerprinting.

These points of service enable customers to reduce their travel and save time and money by offering them real-time withdrawal, deposit and transfer services, thanks to an application developed in-house and made available to partners, on a tablet or computer.

In 2018, subsidiaries in Burkina Faso, Madagascar, Tunisia, Nigeria and DRC were officially authorized to change their names from Microcred to Baobab, following the Group's rebranding.

Following the successful launch of **TAKA nano-loans** in Senegal and Madagascar, the Group continued to digitalise, particularly in Burkina Faso, Ivory Coast and Mali, with the launch of TAKA nano-loans and a new digital service for automated credit renewal. The TAKA nano-loan was designed to enable customers to cover their urgent cash flow needs. The TAKA product is instantly accessible through the Baobab correspondent network for customers identified as eligible by a scoring algorithm. In 2018, Baobab disbursed 160,000 TAKA loans for a volume of EUR 21 million.

**The digital automated credit renewal service** allows customers to reduce administrative formalities in the case of a loan renewal. Eligible customers are identified by a scoring algorithm that analyzes their credit history and savings behaviour. These customers are informed by SMS that they can benefit from these offers.

In Madagascar, two strategic partnerships have been successfully developed: the first with Orange and the second with the United States Agency for International Development (USAID).

**The partnership with Orange Madagascar** started in 2013 to provide Bank to Wallet possibilities for Baobab clients. This means that Baobab clients can transfer money from their Orange money wallet to their Baobab account directly and vice versa. In 2018, the service was improved so that Baobab clients can view their account balance and obtain a mini statement through Orange Money on their mobile phone.

**Through the partnership with SHOPS Plus (USAID Project)**, Baobab Madagascar provides loans to businesses in the health and WASH (Water, Sanitation and Hygiene) sectors on a risk sharing basis with USAID. In addition USAID provides technical assistance to deliver financial education for these borrowers.

In Mali, Baobab has developed its call center, recruited many call center agents and thus improved its customer service. The call center collects suggestions, opinions and complaints from customers. It also provides information on the institution's products and services and enables satisfaction surveys to be conducted.

In Tunisia, Baobab successfully closed its first bond issue worth 15 million dinars (EUR 4,333,100), allowing Baobab Tunisia to diversify its financing sources. The transaction was managed by MAC SA, the main broker in Tunis. The success of this bond issue was ensured by the subscription of major local investors in the financial sector including insurance companies and banks, as well as some public financial institutions.



In China, a major capital increase in the Group's two operating subsidiaries was approved in September 2018.

Having reached their maximum debt quota from international donors, the Board of Directors of Microcred Nanchong and Microcred Sichuan respectively approved capital increases of EUR 4.1 million and EUR 4.4 million to enable them to pursue and finance their growth.

On June 20 and 21, 2018, the China Micro-credit Companies Association organized the visit of about 50 executives from 35 microfinance institutions in 16 different provinces to Microcred Nanchong's offices to follow a microfinance training course and discover the model implemented by Microcred. The same operation took place on the 5th of September 2018 under the direction of the FMO (Dutch Development Finance Corporation) of Sichuan Province, allowing 88 executives from 30 microfinance institutions to travel in the province to visit Microcred Nanchong.

Such activities allow the Microcred model to gain recognition and establish reciprocal business relationships across provinces. In addition, during the third quarter of 2018, the Asian Development Bank granted a loan of approximately USD 20 million to the Group's Chinese subsidiaries for the first time. This operation is considered a success and an official recognition of the Microcredit model in China, which supports entrepreneurs and SMEs in the western region of the People's Republic of China.

Finally, the end of 2018 saw Zimbabwe's economy hit by high inflationary pressures as a result of the country's liquidity crisis, which is expected to intensify in 2019. In response to this situation, Microcred Zimbabwe began a major reorganization process and directed its fundraising towards local financial institutions, which enabled it to obtain the necessary financing for its activity. In addition, several internal projects have been launched, such as salary loans, or the digitisation and automation of loan disbursements in order to increase the company's operational efficiency.

## OUR CLIENTS

As of December 31st 2018, Baobab Group served 880,000 customers, mainly micro-entrepreneurs and small and medium-sized enterprises.

The gross loan portfolio outstanding reached more than EUR 650 million for 236,000 active loans. The average amount of loans disbursed is EUR 13,000 (approximately EUR 2,500 for micro-entrepreneurs loans and EUR 40,000 for small and medium-sized enterprises loans) for an average term of 13 months.

The total amount of savings collected exceeded 230 million euros in 2018, an increase of 23% compared to 2017.

Most of the portfolio is used to finance working capital. Baobab mainly finances the trade sector, the service sector and production activities.

In 2018, 45% of our customers were women and 50% of our customers were under 35 years old.

# PRODUCTS AND SERVICES



## LOANS

The core loan product is intended to finance the working capital and/or investment needs of micro entrepreneurs and SMEs.

Clients range from micro enterprises looking for very small loan amounts (typically one or two thousand euros) with short maturities (less than 12 months) to SMEs needing higher loan amounts (up to EUR 300,000) and longer maturities (up to 60 months), to support substantial investments.

The main product is a loan with fixed monthly payments and decreasing interest amounts. To support the needs of customers involved in seasonal activities, other repayment options exist that include bullet loans, quarterly repayments and flexible repayment schedules, adapted to the seasonal cycles of our agricultural customers.

In 2018, Baobab extended a new service that allows the best customers to renew their loans immediately, thanks to a credit scoring analysis based on credit history and a simplified customer journey. The project was a success with EUR 58 million lent to more than 20,000 customers and a controlled level of risk. The administrative workload of the operational teams has been significantly reduced.

Baobab also continued to distribute its digital nano-loan product, TAKA, designed to respond to an unexpected event or to seize a business opportunity. The TAKA product is instantly accessible through the Baobab correspondent network for customers identified as eligible by a scoring algorithm. In 2018, Baobab disbursed 160,000 TAKA loans for a volume of EUR 21 million. The TAKA loan represents 43% of the Group's total disbursements.

Finally, Baobab also offers overdraft facilities to entrepreneurs with frequent short-term liquidity needs •



## SAVINGS

Baobab offers instant access savings accounts, a variety of savings plans and a range of term deposits offering attractive returns.

In addition, Baobab is developing a number of new savings products and features that include standard bank accounts and new types of savings plans •



## INSURANCE

The main insurance product offered by Baobab protects borrowers, fully repaying their loan in the event of death •





## PAYMENTS AND TRANSFERS

In addition to the cash transactions that can be carried out within its branches, the Baobab Group has developed partnerships to offer payment options in each of its markets, such as electronic and interbank transfers, payment cards, cheques, payment vouchers and electronic bill payment.

The Baobab Group now uses agent networks in three markets (Ivory Coast, Madagascar and Senegal) with more than 1,135 points of service complementing the physical branch networks in these countries •

# HUMAN RESOURCES

As of December 31, 2018, Baobab employed more than 4,000 people, including 775 people who joined the Group during the year. 45% of the Group's employees are women.

Baobab operates in the financial inclusion market and therefore has many clients in the informal economy. The Group's objective is to create trust and proximity with its customers in order to meet their expectations in the long term and to control the risks associated with its products. This is achieved by developing the capacity of Baobab's commercial agents and portfolio managers (currently 63% of the workforce), strong interpersonal skills and a large range of services. In addition, profitability objectives and dynamic competition in the sector require a constant improvement in efficiency and innovation. In this respect, the quality of management is crucial.

The Group's Human Resources (HR) policy aims to meet these operational challenges and to support Baobab's ambitious transformation program.

It focuses on:

- A standardised internal training offer on the fundamentals of the financial inclusion business and management
- The attraction of local talent with rare skills (IT)
- Identification and coaching of young leaders, able to occupy key positions in the Group in the short and medium terms
- Standardization and digitization of HR processes and tools for all Group entities.

In 2018, the Human Resources team finalized the creation of a corporate university, the Baobab Academy, which offers training for its sales force and managers. In 2018, more than EUR 320,000 were invested in staff training to provide 13,000 days of training to nearly 60% of employees.

The main HR processes continued to be digitalised: annual evaluations of 3,750 employees, sourcing and recruitment via social networks and job boards, dissemination and monitoring of some 20 online training programs and internal communication via our internal social network •

OUR EMPLOYEES  
**+4,000**

## OUR COMMITMENT TO INTERNAL PROMOTION ILLUSTRATED

### Joëline Fanjanirina **RANDRIAMASINORO** GROUP INTERNAL AUDIT DIRECTOR

Newly appointed to the Group's Internal Audit Department, Joëline is an example of successful internal promotion at Baobab. Graduated from the CNFPB Institute with a master's degree in economics and ITB in banking and business management, she joined the team in Madagascar in 2010 after a first experience in various microfinance institutions. In just a few months, she moved from the sales function to internal control.

In 2012, she took on managerial responsibilities within the internal audit department, with extended responsibilities in 2016 with the Maghreb and East Africa zone



(four Group subsidiaries). Today, as head of the Group's internal audit, Joëline is a key person in ensuring the quality of financial services and the confidence of clients and shareholders.

### Mor Talla Diop **TINE** DEPUTY CEO OF BAOBAB BANK MADAGASCAR

At 35 years old, Mor Talla can also be proud of his career at Baobab. As soon as he obtained his master's degree in economics, he joined Microcred Senegal in 2009 as portfolio manager. He worked successively in several branches.

His excellent commercial performance and exemplary commitment boosted his career in 2011: in just 2 years, he took over the management of the Touba branch and its associated service points. In 2015, he was at the head of 4 branches, then barely a year later, he extended his management scope to the entire northern part of the country.

2017 opened up international opportunities for Mor Talla. Following the takeover of Oxus DRC by the Baobab Group, he carried out a mission to ensure the transition of all customer



management teams. A few months later, Mor Talla was promoted to head the operations of our subsidiary in Ivory Coast, one of the most promising subsidiaries.

Now he is currently working in Madagascar on the establishment and execution of the subsidiary's commercial strategy and on the quality of relations with its shareholders and partners in the country.



# FINANCIAL OVERVIEW

In 2018, Baobab SAS increased its shareholding in several subsidiaries and now owns 88% of Baobab Madagascar, 54% of Baobab Senegal, 70% of Baobab Ivory Coast and 100% of Baobab Zimbabwe.

As of December 31, 2018, the Baobab Group had 25 entities with 227 branches and service points and 1,135 correspondents. Net operating income reached EUR 118.8 million at the end of the financial year, compared to EUR 105.4 million in the previous financial year. The credit portfolio increased by +17%, while the level of provisions increased by only 7%.

The Group's shareholders' equity reached EUR 140.1 million for the 2018 financial year (+7% vs. 2017). The balance sheet total reached EUR 751.6 million in 2018, compared to EUR 634.9 million for the previous financial year.

As of December 31st 2018, the Group had 4,300 employees compared to 4,120 in the previous year. Personnel expenses thus amounted to EUR 47.23 million, up on the previous year's figure of EUR 42.59 million.

The Group's net income amounted to EUR 17.8 million, up +87% compared to the EUR 9.5 million recorded at the end of the previous financial year, with almost all of the subsidiaries contributing to this increase.

The activities in China contributed 38% of this consolidated result. Baobab Senegal contributes 25% to this result, Baobab Madagascar 23% and Baobab Ivory Coast 17%.

Earnings per share amounted to EUR 1.16 compared to EUR 0.55 at 31 December 2017.

In September 2018, the Baobab Group created Baobab+ in France to house all the commercial activity related to the sale of products for access to water, energy and education. Baobab+ is now constituted of a holding company based in Paris that owns 100% of the subsidiaries in Mali, Senegal, Ivory Coast and Madagascar. The first closing of the company will take place in December 2019. ●



# PERSPECTIVES 2019

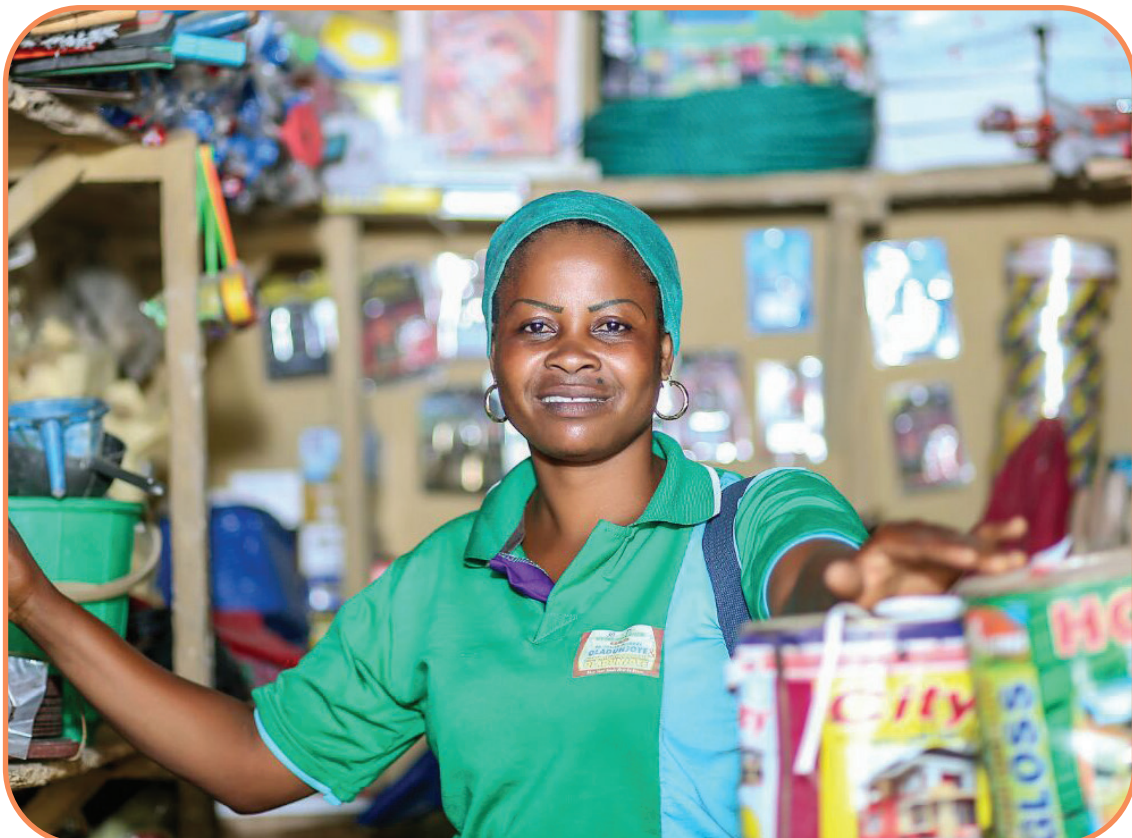
Over the next years the Baobab Group intends to accelerate and develop its mobile offerings, in particular through the establishment of strategic partnerships with mobile operators and e-commerce leaders in Africa. These partners will make their infrastructure available to Baobab, which will provide them with its knowledge of the customer and the credit process.

In 2019, Baobab intends to focus particularly on the financing needs of young people under 35 and women entrepreneurs, who already account for more than half of its customers.

In order to extend its impact in local communities, the Group has been committed since 2016, through its subsidiary Baobab+, to offering innovative non-financial products such as solar kits, mobile phones and digital tablets.

Baobab intends to support the very promising development of Baobab+, which has already equipped more than 150,000 homes with solar products and 25,000 homes with digital products, in 4 of the Group's countries of operation (Senegal, Madagascar, Mali and Côte d'Ivoire).

Globally, the Group will continue to develop its existing subsidiaries and will continue to focus on investment opportunities in various countries on the African continent •





# SOCIAL PERFORMANCE : BAOBAB+

At the end of 2015, Baobab Group launched its subsidiary Baobab+, with the mission of improving the daily lives of local populations thanks to innovative products, including solar kits, digital tablets and water filters. In order to facilitate the acquisition of these products, Baobab also offers financing solutions such as top-up credit: the client can choose to add to their existing loan to pay for the product.

Three years after its launch, Baobab+ is present in Senegal, Madagascar, Mali and Ivory Coast. Baobab+ receives financial support from several partners, such as the European Union, USAID and the Mastercard Foundation Fund for Rural Prosperity. The American Power Africa initiative advises Baobab+ in its activities and development. Launched by former President of the United States Barack Obama during his tour of Africa in July 2013, this initiative supports projects that facilitate access to reliable, affordable and sustainable energy on the African continent. In 2018, a pilot to enable financial inclusion for PAYG (Pay-As-You-

Go) customers (who have completed repaying their solar kits) was launched with 100 households in Senegal, with financial support from CGAP.

## ACCESS TO ENERGY

In Africa, two thirds of the population has no access to electricity. Access to electricity is one of the key pillars in the fight against poverty and for the promotion of access to health, education and work. Aware of this problem, Baobab+ sells lamps and solar kits to light up homes and charge mobile phones, and makes them accessible to everyone. Since its creation, the solar kits distributed by Baobab+ have illuminated more than 150,000 customers and 70% of them are used in rural areas.

People who wish to acquire these solar kits without first being Baobab customers can benefit from Baobab+ Izili, an innovative financing solution based on PAYG technology. These people have the possibility to repay their purchase by paying



small daily or weekly amounts, spread over several months. PAYG technology allows clients to deactivate a solar lamp if payments are not possible at this moment. Today, more than 25,000 customers in Senegal, Madagascar, Ivory Coast and Mali benefit from the PAYG financing solution.

Lanterns and solar kits have been available in branches since the end of 2015 in Senegal, 2016 in Madagascar and 2017 in Mali and Ivory Coast.

In 2018, a pilot project, supported financially by CGAP, was set up in Casamance, Senegal, to provide access to financial inclusion for PAYG customers who have finished reimbursing their solar kit. The objective is to offer eligible Baobab+ customers a digital nano credit (TAKA credit) instantly accessible through Baobab points of service. The credit decision is made by a scoring algorithm that analyzes the payment data of the solar kits. The principle is simple: the faster the customer reimburses his loan, the higher the amount of the next loan will be. At this stage, the first results seem promising and have a real impact on the lives of our clients.

Firstly developed and tested in Senegal, this offer will be available in Madagascar, Ivory Coast and Mali by the end of 2019.

Baobab+ aims to financially include 300,000 households in 3 years, including people living in rural areas.

### ACCESS TO WATER

One third of the world's population has no access to safe drinking water and 70% of child mortality is related to contaminated water. Since 2016, Baobab+ has been the exclusive distributor of the LifeStraw® water filter brand in Senegal and since 2017 in Ivory Coast. LifeStraw® filters convert contaminated water into drinking water by removing more than 99.9% of bacteria and protozoa. Easy to use, these filters are an immediate and reliable solution to fight against diarrhoeal diseases, which kill more than 1.5 million people each year, especially children. This filter, certified by the WHO, purifies up to 30,000 litres of water, enough to cover the drinking water needs of a

family of 5 people for 3 years.

### ACCESS TO DIGITAL TECHNOLOGY

In order to make technological innovation accessible to all, Baobab+ proposes digital tablets, with a selection of pre-installed applications for different audiences.

Baobab+ offers the FAMILY tablet designed to be used by all members of the same family. It contains about 50 applications, such as educational applications, social networks, information access applications, games, etc. Baobab+ also offers the EDUCA educational tablet, in partnership with the Breteau Foundation. It is equipped with pedagogical applications that promote children's development and academic learning. Since 2017 Baobab+ has been offering a BUSINESS tablet for entrepreneurs. It has a sleek design and simplified digital cash register solution, allowing sales to be recorded, stock to be managed and margins to be monitored, in order to optimise the business performance. The Baobab branches, where Baobab+ sells the tablets, have a «digital bar». This is a dedicated space where new users of these tablets are trained.

After a launch in spring 2017 in Ivory Coast, this offer was launched in Senegal, Mali and Madagascar in 2018. In 2018, smartphones were added to the range. Baobab+ has equipped more than 25,000 households with digital products.

At the beginning of 2019, a pilot allowing access to digital products in «Pay-As-You-Go» will be launched.

### BAOBAB+ SOLIDARITY

Baobab+ provides rural schools with solar lamps to enable children to continue studying at home in the evening. Since 2016, some 20 schools have been equipped through crowdfunding campaigns •



# FINANCIAL **STATEMENTS**



# STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Baobab SAS ("the Group") for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 and of the results of its operations for the year then ended in accordance with IFRS accounting principles as adopted by European Union.

### BASIS FOR OPINION

#### Audit Framework

We conducted our audit in accordance with

professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (code de déontologie) for statutory auditors.

### EMPHASIS OF MATTER

We draw attention to the following matter described in the consolidated financial statements relating to:

- The change in accounting policy concerning:
  - The application as from 1 January 2018 of the new IFRS 9 «Financial Instruments» standard disclosed in Note 2.2 «First application of IFRS 9 "Financial Instruments"» and Note 2.13 «Impairment of financial assets at amortised cost» as well as in the other notes to the consolidated financial statements presenting figures relating to the impact of this change.
  - The accounting for swaps option



disclosed in Note 2.24 «Minority interest buy-out obligations».

- Note 26 «Significant post-closing events» which presents the sensitivity to the exchange rate used for the contribution of the Microcred Zimbabwe entity as at 31 December 2018. Our opinion is not modified in respect of this matter.

## JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial code (code de commerce) relating to the justification of our assessments, we inform you that the most significant assessments we made, in our professional judgement, relate to the appropriateness of the accounting principles followed, to the reasonableness of significant estimates adopted as well as to the presentation of the financial statements, taken as a whole.

These assessments were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

## SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the President. We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**  
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial

Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the President.

## Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.



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## CONSOLIDATED BALANCE SHEET

(K EUR)

ASSETS	2018	2017	Var
<b>Non current assets</b>	<b>29 693</b>	<b>28 665</b>	<b>1 028</b>
Goodwill	612	693	-82
Intangible assets	2 626	2 425	201
Tangible assets	12 154	12 641	-487
Financial assets	1 941	842	1 098
Deferred tax assets	12 361	12 063	298
<b>Current assets</b>	<b>721 861</b>	<b>606 227</b>	<b>115 634</b>
<b>Inventory</b>	<b>1 127</b>		
Loan Portfolio (gross value)		600 038	-600 038
Loan provisions		-49 054	49 054
Loan Portfolio (net value)	643 772	550 983	92 788
<b>Other receivables</b>	<b>17 106</b>	<b>13 418</b>	<b>3 688</b>
<b>Cash and cash equivalents</b>	<b>59 857</b>	<b>41 825</b>	<b>18 031</b>
<b>TOTAL ASSETS</b>	<b>751 554</b>	<b>634 892</b>	<b>116 662</b>

LIABILITIES	2018	2017	Var
<b>Shareholders'equity</b>	<b>140 056</b>	<b>130 476</b>	<b>9 581</b>
Paid-in capital / Share premium	101 735	101 735	0
Reserves	-2 641	-4 742	2 100
Current translation adjustment	-4 903	-4 926	23
Net result of the period (Group share)	10 592	5 003	5 589
<b>Total consolidated equity (Group share)</b>	<b>104 783</b>	<b>97 070</b>	<b>7 712</b>
<b>Minority interests</b>	<b>35 274</b>	<b>33 405</b>	<b>1 868</b>
<b>Non current liabilities</b>	<b>224 901</b>	<b>193 699</b>	<b>31 202</b>
Provisions	1 775	1 775	
Goodwill			
Long term borrowings	223 125	191 923	31 202
Subsidies			
<b>Current liabilities</b>	<b>386 597</b>	<b>310 717</b>	<b>75 880</b>
Trade payables	3 494	3 071	422
Other creditors	22 858	29 034	-6 175
Short term borrowings	124 105	86 104	38 001
Customer deposits	236 141	192 509	43 632
<b>TOTAL LIABILITIES</b>	<b>751 554</b>	<b>634 892</b>	<b>116 662</b>

## CONSOLIDATED STATEMENT OF INCOME

(K EUR)

	2018	2017
Interests on loan portfolio	122 513	102 535
Loan commissions	16 202	12 368
Fees, penalties and other loan commissions	9 084	6 930
Interests paid and other similar expenses	-33 799	-26 131
<b>Net loan revenues</b>	<b>114 000</b>	<b>95 702</b>
Provisions for client loans and write-offs	-23 391	-10 899
<b>Net income after provisions and write-offs</b>	<b>90 608</b>	<b>84 804</b>
Operational subsidies	2 669	4 479
Other income	25 525	16 088
<b>Revenues from other activities</b>	<b>28 194</b>	<b>20 567</b>
<b>Operating expenses</b>	<b>-93 038</b>	<b>-89 943</b>
External charges	-37 006	-34 501
Payroll costs	-47 230	-42 586
Taxes, duties and similar payments	-4 121	-4 486
Operational provisions/depreciations	-4 680	-8 370
<b>Operating result</b>	<b>25 764</b>	<b>15 428</b>
<b>Financial result</b>	<b>-1 695</b>	<b>-1 074</b>
<b>Profit before tax</b>	<b>24 069</b>	<b>14 354</b>
Tax expenses	-6 256	-4 811
Current tax	-7 056	-6 312
Deferred tax	800	1 502
<b>Total net consolidated result</b>	<b>17 814</b>	<b>9 543</b>
Minority interests	7 222	4 539
<b>Net result (Group share)</b>	<b>10 592</b>	<b>5 003</b>

## OTHER COMPREHENSIVE INCOME

	2018	2017
<b>Consolidated net result</b>	<b>17 814</b>	<b>9 543</b>
<i>Other items</i>		
Total income and expenses recognized under other items of the profit and loss account		
Total currency translation gains and losses	28	(9 191)
<b>Total consolidated net results</b>	<b>17 842</b>	<b>351</b>
Including Group share	10 624	(1 020)
Including minority interest	7 218	1 371



## CASH FLOW STATEMENT

PRODUITS	2018	2017
Consolidated net result	17 814	9 543
Net depreciation	4 156	4 357
Net provision expenses	22 628	16 509
Changes in deferred tax	-800	-1 469
Other unpaid income and expenses	1 399	1 337
<b>Operating cash flow</b>	<b>45 197</b>	<b>30 277</b>
Net disbursements on loan portfolio	-126 583	-128 688
Loans disbursed	-935 109	-935 933
Loans paid back	808 526	807 245
<b>Changes in working capital requirements</b>	<b>17 772</b>	<b>16 324</b>
Changes in customer deposits	27 810	32 008
<b>Working capital requirements</b>	<b>-81 001</b>	<b>-80 356</b>
<b>A - Net Operating cash flows</b>	<b>-35 804</b>	<b>-50 079</b>
Acquisition of intangible assets	-1 271	-995
Acquisition of tangible assets	-2 818	-4 948
Acquisition of financial assets	-9 949	-144
Assets entry in scope	-4	358
<b>B - Net cash flows provided by/used in investing activities</b>	<b>-14 041</b>	<b>-5 730</b>
Capital increase	4	-6
Increase borrowings (Long and short term)	70 792	63 625
<b>C - Net cash flows provided by/used in financing activities</b>	<b>68 710</b>	<b>63 619</b>
Effects of the foreign exchange gains/losses	503	-1 656
<b>Variation de trésorerie</b>	<b>19 368</b>	<b>6 154</b>
Cash and cash equivalent at opening	33 861	27 707
Cash and cash equivalent at closing	53 238	33 861

**\*THE COMPLETE CONSOLIDATED FINANCIAL STATEMENTS ARE AVAILABLE ON REQUEST**

# Notes

[illegible]

### *Conception & Design*



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