MTN Group Limited

Integrated Report for the year ended 31 December 2017

About this report

This integrated report is MTN Group Limited's primary communication to all stakeholders and aims to enable them to make an informed assessment of our performance and prospects.

It endeavours to provide a balanced review of the material matters we face; our use of the capitals as defined by the International Integrated Reporting Council's (IIRC) <IR> Framework; our key operational, financial, economic, social and environmental performance; how we are governed; our engagement with stakeholders; as well as our risks and opportunities. In short, it is our value creation story.

Navigation

Links to the six pillars of our new BRIGHT strategy are shown using the following icons:

- Best customer experience
- Returns and efficiency focus
- Ignite commercial performance
- Growth through data and digital
- Hearts and minds
- Technology excellence

Online reports

- GR Governance report
- SR Sustainability, including UN and CDP reports
- AFS Annual financial statements
- TAX Tax report
- SE Social and ethics report
- KIV King IV application

We welcome feedback on this report at: investor_relations@mtn.co.za.

Other icons

www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx

LA Limited assurance obtained

Scope and boundary

Our material matters, as well as our strategy, form the anchor of the report and determine its content. It covers the period 1 January to 31 December 2017, and gives commentary, performance measures and prospects for the group's three regions and seven most important operations. Details of our material matters start on page 16. The structure and layout of this report draws on the IIRC guidance. We provide supplementary information in associated reports, including that on sustainability and the full set of annual financial statements (AFS), on MTN's website.

The regions in which we operate

SEAGHA: Southern and East Africa and Ghana
WECA: West and Central Africa
MENA: Middle East and North Africa

Enhancements in the year

The launch of our new BRIGHT strategy in June 2017 meant a change in the way we report internally, linking performance with the key metrics we use to measure our delivery of strategy. This is reflected in changes to the structure of our integrated report.

Financial information

We apply International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and Interpretations as issued by the IFRS Interpretations Committee. We comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. We also comply with the JSE Listings Requirements and the requirements of the South African Companies Act of 2008. In parts of this report, we include data on MTN Irancell as it is a large and important operation. However, under IFRS, this business is equity accounted for.

Non-financial information

We use local and global standards and guidelines to compile non-financial information. These include the JSE Listings Requirements, the Companies Act of 2008, the King Report on Corporate Governance for South Africa 2016 (King IV), the IIRC's guidelines, the FTSE/JSE Responsible Investment Index, the United Nations Global Reporting Initiative G4 Sustainability Reporting Guidelines, the telecommunications sector supplement and the CDP standard. Non-financial information on certain aspects of the business has been externally assured and is identified by LA. The assurance statement is available online.

Approval by the board

The report was prepared under the supervision of group CFO Ralph Mupita. The audit committee ensures the integrity of the report and has applied its collective mind to its preparation and presentation. The directors are responsible for the integrated report as a whole, which they approved in March 2018.

Ralph Mupita
Group chief financial officer

* *Constant currency and after taking into account pro forma adjustments.*
** *Reported – as reflected in the MTN Group Limited financial results for the year ended 31 December 2017.*

For a detailed explanation of these definitions, see page 39.

The forward looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.

Contents

Who we are

How we create value

Strategic and financial review

BRIGHT performance and plans

Governance, people and remuneration

Shareholder information

Who we are

MTN is a pure-play emerging markets mobile telco operator at the forefront of technological and digital changes. From our headquarters in Johannesburg and guided by our values, we are delivering a bold, new digital world to our 217 million customers across Africa and the Middle East – one of the world's fastest growing regions for mobile telecommunications.

Established in South Africa at the dawn of democracy as a leader in transformation, we have grown rapidly by investing in advanced communication infrastructure and by harnessing the talent of our people. We now offer voice, data and digital services to retail customers in the 22 countries in which our operations have telecoms licences. We also offer enterprise solutions to corporate and public sector customers in a total of 24 countries. Our brand is among the most admired brands in Africa as well as among the most valuable African brands.

With a market capitalisation of R257 billion at the end of 2017 we were the ninth largest company listed on the Johannesburg Stock Exchange.

Our belief

Everyone deserves the benefits of a modern connected life.

Our vision

To lead the delivery of a bold, new digital world to our customers.

Our purpose

To make our customers' lives a whole lot brighter.

Values that drive us

- Leadership
- Innovation
- Relationships
- Integrity
- Can do

Vital behaviours that shape our culture

- Complete accountability
- Get it done
- Active collaboration
- Complete candour

What we offer

Our market segments

We provide a wide range of communication services to customers across our footprint, and manage the business by market segment: consumer, enterprise and wholesale.

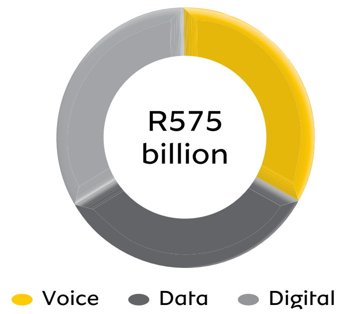
The opportunities ahead

Consumer will remain the biggest segment of the market, accounting for around 70% of the predicted revenue pool in 2020. It will be followed by enterprise, generating about 26% of the market revenue pool, and wholesale, with about 4%.

Consumer

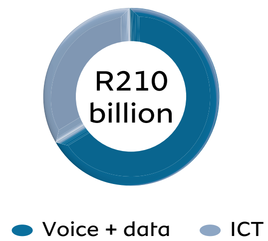
We connect people and communities through voice, messaging and data-access services; we enable people to make financial transactions using their mobiles and bring them entertainment and online platforms, apps and online ventures through lifestyle, mobile financial services and e-commerce offerings.

Forecast revenue pools in 2020



Enterprise

As a committed partner to small, medium and large private enterprises and the public sector, we drive agility and growth through connectivity, communication and collaboration solutions over world-class infrastructure. This includes unified communication (voice, messaging and video), cloud and hosting services, connectivity, managed mobility (the Internet of Things) and security.



Wholesale

MTNGlobalConnect offers wholesale international voice, interconnect and roaming services to group operations and other telcos, leveraging our extensive international and domestic fixed infrastructure across Africa and the Middle East.

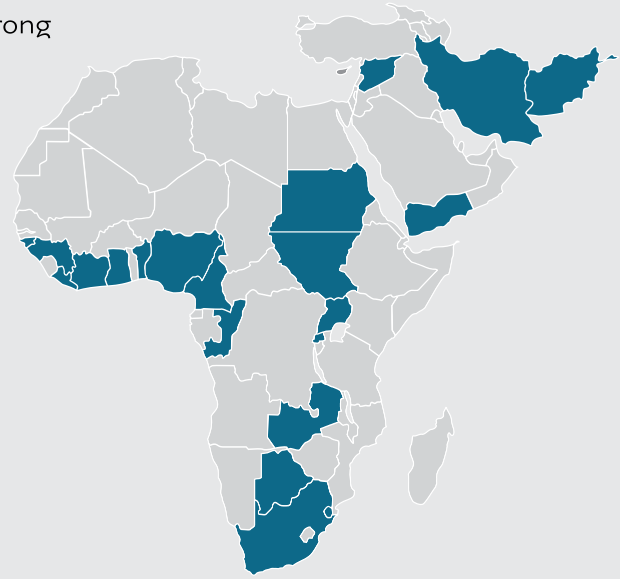
Markets included for consumer – 22 opco markets.
Markets included for enterprise – SA, Nigeria, Iran, Ghana, Uganda, Ivory Coast and Kenya.
Markets included for wholesale – 24 countries with MTN footprint in Middle East and Africa (including South Africa, Nigeria and Iran).
Source: Analysys Mason; Ovum, Telegeography and Delta Partners analysis.

Our market context

The environment in which we operate has direct implications for our ability to create value, informing our BRIGHT strategy and our investment case. By considering our market context, we are better able to determine our material matters and how best to respond to them.

Political and economic environment

- Prolonged war and conflicts impact **Syria, Yemen, Afghanistan and South Sudan.**
- Elections planned for 2019 in **South Africa and Nigeria.**
- **Iran** remains in focus because of the threat of sanctions from the new US Administration.
- **Across our footprint,** government interventions are increasing and the regulatory environment is complex but governments are focused on increasing connectivity and digitising societies.
- **Global economic growth** picking up, but with strong divergence between countries.
- **Africa** forecast to be world's **second fastest growth region to 2020.**
- **Currency volatility** across our main markets.
- **Inflationary pressure** in Nigeria, Ghana and Iran.
- **Growing income** and **purchasing power** in our markets.
- **Economies** becoming increasingly formalised, **improving ease of operation.**



Social context

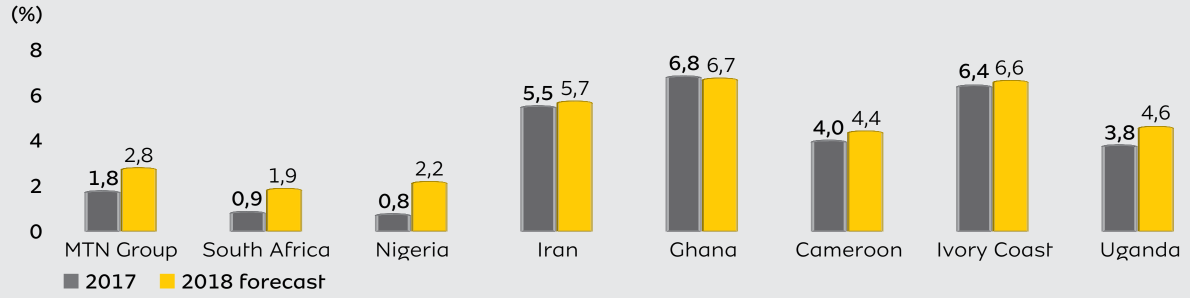
- **Young and growing population** across our markets.
- **Africa urbanising faster** than any other region.
- **Unemployment remains high.**
- **Financial inclusion** will be key to unlocking consumption.

Technology environment

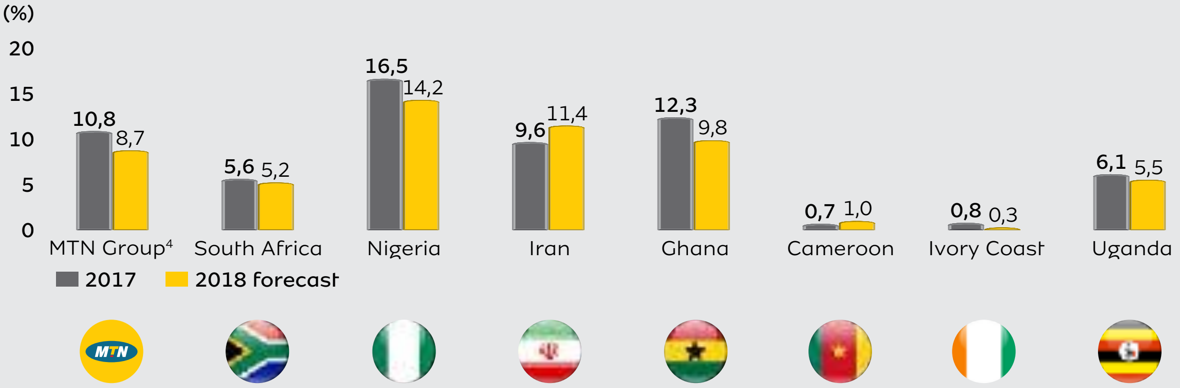
- **Low internet adoption.**
- **Digital connectivity to increase fourfold,** with broadband penetration growing from 21% in 2015 to 80% in 2020.
- **Exponential data traffic growth.**
- **MTN Mobile Money ecosystems established** in 14 markets.
- **3G and 4G network expansion** across all markets.

[1] *Population across MTN markets.*
[2] *Private consumption per capita is real private consumption at purchasing power parity rates with 2005 base year divided by population for all of MTN's markets except South Sudan (no data available).*
[3] *MTN market size estimates. Source: IHS World Market Monitor; EIU; WCIS; OVUM; Delta Partners analysis; Kable analysis; MTN analysis.*
[4] *Weighted average of inflation across MTN Group markets using markets' GDP contribution as base.*

GDP growth



Inflation



Forecast population growth[1] to 2020

+ 45 million to

700 million

Forecast growth in consumption per capita[2] to 2020

+ US$40

to **US$1 243**

Forecast data subscriber growth[3] to 2020

+ 200 million

to **500 million**

Forecast digital subscriber growth[3] to 2020

+ 150 million

to **250 million**

Our BRIGHT strategy

Our BRIGHT operational strategy is the compass for all MTNers: it clearly defines the six areas on which we need to focus to build our business sustainably.
To ensure delivery of the strategy to the benefit of all our stakeholders, we have

	B – **Best** customer experience	**R** – **Returns** and efficiency focus	**I** – **Ignite** commercial performance
Our 2022 aspirations	• Lead market in NPS. • Reduce monthly churn. • Achieve best brand in markets.	• Improve ROIC. • Report top-quartile TSR. • Increase AFCF yield. • Improve EBITDA margin.	• Grow subscribers to 300 million. • Grow market share. • Ensure stable voice revenue. • Grow enterprise and wholesale revenue.
How we will achieve these	• Revamp the customer experience. • Refresh the brand. • Be on the customers' side.	• Save to invest. • Leverage our scale. • Ensure return-based capital allocation. • Focus on cash flows.	• Implement segmented propositions and go-to-market plans. • Enhance customer value management. • Grow enterprise products and channel. • Launch wholesale business unit.
Primary executive responsibility	• Jens Schulte-Bockum △	• Ralph Mupita △	• Jens Schulte-Bockum △

△ Here we show the executives with the primary responsibility for delivering on each of the six elements of BRIGHT. The operational execution is driven by the three regional vice-presidents and the CEOs of our operations in South Africa and Nigeria.

established clearly defined initiatives and KPIs for each of the six areas of 'BRIGHT'. We expect these initiatives, which are effective 2018, to support improved top-line growth, EBITDA margins and cash flow over the medium term.

G **Growth** through data and digital	H **Hearts** and minds	T **Technology** excellence
• Achieve 200 million data subscribers. • Achieve 100 million digital subscriptions, including 60 million for MTN Mobile Money.	• Lead market in employee NPS. • Improve employee engagement. • Enhance reputation. • Ensure effective risk and compliance practices.	• Lead market in network NPS. • Increase efficiency of customer-facing systems. • Increase population coverage. • Improve network quality.
• Implement dual-data strategy. • Position MTN as media and entertainment gateway. • Scale up mobile financial services.	• Develop high-performance culture and talent. • Step up risk management, governance, transparency. • Manage reputation proactively with a revised stakeholder-inclusive approach.	• Ensure targeted network rollout. • Harmonise capex planning across functions. • Ensure digital transformation of IT systems. • Improve efficiency across all technology operations.
• Stephen van Coller △ • Jens Schulte-Bockum △	• Paul Norman △ • Felleng Sekha △ • Ralph Mupita △	• Jens Schulte-Bockum △

The group president and CEO is responsible for delivery against all metrics across BRIGHT and the remuneration of all executives is dependent on their delivery, to differing degrees, on BRIGHT.

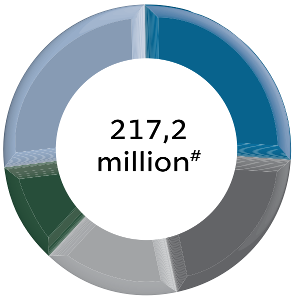
Where we operate and how we performed

To ensure robust operational oversight across our 22 opcos and three ISP businesses, we manage the group as follows: South Africa, Nigeria and the SEAGHA, WECA and MENA regions and their respective underlying operations. The CEOs of South Africa and Nigeria and vice-presidents of each region are members of our executive committee.

Contribution

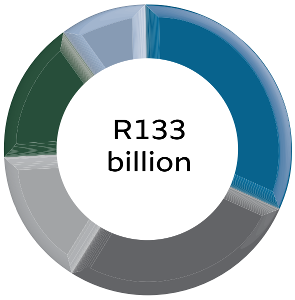
South Africa   Nigeria   SEAGHA   WECA   MENA

In 2017, we reported total revenue of R133 billion** (2016: R148 billion**) and EBITDA of R47 billion** (2016: R41 billion**). We had 217 million# subscribers.



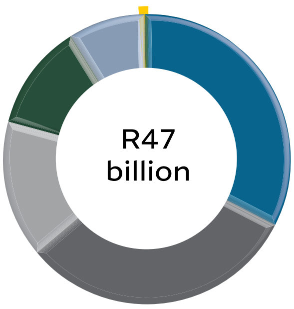
Subscribers#

South Africa	13,6%
Nigeria	24,1%
SEAGHA	17,8%
WECA	13,4%
MENA	31,1%



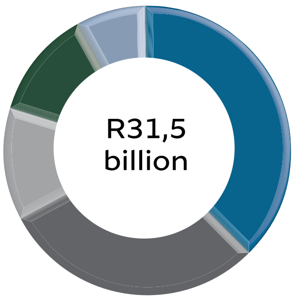
Revenue up 6,8%*

South Africa	32,2%
Nigeria	27,2%
SEAGHA	15,1%
WECA	15,9%
MENA	9,6%



EBITDA up 2,5%*

South Africa	33,3%
Nigeria	31,7%
SEAGHA	15,4%
WECA	12,0%
MENA	8,6%
Head Office	(1,0%)



Capex down 10,8%

South Africa	36,5%
Nigeria	28,5%
SEAGHA	12,1%
WECA	11,7%
MENA	7,3%

In our contribution graphs we exclude revenue, EBITDA and capex numbers for our joint venture in Iran, disclosing them separately.

Here we provide key statistics for our top seven operations, which account for a total of 82% of group EBITDA, 80% of group revenue and 78% of group subscribers.

South Africa (100%)‡

No 2 operator
31,2% market share

Population 56,7 million

EBITDA R14,4 billion**
Contribution to group EBITDA 33%

Capex R11,5 billion**

Subscribers#
29,5 million

Data revenue*
up 25,0%
(33% of revenue)

Nigeria (79%)‡

No 1 operator
42,1% market share

Population 190,9 million

EBITDA R14,0 billion**
Contribution to group EBITDA 32%

Capex R9,0 billion**

Subscribers#
52,3 million

Data revenue*
up 86,6%
(12% of revenue)

Ghana (98%)‡

No 1 operator
55,1% market share

Population 28,9 million

EBITDA R4,1 billion**
Contribution to group EBITDA 9%

Capex R2,2 billion**

Subscribers#
15,7 million

Data revenue*
up 50,6%
(25% of revenue)

Uganda (96%)‡

No 1 operator
55,9% market share

Population 42,9 million

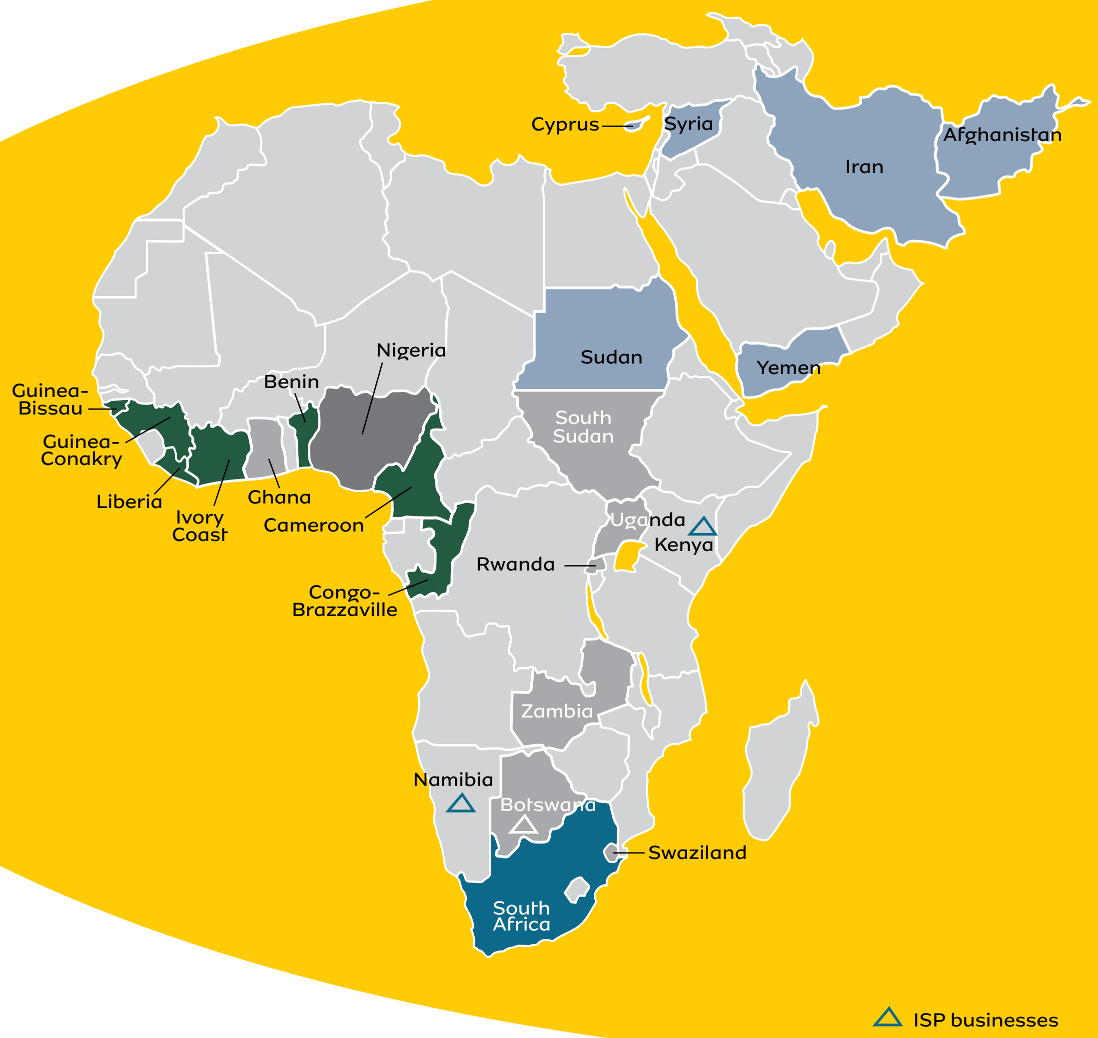
EBITDA R1,8 billion**
Contribution to group EBITDA 4%

Capex R0,9 billion**

Subscribers#
10,7 million

Data revenue*
up 41,4%
(10% of revenue)

‡ *MTN legal ownership.*
\# *Using modernised definitions, which do not have comparisons.*
* *Constant currency and after taking into account pro forma adjustments.*
** *Reported – as reflected in the MTN Group Limited financial results for the year ended 31 December 2017.*



Cameroon (70%)‡
No 1 operator 53,7% market share
Population 24,1 million **EBITDA** R1,3 billion** **Contribution to group EBITDA** 3% **Capex** R1,0 billion** **Subscribers#** **7,1 million** **Data revenue*** **up 21,1%** (15% of revenue)

Ivory Coast (59%)‡
No 2 operator 33,8% market share
Population 24,3 million **EBITDA** R2,3 billion** **Contribution to group EBITDA** 5% **Capex** R1,2 billion** **Subscribers#** **10,9 million** **Data revenue*** **up 87,5%** (10% of revenue)

Iran (49%)‡
No 2 operator 46,1% market share
Population 81,2 million **EBITDA** R5,9 billion** **Capex** R9,3 billion** **Subscribers#** **43,3 million** **Data revenue*** **up 66,3%** (42% of revenue)

How we create value

How we create value using the six capitals

Transforming the stocks of capital through our business activities
We create value by developing and distributing a range of innovative and reliable communication products and services. We depend on various resources and relationships, known as the six capitals, to do this.

SDGs

Inputs

Human
The motivation, skills, safety and diversity of our employees, contractors, partners and suppliers

Manufactured
Our networks; 2G, 3G and 4G base stations and fibre; electronic devices; public infrastructure

Financial
Debt and equity financing; cash generated from operations and investments

Intellectual
Our culture; our know-how; proprietary and licensed technology, procedures and processes

Social and relationship
Trusted relationships with customers, communities, governments and regulators, suppliers, trade unions, industry bodies and civil rights groups

Natural
Spectrum, energy and land

How we do business

Our business model is informed by our vision, purpose, values and governance, and supports the delivery of our BRIGHT strategy:

Best customer experience
- Lead market in NPS.
- Reduce monthly churn.
- Achieve best brands in markets.

Returns and efficiency focus
- Improve ROIC.
- Report top-quartile TSR.
- Increase AFCF yield.
- Improve EBITDA margin.

Ignite commercial performance
- Grow subscribers to 300 million.
- Grow market share.
- Ensure stable voice revenue.
- Grow enterprise and wholesale revenue.

Growth through data and digital
- Achieve 200 million data subscribers.
- Achieve 100 million digital subscriptions, including 60 million for MTN Mobile Money.

Hearts and minds
- Lead market in employee NPS.
- Improve employee engagement.
- Enhance reputation.
- Ensure effective risk and compliance practices.

Technology excellence
- Lead market in network NPS.
- Increase efficiency of customer-facing systems.
- Increase population coverage.
- Improve network quality.

We ensure our agility by continuously assessing our market context (page 4) and our material matters (pages 16 and 17).

VALUE

We require inputs of each capital to deliver on our strategy, advance some of the UN Sustainable Development Goals (SDGs) and generate value for all stakeholders. When making decisions on allocating capital, we consider the trade-offs between the capitals, and seek to maximise positive outcomes and curb negative impacts.

Outputs

A range of consumer, enterprise and wholesale solutions including voice and data access; lifestyle, mobile financial services, entertainment and e-commerce offerings; and business connectivity and communication solutions

2 006 248 tonnes of greenhouse gas emissions#

Outcomes in 2017

18 931 **employment opportunities** in 24 countries

R9,0 billion paid in **wages and salaries**

Rolled out **3 663 2G, 8 583 3G** and **8 611 LTE sites**

EBITDA of R47,0 billion**

Declared **total dividend** of 700 cents per share

R31,5 billion** in **capital expenditure**

Paid R27,9 billion LA in total **tax contributions**

Paid R367 million in **regulatory fees**

Avoided 1 529 tonnes of **GHG emissions**

Spent R172 million LA in **social investment**

Improved **employee culture**

Improved **NPS** in most markets

MTN South Africa BEE contributor status at **level 4**^

 # Defined as an output by the IIRC.
^ Under amended codes, which have significantly higher recognition levels.

CREATION

How we sustain value using the six capitals

Human capital

Key capital inputs

	2017	2016
Number of employees	**15 901**	15 980
Number of contractors	**3 030**	4 009
Gender split (men:women)	**63:37**	63:37
Investment in employee training (R million)	**252**	392
Number of nationalities employed	**63**	60

Outcomes of our activities

	2017	2016
Staff costs (R billion)	**9,0**	9,2
Voluntary staff turnover (%)	**7,0**	7,2
Mean employee culture survey (%) LA	**70**	67
Number of training courses completed	**31 118**	25 376
Opcos with Global Investor in People accreditation (see page 81 for details)	**17**	16

Manufactured capital

Key capital inputs

	2017	2016
Value of property, plant and equipment (R billion)	**91,8****	95,6**
Capital expenditure (R billion)	**31,5****	35,3**
Number of smartphones on our networks (000)	**88 506**	82 361

- Offices and networks in 24 countries.
- Access to public infrastructure.

Outcomes of our activities

	2017	2016
2G sites rolled out	**3 663**	2 450
3G sites rolled out	**8 583**	8 201
4G sites rolled out	**8 611**	7 676
Kilometres of fibre rolled out	**4 364**	5 481
Depreciation (R billion)	**19,3****	21,0**
Impairment of assets (R billion)	**3,0****	0,2**
Impairment of goodwill (R billion)	**2,6****	0,9**

Financial capital

Key capital inputs

	2017	2016
Market capitalisation (R billion) at year-end	**257**	238
Interest received (R billion)	**3,5****	4,4**
Net debt (R billion)	**57,1****	51,9**

Outcomes of our activities

	2017	2016
EBITDA (R billion)	**47,0****	40,8**
Profit/(loss) after tax (R billion)	**4,5****	(3,1)**
Cash generated through operations (R billion)	**38,5****	55,7**
Net debt to EBITDA ratio^	**1,22**	1,27
Net interest paid (R billion)	**3,9****	3,7**
Basic headline earnings/(loss) per share (cents)	**182**	(77)**

Intellectual capital

Key capital inputs

- Our strong and established brand.
- Our skilled and experienced employees.
- Our partnerships and joint ventures.
- More than 20 years' experience of operating in challenging emerging markets.

Outcomes of our activities

	2017	2016
Goodwill and intangible assets (R billion)	**38,3****	46,5**

- MTN South Africa named most valuable brand in the country (Brand South Africa).
- Introduced standardised CVM platforms across 18 opcos.
- Expanded MTN Mobile Money ecosystems to 14 markets.
- Launched customised offers in 10 opcos.

Natural capital

Key capital inputs

- Radio spectrum in the 700, 800, 900, 1 800, 2 100, 2 300, 2 600MHz bands.

	2017	2016
Gigajoules of energy used	**19 095 879**	13 514 716

Outcomes of our activities

	2017	2016
Carbon emissions (tonnes of CO_2 equivalent)◊	**2 006 248**	1 609 704
GHG emissions avoided (tonnes)	**1 529**	833
Number of new alternative energy sites•	**459**	1 001
E-waste recycled (tonnes)	**215**	537

Social and relationship capital

Key capital inputs

- Constructive relationships with regulators, customers, trade unions, employees, communities, civil society.
- Ongoing interactions with government and tax authorities.
- Regular engagement with shareholders and the investor community on MTN's plans and performance.

Outcomes of our activities

	2017	2016
Total tax contributions LA (R billion)	**27,9**	33,5‡
CSI spend LA (R million)	**172**	295,4
BBBEE status in South Africa†	**Level 4 (102.65 points)**	Level 2 (87.83 points)
Number of calls to whistle-blower line LA	**119**	120
MTN Mobile Money active subscribers (million)	**21,8**	15,4
NPS South Africa (%) LA Δ	**70**	81
NPS Nigeria (%) LA Δ	**26**	30
NPS other key markets (%) LA	**35**	25

*** Reported – as reflected in the MTN Group Limited financial results for the year ended 31 December 2017.*
^ Excluding the Nigerian regulatory fine.
† Under amended ICT Sector Codes. Level 2 achieved in 2016 is now equivalent to Level 6 under new framework.

How we achieved these	The trade-offs
• Refreshed our management team. • Invested in targeted training and development. • Adjusted regional responsibilities. • Encouraged diversity, so workforce understands the needs of our subscribers.	Employees in 15 of our 22 operating companies and in Manco received bonuses for 2017 as these operations met their financial targets. This positively affected **human capital**. By outsourcing some functions MTN reduced its stock of **human capital** to the benefit of **intellectual** and **financial capital**.
• Focused our capital investment on rolling out new 3G and 4G base stations, data and switching centres and dedicated fibre.	By expanding our networks, we increase the stock of **manufactured capital** and reduce our stock of **financial capital** in the short term. However, ultimately this investment should boost our business and therefore our stock of **financial capital** in the longer term. By advancing **manufactured capital,** we negatively impact **natural capital**. However, by sharing infrastructure and increasing the efficiency of existing infrastructure we are able to mitigate our impact on the stock of **natural capital**.
• Accessed the domestic markets for funding; raised R5,3 billion through the Domestic Medium Term Programme. • Continued to maintain and improve on our group liquidity levels. • Concluded local currency funding in some key markets including 510 million cedi facility for MTN Ghana. • Repatriated R6,5 billion in cash from our Iran operation. • Declared total dividend of 700 cents per share.	By applying **financial capital,** we are able to grow our business, positively impacting **manufactured, human** and **intellectual capital,** as well as **social and relationship capital**. However, through our use of **financial capital** to build new telecoms infrastructure we may negatively impact the stocks of **natural capital**.
• Refreshed our brand. • Hired specialist skills in customer value management (CVM). • Partnering with experts in various fields, such as technology and management consultancy. • Creating and maintaining joint ventures and partnerships to expand new revenue streams.	In the short term, our investment in **intellectual capital** reduces our stocks of **financial capital** while boosting in the longer term the stocks of **human, financial** and **social and relationship capital**.
• Secured spectrum in Sudan and Syria in 2017. • Ensured resilience to change in climate or increase in extreme weather events on critical infrastructure through business continuity processes. • Continued to invest in efficiencies to ensure our technical infrastructure supports service delivery using the least possible amount of energy.	The short-term input to securing sufficient spectrum is **financial capital**. By establishing and maintaining an extensive high-quality network and increasingly rolling out 4G sites, our energy consumption for broadband and data services continues to grow. By remaining largely reliant on non-renewable resources, we negatively impact **natural capital**. However, through infrastructure sharing, the commitment of our tower management partners to prioritise energy efficiency, along with our own efforts and investments in low-carbon power, we are working to mitigate the overall impact on this stock of capital.
• Enhanced management structure to support regulatory compliance and revised key ethics structures and policies. • Monitored staff morale through annual culture survey. • Extended MTN Mobile Money services to more people. • Increased number of certified ethics officers to 27. • Elevated regulatory function to executive committee. • MTN South Africa made notable improvements in transformation drive. • Progressed plans for MTN Nigeria and MTN Ghana listings. • Reduced effective data rates by 31% and voice rates by 20%.	Investment in social and relationship capital reduces our **financial capital** in the short term. However, by helping to close the digital divide and transform society through our various skills and enterprise development, preferential procurement and localisation initiatives we ultimately build the stocks of **social, human, intellectual and financial capital**.

◊ *Higher scope 3 emissions due to more outsourced sites accounted for by MTN than by tower companies.*
• *2016 number revised upwards after reconciliation of alternative energy investments.*
Δ *Although actual NPS is lower than prior year, NPS improved relative to nearest competitor.*
‡ *Updated with Botswana number and apportionment of Swaziland numbers.*

Material matters impacting value creation

Material matters have the potential to substantially affect, both positively and negatively, the group's ability to create value and deliver on its BRIGHT strategy and investment case in the short, medium and long term.

Managing material matters

We manage material matters by identifying, prioritising, responding and reporting on them.

Identify

We **determine** our material matters by considering factors that receive the most management and board attention during the year – the central themes of the quarterly reporting meetings between the executive committee and the chief executives of our 22 operations. These themes take into account the context in which we operate, the group's top risks and opportunities and the priority interests of our key stakeholders.

Prioritise

These central themes then form the basis of discussion at workshops at which representatives of key departments participate; they **prioritise** the group's material matters by considering their actual as well as potential impact. These are then scrutinised and ultimately endorsed by the executive committee and the board.

Respond

We **respond** to our material matters by putting in place appropriate management actions to mitigate those which have the potential to disrupt value creation. We also implement management interventions designed to capitalise on those factors that offer opportunity for greater value creation. We reference our material matters throughout the integrated report.

Report

Material matter	Implications for value	Looking ahead
Economic environment Tepid economic growth in key markets in 2017; Nigeria and South Africa moved tentatively out of recession but business and consumer confidence remained weak. The rand strengthened and the naira decreased sharply. Repatriating cash from our diverse markets remained complex and dependent on prevailing legislation as well as sufficient market liquidity.	• Pressure on MTN revenue and profitability. • Foreign exchange translation losses on rand-reported results. • Increased costs due to some expenses denominated in hard currencies. • Impairment of assets and goodwill in Syria and Sudan. • Increased debt. • Repatriated R6,5 billion from Iran. • Received R1,4 billion in dividends from MTN Nigeria.	• Although challenging, the economic environment should trend better over the next three years, with modest GDP growth, a moderation in forex volatility and a reduction in headline inflation in key markets. • The full impact of MTN's adoption of the NAFEX rate in Nigeria in the last quarter of 2017 will be felt in the results in 2018. • A strong rand compared to other operating currencies will reduce the rand value of earnings. • Improved forex liquidity in Nigeria will continue to assist in the repatriation of dividends; however, these will be at a weaker rate on the NAFEX market. • A strengthening rand in 2018 could reduce the rand value of foreign earnings.
Disruptive technologies and market consolidation New technologies are displacing established ones, altering the way businesses operate and the way consumers behave. More non-telco players are entering the market, leading to greater competition, while consolidation among telcos is accelerating.	• Need to secure sufficient and appropriate spectrum, or re-farm existing spectrum, to facilitate greater network rollout to support a wider offering. • Need to innovate to remain competitive. • Erosion of voice revenue and pressure on data-access pricing. • Achieve required returns. • Declining return on investment given high investments in new technologies.	• Opportunities to offer additional services and further grow our digital offering. • Greater disruption of financial services, including growing popularity of crypto currencies. As MTN enters this market, it will need to update and adjust internal controls to comply with greater regulatory requirements. • The greater complexity associated with the growing convergence of telcos, communications and financial services will require companies to commit more resources to managing this.
Complex and dynamic political environments and greater regulatory and compliance requirements We operate in some countries suffering prolonged war and conflicts and others marked by political and policy uncertainty. In all our markets, the requirements of regulators are growing.	• Reputational and relationship risks. • Pressure on MTN revenue and profitability. • Demand for greater local participation, including stock exchange listings of local operations, and a further enhancement of in-country hiring and procurement. • Greater information security, data sovereignty and privacy requirements.	• Extending progress on quality improvements and efficiencies by further embedding risk management practices across all aspects of the business. • Strong regulatory and compliance practices, as articulated under BRIGHT, could serve as a competitive advantage. • Progress on Ghana and Nigeria listings as part of overall MTN commitment to drive localisation. • Elections planned in South Africa and Nigeria during 2019; signs of more positive political sentiment regarding South Africa. • Continued focus on the application and interpretation of dynamic tax legislation. • A strategic approach to spectrum allocation.
Clear articulation of BRIGHT strategy After a thorough review of the group strategy, the management team developed a clear growth plan for MTN: BRIGHT.	• BRIGHT provides MTNers with a compass that clearly defines the six elements on which we need to focus to build our business sustainably. • Greater employee engagement, improved culture audit score. • Better customer experience. • Need to attract and retain suitably skilled talent. • Focus on capital allocation for higher return on investment.	• With clearly defined KPIs and the regular measurement, tracking and reporting of performance, in 2018 MTN will implement numerous initiatives to deliver on BRIGHT, ensuring greater value creation for all our stakeholders.
Growth in data volumes in a decreasing price environment The economics of the data business are challenging – increasing volumes mean more capex is required while prices fall.	• Our effective voice rate per minute declined 20% in 2017. • Our effective data rate per megabyte declined 31% in 2017. • Efficient capex deployment is key to making a return. • The race for data subscribers is a must-win battle – scale will determine success.	• More efficient technologies available need to be used. • Prices are likely to continue falling as competition increases so driving volumes must be the focus. • A strategic approach to spectrum allocation.

Relationships on which we rely to create value

Pursuing shared value

In pursuit of shared value, we recognise the critical importance of successful interactions with our stakeholders. We strive to understand what is important to those who impact our business, as well as to those on whom we have an impact, and to be responsive to their expectations. This informs our material matters, our strategy and our management of risks, and is part of our efforts to align our stakeholder engagement approach with the principles of King IV.

In June 2017, we combined the group regulatory affairs and public policy division with the group corporate affairs division to create an integrated approach to the identification, engagement and management of stakeholder relationships that is aligned to our BRIGHT strategy.

Assessing the quality of our relationships

While the quality of our relationships with particular stakeholders can differ from one country to another, here we provide a consolidated informal view at group level, using the following scale. A more structured approach to this assessment is being developed.

●○○ Relationship exists, but work to be done to improve the quality.
●●○ Good progress towards developing more mutually beneficial relationship.
●●● Strong relationship of mutual benefit.

Government and regulatory authorities ●●○

- Provide enabling environment for value creation
- Provide access to licences and spectrum.

Link to strategy

Priority interest area
- Contribution to local economies
- National security, personal privacy and consumer protection.

Desired outcome
- To be considered a committed partner in the growth and development of each of the countries in which we operate
- Adherence to laws and licence conditions.

Performance in 2017
- Remained committed to respecting and upholding the security of information
- At times, regulatory interventions affected our customers' experience as we continued to act in line with prevailing laws and our licence conditions
- Progressed preparations for listing of MTN Nigeria and MTN Ghana shares
- Extended efforts to employ local talent and procure more goods and services locally
- Employed 63 nationalities
- Committed a total of R27,9 billion in taxes
- Materially enhanced our management structure and activities to support risk management and regulatory compliance
- Introduced more internal controls and new code of conduct.

Investors ●●●

- Provide financial capital for sustainable growth.

Link to strategy

Priority interest area
- Sustainable and attractive total shareholder returns.

Desired outcome
- The trust and confidence of our investors and the ability to access the financial capital we require.

Performance in 2017
- Introduced our BRIGHT strategy and aligned our financial KPIs to it
- Reviewed our capital allocation model
- Declared a total dividend of 700 cents a share
- Introduced medium-term targets including a re-basing of our dividend to 500 cents for 2018, growing 10% to 20% per year.

Looking ahead

To improve trust in the MTN brand, enhance our reputation and secure our social legitimacy and licence to operate, in the year ahead we will continue our work to further develop our stakeholder-inclusive approach in line with the principles of King IV.

This follows an internal gap analysis, which identified the following as areas requiring intervention, and on which we have already launched a number of initiatives:

- Hone the group policy on stakeholder relationship management to focus on stakeholder inclusivity and responsible corporate citizenship
- Ensure that we use a standardised, shared and simple blueprint for managing stakeholder relationships across our markets
- Create a system to monitor and evaluate the health of our relationships with all stakeholders.

Customers

- Purchase competitive and reliable products and services.

Link to strategy

Priority interest area

- Affordable pricing and excellent customer service on a high-quality network
- Personal data protection and privacy.

Desired outcome

- Affordable products and services on a quality network
- Ensuring that customers can communicate safely over our networks.

Performance in 2017

- Reported 22 million active MTN Mobile Money customers
- Where gaps in our information security processes were identified, we acted decisively to ensure our compliance with laws and customer expectations
- Spent R31,5 billion in capex
- Partnered with Lumos in Nigeria and Ivory Coast and ReadyPay in Zambia and Ivory Coast to provide prepaid mobile solar energy services to customers in support of digital, financial and energy access inclusion.

Community and civil society

- Provide a market for our products
- Ensure we are responsible and accountable.

Link to strategy

Priority interest area

- Community development
- Digital human rights
- Impact of our business on the environment.

Desired outcome

- Constructive and mutually beneficial relationships with our communities.

Performance in 2017

- Extended our work to empower communities in education, health and enterprise development
- Continued to evaluate our impact on the environment. SR
- Engaged in discussions with investors and civil rights groups concerned about online rights and freedoms.

Relationships on which we rely to create value continued

Employees

- Provide skills required to deliver on our strategy, vision and purpose.

Link to strategy

Priority interest area
- Career opportunities
- Workplace conditions and practices
- Visible ethical leadership.

Desired outcome
- Competent, engaged, motivated and diverse employees who ensure the success and sustainability of MTN.

Performance in 2017
- A refreshed management team introduced the BRIGHT strategy
- Continued to develop employees through our learning academy, spent R252 million on employee training
- Increased levels of employee engagement, with an increase in the group culture audit score.

Suppliers and business partners

- Supply quality products and services as well as the opportunity to jointly create solutions for greater value creation.

Link to strategy

Priority interest area
- Increased network deployment, coverage and quality
- Ethical and responsible supply chain practices
- Regulatory compliance.

Desired outcome
- Transparent, efficient and mutually beneficial relationships with suppliers and partners.

Performance in 2017
- Launched a new code of conduct to ensure that our suppliers, employees and subcontractors all adhere to ethical and good governance practices
- Explored partnerships with suppliers to address upstream and downstream waste.

Media

- Inform other stakeholders about developments at MTN and in the industry.

Link to strategy

Priority interest area
- Network coverage and quality
- Consumer and data protection
- Business performance and impact.

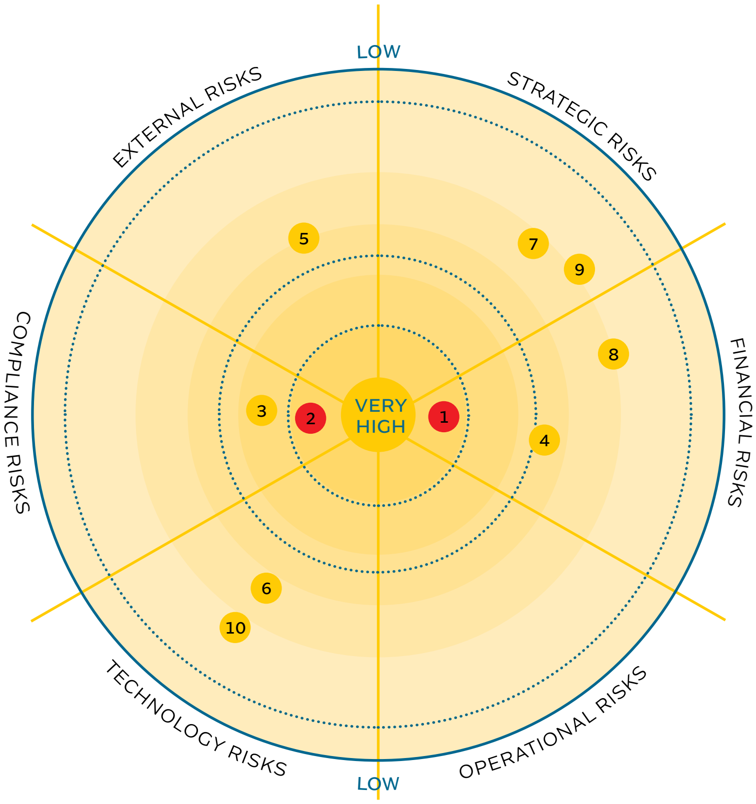
Desired outcome
- Positive and productive relationships with journalists, built on trust and reliability
- Enhanced reputation for MTN.

Performance in 2017
- Increased the visibility and accessibility of group and opco executives to the media
- Supported activities of the South African National Editors Forum and Highway Africa conference.

Top risks to value creation

Our top risks

Using an integrated assurance methodology, in 2017 we considered the following to be MTN's most material risks based on the residual risk rating of each. This takes into account the probability of the risk occurring, the impact should it materialise and the mitigation strategies in place. Rankings change during the year, however, each of these risks receives equal management attention.



RISK	RISK DESCRIPTION
1	Foreign exchange volatility and weakening currencies
2	Operational and compliance risks
3	Increased regulatory pressures
4	Suboptimal cash generation and upstreaming to the group
5	Political and economic risk in our key markets: South Africa, Nigeria and Iran
6	Spectrum cost and availability
7	Ability to successfully execute large group strategic and change programmes
8	Returns on capex deployed
9	Optimisation of investment portfolio
10	Increasing cyber and information risks

Top risks to value creation continued

Risk rank^	Risk name and impact if not managed	Mitigation and opportunities
1	**Foreign exchange volatility and weakening currencies** Currencies in our operating markets have in many instances been volatile. This leads to opex and capex pressures in opcos and eventually impacts the group's profitability. Furthermore, weaker currencies in our operating markets result in translation losses on rand-reported results.	• Stress test 2018 to 2020 business plans against currency volatility to understand volatile areas and implement responsive measures. • Use hedging instruments where available and economically feasible. • Use best efforts to maximise levels of local currency debt as opposed to that denominated in foreign currency. • Convert large contracts into local currencies where possible.
2	**Operational and compliance risks** Amid increasing regulatory requirements (particularly in respect of subscriber registration, mobile financial services and so forth) non-compliance could lead to strained relationships with regulators, reputational damage, disruption of services and the loss of customers. Furthermore, weaknesses in the control environment could lead to operational risks and losses.	• Implement a model to separate second and third lines of assurance in the organisation. • Further embed leading risk, compliance and control practices and roll out new compliance framework. • Enhance control environment in certain business areas such as enterprise business unit, MTN Mobile Money and value-added services.
3	**Increased regulatory pressures** We have businesses in a large number of jurisdictions and must comply with an extensive range of laws and regulations, including licence conditions and renewals, subscriber registration and data privacy requirements. These pressures continue to increase and are often elevated by economic conditions and other difficulties in our markets. The cost of compliance is very high, impacting revenue and profitability.	• Continue to build strong relations with key stakeholders and regulators. • Implement a dedicated group regulatory management function and regulatory framework to improve proactiveness and maturity of regulatory engagements. • Strengthen opco regulatory functions by adding new resources and upskilling existing ones. • Continue to strengthen subscriber registration infrastructure and further embed new data privacy requirements.
4	**Suboptimal cash generation and upstreaming to the group** In addition to generating profitable returns, it is also vital for our operations to generate sufficient cash to fund capital-intensive programmes and repatriate earnings to the group. An inability to repatriate earnings (due to factors such as a shortage of foreign currency, stringent exchange laws and sanctions) may impact our ability to keep adjusted group leverage stable and to increase distributions to shareholders.	• Focus on attaining double-digit service revenue growth (in constant currency) and improving EBITDA margins. • Manage capex intensity through the implementation of the new smart capex programme. • Optimise working capital and cash management practices. • Optimise cash balances in opcos and cash upstreaming to the group.

^ In 2017 we reviewed our risk universe, which resulted in a change in the categorisation and nomenclature of risks. Therefore a direct comparison of risks disclosed in 2017, with those reported in 2016, is not possible.

Link to strategy	MTN's achievements in 2017
	• Continued to explore opportunities to convert foreign-denominated contractual commitments into local currency commitments in various markets. • Maximised rand-denominated funding at a holding company level to improve our currency mix of debt in line with our funding philosophy, including significant issuances under our domestic medium-term note programme. • MTN Ghana secured 510 million cedi facility.
	• Developed a new model and obtained board approval to separate and strengthen second and third line assurance functions throughout the group. • Strengthened risk and control KPIs in performance agreements for senior management. This resulted in a significant increase in accountability for internal controls and a major reduction in overdue audit findings. • Strengthened risk escalation mechanisms through the introduction of a risk escalation and acceptance policy. • Strengthened mechanisms to monitor key risk indicators. • Implemented a group-wide risk control software solution. • Strengthened the compliance function through the introduction of a dedicated policy and procedure focus and the approval for a significant increase in headcount across the group.
	• Strengthened the group regulatory function and its oversight over opcos. • Established multidisciplinary teams to ensure targeted focus on aspects such as subscriber registration, spectrum management and mobile financial services.
	• Strengthened KPIs on cash management and upstreaming at opco and group level. • Commenced with the implementation of the smart capex programme. • Successfully repatriated cash from a number of markets, in particular repatriation of R6,5 billion from Iran and resumption of dividends from Nigeria, receiving R1,4 billion in 2017 after 2016's liquidity crisis. • Maintained a sufficient level of committed facilities at an opco and group level to respond to market stress scenarios.

Top risks to value creation continued

Risk rank^	Risk name and impact if not managed	Mitigation and opportunities
5	**Political and economic risk in our key markets: South Africa, Iran and Nigeria** Despite recent improvements, political and economic conditions in South Africa still pose a risk of a further downgrade of the sovereign credit rating. This in return could impact MTN's cost of funding and the performance of MTN South Africa. Deteriorating relations between the US, Saudi Arabia and Iran may lead to further sanctions and/or pressure on the Iran nuclear deal, which in return may negatively impact MTN's interests in Iran. Furthermore, political instability and sanctions in a number of MENA countries increase the risk of profitability fluctuations and uncertainty in respect of fund repatriation.	• Ensure sufficient levels of committed funding facilities at group level to respond to market stress scenarios. • Ensure appropriate mix of fixed and floating rate funding. • Mitigate forex risks through measures described in risk number 1. • Continuously monitor developments across MENA and perform ongoing scenario and sensitivity analyses to navigate difficult conditions. • Maintain the group's approach of self-funding of MENA operations and maximise cash repatriations. • Closely monitor compliance to sanctions policies. • Ensure continuity of operations, protect staff and assets through strong business continuity management measures.
6	**Spectrum cost and availability** Non-availability of adequate spectrum has a direct impact on our quality of service and ability to deliver on our dual-data strategy. An increased cost of spectrum impacts the cost of our products and services and puts pressure on margins.	• Co-ordinate and liaise closely with regulators for acquisition of spectrum in line with recently refined spectrum plan. • Continue to explore ways to enhance spectrum planning and usage optimisation. • Ongoing cost benefit analysis of spectrum acquisition focusing on products/services and their pricing.
7	**Ability to successfully execute large group strategic and change programmes** A number of large programmes are currently being executed as part of the implementation of the BRIGHT strategy. An inability to successfully implement these programmes or programmes not delivering desired results will directly impact business objectives.	• Careful monitoring and oversight from the group transformation board and group operations committees. • Establishment of a project management office at group level. • Independent programme assurance led by the business risk management function.
8	**Returns on capex deployed** With the rapid pace of development of new technologies and competition from OTT players, the focus of the telecoms industry is to maximise returns on capital deployed. If innovative ways of sweating capital deployment are not identified and implemented, margins may decrease continually.	• Ensure that capex is deployed in areas with optimal returns. • Reduce capex intensity year-on-year.
9	**Optimisation of investment portfolio** Decreasing margins in the telecoms industry as well as economic and political challenges in certain markets place pressure on the investment portfolio. Inability to effectively deal with non-performing investments may impact the group's competitiveness and returns to shareholders.	• Continuous monitoring of investment returns. • Implementation of an effective capital allocation policy. • Investment and/or divestment strategy.
10	**Increasing cyber and information risks** An increase in cyber attacks worldwide and new hardware and software vulnerabilities could compromise our networks, systems, customer information and corporate information.	• Continue implementation of the group cyber approach. • Continue to strengthen the information security function at group and opco level. • Enhance security monitoring, threat intelligence and incident management capabilities.

^ In 2017 we reviewed our risk universe, which resulted in a change in the categorisation and nomenclature of risks. Therefore a direct comparison of risks disclosed in 2017, with those reported in 2016, is not possible.

Link to strategy	MTN's achievements in 2017
	• Successfully negotiated new funding facilities and maintained a high level of funding headroom through various facilities. • Continued to explore opportunities to convert foreign-denominated contractual commitments into local currency commitments in various markets. • Performed liquidity stress testing on multiple scenarios during 2018 business planning process. • Continued to operate successfully without any major incidents to staff or assets despite difficult conditions in certain MENA countries.
	• Proactively engaged with regulators on cost and acquisition of spectrum. • Intensified engagement with South African regulator and ministry on impact of the Electronic Communications Amendment Bill and proposed solutions which may be acceptable to all stakeholders. • Engaged constructively with regulators in Nigeria and Cameroon to resolve spectrum constraints. • Secured spectrum in Sudan and Syria.
	• Recorded successful delivery of Project Ignite's 2017 objectives. • Concluded Oracle Cloud contract to migrate the group's ERP environment to the cloud. Implementation project now in progress.
	• Developed and approved the new smart capex model, identifying key markets in which to commence with its rollout.
	• Completed a review of our investment portfolio. • Continued to monitor our portfolio for appropriate capital returns in line with BRIGHT.
	• Successfully mitigated various exposures including DDOS exposure. • Significantly increased capacity of the group's information security function. • Enhanced response and recovery protocols.

Strategic and financial review

Transitioning to a stronger MTN

Phuthuma Nhleko, *chairman*

2017 was a year of positive change for MTN. After a period of many challenges, the group re-established itself as the premier provider of telecommunication and digital services in Africa and the Middle East.

Early in the year, a strengthened senior management team assumed its roles and responsibilities, bringing fresh energy and impetus to the company. Rob Shuter and Ralph Mupita took up the positions of group president and chief executive officer and of group chief financial officer respectively.

I am delighted that they proved themselves equal to the task, settled in quickly and got on top of all the key issues and drivers pertinent to the group's prospects. They introduced a new strategy, BRIGHT, building on the IGNITE business transformation initiative that was launched in late 2016 after a thorough review of the group's capital structure, operations, processes and management capacity and designed to accelerate MTN's commercial performance.

BRIGHT extends the scope of IGNITE to other facets of the business and is central to the group's operational recovery and staff motivation. The IGNITE team is now focused on executing all areas of BRIGHT. The group's 2017 results, detailed throughout this integrated report, show that these initiatives are beginning to bear fruit.

Reported headline earnings per share (HEPS) were 182 cents** compared to a 77 cents** headline loss per share in 2016 when performance had been impacted by the Nigerian regulatory fine of 500 cents**. MTN had reached an agreement with the Federal Government of Nigeria in June 2016 to settle the 330 billion naira fine over three years.

For 2017, the board has declared a second half dividend of 450 cents per share, bringing to 700 cents the total dividend for the year, the same as that in 2016. At the discretion of the board and taking into consideration market conditions, the board anticipates declaring a total dividend of 500 cents per share for 2018, growing at 10% to 20% over the medium term. The rebasing of the dividend follows the marked changes in currency exchange rates across many MTN markets. This will allow MTN to ensure that the dividend is funded from operational cash flows over the medium term.

Looking forward

MTN Group's performance and prospects are most sensitive to the macro-economic conditions of its three largest markets. The Nigerian and South African economies appear to have stabilised and are possibly in recovery mode, buoyed by a strengthening oil price and greater oil production in Nigeria and an improved political outlook in South Africa. Iran's prospects remain uncertain: they depend substantially on the US Congress resolution on the status of the agreement between Iran and the P5+1. We remain hopeful that rationality will prevail and that the recognition of the 2016 agreement between Iran and the five permanent members of the United Nations Security Council and Germany and the European Union will remain unchanged into the future.

Management understands the importance of ensuring that MTN gets the basics right and keeps a close eye on the rapidly evolving competitive environment. This fine balance in the allocation of the group's time and resources will ensure that MTN remains at the cutting edge of innovation and delivers a bold new digital world to customers. This is in line with the group's belief that everyone deserves the benefits of a modern connected life. I am confident that the group has the momentum to achieve this, steered by an ethical and effective leadership team.

Evolving our board

Directors who understand the opportunities and risks that the group faces, as well as the need to create shared value through a stakeholder-inclusive approach, are essential. In 2017, the company continued to evolve its board of directors. Alan van Biljon retired on 31 December 2017 after many years of dedicated contribution to MTN, in which he served in various roles including chairing the audit committee and as lead independent director. I wish to thank him and wish him all the best and a well-deserved rest in his retirement.

Alan Harper assumed the lead independent director role in May 2017 and will lead the board in any instances where a conflict of interest arises. In the period ahead, we will continue to make changes to the board to ensure that while retaining a depth of skills and sufficient institutional memory, we also refresh it with diverse directors who bring new ideas and perspectives.

To this end, I will chair my last AGM on 24 May 2018 and step down from the board on 31 December 2018. Ahead of that, we will identify a new chairman in the second half of 2018 and work to ensure a smooth transition. It has been both an honour and a humbling experience to have served the MTN Group in various capacities since 2001. I wish to thank all the many stakeholders with whom I have engaged over the years – employees, regulators, customers, governments, suppliers, investors, communities and the media – for their contribution. I have no doubt that the people of MTN will continue to strive to make customers' lives a whole lot brighter, and in so doing, deliver on the group's strategy.

Creating brighter lives

Rob Shuter, *group president and CEO*

Q You've been at the helm since March 2017, what was your mandate?

A The mandate from the board was firstly to stabilise the executive team and secondly to do a strategic review. This included establishing what the next phase of MTN is to be: what the opportunities are and the best way to take advantage of them, as well as the resources and skills we need to do that. That's spelt out in our BRIGHT strategy (see page 6). There was also a requirement to set a comprehensive financial plan for the group: determining the returns MTN can generate, the investment required, and the ideal capital structure. Ultimately, this determines the appropriate dividend policy (see the Q & A with the CFO). The mandate also included a portfolio review: not just of the markets in which MTN operates, but also of the group's investments.

Q What did you conclude from the portfolio review?

A Firstly that our geographic regions, Africa and Middle East, are among the fastest growing across the world. Secondly, within that we are represented in most of the large economies in that region and thirdly, we have strong positions in all our markets (either #1 or #2 positions). So generally, we are in good shape and the main thrust is to further improve the operational performance in these markets.

Having said that, we also need to continually monitor the regulatory, macro-economic and competitive environments in the markets and make sure that investments or further funding commitments meet our investment and return criteria. We operate in a number of markets that are in a state of conflict and there our approach has been to ensure that these markets are self-funding.

We also have investments in tower companies and our e-commerce joint ventures. Our most significant investment is a 29% stake in IHS Group, which owns 23 300 towers across Africa. Over time we want to partially monetise this shareholding, which we hold as an 'asset available for sale'.

Through what we call the functional steering from the group, we aim to drive the best possible performance out of the opcos. Getting this right would mean that MTN would be well positioned to expand the portfolio should the right opportunities present themselves in the future.

Q What do the leadership changes at group level mean for MTN?

A There are many things that differentiate MTN (see our investment case on page 100), but I believe the biggest differentiator for performance in the long term is a unique corporate culture. We are building a culture of openness, professionalism and excellence, where people work in a more organic way. While many of the opcos have already been operating like this, it is fair to say that the head office has been more traditionally oriented and in certain areas has been underresourced. It has tended to focus on the medium and small opcos, while the biggest prize is in the big businesses.

Now, with a thin layer of highly skilled resources at the centre, many of the large opcos are leaning into the group to tap into this. We are fundamental believers in a decentralised model, with high-level functional steering from the centre. Properly executed, it is a real differentiator. We made a lot of progress on this in 2017, and the latest global culture audit bears this out (see page 80).

Q Tell us about MTN's regulatory environment. What measures have you put in place to address regulatory compliance across your markets?

A This is a very complex area with 22 markets, each with very different regulators, regulations and agendas. Our international investors are probably used to a more harmonised regulatory environment, such as that across the EU. While part of the complexity stems from the fact that we are in so many different countries; some is because economies are under pressure; and another part comes from the overlap between telecoms, media and financial services in a converging world.

In 2017 we materially enhanced the management structure (both at the centre as well as at operations) to support regulatory compliance. Our engagements with regulators, government authorities and international bodies became more targeted. We elevated the regulatory function to the group executive committee level and introduced more internal controls.

Given the complexity of the regulatory space, this is an area on which we work continuously.

Q What does the year ahead hold for MTN?

A Alongside our many stakeholders, we continue our work to build a resilient and sustainable MTN. This means a group that behaves in a socially responsible way and provides the best customer experience, improved returns and enhanced commercial performance. It means a group that rolls out access to the internet and to financial services to a broader population, has engaged employees, an impeccable reputation for legal compliance and good governance, as well as one that provides excellent networks and infrastructure. To achieve this, we will continue to implement and deliver on the BRIGHT strategy, communicating progress against our KPIs (see page 6).

Creating value

Ralph Mupita, *group chief financial officer*

Q How did MTN's financial performance in 2017 support the delivery of BRIGHT?

A A key element of BRIGHT is 'returns and efficiency focus'. In the year, we made good progress by reporting improved results and returning to profitability in headline terms. This is against the backdrop of weakening currencies in most of our markets and geopolitical challenges in the Middle East. Service revenue increased by 7,2%* on a constant currency basis, benefiting from good growth in the data and digital services delivered to our customers. We were particularly pleased to have maintained outgoing voice revenue at 2016's level, given the pressure on voice from OTT services.

We invested R31,5 billion in capex in the year, most of which went into extending our carrier network. The improvement made to data network quality and capacity across key markets supported the 34,2%* increase in data revenue and 14,2%* expansion in digital revenue.

For the year, we reported a 1,4-percentage point* (pp) decline in our EBITDA margin to 34,0%*. This was largely the result of higher foreign-currency-denominated expenses in Nigeria because of the depreciation of the naira against the US dollar, as well as fixed asset impairments for MTN Sudan (of R1,7 billion**) and MTN Syria (of R1,3 billion**).

That said, we had 2,0 pp* expansion in MTN South Africa's margin, resulting from lower handset subsidies and volumes and the impact of a stronger rand on handset costs. The group EBITDA margin also benefited from a R6 billion once-off profit early in the year when we exercised the right to exchange MTN's interest in Nigeria Tower InterCo B.V (INT) for a larger shareholding in its parent IHS Holding Limited (IHS). This was part of our work to simplify our exposure to Nigerian tower assets.

At year end, we recorded a R2,8 billion loss through the income statement on the derecognition of a long-term loan we had made to INT when MTN had originally sold the group's 8 800 Nigerian towers in 2014 and 2015. In exchange for writing off the loan, we agreed certain network volume commitments and more attractive commercial terms for all new tower leases from 2018. This will allow MTN Nigeria to invest in its network more efficiently and supports the further rollout of broadband and data services in the country.

Overall, we reported improved results for the group, generating headline earnings per share of 182 cents**. The board declared a final dividend of 450 cents, bringing to 700 cents the total dividend for the year.

The balance sheet remained strong, with gearing on a consolidated basis at 1,2x net debt:EBITDA and operating free cash flow improving to R11,4 billion.

Q What key financial challenges did the group face?

A The main challenge was volatile and weakening currencies. A weakening of currencies against the rand impacted rand-reported results, and a weakening of currencies against the dollar impacted local operational expenditure as well as capital expenditure in countries where we have costs denominated in dollars.

Economic conditions were challenging across many of our markets. However, there were some early signs of recovery with our two largest markets – Nigeria and South Africa – emerging from recession in the year. In Iran, economic growth slowed.

Despite stable-to-improving oil prices and oil production averaging two million barrels per day, Nigeria experienced a weakening naira and challenges with the availability of hard currency. The launch in April 2017 of the Nigerian Autonomous Foreign Exchange (NAFEX) market led to a clear improvement in liquidity, but by year end the naira was 27,4% weaker against the rand. The rand also gained ground on the US dollar, rial and cedi, ending the year 10,7%, 22,8% and 16,1% stronger respectively.

Q What progress did MTN make on embedding effective risk and compliance practices?

A This is a critical element of the 'hearts and minds' pillar of our BRIGHT strategy. We further enhanced key risk frameworks and methodologies to ensure consistent application across the organisation, and introduced new risk appetite and tolerance methodology. We also made significant progress in our approach to managing compliance.

MTN set some specific financial targets for 2017. Were these met?

This table shows how we delivered against the guidance we provided to the market:

	Guidance for 2017	Performance vs guidance	Status
MTN South Africa service revenue growth	Mid single-digit	3,9%^	●
MTN South Africa EBITDA margin	Up 0,5 to 1,0 pp	Up 2,0 pp to 34,6%	●
MTN Nigeria revenue growth	Upper single-digit	11,4%	●
Group capex	R30 billion	R31,5 billion	●
Dividend (per share)	700 cents	700 cents	●

^Organic revenue adjusts for prior year disposals and alignment of postpaid carry over rules.
• Met guidance.
• Partially achieved guidance.

What are your financial targets over the medium term?

We expect the initiatives we have established as part of BRIGHT to deliver growth and attractive total shareholder returns. Over the next few years we expect to deliver upper single-digit constant currency growth in service revenue for the group, driven by mid single-digit growth in South Africa and double-digit growth in Nigeria. Over the same period, we expect to see an expansion in group EBITDA margins.

Our extensive capex investments in 2017 allowed us to show a credible improvement in our networks in many markets. This will be important in ensuring the business is able to provide a superior customer experience and competitive data networks which will support the growing demand for data and digital services. Over the next few years we expect group capex intensity, which measures our efficiency in deploying assets, to moderate within a range of 20% to 15%.

We want to have an optimally geared balance sheet that is aligned to the risk profile of the business, as well as providing the financial flexibility for MTN to participate in growth opportunities as these arise. We will target an adjusted holding company gearing of 2,0 to 2,5x over the medium term. As at end of 2017 that gearing level was 2,7x.

MTN is planning to list its operations in Nigeria and Ghana. How does MTN think about capital allocation for proceeds that may come from listings and asset sales?

Firstly, the MTN operations in Nigeria and Ghana are excellent businesses, with strong market positions and leading networks. We are not looking at these listings as significant monetisation opportunities and we are listing to meet regulatory requirements. IHS is a major asset, but we would look to partially monetise it over time. In the medium term, any proceeds from listings and asset sales would be prioritised as follows: deleveraging; investing in growth opportunities; share buybacks and; finally, special dividend distributions.

Key financial tables

Key financial tables continued

Selected financial results information

	2017 Rm	2016 Rm	% change reported	% change constant currency*
Revenue	**132 815**	147 920	(10,2)	6,8
Service revenue	**124 409**	139 430	(10,8)	7,2
EBITDA	**46 955**	40 751	15,2	2,5
Depreciation, amortisation and impairment of goodwill	**26 398**	26 609	(0,8)	13,4
EBIT	**20 557**	14 142	45,4	(8,2)
Net finance cost	**9 267**	10 495	(11,7)	(0,9)
Loss on derecognition of loans and receivables	**2 840**	–	100,0	–
Monetary gain	**264**	1 723	(84,7)	–
Share of results from associates and JVs	**841**	(127)	NM	NM
Profit before tax	**9 555**	5 243	82,2	(22,9)
Income tax expense	**5 014**	8 346	(39,9)	(18,5)
Profit after tax	**4 541**	(3 103)	NM	(26,2)
Attributable to:				
Equity holders of the company	**4 414**	(2 614)	NM	(100,0)
Non-controlling interests	**127**	(489)	NM	(18,7)
EPS (cents)	**246**	(144)	NM	
HEPS (cents)	**182**	(77)	NM	

This information has been extracted from the MTN Group Limited financial results for the year ended 31 December 2017.

Commentary

Data (34,2%*) and digital (14,2%*) are the main contributors to the constant currency growth. Voice trends continue to decline (-0,2%*).

Dollar-denominated lease costs in Nigeria driving up costs and directly impacting EBITDA.

Loss recognised on derecognition of the loan receivable from IHS.

Exercise of IHS exchange right resulting in lower losses in 2017, offset by lower income from Iran. Overall share of results remain positive.

2016 numbers were impacted by the Nigerian regulatory fine.

Selected financial position information

	2017 Rm	2016 Rm	Movement %
Property, plant and equipment	**91 786**	95 633	(4,0)
Goodwill and other intangible assets	**38 330**	46 473	(17,5)
Other non-current assets	**52 399**	46 983	11,5
Current assets	**59 900**	79 611	(24,8)
Total assets	**242 415**	268 700	(9,8)
Total equity	**94 267**	105 231	(10,4)
Interest-bearing liabilities	**79 720**	86 954	(8,3)
Other liabilities	**62 428**	76 515	(10,6)
Total equity and liabilities	**242 415**	268 700	(9,8)
Net debt	**57 145**	51 902	10,1

This information has been extracted from the MTN Group Limited financial results for the year ended 31 December 2017.

Commentary

Net decrease as a result of impairments (R2,5bn**), depreciation (R19bn**) and forex translation impacts (R9,9bn**) offset by additions of R28bn**.

Increase mainly as a result of the exercise of the IHS exchange right.

Decrease as a result of lower trade and other receivables and lower cash balances at year end.

Selected cash flow information

	2017 Rm	2016 Rm	Change %
Cash generated from operations	**38 484**	55 681	(30,9)
Dividends paid to equity holders of the company	**(12 565)**	(19 792)	36,5
Dividends paid to non-controlling interests	**(956)**	(1 178)	18,8
Dividends received from associates and joint ventures	**7 129**	692	NM
Net interest paid	**(802)**	(2 983)	73,1
Tax paid	**(7 596)**	(11 704)	35,1
Cash generated by operating activities	**23 694**	20 716	14,4
Acquisition of property, plant and equipment, and intangible assets	**(26 661)**	(35 247)	24,4
Movement in other investing activities	**(924)**	(5 161)	82,1
Cash used in investing activities	**(27 585)**	(40 408)	31,7
Cash used in financing activities	**(4 919)**	20 951	123,5
Net cash movement	**(8 810)**	1 259	NM
Cash and cash equivalents at the beginning of the year	**27 375**	34 139	(19,8)
Effect of exchange rates and net monetary gain	**(2 628)**	(8 023)	(67,2)
Cash and cash equivalents at the end of the year	**15 937**	27 375	(41,8)

This information has been extracted from the MTN Group Limited financial results for the year ended 31 December 2017.

Commentary

Includes dividends of R6,5 billion received from Iran.

Lower outflow in 2017 driven by lower interest paid in Ghana, Sudan and head offices, as well as higher interest received in Nigeria as a result of early redemption of treasury bills (which increased the cash balance).

Decrease driven by lower capex spend in 2017 and forex impacting translation resulting in lower cash payments in the year at group level.

Lower outflow in 2017 as a result of Nigeria early redemption of treasury bills.

Net outflow as a result of head offices repaying borrowings facilities and relating interest.

Explanation on how we report our numbers

Certain financial information presented in this integrated report constitutes pro forma financial information. The *pro forma* financial information is the responsibility of the group's board of directors and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, and results of operations or cash flows. The pro forma financial information, indicated with a "*" in this integrated report has been extracted from the MTN Group Limited financial results for the year ended 31 December 2017 in respect of which PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. issued an assurance report (on the *pro forma* financial information as included therein). The pro forma financial information included in this integrated report has in itself not been subjected to a separate assurance engagement.

The financial information presented in this integrated report has been prepared excluding the impact of hyperinflation and the relating goodwill and asset impairments, tower profits (including the profit realised on the exercise of the IHS exchange right whereby the group's interest in the Nigeria tower company was exchanged for additional shareholding in IHS Holding Limited), the loss on derecognition of the long-term loan receivable from IHS, the Nigerian regulatory fine (consisting of the remeasurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability) and IFRS 2 share-based payment expense related to Zakhele Futhi ('the *pro forma* adjustments') and constitutes *pro forma* financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated financial statements for the year ended 31 December 2017. This *pro forma* financial information has been presented to eliminate the impact of the *pro forma* adjustments from the financial results in order to achieve a comparable analysis year on year. The *pro forma* adjustments have been calculated in terms of the group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2017.

Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the current financial reporting period's results have been adjusted to the prior period average exchange rates determined as the average of the monthly exchange rates. The measurement has been performed for each of the group's currencies, materially being that of the US dollar and Nigerian naira. The constant currency growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. Hyperinflation accounting was discontinued for MTN Irancell and MTN Sudan on 1 July 2015 and 1 July 2016 respectively. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting was applied from December 2016 onwards.

BRIGHT performance and plans

Best customer experience

Best customer experience is great for our customers, but also great for MTN: we see the benefit in our profits when we get it right. We measure it by looking at the extent to which our NPS compares with that of our next best competitor.

We should see the benefits in our ability to bring on more customers than our natural market share, growing this over time. In markets where we have a price premium, best customer experience allows us to protect and even grow the price premium.

Our 2022 aspirations

- Lead market in overall NPS
- Reduce monthly churn
- Achieve best brand in markets

How we will achieve these

- Revamp the customer experience at each touchpoint and along the entire customer journey.
- Refresh the brand to communicate a brighter MTN.
- Be pro-consumer by providing a world-class point-of-sale experience that is easy, personal, in control and connected.

Details of our performance in 2017

- Increased relative brand NPS in all regions; lifted brand health to highest level since Q1 2015.

	South Africa	Nigeria	Iran	Uganda	Ghana	Cameroon	Ivory Coast
NPS ranking	Co-#1	#2	#1	#1	#4	#2	#3
Change in score since H1 17	(5%)	13%	(14%)	10%	17%	47%	20%

- Set up a four-point programme to ensure better customer experience.
- Launched a refreshed brand identity across all markets.
- Rolled out a new, much more comprehensive NPS survey which is likely the largest tender conducted for research in Africa.
- Outsourced call centres in 11 markets to improve service levels.
- Deployed MyMTNapp across 17 markets; achieved 12,2 million downloads.

Our focus in 2018

Optimise high-volume customer journeys	Extend our focus beyond the drivers of value and network

Saying *Y'ello* to our refreshed corporate identity

Our brand positioning of **BRIGHTer LIVES** influences every aspect of our business. In 2017 we developed a new corporate identity, which is our face to the world. Our brand personality is:
exciting, fun, bold, and optimistic.

We enhanced our brand assets, including introducing a bespoke font and our distinctive greeting, ***Y'ello***: a welcome, an invitation and a promise of something more.

y'ello

to brighter lives

Returns and efficiency focus

For long-term success, in addition to looking after our people and customers, we must also look after our shareholders. **We are clear on what we are asked to deliver: returns.**

We must make sure we put the investment where the returns are. When it comes to efficiency we need to make sure that we extract the benefits of scale in each MTN country, but also as MTN Group: we must leverage the power of being a group.

Our 2022 aspirations

- Improve ROIC
- Report top-quartile TSR
- Increase AFCF yield
- Improve EBITDA margin

How we will achieve these

- Leverage our scale in market by using our number one or two positions in all countries to win; and leverage our scale across markets to reap the benefits in terms of funding, procurement, commercial functional steering, brand and culture.
- Save to invest by choosing not to spend on certain elements and then investing those savings in areas where the returns are most favourable.
- Ensure return-based capital allocation by being very scientific about how and where we choose to invest and distribute profits.
- Focus on cash flows by tightly managing cash upstreaming from operations.

Details of our performance in 2017

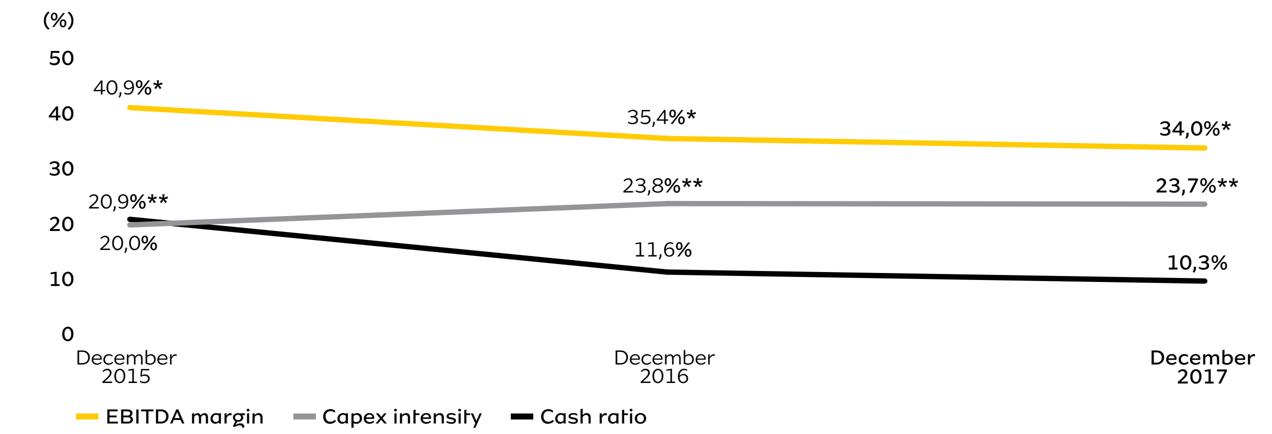
- Aligned our financial KPIs with BRIGHT.
- Stabilised our EBITDA margin in the second half to record a margin of 34,0%*. This was held back by higher foreign currency denominated expenses in Nigeria because of the depreciation of the naira.
- Recorded a decline in the cash ratio (measured by subtracting capex intensity from EBITDA margin), given the decline in the EBITDA margin and stable capital intensity in the year.
- Reduced capex unitary costs after completing the validation of our smart capex model. This addresses the challenges faced by every operator: how to prioritise our investments with limited resources amid increasing competitive pressure, while delivering profitable growth.
- Achieved TSR ranking of 19 in MSCI Emerging Markets Telecoms Index. This is better than the median of 22, but not yet in the top 12, which represents the top quartile.
- Reviewed the way we guide the market, introducing medium-term targets.
- Negotiated procurement savings of 15%.

Our focus in 2018

Roll out smart capex across the group

Successful IPOs of MTN Nigeria and MTN Ghana

Cash ratio



Medium-term targets

Adjusted holdco leverage[Δ]

2,0 to 2,5x

Improving

EBITDA margins

Dividend of

500 cents in 2018, growing 10% to 20% per year

Service revenue growth*

Group upper single-digit growth

South Africa
mid single-digit growth

Nigeria
double-digit growth

Capex intensity between

20% and 15%

[Δ] *Holdco net debt/SA EBITDA and cash upstreaming.*

Ignite commercial performance

The commercial performance of each of our opcos is the heartbeat of the business. It includes the campaigns we run, the products we offer and need to develop, how we market these and the sales targets we set.

It's the 'speed chess' of our industry: it involves lots of quick moves, but also planning 20 moves ahead because we want to win the game.

Our 2022 aspirations

- Grow subscribers to 300 million
- Grow market share
- Ensure stable voice revenue
- Grow enterprise and wholesale revenue

How we will achieve these

- Enhance customer value management (CVM) through investment in specialist skills, processes and technology.
- Increase business intelligence in sales and distribution channels.
- Implement segmented propositions and go-to-market plans which will result in the adoption of data by many more customers as well as maintain the value on voice.
- Grow enterprise by providing a relevant mix of products through appropriate channels.
- Launch wholesale business unit with focused commercial management.

Details of our performance in 2017

- Recorded 217 million subscribers and number one or two market position in all markets.
- Scaled up our CVM programme which is already showing early wins, including a boost to revenue in MTN Nigeria of 1% in December. As the programme gathers momentum, we target revenue improvements of 2% to 5% in the respective markets.
- Implemented CVM automated reporting and control group system capabilities across seven markets.
- Issued a comprehensive pricing guideline to all markets to improve yield and then conducted a compliance audit against these guidelines in five markets.
- Finalised the new enterprise approach across all markets.
- Issued an SME guide focusing on segmentation, channel reach and lead generation.
- Prioritised top 27 multinational accounts in the large enterprise segment with dedicated global account managers; approved plan for centralised support office for large bids.
- Approved definition of operating model, mandate and governance for our wholesale business MTNGlobalConnect.

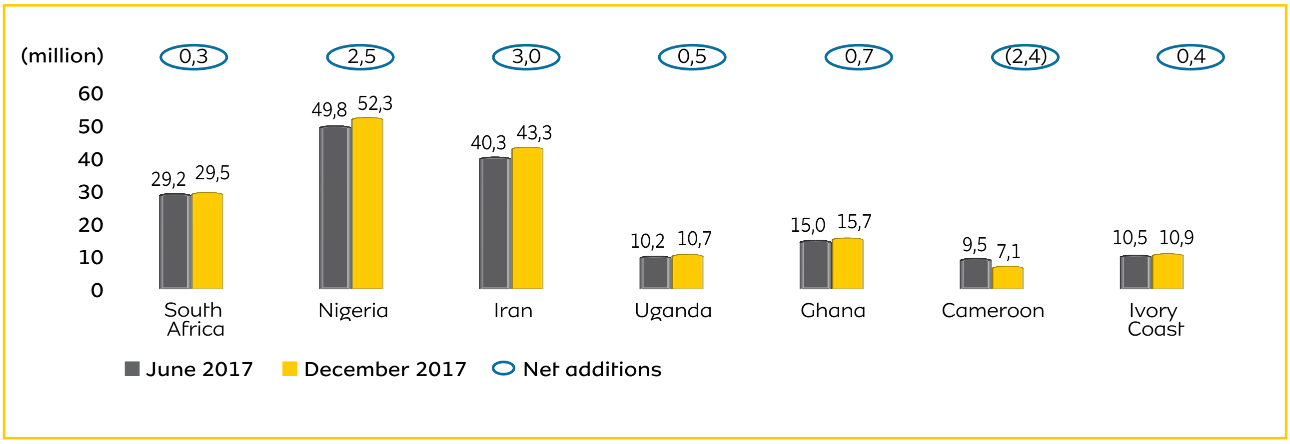
Commercial review of operations

Our focus in 2018

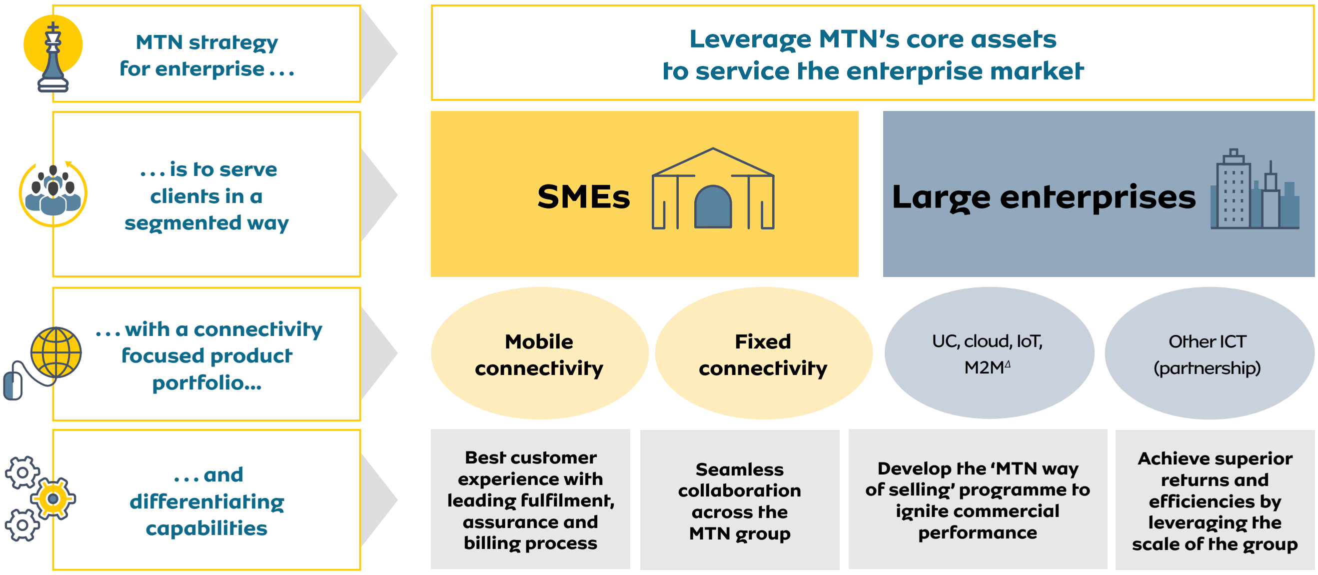
Continue to scale up CVM and personalised pricing

Deliver pipeline and sales in enterprise and wholesale businesses

Subscribers at 217 million in 2017



Effective enterprise



^Δ *Unified communication services, cloud, Internet of Things, machine to machine.*

Growth through data and digital

The big aspects of growth in our industry are data and digital. Data is about selling megabytes: **we want to bring another 130 million customers into the data world and reach 200 million data customers in the next few years**.

Our dual-data strategy is very important here: delivering high capacity 4G in cities and broad 3G coverage in rural areas. A big piece of digital is MTN Mobile Money (MoMo) because consumers really need an easy, affordable, transactional financial services product that has not been provided by the mainstream commercial banks. Who else will lead that if not MTN?

Our 2022 aspirations

Achieve 200 million data subscribers

Achieve 100 million digital subscriptions, including 60 million for MTN Mobile Money

How we will achieve these

- Implement dual-data strategy to drive data adoption. We will do this by addressing the high-value data segment (typically urban, high-end smartphone users) and the mass market (typically rural, low-cost handset users) by accelerating smartphone adoption and appropriate CVM and pricing techniques.
- Position MTN as a media and entertainment gateway through suitable partnerships with content providers.
- Scale up mobile financial services with focus on cash-in, cash-out and the payment ecosystem.

Details of our performance in 2017

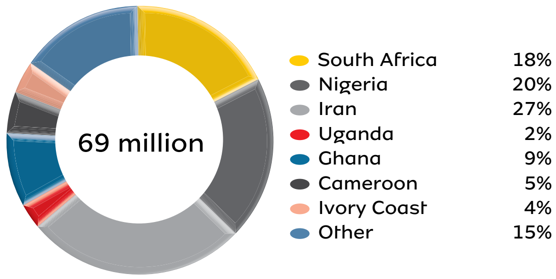
- Recorded 69 million active data users.
- Grew MTN Mobile Money.
- Grew data and digital contribution to revenue.
- Set up new smartphone acceleration programme achieving smartphone penetration of 41%.
- Kicked off our comprehensive dual-data strategy.
- Increased 3G and 4G population coverage (see page 53).
- Improved data throughput performance across the group (see page 52).
- Revamped data bundle propositions, including reduced out-of-bundle rates.
- Reduced data entry-level pricing.

Our focus in 2018

Operationalise our dual-data strategy

Scale up MTN Mobile Money rapidly, as well as rich-media subscriptions

Active data users in 2017



MTN Mobile Money in 2017

Active in **14** markets

22 million customers

Average ARPU US$1,10

+900K active MoMo subscribers in December 2017

4 600 transactions per minute

Transaction value **US$5,3bn** in December 2017

'Hearts' is all about the people in the company: motivation, engagement, talent, the very central role of the manager, communication and inspiring people around the strategy.

'Minds' is all about reputation: managing our corporate reputation, our approach to governance, risk and compliance and regulation, stakeholder management, public relations and corporate affairs.

Our 2022 aspirations

- Lead market in employee NPS
- Improve employee engagement
- Enhance reputation
- Ensure effective risk and compliance practices

How we will achieve these

- Develop high-performance culture and talent by building a working environment that fosters a productive and positive culture.
- Manage reputation proactively by embracing a stakeholder management framework that ensures shared value creation.
- Step up risk management, governance and transparency by actively managing risk and compliance.

Details of our performance in 2017

- Introduced modernised work spaces and collaboration technology as well as plans to build a great MTN culture to achieve the employee experience we target.
- Improved employee engagement and motivation; recruited specialist skills.
- Considered a revised stakeholder management approach to ensure stakeholder inclusivity and responsible corporate citizenship.
- Prepared to introduce a more integrated approach to CSI in pursuit of shared value by making better use of MTN's skills, assets and other institutional capabilities and ensure that this work is integrated into initiatives to deliver on BRIGHT.
- Reviewed MTN's risk management structures and policies and introduced new risk appetite and tolerance methodology.
- Started to split the functions of risk and compliance (the second line of defence) and internal audit (the third line of defence) to strengthen the risk and control environment. Calculated risk-bearing capacity and applied this through the revised risk tolerance and appetite framework.

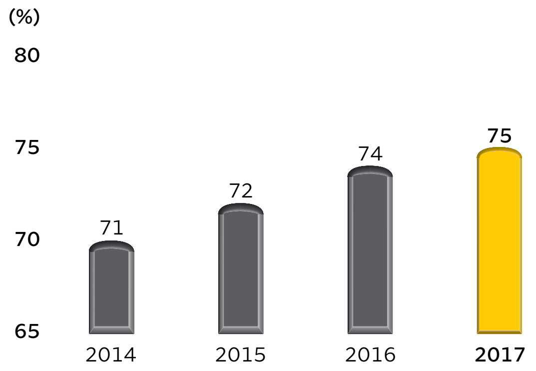
Our focus in 2018

Resolve difficult regulatory issues, particularly in Cameroon, Benin and South Sudan

Talent management and succession planning

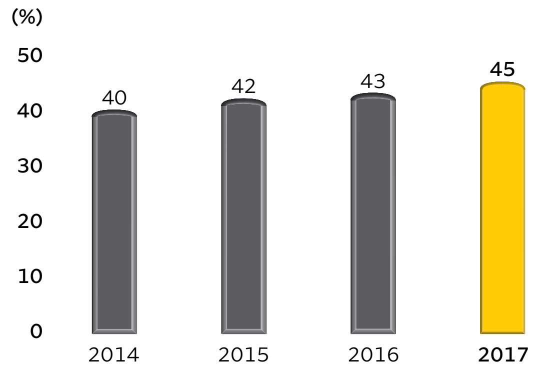
Enhancements to the risk management framework across opcos

Sustainable employee engagement score



Employee promoter score

Q: How likely are you to recommend MTN as a place to work?



Technology excellence

Technology excellence has two parts: network and IT. Customers mostly experience the network through the interface of technology – the world of IT blends with the world of network technology.

The key thing we are looking to ensure is technology excellence. We don't want to be second to anybody in the world of technology.

Our 2022 aspirations

- Lead market in network NPS
- Increase efficiency of customer-facing systems
- Increase population coverage
- Improve network quality

How we will achieve these

- Ensure targeted network rollout by strategically growing our 4G footprint and providing ubiquitous 3G coverage, while considering the trade-offs between technologies.
- Harmonise capex planning across functions and carefully monitor execution and tracking of benefits of harmonised planning.
- Ensure digital transformation of IT systems to ensure customer-driven operational excellence and service management.
- Improve efficiency across all technology operations.

Details of our performance in 2017

- Achieved #1 network NPS in several opcos.
- Delivered R31,5 billion in capex.
- Rolled out 8 583 3G sites and 8 611 4G sites.
- Achieved solid improvements in all voice metrics across the group, including:
  - 18 markets improved their 2G dropped call rate and 2G network availability.
  - 17 markets improved their 3G dropped call rate; 20 markets improved 3G network availability.
  - 13 markets improved their 4G network availability.
- Achieved strong improvements in all data network metrics across the group, including:
  - 14 markets improved their 3G throughput download speed; 16 markets improved their 4G throughput download speed.
  - 4G data volumes make up 43% of the total; 3G data volumes make up 54% of the total; 2G data volumes make up 3% of the total.
- MTN South Africa voted best quality network by MyBroadband in a three-month study; and co-best by Ookla. Also ranked best network by P3 Communications in tests carried out in January and February 2018.
- Assessed the business support systems of seven opcos to support our digital transformation.
- Standardised software and hardware in our networks.

Our focus in 2018

Expand data coverage across our markets	Digital platforms and transformation

Population coverage in 2017

South Africa	Nigeria
2G – 99%	2G – 90%
3G – 98%	3G – 67%
4G – 75%	4G – 13%

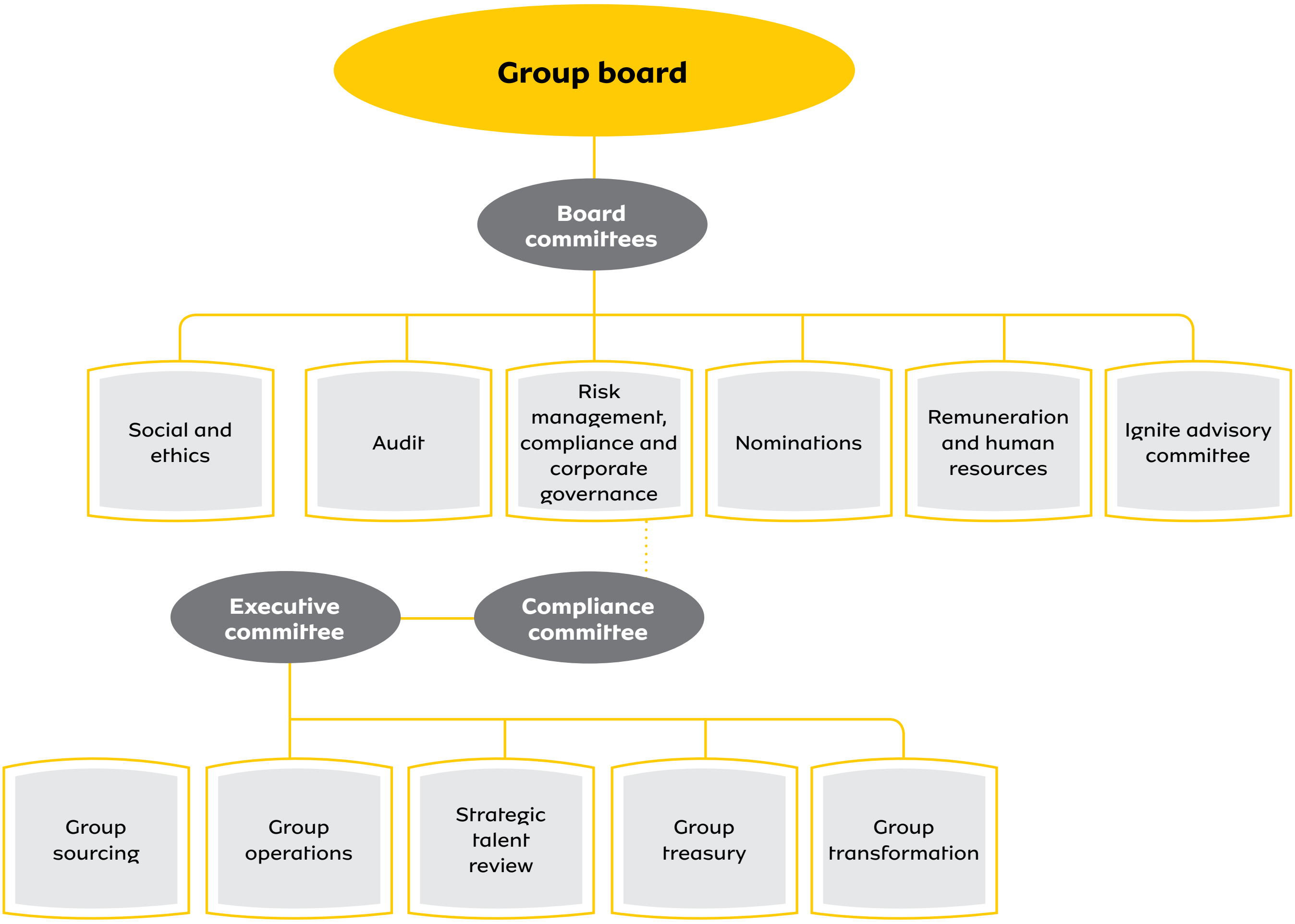
Iran	Uganda
2G – 86%	2G – 89%
3G – 67%	3G – 38%
4G – 41%	4G – 7%

Ghana	Cameroon
2G – 85%	2G – 93%
3G – 50%	3G – 70%
4G – 33%	4G – 40%

Ivory Coast
2G – 95%
3G – 83%
4G – 29%

Governance, people and remuneration

Governance structure



Commitment to ethical and effective governance

The board remains committed to good governance and international best practice standards. It is committed to ensuring an unequivocal tone from the top that requires a commitment by all directors and employees to the values of integrity, transparency and uninterrupted oversight over the company. This is to ensure that MTN monitors and addresses all governance issues within its operating units GR

In 2017, the company focused on reviewing its application and adherence to the 17 King IV principles. In 2018, there will be a continued focus on addressing any gaps identified in terms of King IV. The board is satisfied, however, that MTN has substantially applied the King IV principles. More information on the application of the 17 King IV principles is set out on our website. KIV

Leadership

Role of the board

The board is responsible for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. It fulfilled all these responsibilities in the year.

Key achievements in accordance with the board charter

Contribute to and approve strategy	Approved new BRIGHT strategy. In 2018 there will be greater focus on delivery.
Provide oversight of performance against targets and objectives	Board received regular reports in order to perform its oversight and provide guidance on key performance areas.
Provide oversight on key risk areas	Adopted new risk tolerance and risk appetite framework aimed at enhancing the risk identification and monitoring process.
Overseeing the enhancement of relationships with stakeholders	Considered a new stakeholder matrix which will ensure that the company enhances its key relationships with stakeholders, this matrix will be approved in 2018.
Ensure that the company is playing its role as a responsible corporate citizen	Each year a portion of the net profits of MTN are funnelled into the foundations and other structures in order to identify and address the needs of the countries in which we operate. The group is determined to continue making its mark in our communities.
Review the dividend policy	Rebased the dividend.

Board appointments and resignations

We welcomed Rob Shuter as the new group president and CEO with effect from 13 March 2017 and Ralph Mupita as group chief financial officer with effect from 3 April 2017.

Following Rob's commencement, Phuthuma Nhleko stepped down from his role as executive chairman and reverted to his role as the non-executive chairman of the group.

Retirement of directors

In line with the Companies Act, MTN's memorandum of incorporation requires new directors to be subject to an election at the first annual general meeting (AGM) following their appointment. Directors are also subject to retirement every three years, subject to an evaluation conducted by the board, assisted by the nominations committee.

On 25 May 2017, we announced that Alan van Biljon, who had been serving on the board since 2002, would step down on 31 December 2017. Alan Harper replaced Alan van Biljon as the new lead independent director. He will continue to lead the board in any instances where the chairman (who is not independent) is conflicted. We also announced that Phuthuma Nhleko would step down as chairman in December 2018.

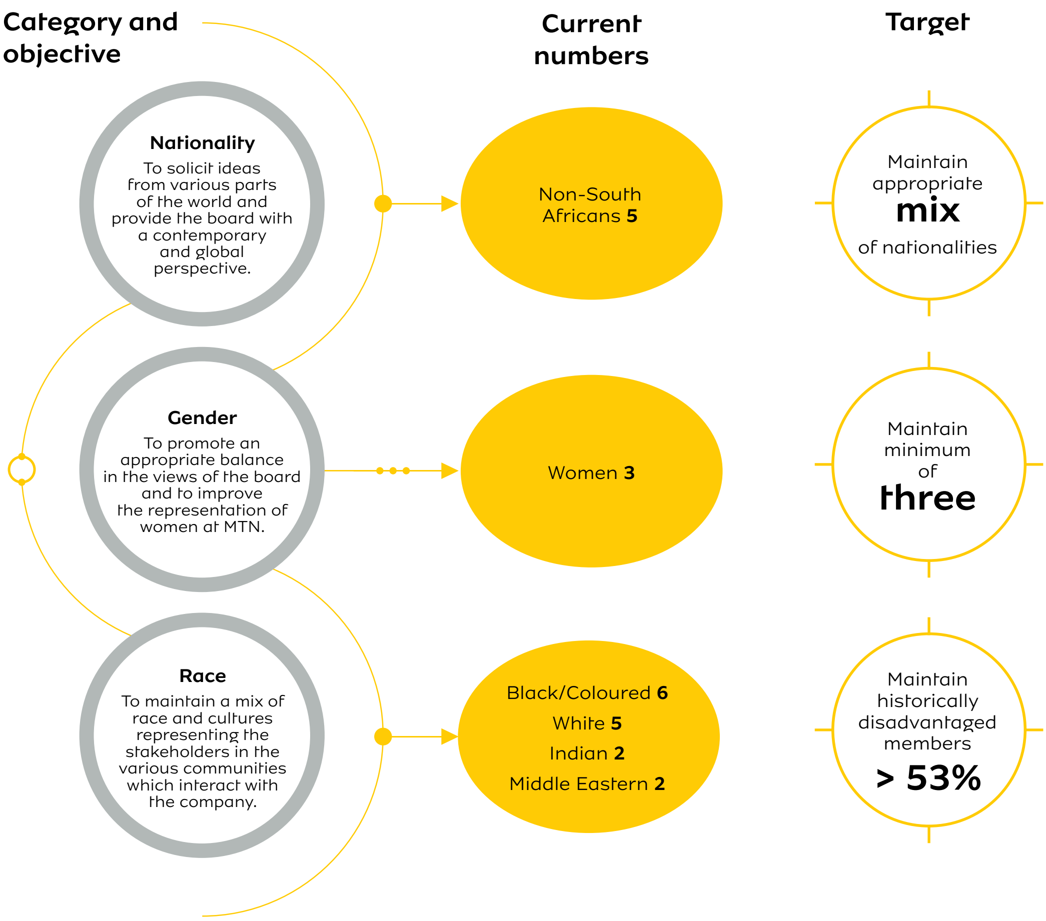
Directors who have served on the board for a period of in excess of nine years retire at every AGM and are re-elected following a review of their independence and objectivity in carrying out their duties. Three directors will be retiring as a result of having served on the board for an aggregate period in excess of nine years.

This exercise ensures that shareholders have the opportunity to exercise their vote with regard to whether the MTN board has appointed the most appropriate directors to meet the best interests of the company.

Diversity and composition of the board

MTN acknowledges that diversity gives the board the benefit of different perspectives and ideas. We have a unitary board, consisting of an appropriate mix of knowledge and skills. The board has executive and non-executive directors (including independent non-executive directors) who represent a broad spectrum of demographic attributes and characteristics. In the year, MTN adopted a diversity component which is included in the directors' appointment policy. The revised policy takes into consideration various categories of diversity as shown in the graphics that follow. The diverse perspectives of directors allow for proper strategic oversight as well as robust deliberation during board meetings.

Since race and gender are important attributes that contribute to a balanced composition of the board, the board recognises the need to improve the representation of women on the board and ensuring that an appropriate mix of races is represented on the board.



Category and objective	Current numbers	Target
Age To ensure that there is young and dynamic leadership to complement the experience and institutional knowledge of older directors.	40 – 49 **2** 50 – 59 **8** 60 – 69 **4** 70 – 79 **1**	Maintain appropriate **mix** of ages
Independent non-executive directors To promote objectivity and reduce the possibility of conflicts of interest.	**11**	**Majority** of members
Non-executive directors (non-independent)	**2**	
Executive directors To take charge of the execution of the board's strategic plans.	**2**	**CEO** and **CFO**
Tenure To ensure that there is an appropriate mix of institutional knowledge and experience and fresh new perspectives.	Years : **members** 0 – 3 : **7** 3 – 6 : **1** 6 – 9 : **3** 9 – 12 : **4**	**If > 9 years** review every year and present to shareholders for re-election.
Skills/experience To ensure that the board has sufficient skills to execute MTN's strategy.	Finance **6** Legal **0** General business/ commercial **6** Strategy and business leadership **3** Telecoms **4** Human resources **0**	Appropriate **mix** of skills and experience.

Board committees

The board has delegated its authority to various board committees with the mandate to deal with governance issues and report to the board on their activities on a quarterly basis. Each committee operates under terms of reference which set out roles and responsibilities, composition and scope of authority. These are reviewed on an annual basis.

The board is satisfied that in 2017 the committees effectively discharged their responsibilities, in accordance with their respective terms of reference.

Risk management, compliance and corporate governance committee

Peter Mageza
Chairman

"The industry is transforming, from one driven by voice to one dominated by data and digital. This, along with changing customer demands and more onerous regulatory requirements, means that MTN's operating environment remains both complex and dynamic. While taking advantage of the opportunities on offer, MTN needs to be cognisant of the related risks and ensure that these are appropriately mitigated in the markets in which the group operates. This necessitates even greater assessment and oversight by the committee. We continue to guide the group on managing strategic, operational and topical risks: those with the potential to impact the delivery of the group strategy, the day-to-day risks faced by opcos, as well as the risks that arise from developments in MTN's environment. Ensuring a robust compliance model remains essential."

Members	Attendance
Peter Mageza (chairman)	4/4
Koosum Kalyan	4/4
Shaygan Kheradpir	3/4
Dawn Marole	4/4
Stanley Miller	3/4
Nkunku Sowazi (appointed 25 May 2017)	1/4

By invitation: Chairman of the audit committee, group president and CEO, group CFO, group business risk officer, external auditors

Mandate

The committee works to improve the efficiency of the board and assist it in discharging its duties, which include identifying, considering and monitoring risks impacting the company and ensuring compliance with prevailing legislation and other statutory requirements, including corporate governance frameworks.

Key activities in 2017

- Reviewed MTN's risk management structures, policies and methodologies
- Focused attention on cyber security risks and vulnerabilities and assessed the potential impact of cybercrime on the organisation and MTN's readiness to manage such eventualities
- Introduced new risk appetite and tolerance methodology
- Monitored among others, the corporate governance framework, including regulatory and listings requirements and business practices, with the objective of strengthening risk management processes
- Continued to evaluate and monitor MTN's business continuity approach and processes across the group as well as the group's insurance programme
- Ensured that all opcos have compliance processes in place to keep abreast of local standards and procedures pursuant to any changes in laws applicable to MTN's markets
- Ensured appropriate risk management practices are in place to support the group's growth agenda
- Assessed the risks of key strategic projects.

Key focus areas for 2018

- Embed risk appetite and tolerance methodology
- Continue to benchmark our risks and exposure to both industry-specific risks and those emanating from the socio-political and economic environment
- Continue to review and align MTN's top risks to industry guidance, as well as those impacting our strategy and functions, while remaining sensitive to the dynamics of MTN markets
- Identify some of the best demonstrated operational risk management processes in particular markets and embed these across the group
- Continue to focus on addressing any gaps identified in MTN's application of King IV
- Oversee the implementation of a revised risk and compliance operating model.

Social and ethics committee

Koosum Kalyan
Chairman

"The committee assists the board and management in ensuring that the group's reputation is based on a solid ethical foundation and that it is a responsible and ethical corporate citizen. This contributes to enabling a sustainable business that delivers inclusive growth. In the year, the committee continued to monitor the progress of the implementation of MTN's ethics management programme and on ensuring that the CEOs of all our operations took responsibility for ethics management. Management and employees understand just how essential it is that everyone takes personal ownership of ethics management.

We started to evolve our approach to long-term sustainability and corporate social responsibility and social investment to ensure that the company creates shared value for shareholders and communities. We will do this by making better use of MTN's institutional capabilities.

In terms of BEE requirements, we will continue to drive transformation of MTN South Africa's supply chain by introducing more black-owned as well as black-women-owned suppliers."

More information on the work of the social and ethics committee is set out in the social and ethics committee report on our website. SE

Members	Attendance
Koosum Kalyan (chairman)	4/4
Peter Mageza	4/4
Dawn Marole	4/4
Jeff van Rooyen	4/4

By invitation: Group president and CEO, group chief human resources officer, group business risk officer

Mandate

The committee performs an oversight and monitoring role to ensure that MTN's business is conducted in an ethical and properly governed manner. It also monitors the development or review of policies, governance structures and existing practices. The committee's responsibilities include:
- Holding the group president and CEO accountable for MTN's ethics performance
- Monitoring activities regarding legislation and codes of good practice
- Ensuring good corporate citizenship including promoting equality; preventing unfair discrimination and fraud, bribery and corruption; deterring human rights violations; and contributing to community development
- Ensuring sound consumer relations monitoring the impact of MTN's activities and that of its products and services
- Overseeing meaningful broad-based black economic empowerment (BBBEE) in MTN South Africa.

Key activities in 2017
- Oversaw the implementation of the ethics management programme, including the revision of key ethics structures and policies and a new supplier code of conduct as well as carrying out ethics training
- Considered a revised stakeholder, issues and reputation management approach
- Took responsibility for the sustainability framework and sustainability reporting
- Identified two significant sustainability projects, including a solar energy flagship project, to implement in 2018
- Reviewed the activities of the MTN foundations and other CSI initiatives as we prepare to introduce a more integrated approach
- Oversaw progress by South African businesses under the amended BEE ICT sector code, which has significantly higher recognition levels.

Key focus areas for 2018
- Continue to evolve MTN's CSI approach in pursuit of shared value by making better use of MTN's institutional capabilities, and ensure that this work is integrated into initiatives to deliver on BRIGHT
- Oversee MTN's work to bring households solar energy boxes with connectivity functionality
- Oversee the implementation of a more structured and inclusive approach to stakeholder management, which is in line with the principles of King IV and monitors the health of our relationships
- Oversee MTN South Africa's efforts to develop an enterprise and supplier development policy to transform the supply chain by introducing 51% black-owned entities, 30% black-women-owned entities as well as exempt micro enterprises and qualifying small enterprises
- Ensure the primacy of ethics at MTN: business must be done in an ethical, safe and responsible way.

Audit committee

Christine Ramon
Chairman

"The role of the audit committee has never been more fundamental in ensuring that trust and integrity are maintained over corporate reporting, entrenched by the efficiency of internal controls, the effectiveness of the internal audit function, the independence of external auditors and optimised through a combined assurance model.

The group has made substantial progress on improvements in the internal control environment, most notably in its larger operations in South Africa and Nigeria. Sustaining the actions initiated and maintaining the positive momentum remain a priority. Internal controls relating to subscriber registration, cyber security and Mobile Money were key focus areas during 2017.

The implementation of a revised second and third line assurance model will gear the organisation to deal with the challenges faced and strengthen the current combined assurance model. These actions will be supported by initiatives to standardise policies and procedures across the group.

Despite the progress noted to date, MTN faces challenges posed in conflict markets such as Syria, Afghanistan, South Sudan and Yemen, coupled with regulatory uncertainties in markets such as Benin, Cameroon and Rwanda."

More information on the audit committee is set out in the audit committee report in the AFS. AFS

Members	Attendance
Christine Ramon (chairman)	4/4
Peter Mageza	4/4
Paul Hanratty	4/4
Jeff van Rooyen	4/4

By invitation: Group president and CEO, group CFO, head of internal audit, head of technical accounting and financial reporting, external auditors

Mandate

The audit committee assists the board in discharging its duties by monitoring the strength of the operational, financial and control processes. These include internal financial controls and ensuring that assurance services and functions enable an effective control environment and that these support the integrity of information produced in compliance with applicable legal and regulatory requirements.

Key activities in 2017

- Considered the appropriateness of management judgement and the accounting treatment of significant transactions
- Reviewed the appropriateness of accounting policies applied and progress on adoption of new accounting standards
- Reviewed the effectiveness of the internal audit function and its assessment of the internal financial controls
- Reviewed reports from internal and external auditors and considered the appropriateness of responses from management
- Considered the independence of the external auditors and reviewed the limits on non-audit services
- Considered the consequences of new mandatory audit firm rotation regulations
- Evaluated the solvency, liquidity and going concern status of the group
- Confirmed the integrity of the integrated report and annual financial statements
- Reviewed group tax exposures and assessed the appropriateness of the group's tax policies
- Assessed revenue leakage control environment and assessed related leakage exposure for the group
- Reviewed group treasury reports, group funding requirements, credit ratings and recommended financing proposals to the board
- Received regular updates from management on the repatriation of funds from sanctioned territories
- Reviewed fraud and whistleblowing reports and that appropriate management action is taken as regards the control environment and consequence management
- Reviewed the trading and market updates and the interim and full year results announcements
- Reviewed the expertise, experience and performance of the finance function and group CFO
- Reviewed progress on litigation and legal exposure.

Key focus areas for 2018

- Implement a model to separate and strengthen the second and third lines of defence in the organisation
- Further strengthen the internal control environment
- Monitor regulatory compliance and further strengthen maturity of compliance structures
- Continue to focus on ethics and culture
- Review progress on adoption of new accounting standards
- Extract efficiencies of a combined assurance model
- Continue to facilitate a fair and balanced approach to corporate reporting.

Remuneration and human resources committee

Alan Harper
Chairman

"The committee's major focus in 2017 was related to rebuilding the management team: making sure we had the right remuneration policy, incentive arrangements and employment equity in place. We evolved the short-term and long-term incentive packages, making them suitable to recruit the people we need, as well as incentivise existing senior management. We also focused on succession planning. I am very satisfied at how the new management team has established itself and created a clear strategic direction for MTN as well as differentiation in the marketplace."

Members	Attendance
Alan Harper (chairman)	4/4
Azmi Mikati	4/4
Phuthuma Nhleko	4/4
Nkunku Sowazi	3/4
Jeff van Rooyen	4/4

By invitation: Group president and CEO, group CFO, group chief human resources officer

Mandate
The committee oversees the formulation of a remuneration philosophy and human resources approach. This is to ensure that MTN employs and retains the best human capital possible for its business needs and maximises the potential of its employees.

Key activities in 2017
- Reviewed MTN's remuneration policies to facilitate the attraction of new senior management and the retention of critical specialist skills
- Enhanced MTN's short-term and long-term incentive schemes
- Continued to work on improving succession planning at MTN
- Recorded support of 62,2% of shareholders for MTN's remuneration policy at the AGM in May 2017. This was less than we would have liked. We will continue to engage with shareholders in an effort to gain their support.

Key focus areas for 2018
- Better align MTN remuneration policies to King IV principles
- Continue to focus on the strength in-depth of the leadership team, ensuring that we have the right skills and employee base in terms of gender and race
- Oversee review of existing benefits, particularly of mobility employees, and review of other remuneration-related policies and governance structures
- Continue to work to align pay for performance with shareholders' interests
- Engage directly with shareholders on remuneration policy
- Maintain our focus on enhancing succession planning at MTN.

Over and above the board and committee meetings, additional *ad hoc* board meetings were held to address various board initiatives. These meetings are not included in the register of attendance of meetings. The total number of such meetings is 14. The *ad hoc* meetings, including the annual board pre-budget discussion session, have been accounted for in the fee schedule.

Meetings attendance register 2017

Names	Scheduled board (6)	Special board (2)	Risk (4)	Special audit (6)	Audit (4)	Nominations (1)	Remco (4)	Social and ethics (4)
PF Nhleko	6	2				1	4	
R Shuter^ (by invitation)	5	2	3	1	3		3	3
PB Hanratty	6	2		6	4			
A Harper	6	2				1	4	
KP Kalyan	6	2	4					4
S Kheradpir	6	1	3					
NP Mageza	4	2	4	5	4			4
SP Miller	6	2	3					
MLD Marole	5	2	4					4
AT Mikati	6	2				1	4	
NL Sowazi[†]	6	2	1			1	3	
KC Ramon	6	2	4	6	4			
AF van Biljon	6	2				1		
J van Rooyen	6	2		6	4		4	4
RT Mupita[‡] (by invitation)	5	2	3	2	3		3	

^ Appointed 13 March 2017.
[‡] Appointed 3 April 2017.
[†] Appointed to the risk committee on 25 May 2017.

Delegation of authority

The roles and duties of the chairman and group president and CEO are separate and clearly defined. This division of responsibilities ensures a balance of authority with no individual having unrestricted decision-making powers.

While the board plays an oversight role over the company, the group president and CEO and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority.

The company's delegated structures, which include the board committees, encourage and promote open discussion which enhances the board's monitoring function over all areas of the company.

Director development

In order to ensure that all directors on both the board and committees of the company are adequately equipped with the latest information and knowledge relating to the business of MTN and to continuously support them in their role as directors, the company endeavours to provide ongoing training relating to general management, corporate governance, laws and regulations and best practices affecting the business. In 2017, MTN provided the board with training on the applicable amendments to the JSE Listings Requirements. In 2018, we wish to continue with training and development for directors.

Group secretary

Directors engage with the group secretary regularly for governance and regulatory advice. She also ensures the proper administration of the board and adherence to sound ethical practices.

The performance of the group secretary, as well as her relationship with the board, is assessed on an annual basis by the nominations committee and the board. The assessment considers the competency, qualifications and experience of the group secretary and whether she maintains an arm's-length relationship with the board. For the reporting period, the board is satisfied that she is suitably qualified and her relationship with the board is adequate to ensure her independence from director influence or conflict of interest.

Directors' dealings

The company continued to enforce closed periods prohibiting trading in shares by directors, senior executives and employees in terms of the company's share dealing and insider trading policies. The company imposes financial closed periods on all employees. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS and any period when the company is trading under a cautionary announcement. Directors are made aware of their obligations in terms of the JSE Listings Requirements.

Business practices and ethics

In 2017, the board continued to strive to ensure that ethics is the foundation of how MTN operates and that corporate governance best practices were adhered to. With the application of the new King IV principles the directors enhanced their oversight of ethics by being more proactive in dealing with ethics. To this end, the CEOs of all the operating entities were each required to present a report to the social and ethics committee on their plans regarding the further entrenchment of ethics, key challenges and achievements.

It was evident that the operating companies still faced obstacles which staggered their progress in ethics management; however, the process has been more closely monitored by the board. As a result of its oversight, the board recognised that a lack of resources, language and cultural barriers and changing the mindset of some employees need to be focus areas going forward.

Despite the setbacks highlighted above, each operating company continues to strive to further entrench ethics and has taken a firm stance against bribery and corruption. Each company is supported by ethics champions who provide effective guidance, encourage employees to report all instances of fraud through the whistle-blowing hotline and ensure that the company's ethics are efficiently implemented and reported to the group's social and ethics committee on a quarterly basis.

The board also continued to manage conflicts of interest and ensured that the interests of the company were always at the forefront in all decision-making processes.

The company also continues to safeguard the interests of stakeholders, such as the community, employees, customers and suppliers, by monitoring MTN's activities with regard to social and economic development, corporate citizenship, consumer relationships, the environment, health and public safety and labour and employment matters.

Monitoring, oversight and risk management

MTN's corporate governance structure ensures effective internal controls and monitors the management of significant matters. The audit committee, as well as the risk management, compliance and corporate governance committee provide an environment in which challenging issues can be considered and monitored.

As required by principle 11 of King IV, the strategic and operational risk management framework of the company focuses on various risks that could affect the company's customer experience, operational agility, cost competitiveness and stakeholder confidence. This is done through a robust risk methodology that analyses not only what the company does, but also how it is done, to guarantee sustainable economic viability, make the most of market opportunities and serve a rapidly changing market.

Performance management

The board stresses the importance of promoting a healthy workplace environment which embraces ethics and compliance through established policies based on the values of integrity, leadership, innovation, relationships and 'can do' as well as the vital behaviours. It promotes targeted results in a transparent and systematic manner which ensures that the company's employees are productive, provide efficient services and demonstrate the required knowledge, skills, behaviour, competencies and engagement to perform their duties to the best of their ability.

MTN's remuneration philosophy is aligned to the BRIGHT strategy and directly linked to each employee's key performance indicators (KPIs). These KPIs are measured through the performance management system. In 2018, MTN will provide shareholders with an implementation report to illustrate how the remuneration philosophy for directors and prescribed officers is implemented.

Like any organisation, there are instances of unsatisfactory employee performance; however, MTN endeavours to address such issues expeditiously through internal company procedures in line with the disciplinary process and its performance management system.

Disclosure, reporting and transparency

Disclosure, reporting and transparency are fundamental components of MTN's corporate governance framework. The company aims to be transparent and accountable to stakeholders to enable them to make an informed decision about their association with MTN.

MTN endeavours to provide timeous disclosure, especially regarding material issues, the company continues to review its policies and procedures that govern the provision of timeous, correct and complete information to stakeholders. MTN endeavours to provide information in a manner which gives all stakeholders equal access and ensures that there is no stakeholder that is treated favourably over others.

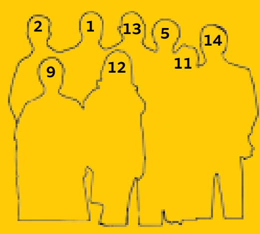
In 2017, the board re-emphasised that all matters must be provided to stakeholders in compliance with the law and applicable regulations. Accordingly, MTN strives to disclose material or price-sensitive information in a readily understandable language, to stakeholders, the public and regulators.

Stakeholder engagement and communication

The board values MTN's stakeholders and endeavours to take their concerns and interests into account when making business decisions. This not only enables it to anticipate and manage risk effectively, but also assists the company in identifying new business opportunities and in establishing solid relationships with MTN's stakeholders. It also makes it easier for the company to deliver on its objectives and benefit from ideas for products or services that address stakeholder needs, and at the same time allows MTN to reduce costs and maximise value. In order to ensure greater accountability, the company has a stakeholder-conscious governance model which places emphasis on dialogue and responding to stakeholder concerns and interests.

Our board of directors

The company acknowledges that an effective board must have the expertise and competence to promptly and appropriately address current and emerging issues to ensure the delivery of its strategy.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Our board of directors continued

at 31 December 2017

1. **Phuthuma Nhleko** (56)
Chairman and non-executive director
BSc (Civil Eng), MBA
Appointed: 28 May 2013
Scheduled board attendance:
6/6
Board committee membership:
4/4 1/1
Other directorships: Chairman of various companies in MTN Group, chairman of Phembani Group (Pty) Limited, Afrisam (South Africa) (Pty) Limited, Blue Falcon 179 Trading (Pty) Limited.
Skills, expertise and experience: Strategic leadership and finance.

2. **Rob Shuter** (50)
Executive director
Group president and CEO
BCom (Econ and Acc), PG Dip Acc CA(SA)
Appointed: 13 March 2017
Scheduled board attendance:
5/6
Board committee membership:
3/4 3/4 3/4 3/4
Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Telecommunications and banking.

3. **Ralph Mupita** (45)
Executive director
Group chief financial officer
BScEng (Hons), MBA, GMP
Appointed: 3 April 2017
Scheduled board attendance:
5/6
Board committee membership:
3/4 3/4 3/4
Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Financial services in emerging markets.

4. **Paul Hanratty** (56) (Irish)
Independent non-executive director
BBusSc (Hons), Fellow of Institute of Actuaries, Advanced Management Programme (Harvard)
Appointed: 1 August 2016
Scheduled board attendance:
6/6
Board committee membership:
4/4
Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Financial services.

5. **Alan Harper** (61) (British)
Lead independent non-executive director
BA (Hons)
Appointed: 1 January 2010
Scheduled board attendance:
6/6
Board committee membership:
1/1 4/4
Other directorships: Director of various companies in MTN Group, Azuri Technologies Limited, Avanti Communications Group plc and Gigabit Fibre Limited.
Skills, expertise and experience: Telecommunications.

6. **Koosum Kalyan** (62)
Independent non-executive director
BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)
Appointed: 13 June 2006
Scheduled board attendance:
6/6
Board committee membership:
4/4 4/4
Other directorships: Director of various companies in MTN Group, non-executive chairman of Edgo Merap. Non-executive director of Aker Solutions and Anglo American South Africa. Non-executive senior adviser of Boston Consulting Group. Member of the Thabo Mbeki Foundation Advisory Council and Invest Africa Advisory Board.
Skills, expertise and experience: Economics, energy, infrastructure and corporate governance.

7. **Shaygan Kheradpir** (56) (American)
Independent non-executive director
Doctorate in Electrical Engineering
Appointed: 8 July 2015
Scheduled board attendance:
6/6
Board committee membership:
3/4
Other directorships: Director of various companies in MTN Group. CEO and chairman of Coriant International Group, a global leader in packet-optical networking.
Skills, expertise and experience: Business leadership and transformational change, operations, technology and engineering.

8. **Peter Mageza** (63)
Independent non-executive director
FCCA
Appointed: 1 January 2010
Scheduled board attendance:
4/6
Board committee membership:
4/4 4/4 4/4
Other directorships: Director of various companies in MTN Group, Remgro Limited, Sappi Limited, RCL Group and Anglo American Platinum Limited.
Skills, expertise and experience: Accounting, banking and finance.

KEY

Symbol for *"chairman of . . ."*
- Nominations committee
- Remuneration and human resources committee
- Social and ethics committee
- Risk management, compliance and corporate governance committee
- Audit committee

Symbol for *"member of . . ."*
- Nominations committee
- Remuneration and human resources committee
- Social and ethics committee
- Risk management, compliance and corporate governance committee
- Audit committee

Numbers refer to attendance at committee meetings.

9. **Dawn Marole** (57)
Independent non-executive director
BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme

Appointed: 1 January 2010

Scheduled board attendance:
5/6

Board committee membership:
4/4 4/4

Other directorships: Director of various companies in MTN Group, South African Post Office (SoC) Limited, Richards Bay Mining (Pty) Limited, Santam Limited, Resilient Properties Income Fund and the Development Bank of Southern Africa.

Skills, expertise and experience: Financial services, risk and corporate governance.

10. **Azmi Mikati** (45) (Lebanese)
Non-executive director
BSc

Appointed: 21 July 2006

Scheduled board attendance:
6/6

Board committee membership:
1/1 4/4

Other directorships: Director of various companies in MTN Group, CEO of M1 Group Limited (an international investment group focusing on telecoms), director of various companies in M1 Group and director of Orascom Construction Limited. He also serves on the boards of the Children Cancer Centre, the International College and Columbia University board of visitors.

Skills, expertise and experience: Telecommunications.

11. **Stanley Miller** (59) (Belgian)
Independent non-executive director
Intermediate diploma from the Institute of Certified Bookkeepers (SA), Diploma in law and administration. Various executive programme courses (UCT Business School)

Appointed: 1 August 2016

Scheduled board attendance:
6/6

Board committee membership:
3/4

Other directorships: Director of various companies in MTN Group, executive chairman of AINMT AB Sweden, CEO of Leaderman NV (Belgium), Leaderman SA (Lux), non-executive director of MTS OJSC Russia.

Skills, expertise and experience: Telecommunications and media.

12. **Christine Ramon** (50)
Independent non-executive director
BCompt, BCompt (Hons), CA(SA), Senior Executive Programme (Harvard)

Appointed: 1 June 2014

Scheduled board attendance:
6/6

Board committee membership:
4/4

Other directorships: Director of various companies in MTN Group, AngloGold Ashanti Limited, chairman of the CFO forum and deputy chair of the Financial Reporting Standards Council of South Africa.

Skills, expertise and experience: Accounting, finance and general management.

13. **Nkunku Sowazi** (54)
Independent non-executive director
MA

Appointed: 1 August 2016

Scheduled board attendance:
6/6

Board committee membership:
1/4 3/4 1/1

Other directorships: Director of various companies in the MTN Group. Chairman of Kagiso Tiso Holdings and Synchem Group. Director of Grindrod Limited, IQ Business Holdings and Tiso Blackstar SE (UK). Co-founder trustee of the Tiso Foundation and Washington-based Housing for HIV Foundation.

Skills, expertise and experience: Investment management, business leadership.

14. **Alan van Biljon** (70)
Independent non-executive director
BCom, CA(SA), MBA

Appointed: 1 November 2002

Retired on 31 December 2017

Scheduled board attendance:
6/6

Board committee membership:
1/1

Other directorships: Director of various companies in MTN Group, chairman and trustee of Standard Bank Group Retirement Fund.

Skills, expertise and experience: General business, accounting and finance.

15. **Jeff van Rooyen** (67)
Independent non-executive director
BCom, BCompt (Hons), CA(SA)

Appointed: 18 July 2006

Scheduled board attendance:
6/6

Board committee membership:
4/4 4/4 4/4

Other directorships: Director of various companies in MTN Group, various companies in Uranus Group, Pick n Pay Stores Limited and Exxaro Resources Limited.

Skills, expertise and experience: Accounting and finance.

Our executive committee

The executive committee facilitates the effective control of the group's operational activities in terms of its delegated authority approved by the board. It is responsible for recommendations to the board on the group's policies and strategy and for monitoring their implementation in line with the board's mandate. It meets at least monthly, and more often as required. At 31 December 2017, it was made up of:

Rob Shuter (50)
Group president and chief executive officer
BCom (Econ and Acc), PG Dip Acc CA(SA)

Executive since March 2017

Ralph Mupita (45)
Group chief financial officer
BScEng (Hons), MBA, GMP

Executive since April 2017

Ebenezer Asante (49)
Vice-president: SEAGHA
BA (Hons) (Econ and Stats), Postgraduate Diploma in Management

Executive since October 2017

Ferdi Moolman (54)
Chief executive officer: MTN Nigeria
CA(SA), BCom, BCompt (Hons), Theory of Accounting Diploma

Executive since 2015

Paul Norman (52)
Group chief human resources officer
MA (Psych), MBA

Executive since 1997

Jens Schulte-Bockum (51)
Group chief operations officer
MA (SocSci)

Executive since January 2017

Michael Fleischer (57)
Group chief legal counsel

BProc, Advanced Tax Certificate

Admitted as attorney of the High Court of South Africa

Executive since 2014

Ismail Jaroudi (46)
Vice-president: MENA

BA, Executive Education Certificate

Executive since 2015

Godfrey Motsa (44)
Chief executive officer: MTN South Africa

BCom, MBA

Executive since January 2017

Felleng Sekha (50)
Group chief regulatory and corporate affairs officer

BA (Law), LLB, Postgraduate Diploma in Media and ICT Law

Executive since June 2017

Karl Toriola (45)
Vice-president: WECA

BSc (Elec Eng), MSc (Comm Systems), GMP

Executive since 2015

Stephen van Coller (51)
Vice-president: digital services, data analytics and business development

CA(SA), ACMA (UK), BCom (Hons), Higher Diploma in Accounting

Executive since October 2016

Management of our top opcos

To illustrate the depth of our management team, here we profile the leadership of our seven major operations at 31 December 2017.

South Africa

MTN South Africa

Godfrey Motsa
CEO

Sandile Ntsele
CFO

Nigeria

MTN Nigeria

Ferdi Moolman
CEO

Adekunle Awobodu
CFO

SEAGHA

MTN Uganda

Wim Vanhelleputte
CEO

Mike Blackburn
CFO

MTN Ghana

Ebenezer Asante
Acting CEO

Modupe Kadri
CFO

WECA

MTN Ivory Coast


Freddy Tchala
CEO


Ebenezer Bodylawson
CFO

MTN Cameroon


Philisiwe Sibiya
CEO
Resigned 31 December 2017


Adel Alaya
CFO


Saim Yasken
Acting CEO
effective 12 February 2018

MENA

MTN Irancell (joint venture, 49%)


Alireza Ghalambor Dezfouli, CEO

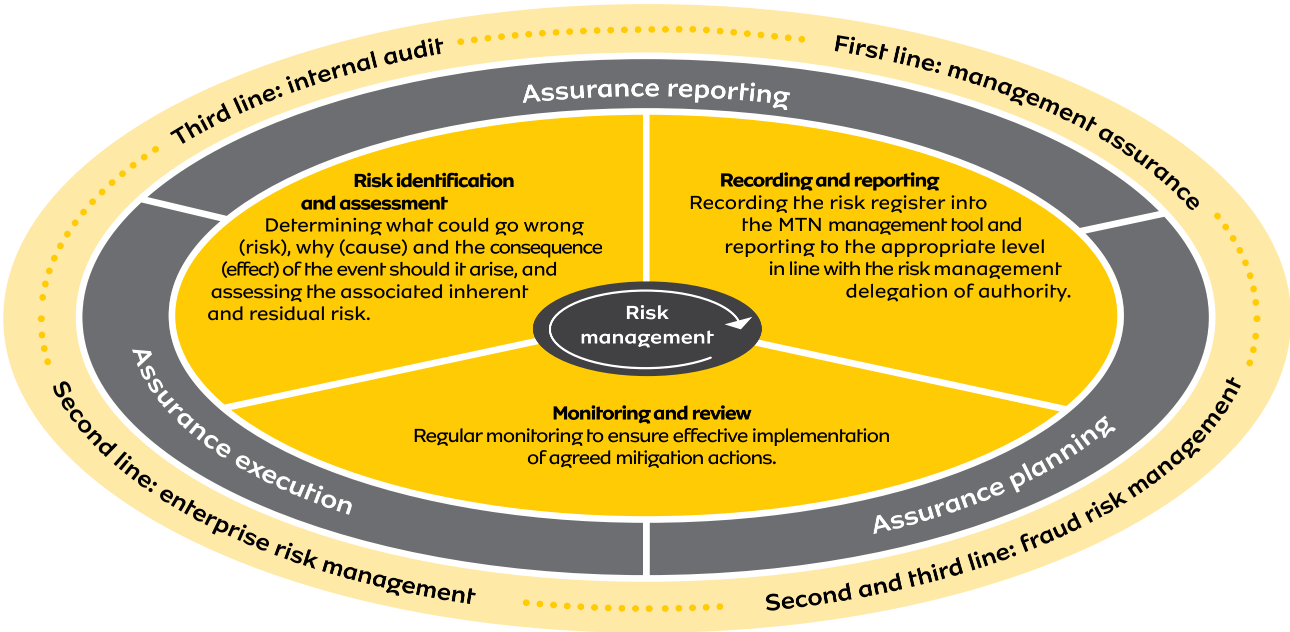

Mazen Mroue
COO


Sugentharen Perumal
CFO

Our approach to risk management

Our risk management process

The efficient and effective management of risk is critical to the delivery of MTN's strategy and supports our investment case. The MTN board is accountable for all risks and delegates the responsibility for overseeing the effectiveness of risk management to the committees of the board.



Aligning risk management, compliance and corporate governance

MTN's risk management frameworks guide the operation of our business units, with whom primary responsibility for risk management resides. In 2017, we further enhanced key risk frameworks and methodologies to ensure consistent application across the organisation and conducted training and awareness programmes across regions and in key markets.

The business risk management (BRM) function continued on its three-year transformation journey (which commenced in 2016) to create a world-class function that caters to MTN current and future business needs in an effective and efficient manner. We continued to focus on the following three pillars to achieve the desired level of risk maturity:

Governance – We started separating the second and third lines of assurance in the company by splitting out internal audit and forensics and combining risk and compliance. We calculated risk-bearing capacity and applied this through the revised risk tolerance and appetite framework. We enhanced the risk-escalation process with stronger oversight from the group. We revised the terms of reference of internal governance structures to enhance the focus on risk management and related oversight activities.

People – We acquired additional specialist skills and increased the capacity of the assurance, risk management and compliance functions, boosting the capability of the group function significantly.

Methods and practices – We revised the tools, policies and frameworks to enhance the efficiency, effectiveness, co-ordination and reporting of assurance and risk management activities and placed greater emphasis on monitoring of top risks at the top governance structures.

During 2018, the focus will be on:

- Separating second and third lines of defence.
- Strengthening the 'centre of excellence' for all assurance providers in line with revised structures and roles.
- Implementing the risk and compliance transformation roadmap in the opcos.

Successful implementation requires that we continue to have:

- The right tone at the top, at the group and all opcos.
- Clear measures of success together with regular and robust monitoring of performance.
- Strong relationships at all levels of the business.

MTN operates in a complex, dynamic and fluid compliance environment. We made significant progress in 2017 to implement a multi-faceted approach to the management of compliance. Through our regional vice presidents and regional compliance officers, the group provides strong compliance oversight, while in-country compliance officers are responsible for ensuring that compliance matters are attended to timeously.

In 2017, the board approved a revised compliance target operating model and gave the go ahead for the recruitment in 2018 of additional compliance resources. This will ensure that the compliance function is further strengthened and enable it to deliver on its strategic focus areas.

Business continuity management and crisis risk management

Our group-wide BCM programme enables us to develop our capability to prevent, respond and recover from business interruptions. We have developed continuity plans for our key markets and continue to make progress in all our markets. However, we would like to increase our focus on the maturity of these processes in certain markets and have placed this as a priority for the group operating committee.

Our BCM approach leverages the ISO 22301 standards and the Business Continuity Institute Good Practice Guidelines and enables us to put in place adequate measures to protect our brand and reputation and comply with statutory, regulatory and contractual obligations.

Furthermore, we continue to strengthen our crisis management structures to effectively deal with incidents and crisis events across the MTN Group, and have an ongoing project to implement a crisis management tool to further strengthen our response capability.

Insurance and risk transfer

The MTN Group insurance programme is built around the close connection between risk management, risk retention and insurance using an annual assessment of risk exposures at each operating company. To achieve this, there is a strong commitment to the risk management assessment process, improving operational management's adoption of risk management best practice and to reduce risks across the entire insurance programme.

The programme covers physical/material damage to assets, business interruption, political violence, political risk, public liability, directors' and officers' liability, commercial crime, professional indemnity and cyber liability. The limits of indemnity for these covers have been structured to maintain an appropriate balance between external insurance and internal risk retention/self-insurance to manage the total cost of risk and demonstrate value for money.

To optimise risk retention, the insurance programme is supported by a cell captive, which continues to build its capacity and improve the cost effectiveness of the MTN Group insurance programme.

We have no political violence cover in place for Syria and Sudan and no political risk cover in place for Syria, Sudan or South Sudan. Other operations that are not covered under this placement are South Africa, Botswana, Cyprus and Swaziland, where we perceive risk as low. Afghanistan is covered under a Multilateral Investment Guarantee Agency placement and Iran is covered under an Export Credit Insurance Guarantee policy.

Information and technology governance

MTN acknowledges that information and technology are integral strategic assets to enable the delivery of 'a bold new digital world' to our customers. Our commitment to sound governance is evident in our continuing efforts to embed the King IV principles and recommendations, with specific focus on technology governance through the establishment of various responsibilities, processes and supporting governance structures.

In 2017, we further strengthened our group information security function, with enhanced tools and more resources. We continued to implement our new security plan, which aims to use security as a business enabler, by creating trust in the digital world and proactively managing cyber and privacy risk.

Fraud risk management

Our approach to fraud risk management continues to evolve to meet changes in international fraud risk trends, and we are placing more emphasis on proactive fraud prevention. We work towards the effective integration of fraud risk management within a combined assurance environment, the rollout of MTN's ethics framework and greater organisational fraud awareness.

We have dedicated forensic personnel in 13 MTN opcos; the remaining opcos are supported through the local internal audit and enterprise risk management functions or the group fraud risk management function.

Employees report most identified fraud incidents via internal channels as they prefer to report potential fraud incidents directly to the investigation team. However, we continue to provide employees and relevant stakeholders with access to an anonymous reporting facility managed by Deloitte. We investigate all whistleblowing reports and provide feedback to the group audit and risk committee structures to ensure that we maintain independent governance.

In 2017, MTN Group's top fraud risks were:

- Procure-to-pay associated fraud risks.
- Products and services-related fraud risks (including distribution channels).
- Financial services-related fraud risks.
- Cybercrime and confidential information leakage.

Internal audit

The group's internal audit provides independent, objective non-assurance and consulting activities designed to add value and improve the operations of MTN. It helps the business accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. Internal audit coverage is extended to all operations and all high-risk processes in line with the internal audit methodology. The MTN Group and all its subsidiaries embrace the principles of the King IV Report and recognise the significant opportunities that present themselves to companies that do so.

Internal audit continues to play the role of an objective and independent value-adding assurance provider. It takes into consideration the risks that may hamper the achievement of strategic objectives and risk profile of the organisation to determine the effectiveness of the internal control environment and risk management. In 2017, internal audit implemented an internal quality assessment programme across a number of opcos to ensure its various internal audit teams comply with best practice standards.

MTN's internal audit has adopted a combined assurance model as a co-ordinated approach by three lines of defence and has dedicated teams that perform internal audits across the group.

In 2018 all internal audit and forensic teams will report directly to the group audit committee, which further enhances the independence of the function. The function will report administratively to the group CFO.

Our people

At MTN we believe that the investment in our people is key to achieving our BRIGHT strategy and improving our competitive edge across the markets in which we operate. To deliver the best customer experience and improve our business performance, we recognise the importance of employee engagement and development. This commitment is evident in the implementation of initiatives around the 'H' element of the BRIGHT strategy which is dedicated to the hearts and minds of the people of MTN. The three areas of focus of our HR approach are:

High-performance culture

This aims to create a culture where:
- There is agility to stop, reflect and self-correct.
- Trust is built and people are empowered.
- There is the ability to embrace behaviours and practices that serve MTN's strategy.

High-potential factory

This aims to:
- Recognise, grow and develop our people.
- Effectively execute the talent processes.

Efficient employee-centric solutions

These aim to:
- Simplify the ways of work.
- Provide employees with digital experiences.

Key performance metrics

We measure achievements across HR with the following key performance metrics:

- Employee net promoter score (NPS).
- Sustainable engagement score.

- Learning and development spend ratio.
- Ready-now succession bench strength.
- Recognition messages on our digital platform.

- Spans and layers.
- Staff cost ratio.
- e-HR rollout.

- Group headcount per employee type.
- Employee turnover (including high performer turnover).
- Labour productivity metrics.
- Equity and transformation.

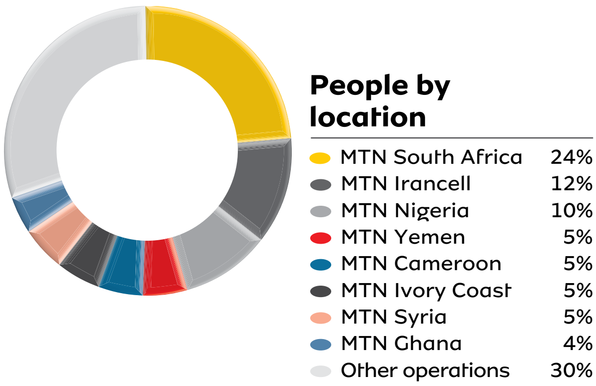
Employee value proposition

MTN's employee value proposition, 'The MTN Deal', comprises five pillars:
- Brand strength.
- Leadership brand.
- Investing in our talent.
- Globally diverse culture.
- Total reward and recognition.

The MTN Deal aims to provide employees with real opportunities, real experiences, interactions with people who have a 'can-do' attitude, over real platforms and offering real rewards. In the 2017 group culture audit survey, scores for four out of the five pillars improved from 2016 with the fifth pillar maintaining its previous score.

Overview of our people

At the end of December 2017, MTN employed 15 901 permanent employees and 3 030 contractors. The number of people in the business declined by 2,75% from 2016, mainly due to ongoing initiatives to simplify MTN.

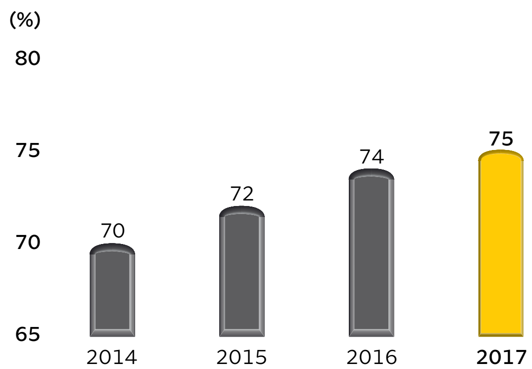


Engagement and culture

Achieving high levels of employee engagement and fostering the right culture is fundamental to achieving our BRIGHT strategy. Every year we invite staff to participate in our Global Culture Audit survey to measure our employee engagement and culture across 16 dimensions. In 2017, there was a 93% participation rate for this survey, which is the highest in 10 years.

Our mean score rose to 70% from 67% in 2016. Our sustainable engagement score improved by one percentage point to a score of 75%. This is now just three percentage points behind the global telecoms norm of 78%. The improvement is the result of the combined efforts of staff and management to prioritise the people agenda in the challenging operating environment across Africa and the Middle East. The WECA region showed the greatest year-on-year improvement in employee engagement, and the highest score of all three regions. In our key markets of South Africa and Nigeria, the sustainable engagement score improved by more than three percentage points year-on-year.

Sustainable employee engagement

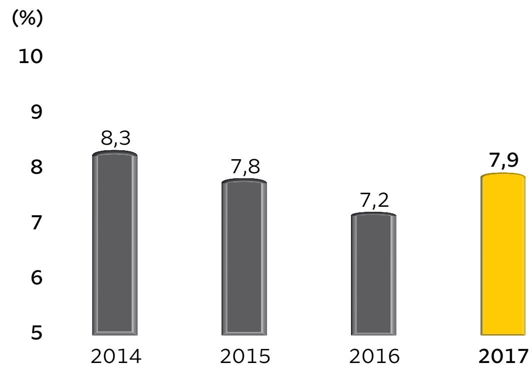


We also recorded an improvement in our score on awareness of MTN's vital behaviours which we are instilling through our ongoing culture operating system programme. Vital behaviours are the foundation of our social engine to ensure that our people work in a collaborative way that corresponds with the company's values (see page 2), while feeling safe to speak up.

One of the key measures of success of the 'hearts and minds' pillar of our strategy is to be a leader in employee NPS. In 2017, we recorded an improvement in this measure. The percentage of our employees who were likely to recommend MTN as a place to work (i.e. were 'MTN promoters') increased to 45% from 43% in 2016.

Our employee voluntary turnover rate, which measures the rate at which employees voluntarily leave MTN, rose from 7,2% in 2016 to 7,9% in 2017, but remained below the telecoms sector benchmark of 9,9%. Several operations implemented skills refresh initiatives to better align to the group strategy. Several other operations based in areas of civil strife saw a rise in the voluntary turnover of employees who were seeking better economic and social opportunities.

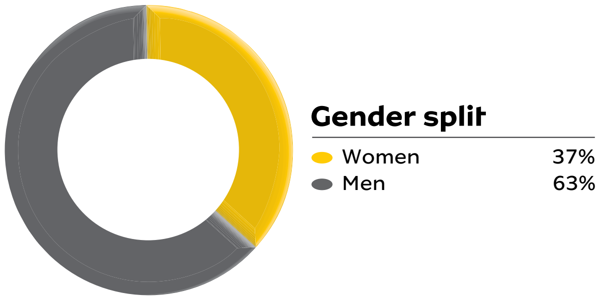
Voluntary turnover



We remained focused on retaining our top talent in 2017 and kept the voluntary turnover rate of high performers below 5% at 4,9%. This compares to the telecoms sector benchmark for high performers of 7,3%.

A diverse company

Central to our customer-centricity approach is ensuring that we have a diverse workforce that understands the varied needs of our subscribers. We therefore aim to have a multi-cultural workforce across the markets in which we operate. At the end of December 2017, MTN employed 63 different nationalities, of which 38 were from Africa and the Middle East. Gender diversity is another important metric. In 2017, 37% of staff were women and 63% were men, the same ratio as that in 2016.



Developing our talent

We place significant emphasis on continuously evolving the skills sets of our talent base to ensure our staff are equipped to meet the needs of a rapidly evolving ICT industry. Our digital e-learning platform continued to be popular in 2017, with 445 606 course completions across 31 118 employees and contractors in 2017 – an average of 14 online learning programmes per individual. We continued to evaluate the quality of the material and achieved a 98% positive response from staff.

In 2017 our learning and development focus areas were:

- Customer experience.
- Sales and business operations.
- Technology excellence.
- Leadership and culture.

Through our strategic partnerships, we continued to roll out a variety of cloud-based programmes to deepen our functional leadership skills across our senior management in the areas of innovation, commercial excellence and execution.

Talent management is a critical driver of organisational sustainability. In a rapidly changing environment, MTN acknowledges that it is the quality of the people we attract, develop and retain that will have the greatest impact on profitability and provide us with a competitive advantage to drive sustainable business value. It is with this in mind that we developed robust talent management processes to identify, assess and develop future talent.

Through global talent reviews, succession planning and psychometric assessments, we identify individuals for the right job, at the right time, and in the right place. Talent is the sum of an individual's ability, agility and attitude to either perform at their current level or higher. The extraction of talent analytics further assists us in identifying key risks to predict future scenarios and inform predictive trend analysis.

Succession planning remains an important outcome of the talent management process that highlights roles that are at the most risk in terms of current occupancy and future replacement. We ringfence critical positions for specific talent strategies to ensure that we are developing and retaining for future appointments a pipeline of talent. Through succession planning, we are able to identify key risk areas where top talent will need either to be bought, developed or retained. Having robust succession pipelines in place acts as a vital differentiator in ensuring the future sustainability of the business with top talent who are equipped to deliver on the MTN Group strategy.

Performance management

We completed our 2017 integrated performance cycle, ensuring that our pay-for-performance framework was cascaded throughout the organisation. We further improved our performance management framework to ensure greater alignment to our strategy to increase our focus on customer experience and commercial and financial performance.

Best practices

The Global Investor in People (IiP) standard is a people-management best practice accreditation that defines what it takes to lead, support and manage people well for sustainable results.

At December 2017, 17 opcos had achieved varying levels of accreditation. MTN Cameroon, MTN Ghana, MTN Nigeria, MTN Swaziland and Head Office all achieved Gold accreditation – the highest level available.

Digitising HR

In 2017 we focused on improved efficiency, effectiveness and experience for HR and rolled out several initiatives relating to digitising HR. At a MTN Group level, we implemented initiatives such as the Global MyStrengthsFinder system, which allows a more effective talent management and development platform for all employees. The group-wide implementation of InfoSlips provided an efficient medium through which employees can access their personal pay information. We also worked to increase the use of our on-the-spot recognition platform to drive a high-performance culture. These collective efforts across the business resulted in over 300 000 recognition messages being sent on the platform in the year.

Remuneration report

Our remuneration philosophy

MTN's remuneration philosophy is part of an interlinked, holistic and people-oriented talent approach, aiming to support current and evolving business priorities. The philosophy aims to attract, motivate, retain and engage the desired talent to execute business strategy in a sustainable manner over the longer term. The competitive talent landscape demands a differentiated reward system, capable of competitively matching pay for results, delivered fairly without bias, and flexible yet compliant across all markets.

In our efforts to achieve our talent objectives, we apply various approaches, including the following:

For competitiveness and affordability

- Regular review and benchmarking of reward components.
- Linking short- and long-term incentives to various performance indicators.

For differentiation and flexibility

- Establishing performance as the basis for employee reward.
- Customising our reward to address the varied needs and lifestyles of employees.

For compliance and sustainability

- Continuously striving to apply full regulatory and legislative compliance in our markets.
- Regularly auditing and assessing risks, benefits and compliance of reward.

Our various remuneration policies endorsed by management and governed by our remuneration committee guide the decision-making processes and operationalisation of all reward matters. It is our intent to deliver a legislatively compliant system aligned with the future strategic objectives of the company.

Background

We endeavour to apply the King IV principles regarding responsible and transparent remuneration practices. During the year, we comprehensively reviewed some of our remuneration policies.

After engaging with the board, we took key decisions to change our short-term and long-term incentives and some of our benefits structures. These reviews were necessitated by a desire to maintain our competitiveness. The remuneration committee actively engaged with various stakeholders.

Key priorities in 2018

Our key focus areas include:

- Further review of incentives programmes to derive a full understanding of the principles and plan structure.
- Review of existing benefits, particularly for mobility employees in line with our regular review of benefits provided by external service providers.
- Review of existing other remuneration-related policies and governance structures. We are working towards setting up a governance platform where employees can easily access policies remotely.
- Promoting employee wellbeing by creating practices which support this.

Our reward principles

In delivering on our remuneration policy, we apply the following principles:

- Fair pay based on the value of the job relative to other jobs of similar worth, i.e. internal equity.
- Performance-based system through short- and long-term incentives.
- Transparent and simplified communication across all levels including external stakeholders.
- Consistency across all operating units, however, acknowledging differentiation and customisation.
- Empowerment of line managers to deliver effective pay decisions.
- Company affordability so as to support the performance expectations of our shareholders.
- Optimal pay structure comprising fixed and variable remuneration so as to drive the right focus both in the long and short term.
- Values-based and output-driven recognition of actions aligned to our vital behaviours.

We continuously benchmark our reward offerings to remain externally competitive. Our remuneration practices meet the minimum related compliance requirements.

King IV recommends that remuneration governing bodies should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Against this backdrop, MTN's remuneration policies aim to achieve the following:

- Address the attraction and retention challenges for the key skills required to achieve the broader MTN objectives. We achieve this objective by ensuring our policies are relevant to address our corporate goals and benchmarked appropriately against best practice to maintain market competitiveness.
- We provide a fair composition of fixed and variable remuneration for each position. The ratio of fixed to variable differs, with the weighting of variable pay for executive employees being greater than that of fixed. Our pay mix ensures we deliver an effective performance-based reward system where achievement of stretched targets is remunerated.
- Both our short- and long-term incentive plans provide an incentive for the achievement of positive outcomes measured using a balanced approach combining both financial and non-financial metrics and measured across company, team and individual performance.

Going forward, in aligning with the recommendations of King IV, we aim to continue disclosing the main provisions of our remuneration policies including how such remuneration was earned by executive employees.

All strategic reward decisions are prepared and guided by our executive management team for approval by the remuneration and human resources committee. This committee has delegated approval authority at various levels with its roles and responsibilities outlined on page 64.

Non-binding advisory votes on the remuneration policy and implementation report

Each year, the remuneration policy and implementation report will be tabled for separate non-binding advisory votes by the shareholders at the group's annual general meeting (AGM). The purpose of this exercise is to enable the shareholders to express their views on the policies adopted in the remuneration of executive directors and on the implementation of such policies.

In the event that less than 75% support for the abovementioned reports is achieved at the AGM, MTN will invite dissenting shareholders to submit reasons for such votes in writing, whereafter further engagements may be scheduled with these shareholders.

Implementation report

Key components of our remuneration structure

Although the Head Office applies a fixed remuneration package approach, the company accepts variations to the 'base plus benefits' approach due to local market conditions. The fixed remuneration approach includes cash and benefits in kind which, when combined with incentive payments and other non-quantifiable elements, make up what we term 'total reward'.

Our fixed pay component reflects general worth of skills compared against job worth, while incentive payments are based on short- and long-term performance. Here we summarise the various pay components of total reward.

Annual fixed package (AFP)^ (fixed + benefit plans)	Short-term incentive (STI) schemes	Long-term incentive (LTI) schemes	Recognition and other benefits
Fixed pay • Fixed salary delivered monthly. • Based on scope and nature of the role. • Generally determined around the market median, but can vary based on market dynamics and business goals. • Generally reviewed annually. **Benefit plans** • Provide economic security for employees. • Commonly include retirement, health, death, disability and insurance.	• Performance incentive. • Variable company provided incentives aligned with the short-term goals of the company, delivered on an annual basis. • Performances up to one year are assessed and rewarded for achieving minimum, stretch-target and above-target performances. • Aligns with financial and strategic key performance. • Individual, team and company performance are taken into consideration, with executive performance weighted towards company performance. • At an operational level, certain sales positions participate in a commission-based incentive scheme.	• Variable incentives in the form of share allocations. • Drives long-term sustainability and performance of the group. • Potential payments attributed to the financial performance of the company. • Make up a larger portion of total executive remuneration relative to short-term and fixed pay.	**Recognition** • Formal and informal platform designed to drive recognition between employees and departments, both within and across MTN's operations. **Other benefits** • Other benefits are typically excluded from the fixed package. • Include lifestyle benefits, leave of absence, and additional insurance products. • Although some of these benefits are not prevalent in all operations, there are country-specific programmes approved and aligned with equivalent South African benefits.

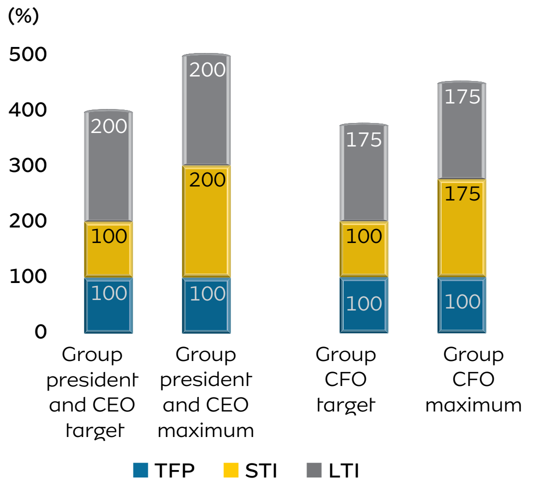
^ *Please note the term 'fixed package' as used should not promote a sense of entitlement or non-adjustability of the package, should MTN deem this appropriate. The term, however, must be defined within the context and used synonymously with 'annual fixed package', meaning that certain benefits such as contribution arrangements to medical aid, although fixed annually, may be adjusted as and when the company needs to.*

Executive pay composition

Executives are remunerated in line with short- and long-term business objectives using an optimal mix of fixed pay, and short- and long-term incentives. This supports the alignment of strategy and desired individual behaviour. The mix is aimed at ensuring that executives proportionately achieve an optimal balance of remuneration when executing their duties.

King IV recommends the disclosure of remuneration elements offered in the organisation and the mix of these. The following graphs illustrate the mix of minimum, on-target and potential maximum compensation for the two director positions: group president and CEO, and the group chief financial officer (CFO).

Group president and CEO and group CFO pay mix



As illustrated above, the proportion of fixed to performance-based incentives varies between the group president and CEO and the group CFO. Both roles comprise a higher weighting on performance incentives 'risk pay' and less on fixed package. While the fixed package does not vary based on individual performance, the variable portion does. The group's integrated performance framework (IPF) guides the execution of business strategy by providing a framework through which the day-to-day and annual performance levels are set, cascaded and measured according to the business's strategic KPIs. The IPF outcomes are translated into incentive payments under the performance bonus plan.

Special arrangements

As a method to employ people in certain identified senior roles, under certain circumstances, employment and termination of employment negotiations result in cash payment arrangements in the form of lump sums. Where lump sums are mutually considered as sign-on, retention or termination payments, these are subject to the approval of the group president and CEO, or where applicable, the remuneration committee.

To attract key senior employees, it is sometimes necessary to compensate them for the loss of their equity in their previous companies. In 2017, the board approved that, upon joining the company, the following executives be granted a cash-settled on-boarding incentive to compensate them for the pre-tax amount of stock or equity they relinquished in terms of contractual agreements with their previous employers.

	Incentive grant price	Incentive maturity date	Number of units^ granted	Value of incentive at grant date
Rob Shuter	R125,09	12/03/2020	327 214	R40 931 199
Ralph Mupita	R113,10	28/10/2019	446 027	R50 445 654
Jens Schulte-Bockum	R127,60	15/01/2020	64 423	R8 220 375

^ Units are the equivalent of an MTN Group share

Performance-based incentives

We provide different incentives to employees to reward performance on a short- and long-term basis:

Incentive category	Purpose	Incentive plan
STI schemes	To reward the achievement of set goals up to one year	• December incentive plan (4% incentive plan). • Performance bonus plan (bonus plan). • Sales commission plan (commission scheme).
LTI schemes	To reward the achievement of set goals in the long run	• Share appreciation rights scheme (SARS)[1]. • Share rights plan (SRP)[1]. • Performance share plan (PSP). • Notional share option scheme (NSO). • Employee share ownership plan (ESOP)[2]. • 2016 MTN employee share ownership plan (ESOP)[3].

[1] *Both SARS and SRP are active but no longer issuing new awards. They were substituted with the PSP.*
[2] *Once-off award of 400 shares made in 2010 to lower level employees under the broad-based black employee equity (BBBEE) scheme.*
[3] *Award of 516 shares made in 2017 to designated employees.*

Short-term incentives

Annual performance bonus

With the exception of sales commission employees, all other employees participate in an annual performance-based bonus plan. The principles of the bonus plan are aligned primarily with the performance achievements of the company, and secondarily teams and individual priorities. This implies a bonus becomes payable once the board is satisfied that the minimum company performance levels have been achieved.

During the year, we reviewed our performance bonus policy. This review was necessitated as a response to the existing business challenges and associated people impact and industry practice. After benchmarking our existing model, the board approved the following changes effective for the 2018 financial year:

- Revision of the threshold performance for a bonus to be declared.
- Revision of associated performance metrics including the introduction of a non-financial metric.
- Simplification of the existing model for ease of understanding.

	Metric description			
Metric type	**MTN subsidiaries**	**Weighting**	**Head Office**	**Weighting**
Financial	Revenue	25%	Revenue	20%
Financial	EBITDA	25%	EBITDA	20%
Financial	Group attributable earnings	0%	Group attributable earnings	20%
Financial	Operating cash flow (cash generated from operations)	25%	Operating cash flow (cash generated from operations)	20%
Non-financial	Competitive performance	25%	Competitive performance	20%

The process of determining the incentive award pools from which performance bonuses are paid is illustrated below:

Description of performance criteria

- The financial performance targets of the company are determined in accordance with the strategic themes at the beginning of the year.
- A factual findings engagement is performed on these results by an independent body.
- The percentage performance achievement against target is translated into a nominal performance-linked scale, adjusted to allow for maximum earning potential.
- For the 2017 financial period, the group attributable earnings are used at group level and EBITDA, core revenue, new revenue, ROACE and cash flow are used at operational level to measure company performance.

- The strategic themes are translated into priorities to be executed at executive member levels.
- Depending on the size of the function, and where applicable, team performance scorecards are further cascaded to below executive levels.
- Achievement of each KPI is proportionate and weighted; however, cumulatively they add up to 100%.

- At the beginning of each financial period, every employee enters into a contractual performance agreement.
- The performance agreement stipulates the performance expectations to be measured at year-end.
- Performance agreements ensure alignment between company, team and individual levels.
- This is not applicable to executives.

How a bonus is calculated

1. Three elements are used as inputs to a bonus calculation, namely company performance (CP), team performance (TP) and employee performance (EP). Each element has a weighting (a), with all elements adding up to 100%.
2. Targets for each element are set at the beginning of the performance cycle and measured at the end of the performance cycle where a corresponding 'nominal % (b)' is determined from a standard translation table.
3. Company performance as a 'qualifier' for bonus declaration is first assessed for each operation.
4. For each weighted element, there is a job level related on-target (c) and maximum (d) earning potential.

Upon assessment of company performance by the board, a bonus is either declared or not. If declared:

- **Step 1:** The weighting of each element (a) is multiplied by the achieved nominal (b) and the results of the three added together.
- **Step 2:** Then the sum of the three is multiplied by the on-target % (c) to derive the bonus percentage.
- **Step 3:** As a validation, a check is done against the maximum % for each job. If the calculated amount does not exceed the maximum, the final bonus percentage is multiplied by the annual incentive salary to arrive at the final bonus payment.

(CP + TP + EP) x on-target percentage = bonus percentage

The bonus percentage (validated against the minimum and maximum) x annual salary = total bonus payable

Case studies for three levels at group

For example, at the beginning of the year, the group's attributable earnings (GAE) target for calculating bonuses at the end of the year was set an illustrative R10 billion. For bonus purposes, a 90% minimum achievement of R9 billion was required and a maximum of R12 billion applicable. Using the following assumptions, the bonuses for the three employee levels: executive director, senior manager and employee level 2 will be as follows:

Assumptions	Executive	Senior manager employee	General staff level 2 (bonus declared)	General staff level 2 (bonus not declared)
Annual salary	R2 000 000	R1 000 000	R400 000	R400 000
Bonus elements				
Company[1]	100% (50% weighting)	100% (20% weighting)	Not applicable	Not applicable
Team[2]	75%[2a] (50% weighting)	100%[2b] (50% weighting)	100%[2b] (50% weighting)	100%[2b] (50% weighting)
Employee[3]	Not applicable	150%[3a] (30% weighting)	133%[3b] (50% weighting)	133%[3b] (50% weighting)
On-target bonus (%)	80%	20%	9%	4,5%
Maximum bonus (%)	160%	30%	12%	6%
Calculation formula	(100% x 50%) plus (75% x 50%) plus zero equals 87,5%	(100% x 20%) plus (100% x 50%) plus (150% x 30%) equals 115%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%
Final bonus (%)[4]	87,5% x 80% equals 70%	115% x 20% equals 23%	66,5% x 9% equals 6%	66,5% x 4,5% equals 3%
Final bonus payable	**R1 400 000**	**R230 000**	**R24 000**	**R12 000**

[1] It is assumed that the company performance was achieved 100%.
[2] It is assumed that the team performance was achieved as follows:
[2a] 75% for executive.
[2b] 100% for senior management and general staff level 2.
[3] It is assumed that employee performance was as follows:
[3a] 150% for senior management.
[3b] 133% for general staff level 2.
[4] On-target bonus is respectively:
– 80% for executive.
– 20% for senior management.
– 9% for general staff where a bonus is declared.
– 4,5% for general staff where a bonus is not declared.

Executive bonus parameters for 2017

Given the significant recent changes to our executive team, here we provide the executive bonus parameters governing the bonus plan for 2017:

Designation	Company performance	Team performance	Minimum bonus	On target	Maximum bonus
Group president and CEO	70%	30%	0%	100%	200%
Group CFO	70%	30%	0%	100%	175%
Group chief operating officer	50%	50%	0%	100%	175%
Vice president: digital services, data analytics and business development	50%	50%	0%	100%	160%
Group chief human resources officer	50%	50%	0%	70%	140%
Group chief legal counsel	50%	50%	0%	70%	140%
Group chief regulatory and corporate affairs officer	50%	50%	0%	70%	140%
Vice president for SEAGHA	30%/30% Group/region	40%	0%	70%	140%
Vice president for WECA	30%/30% Group/region	40%	0%	70%	140%
Vice president for MENA	30%/30% Group/region	40%	0%	70%	140%
CEO: MTN South Africa	30%/30% Group/opco	40%	0%	70%	140%
CEO: MTN Nigeria	30%/30% Group/opco	40%	0%	70%	140%

For 2017, the executive directors' bonuses were calculated in line with the approved bonus principles. Full actual amounts of the bonuses paid can be found on page 98.

General staff incentive calculations

For each financial period, two computations would apply for our lower level employees:

- Computation if the board declares bonuses based on achievement of minimum company performance levels being met.
- Computations if the board does not declare bonuses, i.e. minimum company performance levels are not met.

These three scenarios are summarised as follows:

Description	Minimum 4% payment[1]	Requirements if a bonus is declared by the board	Requirements if a bonus is not declared by the board
Individual performance applies	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required
Earning range as a % of applicable annual salary	Exactly 4%	From 0% to 12%	From 0% to 6%
Percentage payable at target achievement	Not applicable	9%	4,5%

[1] The 4% of annual remuneration payment in December remained a key vehicle for incentivising our general staff at employee levels 1 and 2. In accordance with the approved rules:

- *This payment is conditional on minimum individual performance set by the company and on the basis that the employee is still in the employment of the company at payment date.*
- *All computations are based on the individual's previous year's (i.e. 2016) earnings and IPF scores.*

MTN operations' bonus declarations

In line with the performance bonus rules, bonuses become payable within an operation once the committee is satisfied that the minimum performance thresholds have been achieved. For 2017, MTN Group Management Services (Head Office) employees received a bonus. A summary of the bonuses declared to the MTN Group operations is as follows:

	Bonus declared			Bonus declared	
	2017	2016		**2017**	2016
Botswana	**Yes**	No	Afghanistan	**No**	No
South Africa	**Yes**	No	Congo-Brazzaville	**No**	No
Nigeria	**Yes**	No	Rwanda	**Yes**	No
Ghana	**Yes**	Yes	Zambia	**Yes**	No
Cameroon	**No**	No	Liberia	**No**	No
Ivory Coast	**Yes**	No	Guinea-Conakry	**No**	No
Uganda	**Yes**	No	Cyprus	**Yes**	Yes
Syria	**Yes**	Yes	South Sudan	**Yes**	No
Sudan	**Yes**	Yes	Iran	**Yes**	Yes
Benin	**No**	No	Swaziland	**Yes**	Yes
Yemen	**No**	Yes	Guinea-Bissau	**Yes**	No

Long-term incentive (LTI) schemes

LTIs to managerial and senior employees are aimed at aligning their contributions to shareholders' expectations by sharing in the long-term growth of the company. Due to the fact that our operations are spread across 22 African and Middle Eastern countries, it is not always feasible to issue MTN stock to all employees as we are only listed on the Johannesburg Stock Exchange. For this reason, the company operates a combination of equity and cash-settled schemes.

The general rule is that participants are allocated shares, options, or rights equivalent to a fraction of their annual salary. Depending on the performance of the company measured using various indicators, participants proportionately either receive cash, equity or a combination of both. Although the eligibility of participants is defined in the rules of the schemes, MTN reserves the right to exclude participation by certain employees by virtue of their employment status, e.g. disciplinary, suspension, and dismissal.

The group has implemented the following schemes:

- Share appreciation rights scheme (SARS) and share rights plan (SRP).
- Objective: To promote the achievement of MTN group's strategic objectives measured using the company's growth in share price. Participating employees share in the appreciation of the company's share price between the grant and vesting dates.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2006 – SARS 2008 – SRP	Share price based	2013 2015	2018 2020

Both the SARS and SRP were fully vested as at 2017 and are exercisable. Refer to AFS for the full reconciliation of 2017 trading. No further grants are being made under the SARS and SRP.

Performance share plan (PSP)
The PSP scheme is the current active and allocating plan, and is summarised as follows:

Objective: To promote the achievement of MTN Group's strategic objectives measured using the company's growth in share price and cash flow. Participating employees share in the company's achievement of the set financial indicators over three years.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2010	Total shareholder return (TSR) Adjusted free cash flow (AFCF)	2020	Not applicable

Details about the PSP
- Share awards are at the discretion of the MTN Group board and the operating entities.
- Participation is limited to managerial employees and those in more senior positions only.
- Performance is measured using TSR and AFCF. An additional service element is applicable for non-executive participating employees.
- Weightings are attached to each condition based on the seniority of the participant.
- The scheme has a three-year vesting period. Once the shares are vested and the board is satisfied with the achievement of the performance conditions, participating employees receive either shares or the cash equivalent if the respective employee instructs the company to dispose of their shares on the employee's behalf.

2017 LTI changes
As part of an ongoing review process, we reviewed the performance metrics used to assess the performance of the PSP scheme. The outcome of this review was approved by the board for implementation effective for the 2017 share allocation. A summary of these changes is as follows:

	Current weightings		New metric weightings	
	Managerial		Managerial	
Performance measure	Staff	Executives	Staff	Executives
TSR – JSE Top 25 Index	37,5%	50%		
TSR – MSCI EM Index[1]			25%	25%
AFCF	37,5%	50%		
Cumulative operating free cash flow (COFCF)[2]			25%	25%
Return on average capital employed (ROACE)			25%	25%
Service/retention elements[3]	25%	0%	25%	25%

[1] MCSI Emerging Markets telecoms index measured on common currency, i.e. ZAR.
[2] COFCF measured on a constant currency basis at budgeted numbers.
[3] Approved for the December 2017 allocation only, to be reviewed on an annual basis.

Clawback and malus

Furthermore, the board approved the implementation of clawback and malus provisions effective for the December 2017 allocation. Clawback and malus apply where material misstatements of financial results or other calculation errors resulting in overpayment of incentives are recovered from the employee, or corrected in the case of such errors. Thus the 2017 PSP allocations were made inclusive of the clawback and malus provisions which will become enforceable upon approval by the MTN shareholders at the annual general meeting.

Performance of the scheme

A summary of the allocation is as follows:

		Condition achieved	
Grant date	**Vesting date**	**Adjusted free cash flow**	**Total shareholder return**
29/06/16^	29/12/18	–	–
28/12/16	28/12/19	–	–
18/12/17^^	18/12/20	–	–

^ This allocation was in respect of December 2015 and had been deferred as the company was trading under cautionary.
^^ Allocation made under new revisions.

Employee share ownership plan (ESOP)

During 2010, MTN approved the allocation of shares to its lower-level employees under the company's broad-based employee share scheme – employee share ownership plan (ESOP).

The scheme was intended to incentivise the designated employees and to identify them more closely with the activities of the company with the aim of promoting their continued growth by giving them shares. Participating employees under the ESOP scheme had to retain ownership of their shares for a period of five years until December 2015, when the scheme matured.

During 2016, the board approved a second allocation of shares to designated employees under the 2016 MTN employee share ownership plan (2016 ESOP). This scheme is managed under trust. The first allocation of awards was made to qualifying employees on 1 December 2017.

Further details of both schemes are as follows:

Number of participants as at issue date	Number of shares allocated	Plan vesting date	Number of shares traded (as at 31 December 2017)	Number of shares outstanding (as at 31 December 2017)†
3 461	1 384 400	1 December 2015	933 148	391 252
3 920	2 022 720	1 December 2018	0	666 156
		1 December 2019	0	666 156
		1 December 2020	0	666 156

† Excluding forfeited shares.

For the 2010 ESOP award, as at 31 December 2017, from a total of 3 461 participants:

- 1 810 allocated employees had left the employment of the company for various reasons, voluntary and involuntary.
- 1 651 were still in the employ of the company. Thus the number of retained employees represents a retention rate of 48%.

No shares had vested as at 31 December 2017 under the 2016 ESOP.

A summary of all previous allocations and the vesting dates made under the long-term incentive scheme is presented below:

Equity share schemes vesting schedule

		Vesting timelines per anniversary (cumulative)						
Plan type	**Issue period date**	**Year 0**	**> Year 1**	**> Year 2**	**> Year 3**	**> Year 4**	**> Year 5**	**> Year 10**
SARS	19 Mar 2008	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	1 Sept 2008	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
	28 Jun 2010^	✓	●●●●	◆●●●	◆◆●●	◆◆✱●	◆◆✱✱	✗
PSPs	29 Jun 2011^^	✓	●●●●	●●●●	●●➢	◆◆✱✱		
	29 Jun 2011	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	29 Dec 2011	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	28 Dec 2012	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	20 Dec 2013	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	19 Dec 2014	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	29 Jun 2016^^	✓	●●●●	●●●●	●●➢	◆◆✱✱		
	28 Dec 2016	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	9 Mar 2017	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	29 Sept 2017	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		
	18 Dec 2017	✓	●●●●	●●●●	●●●●➢	◆◆✱✱		

^ *This offer includes an allocation with one-year accelerated vesting.*
^^ *This offer was accelerated from 36 months to 30 months.*

Key
✓ *Allocation date* ◆ *20% tranche vested (cumulative)* ✱ *30% tranche vested (cumulative)*
➢ *Performance conditions evaluation* ● *Non-vested portion of award* ✗ *Expiry*

MTN non-equity schemes for employees in non-listed operations outside South Africa

MTN offers non-South Africa-based employees participation in the group's notional share option (NSO) scheme. This scheme enhances MTN's commitment to the 'One Group, One MTN' philosophy.

Qualifying employees own options and also participate in the growth of the group and its operations, as applicable. The main objective of the NSO scheme is to encourage an alignment between the individual interests of senior employees and the long-term success of the group. Thus, the scheme's design rewards employees for the value gain derived from the NSO price per share appreciation between the allocation and vesting dates.

Non-executive directors' remuneration

The R&HR committee is responsible for advising on the remuneration of non-executive directors (NEDs), including reviewing remuneration recommendations as put forward by executive management in consultation with external remuneration consultants. The committee also recommends remuneration for approval by the board and shareholders. The remuneration for NEDs is considered annually and is determined in light of market practice and with reference to the time, commitment and responsibilities associated with the roles.

The MTN Group's non-executive directors receive an annual retainer and a meeting attendance fee. They do not participate in any type of incentive scheme nor do they receive any employee-related benefits.

In 2017, the board did not consider an increase to the NED fees. However, a benchmark exercise conducted by management highlighted a need to review and align the fees paid to our chairman of the board based on the peer benchmark criteria. All other committee members were granted an inflation-linked increase. Thus, the fee structure for 2018 is as follows:

	Annual retainer fee 2017	Meeting attendance fee 2017	Annual retainer fee 2018	Meeting attendance fee 2018
MTN GROUP BOARD				
Chairman	R2 518 081	R139 893	**R2 886 671**	**R160 370**
Member	R212 492	R53 123	**R225 242**	**R56 310**
International member	€76 928	€7 693	**€78 082**	**€7 808**
Special assignments or projects (per day)				
Local non-executive director	–	R22 639	**–**	**R23 997**
International non-executive director	–	€3 373	**–**	**€3 424**
***Ad hoc* work performed by non-executive directors for special projects (per hour)**	–	R3 985	**–**	**R4 224**
Audit committee				
Chairman	R112 901	R34 828	**R119 675**	**R36 918**
Member	R61 681	R23 997	**R65 382**	**R25 437**
Remuneration and human resources committee				
Local chairman	R84 303	R31 757	**R89 361**	**R33 662**
International chairman	€5 625	€3 590	**€5 709**	**€3 644**
Local member	R49 401	R23 289	**R52 365**	**R24 686**
International member	€3 297	€3 297	**€3 346**	**€3 346**
Risk management, compliance and corporate governance committee				
Chairman	R84 303	R31 757	**R89 361**	**R33 662**
Member	R49 401	R23 289	**R52 365**	**R24 686**
International member	€3 297	€3 297	**€3 346**	**€3 346**
Social and ethics committee				
Chairman	R84 303	R31 757	**R89 361**	**R33 662**
Member	R49 401	R23 289	**R52 365**	**R24 686**
MTN Group Share Trust (trustees)				
Chairman	R74 929	R28 226	**R79 425**	**R29 920**
Member	R32 943	R15 530	**R34 920**	**R16 462**
Sourcing committee				
Chairman	R74 929	R28 226	**R79 425**	**R29 920**
Member	R43 783	R20 641	**R46 410**	**R21 879**

Employment contracts

Group president and CEO (executive director)

The appointment of the group president and CEO, Rob Shuter, was effective from 1 July 2017; however, he started working on 13 March 2017. His appointment is for a four-year fixed duration to 12 March 2021. He has a notice period of six months and a restraint of trade of 12 months.

Chief financial officer (executive director)

The appointment of the new CFO, Ralph Mupita, was effective 3 April 2017 and is of no fixed duration. He has a notice period of six months and a restraint of trade of 12 months.

Prescribed officers

Other prescribed officers of the company are employed on a full-time and permanent basis with no fixed termination date applicable, with the exception of the group COO, Jens Schulte-Bockum, who is employed for a limited duration period terminating on 15 January 2021. His employment commenced on 16 January 2017.

Restraint of trade and notice period

All appointments since 2014 of both executive directors and prescribed officers have a six-month notice period. In total, including a six-month restraint period, this means that executives and prescribed officers have a total of 12 months, a period management believes is an adequate measure to protect the company's information.

Directors' emoluments

Directors' and prescribed officers' emoluments and related payments in the tables presented here have been audited. Comparative figures for 2016 are available in the AFS. Full details on directors' and prescribed officers' emoluments and equity compensation benefits for executive directors, prescribed officers, the group secretary of the MTN Group and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes and the performance share plan are in the AFS. This also includes shareholdings and dealings in MTN Group ordinary shares and MTN Zakhele Futhi shares by MTN Group directors, prescribed officers, the group secretary and directors and company secretaries of major subsidiaries.

Emoluments

Non-executive directors

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
PF Nhleko^	28/05/2013	2 694	1 042	12	280	–	4 028
PB Hanratty∞	01/08/2016	986	457	11	236	65	1 755
A Harper∞	01/01/2010	932	497	11	222	4	1 666
KP Kalyan	13/06/2006	449	433	12	106	–	1 000
S Kheradpir∞	08/07/2015	961	306	7	228	19	1 521
NP Mageza	01/01/2010	408	577	–	–	–	985
MLD Marole	01/01/2010	370	597	12	106	–	1 085
AT Mikati∞†	18/07/2006	823	387	11	221	62	1 504
SP Miller∞	01/08/2016	855	352	11	229	27	1 474
KC Ramon@	01/06/2014	385	489	12	106	44	1 036
NL Sowazi	01/08/2016	324	359	12	106	–	801
AF van Biljon‡	01/11/2002	212	226	12	106	60	616
J van Rooyen	18/07/2006	397	661	12	106	52	1 228
Total		9 796	6 383	135	2 052	333	18 699

All payments in rand, unless specified.

∞ *Fees have been paid in euro.*

† *Fees are paid to M1 Limited.*

\# *Retainer and attendance fees include fees for board and committee representation and meetings.*

@ *Fees paid to Anglogold Ashanti Limited.*

^ *Fees paid to Captrust Investments Proprietary Limited.*

‡ *Resigned on 31 December 2017.*

Executive directors

	Date appointed	Salaries R000	Post-employment benefits R000	Other@ benefits R000	Bonuses R000	Sub-total R000	Share gains∞ R000	Total R000
PF Nhleko^^†^^^	09/11/2015	19 950	–	–	22 477	42 427	–	42 427
R Shuter^	13/03/2017	11 528	1 225	10 581	17 122	40 456	–	40 456
R Mupita	03/04/2017	5 944	673	384	10 672	17 673	–	17 673
Total		37 422	1 898	10 965	50 271	100 556	–	100 556

∞ *Pre-tax gains on share-based payments.*

^^ *Executive director until 12/03/2017.*

^^^ *Fees paid to Captrust Investments Proprietary Limited.*

^ *Other benefits include an amount paid* in lieu *of forfeited benefits from previous employer.*

† *Contractual service fees and bonus in accordance with agreement between MTN and Captrust Investments Proprietary Limited.*

@ *Includes medical aid and unemployment insurance fund.*

Prescribed officers

	Salaries R000	Post-employment benefits R000	Other# benefits R000	Bonuses R000	Sub-total R000	Share gains∞ R000	Total R000
E Asante[1]	1 451	113	329	2 744	4 637		4 637
J Desai[2]	526	–	–	–	526	–	526
G Engling[3]	1 092	124	294	1 200	2 710	–	2 710
M Fleischer	6 706	789	478	6 204	14 177	–	14 177
I Jaroudi^	10 481	–	1 517	6 686	18 684	–	18 684
G Motsa[4@]	6 384	722	5 294	6 409	18 809	–	18 809
F Moolman	9 032	448	518	7 604	17 602		17 602
P Norman^	5 232	616	3 920	5 090	14 858	–	14 858
M Nyati[5]	765	87	694	–	1 546	–	1 546
F Sekha[6]	3 440	389	183	1 884	5 896	–	5 896
J Schulte-Bockum[7]	8 218	876	303	10 492	19 889	–	19 889
K Toriola	6 236	72	1 178	3 781	11 267	–	11 267
S van Coller	7 723	874	612	10 276	19 485	–	19 485
Total	67 286	5 110	15 320	62 370	150 086	–	150 086

^ *Other benefits include compensation* in lieu *of employment agreement amendments related to revised notice period and restraint of trade.*

@ *Other benefits include a retention payment* in lieu *of forfeiture of performance bonus from previous employer. Payment is to be spread over three years.*

1 *Appointed on 1 October 2017.*

2 *Ceased to be a prescribed officer on 16 January 2017.*

3 *Ceased to be a prescribed officer on 3 April 2017.*

4 *Appointed on 1 January 2017.*

5 *Until 10 March 2017.*

6 *Appointed on 1 June 2017.*

7 *Appointed on 16 January 2017.*

\# *Includes medical aid and unemployment insurance fund.*

Our investment case

MTN is a pure-play emerging market mobile operator: Our investment case is built on the group's key differentiators as well as our plan to take advantage of the opportunities that these present.

Strong position in the right markets

- High growth Middle East and Africa regions
- In three of the four largest economies
- Top two position in all markets

Exciting demographic opportunity

- Fast-growing, youthful population
- Low levels of data and digital adoption
- Enterprise and wholesale opportunity

Clear strategy

Attractive return profile

- Demographics drive revenue growth
- Efficiencies improve margins
- Smart capex moderates investment

Well positioned for the long term

- Progressive dividend
- Sustainable leverage
- Positioned for expansion

Shareholder information

Stock exchange performance

MTN market-related metrics for the year ended 31 December

MTN Group Ltd	2017	2016
Closing price (c)	**13 660**	12 617
Highest price (c)	**13 660**	15 370
Lowest price (c)	**11 041**	10 700
Total number of shares traded	**1 571 088 216**	2 083 107 730
Number of shares in issue	**1 797 451 000**	1 884 269 758
Number of shares as a percentage of shares in issue (%)	**87**	111
Number of transactions (as per JSE)		2 171 512
One year VWAP (c)	**12 310**	12 814
Market cap (as at 29/12/2017) (billion)	**257 391**	237 738
Dividend yield (%)	**5,36**	6,04
Earnings yield (%)	**3,15**	4,2
P/E (x)	**26,33**	23,9
Average telecoms index (close)	**6 940**	7 131
Average industrial index (close)	**73 522,2**	44 541
Average mobile index (close)	**226,6**	234

Source: Bloomberg, Factset, JSE.

Shareholders' diary

Final dividend declaration	7 March 2018
Summary annual financial results published	8 March 2018
Annual financial statements posted	end-March 2018
Annual general meeting	24 May 2018
Half year-end	30 June 2018
Interim dividend declaration	early August 2018
Interim financial statements published	early August 2018
Financial year-end	31 December 2018
Final dividend declaration for 2018	early March 2019
Summary annual financial results	early March 2019

Please note that these dates are subject to change.

Forward looking information

Opinions and forward looking statements expressed in this report represent those of the company at the time. Undue reliance should not be placed on such statements and opinions because by nature, they are subjective to known and unknown risk and uncertainties and can be affected by other factors that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward looking statements.

Neither the company nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (based on negligence or otherwise) for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection with this presentation and do not undertake to publicly update or revise any of its opinions or forward looking statements whether to reflect new information or future events or circumstances otherwise.

Glossary

Here we provide definitions and descriptions of some terms and acronyms used in this report.

2G	Second generation digital mobile communications standard that allows for voice calls and limited data transmission
3G	Third generation mobile communications standard allowing mobile phones, computers and other portable mobile devices to access the internet wirelessly
4G/LTE	Fourth generation or long-term evolution mobile communications standard allowing wireless internet access at a much higher speed than 3G
AFCF	Adjusted free cash flow
AFS	Annual financial statements
ARPU	Average revenue per user
BRIGHT	Our strategy
BCM	Business continuity management
BEE	Black economic empowerment
CEO	Chief executive officer
CEM	Customer experience management
CEX	Customer experience
CFO	Chief financial officer
Churn	Average number of disconnections in a period divided by average monthly customers during the period
CRM	Crisis risk management
CSI	Corporate social investment
COO	Chief operating officer
CP	Company performance
CVM	Customer value management
DaaS	Data as a service
DRP	Disaster recovery plan
EBU	Enterprise business unit
EPS	Earnings per share
ESOP	Employee share ownership plan
Exco	Executive committee
GTB	Group transformation board
EBITDA	Earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation and is also presented before recognising the following items: impairment of goodwill, loss on derecognition of long-term loan receivable, net monetary gain resulting from application of hyperinflation and share of results of joint ventures and associates after tax.
EP	Employee performance
HEPS	Headline earnings per share
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISP	Internet service provider
IGNITE	Our operational execution programme
JSE	Johannesburg Stock Exchange
KPI	Key performance indicators
KYC	Know your customer: a process to identify and verify customer identity
LTI	Long-term incentive
M&A	Mergers and acquisitions
Manco	MTN's group management company
MENA	Middle East and North Africa
MFS	Mobile financial services
Modernised	Subscribers who have successfully activated their SIM cards and participated in a revenue-generating event
MOU	Minutes of use
NAFEX	Nigerian Autonomous Foreign Exchange market
NM	Not measurable
NPS	Net promoter score
Opcos	Our operating companies
QoS	Quality of service
RAN	Radio access network
ROI	Return on investment
ROIC	Return on invested capital
SAICA	South African Institute of Chartered Accountants
SARS	Share appreciation rights scheme
SEAGHA	Southern and East Africa and Ghana region
SIM	Subscriber identity module
SLA	Service level agreement
SME	Small and medium enterprise
SMS	Short message service
SRP	Share rights plan
TMD	Telecommunications, media and digital
TP	Team performance
TSR	Total shareholder return
VP	Vice-president
WECA	West and Central Africa
WOW	Walk out working

Administration 2018

MTN GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number: 1994/009584/06
ISIN: ZAE000042164
Share code: MTN

Board of directors

PF Nhleko[2]
RA Shuter[#1]
RT Mupita[1]
PB Hanratty[$3]
A Harper[#3]
KP Kalyan[3]
S Kheradpir[††3]
NP Mageza[3]
MLD Marole[3]
AT Mikati[†2]
SP Miller[^3]
KC Ramon[3]
NL Sowazi[3]
J van Rooyen[3]

†† American
† Lebanese
 # British
$ Irish
^ Belgian
1 Executive
2 Non-executive
3 Independent non-executive director

Group secretary

SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office

216 – 14th Avenue, Fairland, 2195

American depository receipt (ADR) programme

Cusip No. 62474M108 ADR to ordinary share 1:1

Depository

The Bank of New York
101 Barclay Street, New York NY. 10286, USA

MTN Group sharecare line

Toll free: 0800 202 360 or +27 11 870 8206 if phoning from outside South Africa

Office of the transfer secretaries

Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Joint auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane,
Waterfall City, Jukskei View, 2090

SizweNtsalubaGobodo Inc.
20 Morris Street East
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Sponsor

Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2196

Attorneys

Webber Wentzel
90 Rivonia Road, Sandton, 2196
PO Box 61771, Marshalltown, 2107

Contact details

Telephone: National 083 912 3000, 083 869 3000, 011 912 3000
International +27 83 912 3000
Facsimile: National (011) 912 4093
International +27 11 912 4093

E-mail: investor_relations@mtn.co.za

Website: http://www.mtn.com

MTN Group Limited

Financial results for the year ended

31 December 2017

y'ello to brighter lives

Contents

Results overview

* *Constant currency information after taking into account the impact of the pro forma adjustments as defined*
** *Reported*
[#] *Based on our new modernised definitions*
[Δ] *Organic revenue adjusts for prior year acquisitions, disposals and alignment of post-paid carry over rules*
Service revenue excludes device and sim card revenue
Adjusted free cash flow = EBITDA less capex

Note: *Certain financial information presented in these consolidated annual financial results constitutes pro forma financial information. The pro forma financial information is the responsibility of the group's board of directors and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, and results of operations or cash flows. The forward looking financial information incorporated in these consolidated financial results; has not been audited or reviewed or otherwise reported on by our external joint auditors. An assurance report has however been prepared and issued by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc. in respect of the pro forma financial information included in this announcement that is available for inspection at the registered office of the company.*

1. *The financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation and the relating goodwill and asset impairments, tower profits (including the profit realised on the exercise of the IHS exchange right whereby the group's interest in the Nigeria tower company was exchanged for additional shareholding in IHS Holding Limited), the loss on derecognition of the long-term loan receivable from IHS, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability) and IFRS 2 share-based payment expense related to Zakhele Futhi ("the pro forma adjustments") and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated financial statements for the year ended 31 December 2017. This pro forma financial information has been presented to eliminate the impact of the pro forma adjustments from the consolidated financial results in order to achieve a comparable analysis year on year. The pro forma adjustments have been calculated in terms of the group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2017.*
2. *Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the current financial reporting period's results have been adjusted to the prior period average exchange rates determined as the average of the monthly exchange rates. The measurement has been performed for each of the group's currencies, materially being that of the US dollar and Nigerian naira. The constant currency growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. Hyperinflation accounting was discontinued for MTN Irancell and MTN Sudan on 1 July 2015 and 1 July 2016 respectively. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting was applied from December 2016 onwards.*

The group's results are presented in line with the group's operational structure. This is South Africa, Nigeria, Southern and East Africa and Ghana (SEAGHA), West and Central Africa (WECA) and Middle East and North Africa (MENA) and their respective underlying operations.

The SEAGHA region includes Ghana, Uganda, Zambia, Rwanda, South Sudan, Botswana (joint venture-equity accounted), Swaziland (joint venture-equity accounted) and Business Group. The WECA region includes Cameroon, Ivory Coast, Benin, Congo Brazzaville, Liberia, Guinea Conakry and Guinea Bissau. The MENA region includes Iran (joint venture-equity accounted), Syria, Sudan, Yemen, Afghanistan and Cyprus.

Although Iran, Botswana and Swaziland form part of their respective regions geographically and operationally, they are excluded from their respective regional results because they are equity accounted for by the group.

Salient features

Revenue
↑ **6,8%***
(decreased 10,2%**)
to R132 815 million**

Service revenue
↑ **7,2%***
(decreased by 10,8%**)
to R124 409 million**

Data revenue
↑ **34,2%***
(increased 19,4%**)
to R28 212 million**

Digital revenue
↑ **14,2%***
(decreased 6,9%**)
to R13 048 million**

Subscribers# at
217,2 million
with active data users of
69,1 million

Active MTN Mobile Money customers
↑ **5,7 million**
to 21,8 million

EBITDA
↑ **2,5%***
(increased 15,2%**)
to R46 955 million**

EBITDA margin
↓ **1,4** percentage points
to 34,0%*

Capex
↑ **2,0***
(decreased 10,8%**)
to R31 461 million**

Positive HEPS of
182 cents**

Adjusted free cash flow
↑ **3,7%***
(increased 182,6%**)
to R15 494 million**

Final dividend of
450 cents
per share declared

Group president and CEO, Rob Shuter comments:

"MTN delivered a solid overall performance for the year, with progress on many fronts, despite difficult economic conditions as well as operational and regulatory challenges in certain markets. MTN Nigeria showed strong constant currency revenue growth and MTN South Africa's postpaid business displayed encouraging improvements. The group's top-line growth was driven by robust growth in data revenue (on a constant currency basis), supported by the combination of improving customer service and more stable and competitive networks. MTN Mobile Money and rich-media services supported growth in digital revenue, however, this slowed in the second half as we optimised our value-added services (VAS) subscription business. Encouragingly, on a constant currency basis, outgoing voice revenue was flat relative to the prior year. Over the year, we further strengthened our management structures and specialist skill capabilities to drive operational execution and to support our risk management processes."

"We are confident that the foundation is in place for MTN to deliver strong growth over the medium term. Through the continued execution of our BRIGHT strategy we anticipate improved top-line and EBITDA growth supporting an acceleration in cash flows and improving returns over the medium term."

Overview

MTN reported improved results for the 12 months ended 31 December 2017, delivering on guidance communicated in March 2017 and returning to profitability in headline earnings. Macro-economic conditions were challenging across a number of our markets. Nigeria experienced a markedly weaker naira as well as hard currency liquidity challenges earlier in the year, but this showed signs of improvement as the year progressed. Although South Africa entered a technical recession in the first quarter of 2017, growth resumed in the second quarter and the rand strengthened considerably against the US dollar during the latter part of year. Many of the currencies in our other markets weakened. In Iran, economic growth slowed somewhat and the rial weakened. Despite these macro challenges, the group continued to deliver on its operational targets.

Following a thorough review of group strategy in the first half of the year, MTN operationalised its BRIGHT strategy. This is arranged under six pillars comprising: **B**est customer experience; **R**eturns and efficiency focus; **I**gnite commercial performance; **G**rowth through data and digital; **H**earts and minds; and **T**echnology excellence.

Group service revenue in constant currency grew by 7,2%*, underpinned by 11,2%* growth in service revenue in Nigeria and a 3,9%$^{\Delta}$ (on an organic basis) growth in service revenue in South Africa. MTN Uganda, MTN Ghana and MTN Ivory Coast also contributed positively to the group's top-line growth on a constant currency basis. MTN Cameroon experienced a particularly challenging year, negatively impacted by the data network shutdown in some parts of the country in the first quarter, as well as regulatory and operational challenges.

The improvement in group revenue was mostly attributable to strong growth in data and digital revenue, supported by stable outgoing voice revenue. Data revenue increased by 34,2%*, supported by the improved quality and capacity of our data networks in key markets. Digital revenue increased by 14,2%*, driven mainly by mobile financial services (MFS). The group added 5,7 million active MTN Mobile Money (MoMo) customers during the year. Outgoing voice revenue was stable, increasing 0,1%* in the year.

The group's margin on reported earnings before interest, tax, depreciation and amortisation, impairment of goodwill, the loss on derecognition of the long-term loan receivable, net monetary gains and share of results of joint ventures and associates after tax (EBITDA) was 35,4%**. This was positively impacted by the once-off profit (R6 017 million**) realised on exercising the right to exchange the group's interest in Nigeria Tower InterCo B.V. (INT) for a higher shareholding in IHS Holding Limited (IHS). This was partly offset by fixed and intangible asset impairments (excluding goodwill) for MTN Sudan (R1 690 million**) and MTN Syria (R1 348 million**) relating to the carrying value previously written up for the impact of hyperinflation.

On a constant currency basis, the group's EBITDA margin declined by 1,4 percentage points (pp) to 34,0%*. MTN Nigeria's EBITDA margin (excluding the impact of the regulatory fine) declined by 7,5 pp* to 38,9%*. This was largely a result of higher foreign-currency-denominated expenses in Nigeria because of the depreciation of the naira against the US dollar. The EBITDA margin in South Africa improved by 2,0 pp* to 34,6%*. It was supported by lower handset subsidies and volumes, as well as the benefit of a stronger rand on the cost of handsets in the period. MTN Irancell's EBITDA margin declined by 3,4 pp* to 35,6%* because of higher transmission costs. MTN Uganda's margin increased by 4,9 pp* to 34,5%* and MTN Ivory Coast's margin remained flat, while the margin for MTN Cameroon declined mainly as a result of lower revenue growth.

Reported headline earnings per share (HEPS) were 182 cents** compared to a 77 cents** headline loss per share in 2016 when performance had been impacted by the Nigerian regulatory fine of 500 cents** (455 cents** of the Nigerian fine fully expensed and 45 cents** of interest). In 2017, the Nigerian regulatory fine interest reduced HEPS by 46 cents**.

HEPS were impacted by a number of once-off and non-cash post-tax items totalling 483 cents in the financial year ended 31 December 2017. The adjustments include costs related to the Nigerian regulatory fine of 46 cents, hyperinflation adjustments excluding impairments of 96 cents, net foreign exchange losses of 159 cents, MTN Zakhele Futhi share-based payment expense of 24 cents and a loss on the derecognition of a loan to an IHS tower subsidiary of 158 cents, respectively.

At 31 December 2017, the group had 217 million# subscribers, based on the new modernised definitions. We will provide comparisons for full year 2018 using the new base. In 2017, subscriber numbers in Cameroon in particular were further affected by the disconnection of approximately three million subscribers to ensure adherence with regulatory requirements on subscriber registration. We also saw regulatory related disconnections in Uganda where we disconnected 750 000 subscribers.

The group continued to invest in the rolling out of network and information technology across its markets. We spent R31 461 million** in capital expenditure (capex), rolling out a total of 8 583 3G and 8 611 4G co-located sites. This investment has resulted in a marked improvement in network quality and capacity across a number of our markets.

Regulatory and legal considerations

The Turkcell lawsuit currently before the South Gauteng High Court in South Africa is not a new action and was initiated by Turkcell Iletisim Hizmetleri A.S ("Turkcell") and East Asian Consortium ("EAC") in 2013. It relates to Turkcell's alleged grievances arising from its unsuccessful bid to obtain a mobile licence in Iran, and the awarding of that licence to MTN Irancell in 2005. MTN continues to believe that there is no legal merit to Turkcell's claim and will oppose it accordingly.

With reference to our Stock Exchange News Service of the JSE Limited (SENS) announcement on 24 October 2017 related to the sanction from the Telecommunications Regulatory Board in Cameroon, MTN Cameroon continues to engage with the relevant authorities to find an amicable solution to the matter.

With reference to our SENS announcement on 9 November 2017 related to the dispute with regulatory authorities in Benin on frequency fees, MTN Benin continues to engage with the relevant authorities in Benin to find an amicable solution to the matter.

Prospects and guidance

MTN Group well positioned to capture growth

Africa and the Middle East are forecast to remain among the world's key growth regions over the medium to long term. We are confident that MTN is well placed to benefit from this opportunity. We will continue to leverage our scale and enhance our competitive position, benefiting from favourable demographic growth, low data penetration in our markets and the unique opportunity we have to provide our customers with a range of digital services.

In the second half of 2017, we established clearly defined initiatives and key performance indicators (KPIs) for each of the six areas of BRIGHT. We expect these initiatives to support improved top-line growth, EBITDA margins and cash flow over the medium term.

Over the next few years we expect to deliver upper-single-digit constant currency service revenue growth for the group, driven by mid-single-digit growth from South Africa and double-digit growth from Nigeria. Over the same period we expect to see an expansion in group EBITDA margins.

Our extensive capex investments across our operations in 2017 allowed us to show a credible improvement in our networks across a number of our markets. This will be important in ensuring the business is able to provide a superior customer experience and competitive data networks which will support the growing demand for data and digital services. Over the next few years we expect group capex intensity (which measures our efficiency in deploying assets) to moderate within a range of 20% to 15%.

Portfolio review

We continue to review the markets in which we operate to ensure an appropriate strategic and operational fit taking into account demographics, regional synergies and business and regulatory environments. At the same time, we continue to evaluate opportunities across the Middle East and Africa. This ongoing review could, over the medium term, result in some shifts in the current portfolio.

Additionally, MTN Group operates in a number of conflict markets. While the performance of operations in these markets has resulted in a drag on overall group performance, this has been a result largely of the prevailing geopolitical conditions rather than poor operational execution. We continue to track in particular the cash flow performance of these operations, with a focus on ensuring that they remain self-funded. We are closely monitoring those operations that are not cash flow positive and will take appropriate action as required.

Capital management

We are confident the foundation is now in place for MTN to deliver strong growth in the medium term. Through the continued execution of our strategy, we anticipate improved service revenue and EBITDA growth as well as accelerating free cash flows over this period. Going forward, we will manage our holding company gearing at levels that are appropriate for a business with our corporate structure and risk profile and will adopt a rebased progressive dividend policy.

At the discretion of the board and taking into consideration market conditions, the board anticipates declaring a total dividend of 500 cents per share for 2018, growing at 10% to 20% over the medium term. The rebasing of the dividend follows the marked changes in currency exchange rates across a number of our markets. This will allow us to ensure that the dividend is funded from operational cash flows over the medium term.

Listings

MTN Nigeria continues to make good progress with the preparations for its listing on the Nigerian Stock Exchange (NSE). Extensive local marketing to target Nigerian investors is planned as part of a retail offer and institutional bookbuild, which may also involve selected international institutions.

The operation anticipates that the listing will take place during 2018 subject to appropriate market conditions and requisite regulatory approval. MTN Nigeria has engaged with Nigeria's Securities and Exchange Commission and the NSE extensively on the structure and parameters of the listing. The operation has also obtained its shareholders' approval in principle to prepare for the listing, including amendments to its corporate structure. It is expected that the application to the NSE will commence in due course and management has already initiated its Corporate Governance Rating Scoring with the NSE with a view to listing on the NSE's Premium Board. Any reduction in ownership by MTN Group in MTN Nigeria is expected to be limited.

MTN Ghana is also moving forward with its localisation and we expect this process to be completed in the first half of 2018. Under the terms of its 4G licence, MTN Ghana is required to introduce Ghanaian investors as shareholders. As a result, the MTN Group board has approved a public offer through a listing on the Ghana Stock Exchange (GSE), subject to final approval by the GSE and the Securities and Exchange Commission in Ghana. A key objective of the listing is to target a broad base of Ghanaian investors to share in the risks and rewards of ownership of MTN Ghana.

Dividends

The board has declared a final dividend of 450 cents per share. This is in line with the 2017 guidance of a total dividend of 700 cents per share communicated in March 2017.

Capex guidance 2018

ZAR (million)	**Estimated 2018**	Capitalised 2017	Capitalised 2016◊
South Africa	**9 600**	11 470	10 982
Nigeria	**6 917**	8 953	8 701
SEAGHA	**3 651**	3 794	4 246
Ghana	**1 947**	2 196	2 435
Uganda	**902**	909	758
Other	**802**	689	1 053
WECA	**4 002**	3 696	6 189
Cameroon	**1 037**	976	2 166
Cote d'Ivoire	**1 596**	1 203	1 721
Other	**1 369**	1 517	2 302
MENA	**2 499**	2 294	3 310
Syria#	**809**	951	1 049
Sudan#	**573**	545	1 549
Other	**1 117**	798	712
Head office	**748**	1 173	1 492
Global Connect	**330**	–	–
Total	**27 747**	31 380	34 920
Hyperinflation	**–**	81	348
Total reported	**27 747**	31 461	35 268
Iran (49%)#	**4 620**	9 274	5 138

Excluding hyperinflation.

◊ *Realigned to reflect the segments reallocated.*

Financial review

Reconciliation of pro forma financial information

ZAR (million)	2017	Hyper-infla-tion[(1)]	Tower profit[(2)]	Nigeria regula-tory fine[(3)]	MTN Zakhele Futhi[(4)]	IHS loan[(5)]	Pro forma 2017
Revenue	**132 815**	**504**	**–**	**–**		**–**	**132 311**
Other income	**6 591**	**–**	**6 044**	**–**		**–**	**547**
EBITDA	**46 955**	**(2 948)**	**6 044**	**–**	**(434)**	**–**	**44 293**
Depreciation, amortisation and impairment of goodwill[◊]	**26 398**	**1 175**	**–**	**–**		**–**	**25 223**
Profit from operations	**20 557**	**(4 123)**	**6 044**	**–**	**(434)**	**–**	**19 070**
Net finance cost	**9 267**	**(3)**	**–**	**1 047**		**–**	**8 223**
Loss on derecognition of loan	**2 840**					**2 840**	**–**
Hyperinflationary monetary gain	**264**	**264**	**–**	**–**		**–**	**–**
Share of results of joint ventures and associates after tax	**841**	**(1 328)**	**–**	**–**		**–**	**2 169**
Profit before tax	**9 555**	**(5 184)**	**6 044**	**(1 047)**	**(434)**	**(2 840)**	**13 016**
Income tax expense	**5 014**	**(259)**	**–**	**–**			**5 273**
Profit after tax	**4 541**	**(4 925)**	**6 044**	**(1 047)**	**(434)**	**(2 840)**	**7 743**
Non-controlling interests	**127**	**(696)**	**–**	**222**			**601**
Attributable profit	**4 414**	**(4 229)**	**6 044**	**(1 269)**	**(434)**	**(2 840)**	**7 142**
EBITDA margin	**35.4%**						**33.5%**
Effective tax rate	**52.5%**						**40.5%**

(1) Represents the exclusion of the impact of hyperinflation and related goodwill and fixed asset impairments for certain of the group's subsidiaries (MTN Syria, MTN South Sudan and MTN Sudan) being accounted for on a hyperinflationary basis in accordance with International Financial Reporting Standards (IFRS) on the respective financial statement line items affected. The economies of Iran and Sudan were assessed to no longer be hyperinflationary effective 1 July 2015 and 1 July 2016 respectively and hyperinflation accounting was discontinued from these dates onwards. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied from this date onwards. Included in EBITDA is fixed and intangible asset impairments (excluding goodwill) for MTN Sudan (R1 690 million) and MTN Syria (R1 348 million) relating to the carrying value previously written up for the impact of hyperinflation.

 # R192 million of the goodwill impairment on MTN Sudan relates to the carrying value previously written up for the impact of hyperinflation.

(2) Represents the exclusion of the financial impact relating to the sale of tower assets during the financial year on the respective financial line items impacted, which includes:

- *Tower profits, including R6 017 million relating to the profit realised on the exercise of the exchange right where the interest in the Nigeria tower company was exchanged for an increased shareholding in IHS Holding.*
- *Release of Ghana deferred gain of R27 million (2016: R31 million).*

2016	Hyper-inflation[1]	Tower profit[2]	Nigeria regulatory fine[3]	MTN Zakhele Futhi[4]	Pro forma 2016	Adjusted change %
147 920	1 026	–	–		146 894	(9.9)
335	–	31	–		304	79.9
40 751	246	31	(10 499)	(1 008)	51 981	(14.8)
26 609	791	–	–		25 818	(2.3)
14 142	(545)	31	(10 499)	(1 008)	26 163	(27.1)
10 495	(228)	–	1 044		9 679	(15.0)
1 723	1 723	–	–		–	–
(127)	(1 851)	–	–		1 724	25.8
5 243	(445)	31	(11 543)	(1 008)	18 208	(28.5)
8 346	35		–	593	7 718	(31.7)
(3 103)	(480)	31	(11 543)	(1 601)	10 490	(26.2)
(489)	195		(2 444)		1 760	(65.9)
(2 614)	(675)	31	(9 099)	(1 601)	8 730	(18.2)
27.5%					35.4%	(1.9) pp
159.2%					42.4%	(1.9) pp

(3) Represents the impact of the Nigerian regulatory fine subsequent to conclusion of the settlement agreement during 2016 on the respective financial line items impacted, which includes:

- *2016: The remeasurement impact when the settlement agreement was entered into on 10 June 2016, constituting the difference between the balance of the provision recorded on this date (after taking into account the finance cost accrued from the beginning of the financial year up to 9 June 2016) and the present value of the financial liability arising on this date in accordance with IFRS (included in the EBITDA line);*
- *2016 and 2017: The finance cost impact recognised as a result of the unwind of the discounting of the provision (for the period from 1 January to 9 June 2016) and the financial liability (for the period from 10 June 2016 to 31 December 2016 and from 1 January 2017 to reporting date).*

(4) Represents the IFRS 2 Share-based payment impact of MTN Zakhele Futhi. MTN made an offer of ordinary shares to qualifying BEE investors during the prior financial year. During 2017, the group issued a portion of the shares previously underwritten resulting in the recognition of a IFRS 2 Share-based payment expense of R434 million (2016 – R1 008 million).

(5) Represents the impact of the loss on the derecognition of the long-term loan receivable from IHS amounting to R2 840 million.

Exchange rates

The stronger rand and the significant year-on-year (YoY) depreciation of the naira against the US dollar had a negative translation impact on rand-reported results for the period. The average naira depreciated by 25,8% against the US dollar in the year, and the closing rate was down 13,1% YoY. The average rand strengthened by 9,6% against the US dollar YoY and the rand closed 10,7% stronger. In light of recent developments in South Africa we expect the rand to remain robust throughout 2018.

Revenue

Table 1: Group revenue by country

	Actual (Rm)	Prior◊ (Rm)	Reported % change	Constant currency % change	Contribution to revenue %
South Africa (opco)	**42 542**	41 303	3,0	3,0	32,2
Nigeria	**36 005**	47 122	(23,6)	11,4	27,2
SEAGHA	**20 133**	20 511	(1,8)	17,3	15,1
Ghana	**10 382**	10 291	0,9	23,3	7,8
Uganda	**5 193**	5 465	(5,0)	10,0	3,9
Other	**4 558**	4 755	(4,1)	12,7	3,4
West and Central Africa	**20 951**	23 242	(9,9)	(2,8)	15,9
Cameroon	**5 373**	6 189	(13,2)	(6,6)	4,1
Ivory Coast	**7 421**	7 176	3,4	11,0	5,6
Other	**8 157**	9 877	(17,4)	(10,4)	6,2
Middle East and North Africa	**12 716**	14 288	(11,0)	7,5	9,6
Syria	**2 007**	2 123	(5,5)	14,8	1,5
Sudan	**4 540**	4 585	(1,0)	25,2	3,4
Other	**6 169**	7 580	(18,6)	(5,3)	4,7
Head office companies and eliminations	**(36)**	428	–	–	–
Total	**132 311**	146 894	(9,9)	6,8	100,0
Hyperinflation	**504**	1 026	–	–	–
Total reported	**132 815**	147 920	(10,2)	5,9	100,0

◊ *Realigned to reflect the segments reallocated.*

Group total revenue increased by 6,8%*, supported by encouraging revenue growth in MTN Nigeria (up 11,4%*), MTN Uganda (up 10,0%*), MTN Ghana (up 23,3%*) and MTN Ivory Coast (up 11,0%*). This was mainly a result of strong data and digital revenue growth in these markets. MTN South Africa grew total revenue by 3,0%** while MTN Cameroon reported a 6,6%* decline in revenue.

Outgoing voice revenue remained largely flat. This is a positive re-enforcement of our work to stem the decline in the contribution of voice to the business, particularly in Nigeria where outgoing voice revenue increased by 7,5%*.

Table 2: Group digital and data revenue

	Digital revenue				Data revenue[1]			
	Actual (Rm)	Prior◊ (Rm)	Reported % change	Constant currency % change	**Actual (Rm)**	Prior◊ (Rm)	Reported % change	Constant currency % change
South Africa (opco)	**2 704**	2 211	22,3	22,3	**14 164**	11 335	25,0	25,0
Nigeria	**3 873**	6 020	(35,7)	(3,5)	**4 376**	3 309	32,2	86,6
SEAGHA	**4 211**	3 852	9,3	29,7	**3 825**	3 306	15,7	38,1
Ghana	**2 355**	2 091	12,6	37,7	**2 569**	2 084	23,3	50,6
Uganda	**1 322**	1 319	0,2	16,1	**496**	403	23,1	41,4
Other	**534**	442	20,8	32,8	**760**	819	(7,2)	4,9
West and Central Africa	**1 745**	1 404	24,3	32,5	**2 697**	2 191	23,1	32,1
Cameroon	**306**	252	21,4	27,4	**798**	702	13,7	21,1
Ivory Coast	**879**	704	24,9	32,8	**716**	409	75,1	87,5
Other	**560**	448	25,0	34,8	**1 183**	1 080	9,5	18,3
Middle East and North Africa	**495**	502	(1,4)	21,3	**3 048**	2 740	11,2	33,8
Syria	**83**	53	56,6	92,5	**551**	566	(2,7)	18,6
Sudan	**262**	250	4,8	32,0	**1 289**	1 060	21,6	52,5
Other	**150**	199	(24,6)	(11,1)	**1 208**	1 114	8,4	23,9
Head office companies and eliminations	**3**	2	–	–	**(18)**	557	–	–
Total	**13 031**	13 991	(6,9)	14,2	**28 092**	23 438	19,9	34,2
Hyperinflation	**17**	31	–	–	**120**	189	–	–
Total reported	**13 048**	14 022	(6,9)	13,9	**28 212**	23 627	19,4	32,8

◊ Realigned to reflect the segments reallocated.
(1) Data includes access data, ISP and EBU access data.

Data revenue increased by 34,2%*, benefiting from significantly improved data network quality and capacity across our key markets and a continued increase in active data users to 69,1 million. Data revenue increased in South Africa (up 25,8%$^{\Delta}$), Nigeria (up 86,6%*), Uganda (up 41,4%*), Ghana (up 50,6%*), Cameroon (up 21,1%*) and Ivory Coast (up 87,5%*).

Digital revenue increased by 14,2%*, underpinned by solid growth in MFS. This was partly offset by slower growth in VAS revenue, impacted by the optimisation of the VAS business across our markets, in particular Nigeria. Our e-commerce JVs, while being equity accounted as opposed to consolidated within the results, remain an important element of our digital strategy. We will work to further enhance synergies between our existing platform and our e-commerce businesses.

Table 3: Group revenue analysis

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency % change	Contribution to revenue %
Outgoing voice[1]	**64 940**	79 401	(18,2)	0,1	49,1
Incoming voice[2]	**11 055**	14 153	(21,9)	2,4	8,4
Data[3]	**28 092**	23 438	19,9	34,2	21,2
Digital	**13 031**	13 991	(6,9)	14,2	9,8
SMS	**2 684**	3 240	(17,2)	(4,6)	2,0
Devices	**8 406**	8 432	(0,3)	1,6	6,4
Wholesale[4]	**1 656**	1 758	(5,8)	(33,8)	1,3
Other	**2 447**	2 481	(1,4)	10,6	1,8
Total	**132 311**	146 894	(9,9)	6,8	100,0
Hyperinflation	**504**	1 026	–	–	–
Total reported	**132 815**	147 920	(10,2)	5,9	100,0

(1) Definition refined to exclude international roaming.
(2) Definition refined to include international roaming and exclude wholesale.
(3) Data includes access data, ISP and EBU access data.
(4) Includes wholesale voice, data, SMS, leased lines and BTS rentals.

Costs

Table 4: Cost analysis

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency % change	% of revenue
Handsets and other accessories	**10 761**	12 245	(12,1)	(9,6)	8,1
Interconnect	**10 200**	12 402	(17,8)	2,0	7,7
Roaming	**731**	856	(14,6)	(2,5)	0,6
Commissions	**9 444**	9 659	(2,2)	14,6	7,1
Government and regulatory costs	**5 027**	5 026	0,0	19,1	3,8
VAS / Digital revenue share	**2 828**	3 803	(25,6)	(5,7)	2,1
Service Provider Disc	**1 736**	1 934	(10,2)	(10,2)	1,3
Network	**24 952**	23 233	7,4	35,7	18,9
Marketing	**3 242**	3 698	(12,3)	(0,6)	2,5
Staff costs	**9 046**	9 048	(0,0)	12,6	6,8
Other OPEX	**10 599**	13 313	(20,4)	(10,8)	8,0
Total	**88 566**	95 217	(7,0)	9,5	66,9
Regulatory fine	**–**	10 499	–	–	–
MTN Zakhele Futhi impact	**434**	1 008	–	–	–
Hyperinflation	**3 451**	780	–	–	–
Total reported	**92 451**	107 504	(14,0)	0,1	69,6

Total costs increased by 9,5%*, negatively impacted by foreign-denominated expenses in Nigeria and costs associated with the rollout of network sites in the year. In South Africa, lower handset cost subsidies and volumes, as well as a strong rand, led to a lower total cost of handsets.

EBITDA

Table 5: Group EBITDA by country

	Actual (Rm)	Prior◊ (Rm)	Reported % change	Constant Currency % change
South Africa[1] (opco)	**14 728**	13 451	9,5	9,5
Nigeria	**14 041**	21 854	(35,8)	(6,6)
SEAGHA	**6 835**	6 741	1,4	17,4
Ghana	**4 116**	4 184	(1,6)	19,4
Uganda	**1 794**	1 620	10,7	27,8
Other	**925**	937	(1,3)	(9,3)
West and Central Africa	**5 336**	7 007	(23,8)	(16,4)
Cameroon	**1 304**	2 065	(36,9)	(30,1)
Ivory Coast	**2 347**	2 333	0,6	9,1
Other	**1 685**	2 609	(35,4)	(28,3)
Middle East and North Africa	**3 802**	4 657	(18,4)	(0,2)
Syria	**601**	689	(12,8)	3,9
Sudan	**1 592**	1 471	8,2	39,4
Other	**1 609**	2 497	(35,6)	(24,7)
Head office companies and eliminations	**(449)**	(1 729)	–	–
Total	**44 293**	51 981	(14,8)	2,5
Regulatory fine	**–**	(10 499)	–	–
Hyperinflation	**(2 948)**	246	–	–
MTN Zakhele Futhi impact	**(434)**	(1 008)		
Tower profits	**6 044**	31	–	–
Total reported	**46 955**	40 751	15,2	39,2

◊ *Realigned to reflect the segments reallocated.*
(1) Excluding MTN Zakhele Futhi expense of R434 million (2016: R1 008 million).

Group EBITDA increased by some 2,5%*, held back by a 6,6%* decrease in MTN Nigeria's EBITDA as a result of higher foreign-denominated expenses following the depreciation of the naira against the US dollar. This was, however, offset by a 9,5%* increase in MTN South Africa's EBITDA. MTN Uganda (up 27,8%*), MTN Ghana (up 19,4%*) and MTN Ivory Coast (up 9,1%*) contributed positively to group EBITDA while MTN Cameroon recorded a 30,1%* decline in EBITDA. Head office costs were lower than those in 2016 mainly as a result of a number of once-off costs incurred in the prior year. Consequently, the group EBITDA margin decreased by 1,4 percentage points* to 34,0%*.

Depreciation, amortisation and impairment of goodwill

Table 6: Group depreciation and amortisation

	Depreciation				Amortisation			
	Actual (Rm)	Prior◊ (Rm)	Reported % change	Constant Currency % change	**Actual (Rm)**	Prior◊ (Rm)	Reported % change	Constant Currency % change
South Africa (opco)	**5 667**	5 661	0,1	0,1	**983**	909	8,1	8,1
Nigeria	**5 030**	6 949	(27,6)	5,5	**1 087**	1 515	(28,3)	4,8
SEAGHA	**2 100**	1 905	10,2	27,9	**482**	443	8,8	12,6
Ghana	**896**	800	12,0	36,3	**196**	148	32,4	61,5
Uganda	**649**	587	10,6	27,1	**169**	193	(12,4)	(26,9)
Other	**555**	518	7,1	15,8	**117**	102	14,7	16,7
West and Central Africa	**3 358**	3 474	(3,3)	4,3	**907**	651	39,3	49,6
Cameroon	**957**	996	(3,9)	4,1	**129**	150	(14,0)	(6,7)
Ivory Coast	**879**	922	(4,7)	2,0	**352**	132	166,7	182,6
Other	**1 522**	1 556	(2,2)	5,8	**426**	369	15,4	24,9
Middle East and North Africa	**1 936**	2 111	(8,3)	9,8	**535**	659	(18,8)	(4,6)
Syria	**350**	271	29,2	53,9	**88**	73	20,5	31,5
Sudan	**806**	906	(11,0)	11,3	**62**	68	(8,8)	14,7
Other	**780**	934	(16,5)	(4,4)	**385**	518	(25,7)	(12,2)
Head office companies and eliminations	**350**	383	–	–	**391**	507	–	–
Total	**18 441**	20 483	(10,0)	6,2	**4 385**	4 684	(6,4)	9,5
Hyperinflation	**836**	505	–	–	**105**	64	–	–
Total reported	**19 277**	20 988	(8,2)	7,4	**4 490**	4 748	(5,4)	9,9

◊ *Realigned to reflect the segments reallocated.*

The group depreciation charge increased by 6,2%* as a result of higher organic capex over the past 24 months. The growth in depreciation was to some extent mitigated by the stronger rand. Amortisation costs increased by 9,5%*, mainly because of higher spend on software in the previous period. Non-hyperinflation-related goodwill impairments consisted of impairments in MTN Sudan (R983 million**), MTN Afghanistan (R841 million**) and MTN Yemen (R807 million**).

Net finance costs

Table 7: Net finance cost

	Actual (Rm)	Prior (Rm)	Reported % change	Constant Currency % change	% of revenue
Net interest paid/ (received)	**3 868**	3 689	4,9	5,5	2,9
Net forex losses/ (gains)	**4 355**	5 990	(27,3)	(4,9)	3,3
Total	**8 223**	9 679	(15,0)	(0,9)	6,2
Nigeria Regulatory Fine	**1 047**	1 044			
Hyperinflation	**(3)**	(228)	–	–	–
Total reported	**9 267**	10 495	(11,7)	5,5	7,0

Net finance costs decreased by 11,7%**. This was mainly due to a 26,2%** reduction in net foreign exchange (forex) losses for the year. The decline in forex losses was largely a result of lower foreign-denominated receivables in Mauritius following the repatriation of funds from MTN Irancell in 2016. The group's net interest charge increased by 6,9%**, supported by the stronger rand against the US dollar, resulting in lower finance costs paid on US dollar bonds as well as the translation of the Nigeria finance charge relating to the weaker naira against the rand. South Africa and Dubai reported forex gains in the year.

Net forex losses mainly included:
- Forex losses in head office of R1 822 million because of the Iran dividend repatriation and the short-term loan to MTN Irancell;
- Forex losses in Nigeria of R1 731 million incurred on US dollar-denominated third-party payables; and
- Forex losses of R363 million in Sudan on foreign-denominated third-party funding and payables.

Share of results of joint ventures and associates after tax

We reported a profit of R841 million** from joint ventures and associates, compared to a loss of R127 million** in 2016. This was mainly because we exercised a right to exchange 51% of our shares in Nigeria Tower InterCo B.V. for an increased equity stake in IHS. Following this transaction (which was effective February 2017), we no longer own and equity account for a share of the results of INT.

MTN Irancell's earnings declined largely impacted by lower net interest income following the repatriation of R6,5 billion of MTN Group cash from MTN Irancell. The reported share of associate income was further impacted by the depreciation of the rial against the rand.

The digital business continued to incur losses in line with budget. Jumia benefited from Black Friday promotions in November and December 2017. MEIH is becoming the leading e-commerce and marketplace platform in the Middle East. Within IIG, Snapp continues to see strong growth and customers are at an all-time high with daily rides peaking at 850 000 and 1,2 million food orders in Q4 2017. We continue to focus on growing these businesses in line with the long-term strategy for our e-commerce ventures.

Taxation

Table 8: Taxation

	Actual (Rm)	Prior (Rm)	Reported % change	Constant Currency % change	Contribution to taxation %
Normal tax	**5 094**	8 414	(39,5)	(27,3)	96,6
Deferred tax	**(689)**	(1 730)	(60,2)	(57,9)	(13,1)
Capital gains tax	**–**	–	–	–	–
Foreign income and withholding taxes	**868**	1 034	(16,1)	(12,3)	16,5
Total	**5 273**	7 718	(31,7)	(18,5)	100,0
Hyperinflation	**(259)**	35	–	–	–
MTN Zakhele impact	**–**	593	–	–	–
Tower profits	**–**	–	–	–	–
Total reported	**5 014**	8 346	(39,9)	(27,7)	100,0

The reported effective tax rate was 52,5%**, impacted by lower profit before tax (PBT) and the effects of tax-efficient tower profits, the turnover-based tax system in Sudan, the Sudanese impairments, as well as withholding taxes on upstreamed dividends and other fees. The group's reported taxation charge decreased by 39,9%** to R5 014 million** for 2017, after reporting higher taxable income in 2016.

Earnings

We reported headline earnings per share (HEPS) of 182 cents** compared to a 77 cents** headline loss per share a year earlier.

Cash flow

Cash inflows from operations decreased to R38 484 million**. This was mainly a result of lower attributable profits in Nigeria. The repatriation of cash from MTN Irancell of R6 509 million** supported cash inflows for the year. Key cash outflows included cash capex of R26 661 million** and dividends paid of R13 521 million**.

Capital expenditure

Table 9: Capital expenditure

	Actual (Rm)	Prior◊ (Rm)	Reported % change	Constant Currency % change
South Africa (opco)	**11 470**	10 982	4,4	4,4
Nigeria	**8 953**	8 701	2,9	38,2
SEAGHA	**3 794**	4 246	(10,6)	4,1
Ghana	**2 196**	2 435	(9,8)	8,7
Uganda	**909**	758	19,9	35,2
Other	**689**	1 053	(34,6)	(29,1)
West and Central Africa	**3 696**	6 189	(40,3)	(36,3)
Cameroon	**976**	2 166	(54,9)	(51,4)
Ivory Coast	**1 203**	1 721	(30,1)	(26,0)
Other	**1 517**	2 302	(34,1)	(29,8)
Middle East and North Africa	**2 294**	3 310	(30,7)	(22,4)
Syria	**951**	1 049	(9,3)	(10,7)
Sudan	**545**	1 549	(64,8)	(51,2)
Other	**798**	712	12,1	23,2
Head office companies and eliminations	**1 173**	1 492	–	–
Total	**31 380**	34 920	(10,1)	2,0
Hyperinflation	**81**	348	–	–
Total reported	**31 461**	35 268	(10,8)	0,9

◊ *Realigned to reflect the segments reallocated.*

Capex increased by 2%* (decreased by 10,8%** to R31 461 million**) for the year, in line with guidance given at the interim period. We saw a marked increase in capitalisation during the second half, particularly in both South Africa and Nigeria.

Financial position

Table 10: Net debt analysis (Rm)

	Cash and cash equivalents†	Net interest-bearing liabilities	**Net debt/ (cash) December 2017**	Net debt/ (cash) December◊ 2016
South Africa (opco)	2 124	–	**(2 124)**	(2 023)
Nigeria	6 964	8 792	**1 828**	(1 107)
SEAGHA	1 491	3 178	**1 687**	1 571
Ghana	540	947	**407**	24
Uganda	154	1 174	**1 020**	1 385
Other	797	1 057	**260**	162
West and Central Africa	**2 158**	**7 651**	**5 493**	**4 181**
Cameroon	421	2 560	**2 139**	1 257
Ivory Coast	313	2 928	**2 615**	2 070
Other	1 424	2 163	**739**	854
Middle East and North Africa	**2 386**	**926**	**(1 460)**	**(748)**
Syria	514	–	**(514)**	(843)
Sudan	454	202	**(252)**	1 245
Other	1 418	724	**(694)**	(1 150)
Head office companies and eliminations	**7 452**	**59 173**	**51 721**	**50 028**
Total reported	**22 575**	**79 720**	**57 145**	**51 902**
Iran	2 866	840	**(2 026)**	(6 036)

† *Includes restricted cash and current investments.*
◊ *Realigned to reflect the segments reallocated.*

Net debt increased to R57 145 million** from R51 902 million** for 2016. The increase was mainly a result of lower cash generated from operations offset by cash repatriated from Iran amounting to R6 509 million** and an increase in head office net debt.

Operational review of key markets

MTN South Africa

- Subscribers# at 29,5 million
- Revenue increased by 3,0%*
- Service revenue increased by 3,9%*Δ
- Data revenue increased by 25,8%*Δ
- Digital revenue increased by 22,3%*
- EBITDA margin increased by 2,0 pp* to 34,6%*
- Capex increased by 4,4%* to R11 470 million**

Δ *On an organic basis, organic revenue adjusts for prior year acquisitions, disposals and alignment of postpaid carry over rules.*

MTN South Africa reported improved profitability with EBITDA up 9,5%* YoY, a strong result. However at 3,9%*Δ, the growth in service revenue was lower than management expectations. While the lead indicators for the postpaid business are encouraging, it is taking longer for the postpaid revenue improvement to impact the reported numbers. Total revenue increased by 3,0%*. Service revenue increased by 3,9%*Δ, supported by strong growth in data revenue and digital revenue, up 25,8%*Δ and 22,3%* respectively. Prepaid service revenue increased by 7,7%*Δ, while postpaid service revenue declined by 0,6%*Δ, largely because of the underperformance of the enterprise segment. The increased investment in the network resulted in MTN South Africa having the leading data network in the country, according to MyBroadband and P3, and co-best according to Ookla.

MTN Nigeria

- Subscribers# at 52,3 million
- Revenue increased by 11,4%*
- Data revenue increased by 86,6%*
- Digital revenue decreased by 3,5%*
- EBITDA margin declined by 7,5 pp* to 38,9%* (excluding the impact of the regulatory fine)
- Capex increased by 38,2%* to R8 953 million**

MTN Nigeria maintained positive momentum during the year, with the overall macro-economic environment stabilising and the increased oil price and production offering some relief. During the year the operation focused on operational performance, network quality, customer experience and churn management. The subscriber base at year end was 52,3 million, following both the definition review as well as lower gross connections as a result of new regulations that require all subscriber connections to take place in permanent structures. During the last quarter of 2017 the Nigerian business recorded net additions of 1 965 518, a strong result. Total revenue increased by 11,4%*, driven by strong data revenue growth. Data revenue increased 86,6%*, benefiting from customised data offerings and improved network quality driving data usage. Digital revenue decreased by 3,5%* because of the optimisation of our VAS business and despite a 27,2% increase in the number of active MoMo customers to 2,0 million.

Southern and East Africa and Ghana (SEAGHA)

- Subscribers# at 38,7 million
- Revenue increased by 17,3%*
- Data revenue increased by 38,1%*
- Digital revenue increased by 29,7%*

MTN Ghana continued to benefit from a positive macro-economic environment, and closed the year with a subscriber base of 15,7 million following the internal review of subscriber definitions. Focused value propositions and improving NPS supported the good subscriber growth. Strong growth in revenue, up by 23,3%*, was underpinned by data and digital revenue growth. Data revenue increased by 50,6%*, supported by re-pricing that was implemented in the second half. The business reported active data subscribers of 6,5 million. Digital revenue grew by 37,7%*, with the number of active MoMo subscribers expanding by 25,7% to 7,1 million. In the year, MoMo made up 13,6% of revenue.

MTN Uganda's subscriber base closed the year at 10,7 million, driven by attractive personalised bundled products introduced at the end of 2016, improved network quality and effective distribution. Total revenue increased by 10,0%*, supported by the strong growth in data and digital revenues. Data revenue increased by 41,4%*, underpinned by an increase in data traffic and good growth in data bundle adoption. Active data subscribers closed the year at 1,5 million. Digital revenue increased by 16,1%*, supported mainly by MFS (+21,9%*). In the year MFS revenue contributed 23% of total revenue. The number of active MoMo customers increased by 27,6% to 5,2 million.

West and Central Africa (WECA)

- Subscribers# at 29,1 million
- Revenue decreased by 2,8%*
- Data revenue increased by 32,1%*
- Digital revenue increased by 32,5%*

MTN Cameroon continued to experience a challenging operating environment, following the data shutdown and a slowdown in economic activity which had a material impact on subscriber and revenue growth in the year. The business also experienced a number of operational challenges. The subscriber base closed the year at 7,1 million, after the disconnection of approximately 3,0 million subscribers in early October to ensure the business remained aligned with regulatory requirements on subscriber registration. Total revenue decreased by 6,6%*, impacted by the lower subscriber base and offset by solid growth in data (+21,1%*) and digital revenue (+27,4%*). Active MoMo customers increased 194,2% to 1,1 million, with revenue up 767%* YoY.

MTN Ivory Coast reported solid full-year results notwithstanding a more challenging second half. The business saw benefits from significant network investments, with its closing subscriber base at 10,9 million. Total revenue increased by 11,0%*, underpinned by good growth in outgoing voice and data revenue, up by 5,5%* and 87,5%* respectively. Digital revenue accelerated by 32,8%*, with active MoMo customers increasing by 75,1% to 2,2 million.

Middle East and North Africa (MENA)

- Subscribers# at 67,6 million
- Revenue increased by 7,5%* (excluding Iran)
- Data revenue increased by 33,8%*(excluding Iran)
- Digital revenue increased by 21,3%* (excluding Iran)

MTN Irancell (joint venture, equity accounted, 49%)

- Subscribers# at 43,3 million
- Revenue increased by 17,8%*
- Data revenue increased by 66,3%*
- Digital revenue increased by 13,6%*
- EBITDA margin declined by 3,4 pp* to 35,6%*
- Capex increased 113,0%* to R9 274 million**

MTN Irancell delivered a solid result after rolling out a record number of sites in the year. The business reported year-end subscribers of 43,3 million following the review of subscriber definitions. During the year the postpaid base increased by 164% while prepaid subscriber numbers benefited from lower churn. MTN Irancell reported YoY growth in revenue of 17,8%* with data revenue increasing 66,3%* and now contributing 42% of total revenue. Data traffic volumes increased more than 2,5x YoY with the data revenue benefiting from the marked increase in network rollout during the year. The business brought 7 352 sites on air versus the 5 398 in the prior year and closed the year with the number one network NPS.

Board changes

Alan van Biljon retired on 31 December 2017 after many years of dedicated contribution to MTN, in which he served in various roles including chairing the audit committee and as lead independent director. The board thanks him and wishes him all the best and a well-deserved rest in his retirement. Alan Harper was appointed as the new lead independent director of the board with effect from 25 May 2017.

Phuthuma Nhleko reverted to his role as non-executive chairman on 12 March 2017 with Rob Shuter assuming the group president and CEO position and becoming an executive director on 13 March 2017.

Ralph Mupita was appointed as group CFO and an executive director of the board with effect from 3 April 2017.

Declaration of final ordinary dividend

Notice is hereby given that a gross final dividend of 450 cents per share for the period to 31 December 2017 has been declared. The number of ordinary shares in issue at the date of this declaration is 1 884 296 758 (including 9 983 286 treasury shares held by MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

The dividend will be subject to a maximum local dividend tax rate of 20% which will result in a net dividend of 360 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 90 cents per share. The net dividend per share for the respective categories of shareholders for the different dividend tax rates is as follows:

0%	450,00 cents per share
5%	427,50 cents per share
7,5%	416,25 cents per share
10%	405,00 cents per share
12,5%	393,75 cents per share
15%	382,50 cents per share

These different dividend tax rates are a result of the application of tax rates in various double-taxation agreements as well as exemptions from dividend tax.

MTN Group Limited's tax reference number is 9692/942/71/8. In compliance with the requirements of Strate, the electronic settlement and custody system used by the JSE Limited, the salient dates relating to the payment of the dividend are as follows:

Declaration date	Thursday, 8 March 2018
Last day to trade cum dividend on the JSE	Monday, 26 March 2018
First trading day ex dividend on the JSE	Tuesday, 27 March 2018
Record date	Thursday, 29 March 2018
Payment date	Tuesday, 3 April 2018

No share certificates may be dematerialised or re-materialised between 27 March 2018 and 29 March 2018, both days inclusive.

On Tuesday, 3 April 2018 the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Tuesday, 3 April 2018 will be posted on or about this date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Tuesday, 3 April 2018.

For and on behalf of the board,

PF Nhleko
Group Chairman

RA Shuter
Group President and CEO

7 March 2018
Fairland

Results overview

Financial results for the year ended 31 December 2017

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The group's audited summary consolidated financial statements have been independently audited by the group's external auditors. The group's audited summary consolidated financial statements have been prepared by the MTN finance staff under the guidance of the group finance operations executive, N Rajmohamed CA(SA) and was supervised by the group chief financial officer, RT Mupita, BScEng (Hons), MBA, GMP.

The results were made available on 8 March 2018.

Independent auditors' report on summary consolidated financial statements

To the shareholders of MTN Group Limited

Opinion

The summary consolidated financial statements of MTN Group Limited, set out on pages 23 to 46 of the MTN Group Limited Financial results for the year ended 31 December 2017, which comprise the summary consolidated statement of financial position as at 31 December 2017, the summary consolidated income statement and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of MTN Group Limited for the year ended 31 December 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 3 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 7 March 2018. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 3 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JR van Huyssteen
Registered Auditor
Johannesburg
7 March 2018

SizweNtsalubaGobodo Inc.

SizweNtsalubaGobodo Inc.
Director: DH Manana
Registered Auditor
Johannesburg
7 March 2018

Summary consolidated income statement

for the year ended 31 December

	Note	2017 Rm	2016 Rm
Revenue		**132 815**	147 920
Other income	7	**6 591**	335
Direct network and technology operating costs		**(25 077)**	(23 520)
Costs of handsets and other accessories		**(10 764)**	(12 304)
Interconnect and roaming costs		**(10 974)**	(13 393)
Staff costs		**(9 082)**	(9 152)
Selling, distribution and marketing expenses		**(17 276)**	(19 172)
Government and regulatory costs		**(5 150)**	(5 191)
Other operating expenses		**(14 128)**	(14 273)
EBITDA before Nigeria regulatory fine		**46 955**	51 250
Nigeria regulatory fine	8	**–**	(10 499)
EBITDA		**46 955**	40 751
Depreciation of property, plant and equipment		**(19 277)**	(20 988)
Amortisation of intangible assets		**(4 490)**	(4 748)
Impairment of goodwill	9	**(2 631)**	(873)
Operating profit		**20 557**	14 142
Net finance costs	10	**(9 267)**	(10 495)
Loss on derecognition of long-term loan receivable	11	**(2 840)**	–
Net monetary gain		**264**	1 723
Share of results of associates and joint ventures after tax	12	**841**	(127)
Profit before tax		**9 555**	5 243
Income tax expense		**(5 014)**	(8 346)
Profit/(loss) after tax		**4 541**	(3 103)
Attributable to:			
Equity holders of the Company		**4 414**	(2 614)
Non-controlling interests		**127**	(489)
		4 541	(3 103)
Basic earnings/(loss) per share (cents)	13	**246**	(144)
Diluted earnings/(loss) per share (cents)	13	**241**	(144)

Summary consolidated statement of comprehensive income

for the year ended 31 December

	Note	2017 Rm	2016 Rm
Profit/(loss) after tax		**4 541**	(3 103)
Other comprehensive income after tax			
Items that may be reclassified to profit or loss			
Net investment hedges	19	**1 421**	(1 887)
Foreign exchange movement on hedging instruments		**1 963**	(2 684)
Deferred and current tax		**(542)**	797
Available-for-sale financial assets[1, 2]		**4 439**	2 672
Gains arising during the year	14	**4 439**	2 672
Exchange differences on translating foreign operations including the effect of hyperinflation[1]		**(12 376)**	(22 907)
Losses arising during the year	19	**(12 376)**	(22 907)
Items that have been reclassified to profit or loss			
Reclassification of foreign currency differences on loss of significant influence[1,3]	19	**3 298**	–
Other comprehensive income for the year		**(3 218)**	(22 122)
Attributable to equity holders of the Company		**(2 664)**	(21 077)
Attributable to non-controlling interests		**(554)**	(1 045)
Total comprehensive income for the year		**1 323**	(25 225)
Attributable to:			
Equity holders of the Company		**1 750**	(23 691)
Non-controlling interests		**(427)**	(1 534)
		1 323	(25 225)

[1] *This component of other comprehensive income does not attract any tax.*

[2] *The available-for-sale investment relates mainly to the group's investment in IHS Holding Limited (IHS) (note 14).*

[3] *The reclassification to profit or loss relates to the exercise of the exchange right of IHS (note 7).*

Summary consolidated statement of financial position

as at 31 December

	Note	**2017 Rm**	2016 Rm
Non-current assets		**182 515**	189 089
Property, plant and equipment		**91 786**	95 633
Goodwill and intangible assets		**38 330**	46 473
Investments	7, 14	**27 686**	11 841
Investment in associates and joint ventures	7, 12	**19 610**	26 669
Deferred tax and other non-current assets		**5 103**	8 473
Current assets		**59 900**	79 611
Other current assets		**11 493**	13 853
Trade and other receivables		**30 022**	37 363
Restricted cash		**2 376**	1 020
Cash and cash equivalents		**16 009**	27 375
Total assets		**242 415**	268 700
Total equity		**94 267**	105 231
Attributable to equity holders of the Company		**92 773**	102 380
Non-controlling interests		**1 494**	2 851
Non-current liabilities		**83 032**	85 743
Interest-bearing liabilities	16, 17	**70 567**	67 319
Deferred tax and other non-current liabilities		**12 465**	18 424
Current liabilities		**65 116**	77 726
Interest-bearing liabilities	16, 17	**9 153**	19 635
Trade and other payables		**45 718**	45 142
Other current and tax liabilities		**10 245**	12 949
Total equity and liabilities		**242 415**	268 700

Summary consolidated statement of changes in equity

for the year ended 31 December

	Note	2017 Rm	2016 Rm
Opening balance at 1 January		**102 380**	146 369
Opening reserve adjustment for impact of hyperinflation	5	**–**	(123)
Restated balance at 1 January		**102 380**	146 246
Total comprehensive income		**1 750**	(23 691)
Profit/(loss) after tax		**4 414**	(2 614)
Other comprehensive income after tax		**(2 664)**	(21 077)
Transactions with owners of the Company			
Shares issued		**–**	^
Shares cancelled		**–**	(^)
Share-based payment transactions – other		**237**	1
Shares repurchased from MTN Zakhele		**–**	(3 462)
Share-based payment transaction – MTN Zakhele Futhi	21	**921**	2 919
Dividends declared		**(12 572)**	(19 816)
Other movements		**57**	183
Attributable to equity holders of the Company		**92 773**	102 380
Non-controlling interests		**1 494**	2 851
Closing balance at 31 December		**94 267**	105 231
Dividends declared during the year (cents per share)		**700**	1 080
Dividends declared after the year (cents per share)		**450**	450

^ Amount less than R1 million.

Summary consolidated statement of cash flows

for the year ended 31 December

	Note	2017 Rm	2016 Rm
Net cash generated from operating activities		**23 694**	20 716
Cash generated from operations		**38 484**	55 681
Dividends paid to equity holders of the Company		**(12 565)**	(19 792)
Dividends paid to non-controlling interests		**(956)**	(1 178)
Dividends received from associates and joint ventures	12	**7 129**	692
Income tax paid		**(7 596)**	(11 704)
Other operating activities		**(802)**	(2 983)
Net cash used in investing activities		**(27 585)**	(40 408)
Acquisition of property, plant and equipment		**(23 861)**	(29 899)
Acquisition of intangible assets		**(2 800)**	(5 348)
Increase in non-current investments		**(820)**	(2 199)
Realisation/(purchase) of bonds, treasury bills and foreign deposits		**1 849**	(2 704)
(Increase)/decrease in restricted cash		**(1 727)**	309
Movement in other investing activities		**(226)**	(567)
Net cash (used in)/from financing activities		**(4 919)**	20 951
Proceeds from borrowings	17	**23 287**	59 647
Repayment of borrowings and interest	17	**(28 434)**	(37 211)
Buy-back of shares from MTN Zakhele		**–**	(2 645)
Premium received on option issued to MTN Zakhele Futhi		**192**	1 185
Other financing activities		**36**	(25)
Net (decrease)/increase in cash and cash equivalents		**(8 810)**	1 259
Net cash and cash equivalents at beginning of the year		**27 375**	34 139
Exchange losses on cash and cash equivalents		**(2 664)**	(8 192)
Net monetary gain on cash and cash equivalents		**36**	169
Net cash and cash equivalents at end of the year		**15 937**	27 375

Notes to the summary consolidated financial statements

for the year ended 31 December 2017

1. INDEPENDENT AUDIT

The summary consolidated financial statements have been derived from the audited consolidated financial statements. The directors of the Company take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited consolidated financial statements. The summary consolidated financial statements for the year ended 31 December 2017 have been audited by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc., who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived. A copy of the auditors' report on the consolidated financial statements is available for inspection at the Company's registered office, together with the financial statements identified in the auditors' report.

2. GENERAL INFORMATION

MTN Group Limited (the Company) carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures, associates and related investments.

3. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements and the requirements of the Companies Act applicable to summary financial statements. The summary financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements, unless otherwise stated.

The summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS. A copy of the full set of the audited consolidated annual financial statements is available for inspection from the Company secretary at the registered office of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

The group has adopted all the new, revised or amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the group from 1 January 2017, none of which had a material impact on the group.

5. HYPERINFLATION

The financial statements of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the year.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

5. HYPERINFLATION continued

The economy of Sudan was assessed to no longer be hyperinflationary, effective 1 July 2016, and hyperinflation accounting was discontinued from this date onwards. As at 31 December 2017 the historical increase in the asset value as a result of hyperinflation accounting has been fully impaired, which resulted in a R1 690 million decrease in EBITDA during the year.

The economy of South Sudan was assessed to be hyperinflationary, effective 1 January 2016, and hyperinflation accounting was applied for the year ended 31 December 2016. Upon first application of hyperinflation, prior period losses of R123 million arising from the net monetary position have been recognised directly in equity. As at 31 December 2016 and 31 December 2017, the property, plant and equipment of South Sudan was fully impaired, resulting in no hyperinflation adjustment on capital expenditure (CAPEX) for the respective year.

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. The group's results from Iran includes expenses resulting from the discontinuation of hyperinflation accounting mainly relating to the subsequent depreciation of assets that were historically written up under hyperinflation accounting. The additional income statement charge reduced equity accounted earnings from Iran by R1 328 million for the year ended 31 December 2017 (December 2016: R1 853 million).

The economy of Syria was assessed to be hyperinflationary, effective 1 January 2014, and hyperinflation accounting has been applied since. As at 31 December 2017, R1 348 million of assets previously written up for hyperinflation has been impaired with the impact being included in EBITDA during the year under review.

The impact of hyperinflation on the segment analysis is as follows:

	2017 Rm		
	Revenue	**EBITDA**	**CAPEX**
Syria	**384**	**(1 227)**	**81**
Sudan	**–**	**(1 690)**	**–**
South Sudan (included in other SEAGHA)	**120**	**(31)**	**–**
	504	**(2 948)**	**81**
Iran – major joint venture	**–**	**69**	**–**

	2016 Rm		
	Revenue	EBITDA	CAPEX
Syria	484	164	310
Sudan	122	41	38
South Sudan (included in other SEAGHA)	420	41	–
	1 026	246	348
Iran – major joint venture	–	(294)	326

6. SEGMENT ANALYSIS

The group has identified reportable segments that are used by the group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are largely grouped according to their geographic locations and reporting lines to the CODM. The group's underlying operations are now clustered as follows:

- South Africa
- Nigeria
- South and East Africa and Ghana (SEAGHA)
- West and Central Africa (WECA)
- Middle East and North Africa (MENA).

The following changes to the group's segment presentation were made during 2017:

- The results for MTN South Africa and MTN Nigeria are reported separately. These results were previously reported in the SEA (now SEAGHA) and WECA regions respectively. The group appointed regional vice-presidents in 2017 to manage the rest of the operations in the three regions as part of its strategy to bolster leadership in each region
- The group reallocated its operations in Ghana, which was previously included in the West and Central Africa region (WECA), to the South and East Africa (SEA) region and subsequently renamed this regional grouping (SEAGHA). The reallocation was performed to balance the operational requirements of each region under each vice-president to further optimise the oversight responsibilities of the regional vice-presidents
- In addition, during 2017, management changed the way it presents segment results for South Africa. Previously, the South African operating segment included the results of the MTN South Africa sub-group of companies. In 2017, the segment results presented for South Africa only include the results of the MTN South Africa operating company.

Comparative numbers for the segments have been restated accordingly.

Operating results are reported and reviewed regularly by the CODM and include items directly attributable to a segment as well as those that are attributed on a reasonable basis, whether from external transactions or from transactions with other group segments.

The measure of reporting profit for each segment, that also represents the basis on which the CODM reviews segment results, is EBITDA. EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items:

- Impairment of goodwill
- Loss on derecognition of a long-term loan receivable
- Net monetary gain resulting from the application of hyperinflation
- Share of results of associates and joint ventures after tax.

For the purposes of the review of segment results by the CODM, EBITDA also excludes the following items:

- Hyperinflation (note 5)
- Tower sale profits
- Nigeria regulatory fine (note 8)
- MTN Zakhele Futhi share-based payment expense (note 21)
- Exchange right profit on IHS investment (note 7).

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

6. SEGMENT ANALYSIS continued

These exclusions have remained unchanged from the prior year apart from the exchange right profit on the IHS investment that occurred during the year.

Irancell Telecommunication Company Services (PJSC) (Iran) proportionate results are included in the segment analysis as reviewed by the CODM and excluded from IFRS reported results for revenue, EBITDA and CAPEX due to equity accounting for joint ventures. The results of Iran in the segment analysis exclude the impact of hyperinflation accounting.

	2017 Rm	2016[1] Rm
REVENUE		
South Africa	**42 542**	41 303
Nigeria	**36 005**	47 122
SEAGHA	**20 133**	20 511
Ghana	**10 382**	10 291
Uganda	**5 193**	5 465
Other SEAGHA	**4 558**	4 755
WECA	**20 951**	23 242
Cameroon	**5 373**	6 189
Ivory Coast	**7 421**	7 176
Other WECA	**8 157**	9 877
MENA	**12 716**	14 288
Syria	**2 007**	2 123
Sudan	**4 540**	4 585
Other MENA	**6 169**	7 580
Major joint venture – Iran	**16 503**	16 536
Head office companies and eliminations	**(36)**	428
Hyperinflation impact	**504**	1 026
Iran revenue exclusion	**(16 503)**	(16 536)
	132 815	147 920

[1] *Restated to reflect the segments reallocated.*

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

6. SEGMENT ANALYSIS continued

	2017 Rm	2016[1] Rm
EBITDA		
South Africa[2]	**14 728**	13 451
Nigeria	**14 041**	21 854
SEAGHA	**6 835**	6 741
Ghana	**4 116**	4 184
Uganda	**1 794**	1 620
Other SEAGHA	**925**	937
WECA	**5 336**	7 007
Cameroon	**1 304**	2 065
Ivory Coast	**2 347**	2 333
Other WECA	**1 685**	2 609
MENA	**3 802**	4 657
Syria	**601**	689
Sudan	**1 592**	1 471
Other MENA	**1 609**	2 497
Major joint venture – Iran	**5 881**	6 455
Head office companies and eliminations	**(449)**	(1 729)
Hyperinflation impact	**(2 948)**	246
Nigeria regulatory fine	**–**	(10 499)
Tower sale profits	**27**	31
Profit on exercise of exchange right of IHS	**6 017**	–
MTN Zakhele Futhi share-based payment expense	**(434)**	(1 008)
Iran EBITDA exclusion	**(5 881)**	(6 455)
EBITDA	**46 955**	40 751
Depreciation, amortisation and impairment of goodwill	**(26 398)**	(26 609)
Net finance cost	**(9 267)**	(10 495)
Loss on derecognition of long-term loan receivable	**(2 840)**	–
Net monetary gain	**264**	1 723
Share of results of associates and joint ventures after tax	**841**	(127)
Profit before tax	**9 555**	5 243

[1] Restated to reflect the segments reallocated.
[2] Excluding MTN Zakhele Futhi expense of R434 million (2016: R1 008 million).

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

6. SEGMENT ANALYSIS continued

	2017 Rm	2016[1] Rm
CAPITAL EXPENDITURE INCURRED		
South Africa	**11 470**	10 982
Nigeria	**8 953**	8 701
SEAGHA	**3 794**	4 246
Ghana	**2 196**	2 435
Uganda	**909**	758
Other SEAGHA	**689**	1 053
WECA	**3 696**	6 189
Cameroon	**976**	2 166
Ivory Coast	**1 203**	1 721
Other WECA	**1 517**	2 302
MENA	**2 294**	3 310
Syria	**951**	1 049
Sudan	**545**	1 549
Other MENA	**798**	712
Major joint venture – Iran	**9 274**	5 138
Head office companies and eliminations	**1 173**	1 492
Hyperinflation impact	**81**	348
Iran CAPEX exclusion	**(9 274)**	(5 138)
	31 461	35 268

[1] *Restated to reflect the segments reallocated.*

7. INVESTMENT IN IHS

In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT Towers Limited (INT), the Nigerian telecom tower operator, for an additional shareholding in IHS Holding Limited (IHS Group) (the transaction). As a result of the transaction, the group's economic interest in the IHS Group increased from approximately 15% class B non-voting shares to an economic interest of approximately 29% comprising class A voting shares and class B non-voting shares. The original IHS Group shareholders' agreement remains in place and there are no changes to IHS Group's independence as an operator. Neither the interest prior to, nor the interest obtained subsequent to the transaction will allow the group to appoint a board member. In addition, IHS Group has the right to decide what strategic, financial and operational information is shared with the group. As a result of these restrictions, the group's vote is limited to matters which relate to fundamental changes in the business or which apply in exceptional circumstances and are considered to be protective in nature. The group's rights do not constitute significant influence to participate in the financial and operating policy decisions of IHS Group. Consequently, the group continues to account for its investment in IHS Group as an available-for-sale financial instrument.

The exchange, which closed on 23 February 2017, has been accounted for as a disposal of the group's equity accounted interest in INT and an acquisition of an additional investment in the IHS Group. The net impact on profit before tax is R6 017 million, which was determined as the difference between the fair value of the new interest obtained and the carrying value of the equity accounted interest in INT and after recycling the applicable amount included in the foreign currency translation reserve (FCTR) (note 19) to the income statement. This resulted in a decrease of R4 452 million in investments in associates and an increase of R13 767 million in available-for-sale investments.

The decision to exchange the shares was made following a thorough review of the commercial benefits of the exchange and an agreement on the number of shares that the group will qualify for in IHS Group. Consensus on these matters and board approval for the transaction was obtained in January 2017. As a result, the investment in INT was not accounted for as held for sale in accordance with the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* at 31 December 2016.

The transaction had no tax impact.

8. NIGERIA REGULATORY FINE

On 10 June 2016, MTN Nigeria Communications Limited (MTN Nigeria) resolved the matter relating to the previously imposed regulatory fine with the Federal Government of Nigeria (FGN) after the completion of an extensive negotiation process.

In terms of the settlement agreement reached on 10 June 2016, MTN Nigeria agreed to pay a total cash amount of N330 billion over three years (the equivalent of R25,1 billion[1]) to the FGN as full and final settlement of the matter.

The regulatory fine was fully expensed in the prior years with an additional expense recognised in the income statement amounting to R10,5 billion for the year ended 31 December 2016. A discount unwind of R1,0 billion (31 December 2016: R1,0 billion) was recognised in finance costs during the current year relating to the outstanding liability. The balance of the liability at 31 December 2017 amounts to R6,6 billion (31 December 2016: R8,7 billion) after taking into account the payment of N30 billion (R1,3 billion[2]) on 24 March 2017 and the unwinding of the interest.

[1] *Amount translated at the 10 June 2016 rate R1 = N13,15*
[2] *Amount translated at the March 2017 average rate R1 = N23,68*

9. IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

Current year

In a number of the group's operations in the MENA region the socio-political instability experienced in these markets resulted in suppressed revenue growth and lower operating margins being experienced resulting in decreased forecasted cash flows at 30 June 2017. This necessitated impairment reviews being performed on the group's operations in Guinea-Bissau, Guinea-Conakry, Liberia, Ghana, Afghanistan, Sudan, Yemen and Syria where the carrying amounts of these cash generating units were compared to their respective recoverable amounts. The recoverable amounts were determined through value-in-use calculations where future cash flows were estimated and discounted at the weighted average cost of capital discount rates. The discount rates and the perpetuity growth rates used in the value-in-use calculations of the operations impacted by impairment are as follows:

	December 2017		June 2017		December 2016	
	Growth rate %	**Discount rate %**	**Growth rate %**	**Discount rate %**	**Growth rate %**	**Discount rate %**
MTN Afghanistan	**6,0**	**17,6**	6,0	18,8	7,0	20,2
MTN Sudan	**14,0**	**39,0**	14,0	33,0	13,7	32,9
MTN Yemen	**9,0**	**31,7**	5,0	24,8	9,0	23,9
MTN Syria (JSC)	**15,0**	**41,9**	15,0	35,2	15,0	35,5

The following impairment losses were recognised in the income statement in the goodwill impairment and other operating expenses lines, respectively in 2017:

	Goodwill impairment Rm	**Impairment of property, plant and equipment and intangible assets[1] Rm**	**Recoverable amount[2] Rm**
MTN Afghanistan	**841**	**–**	**2 317**
MTN Sudan	**983**	**1 690**	**2 963**
MTN Yemen	**807**	**–**	**1 769**
MTN Syria (JSC)	**–**	**1 348**	**2 888**
	2 631	**3 038**	**9 937**

[1] *The net impairment of property, plant and equipment, and intangible assets of R3 045 million as per note 13 includes net impairments amounting to R7 million recognised by other entities within the group.*

[2] *This includes any minority portion of the recoverable amount of the cash generating unit.*

MTN Sudan was operating in a hyperinflationary economy up to 30 June 2016 while MTN Syria (JSC) continues to operate in a hyperinflationary economy. Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. The total impairment of property, plant and equipment, and intangible assets amounting to R3 038 million and R192 million of the MTN Sudan goodwill impairment for the current year relates to the carrying value previously written up to account for the impact of hyperinflation, exceeding the calculated value in use.

9. IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT continued

Current year continued

The goodwill of MTN Sudan and MTN Syria was fully impaired as at 30 June 2017. The impairment amount recognised at 30 June 2017 relating to property, plant and equipment and intangible assets of MTN Syria has been adjusted as required for the impact of hyperinflation accounting at 31 December 2017. The remaining goodwill in MTN Afghanistan and MTN Yemen amount to R490 million and R1,2 billion at 31 December 2017, respectively.

The group performed impairment assessments on all goodwill balances at 31 December 2017 and have not identified any further impairments at that date. The goodwill impaired at 30 June 2017 can not be reversed in subsequent periods. The impairments of property, plant and equipment, and intangible assets can be reversed in subsequent periods to the depreciated carrying values at that point in time if the outlook in these markets changed sufficiently to confirm that the discounted future cash flows, or fair values less costs of disposal, exceed the carrying values of these cash generating units.

Prior year

Areeba Guinea S.A.

Areeba Guinea S.A. (Conakry) experienced a decline in EBITDA and Guinea-Conakry experienced poor economic performance countrywide. Consequently, a review of the recoverable amount of Conakry was undertaken during 2016 subsequent to which an impairment loss amounting to R402 million was recognised. As at 31 December 2016, the goodwill balance relating to Conakry was fully impaired. No further impairments were deemed necessary as at 31 December 2017.

Afrihost

Based on an agreement concluded by the group to sell its 50,02% investment in Afrihost Proprietary Limited (Afrihost) for R325 million, a goodwill impairment loss of R202 million was recognised at 30 June 2016 on the remeasurement of the assets to fair value less cost to sell in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The investment was disposed of during the second half of 2016.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

10. NET FINANCE COSTS

	2017 Rm	2016 Rm
Interest income on loans and receivables	**2 109**	2 462
Interest income on bank deposits	**1 379**	1 962
Finance income	**3 488**	4 424
Interest expense on financial liabilities measured at amortised cost	**(8 400)**	(9 020)
Net foreign exchange losses	**(4 355)**	(5 899)
Finance costs	**(12 755)**	(14 919)
Net finance costs recognised in profit or loss	**(9 267)**	(10 495)

11. LOSS ON DERECOGNITION OF LONG-TERM LOAN RECEIVABLE

With effect from 27 December 2017 MTN Nigeria Towers SPV B.V. assigned its shareholder loan of R2 840 million to IHS Group. The shareholder loan arose as part of MTN Nigeria's tower transactions whereby MTN Nigeria sold a portfolio of towers to INT in 2014 and 2015 which, through Nigeria Tower InterCo B.V., was 51% owned by MTN Nigeria Towers SPV B.V. and 49% by IHS. When forming INT, MTN Group (through MTN Nigeria Towers SPV B.V.) as well as IHS Group, provided proportionate shareholder loans to INT. These loans were subordinated and due for repayment in 2024 and 2025 with interest capitalised until two years prior to repayment. In return for the assignment of the loan, IHS has facilitated certain network volume commitments and provided more attractive terms for MTN Nigeria's future network rollout, applicable from 2018 onwards.

The cash flow benefits to be realised from the improved commercial terms of the future rollout have not been capitalised as a prepayment, and will be accounted for as and when they are realised. This is due to MTN contractually not controlling the realisation of the future economic benefits referred to above. However, the group believes it will obtain economic benefits through IHS being incentivised economically to transact with MTN under the current master services agreement.

12. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES AFTER TAX

	2017 Rm	2016 Rm
	841	(127)
Irancell Telecommunication Company Services (PJSC)	**931**	2 073
Nigeria Tower InterCo B.V. (note 7)	**(8)**	(2 227)
Others	**(82)**	27

For the year ended 31 December 2017, outstanding dividends of R6 509 million (December 2016: a loan repayment of R6 308 million) was received from Irancell.

13. EARNINGS PER ORDINARY SHARE

	2017	2016
Number of ordinary shares in issue		
At end of the year (excluding MTN Zakhele Futhi and treasury shares)	**1 797 451 094**	1 797 228 125
Weighted average number of shares		
Shares for earnings/(loss) per share	**1 797 414 442**	1 819 974 274
Add: Dilutive shares		
– Share options – MTN Zakhele Futhi	**28 535 814**	42 508 806
– Share schemes	**3 064 710**	1 042 243
Shares for dilutive earnings per share	**1 829 014 966**	1 863 525 323

Treasury shares

Treasury shares of 9 983 286 (December 2016: 10 206 255) are held by the group and 76 835 378 (December 2016: 76 835 378) are held by MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi).

Dilutive shares

The share options and share rights issued in terms of the group's share schemes, performance share plan and MTN Zakhele Futhi did not have a dilutive effect on the loss per share for the year ended 31 December 2016, and have therefore not been treated as dilutive.

MTN Zakhele and MTN Zakhele Futhi

The MTN Zakhele broad-based black economic empowerment (BBBEE) transaction unwound during 2016 and all options outstanding were exercised. The group implemented a new BBBEE transaction, structured through MTN Zakhele Futhi. The shares held by MTN Zakhele Futhi, although legally issued, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

13. EARNINGS PER ORDINARY SHARE continued

Headline earnings/(loss) is calculated in accordance with the circular titled Headline Earnings as issued by the South African Institute of Chartered Accountants as amended from time to time and as required by the JSE Limited.

	2017 Rm	2016 Rm
Basic headline earnings/(loss) per share		
Reconciliation between profit/(loss) attributable to the equity holders of the Company and headline earnings/(loss)		
Profit/(loss) after tax	**4 414**	(2 614)
Net profit on disposal of property, plant and equipment	**(11)**	(1)
– Subsidiaries (IAS 16)	**(8)**	4
– Joint ventures (IAS 28)	**(3)**	(5)
Net profit on disposal of intangible assets	**–**	(47)
– Subsidiaries (IAS 38)	**–**	(47)
Profit on disposal of subsidiary (IFRS 10)	**–**	(130)
Net (profit)/loss on dilution of investment in joint venture (IAS 28)	**(28)**	349
Net impairment loss on property, plant and equipment, and intangible assets (IAS 36)	**3 045**	205
Impairment of goodwill (IAS 36)	**2 631**	873
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(27)**	(31)
Profit on derecognition of equity-accounted investment (IAS 28)	**(6 017)**	–
Total tax effects of adjustments	**(189)**	(10)
Total non-controlling interest effect of adjustments	**(541)**	(3)
Basic headline earnings/(loss)	**3 277**	(1 409)
Earnings/(loss) per share (cents)		
– Basic	**246**	(144)
– Basic headline	**182**	(77)
Diluted earnings/(loss) per share (cents)		
– Diluted	**241**	(144)
– Diluted headline	**179**	(77)

14. FINANCIAL INSTRUMENTS

Financial instruments at amortised cost

The group has not disclosed the fair values of financial instruments measured at amortised cost as their carrying amounts closely approximate their fair values, except for the borrowings set out below.

Listed long-term borrowings

The group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R21 765 million at 31 December 2017 (December 2016: R24 059 million) and a fair value of R22 434 million (December 2016: R23 179 million). The fair values of these instruments are determined by reference to quoted prices on the Irish bond market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Financial instruments measured at fair value

The fair values of financial instruments measured at fair value are determined as follows:

Treasury bills

The fair value of these investments is determined by reference to published price quotations in an active market. The group has classified treasury bills with a carrying amount of R343 million (December 2016: R282 million) as available for sale and with a carrying amount of R307 million (December 2016: R669 million) as at fair value through profit or loss. The fair value of these investments is categorised within level 1 of the fair value hierarchy.

Fair value measurement of investment in IHS

Included in investments in the consolidated statement of financial position is an equity investment in IHS Group at fair value of R27 045 million at 31 December 2017. As stated in note 7, the group increased its interest in IHS Group during the year under review following an exchange of its 51% interest in Nigeria Tower InterCo B.V. Prior to the increase, the group reported a fair value of R11 240 million at 31 December 2016 for the investment classified as available for sale. The fair value at 31 December 2016 was determined with reference to recent transactions between market participants, consequently the investment was previously categorised within level 2 of the fair value hierarchy. At 31 December 2017, the absence of transactions between market participants resulted in the fair value being determined using models considered to be appropriate by management. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including tower industry earnings multiples of between 13x to 17x applied to MTN management's estimates of earnings, less estimated net debt.

14. FINANCIAL INSTRUMENTS continued

Fair value measurement of investment in IHS continued

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 2017 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been transferred from level 2 to level 3 of the fair value hierarchy for the current reporting period. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 148 million and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 148 million as at 31 December 2017. An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 201 million and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 201 million as at 31 December 2017.

An increase of R4 249 million (December 2016: R 2 672 million) has been recognised for the year under review in other comprehensive income resulting from the change in fair value.

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3):

	Rm
Balance at 1 January 2016	**9 707**
Transfers to level 2 (IHS)	**(9 250)**
Acquisitions	**61**
Foreign exchange differences	**(138)**
Balance at 1 January 2017	**380**
Transfers from level 2 (IHS)	**11 240**
Acquisitions	**132**
Exchange right exercised (IHS)	**13 767**
Gain on available-for-sale investment	**4 439**
Foreign exchange differences	**(2 272)**
Balance at 31 December 2017	**27 686**

15. AUTHORISED COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE

	2017 Rm	2016 Rm
	27 747	34 753
– Contracted	**6 958**	11 458
– Not contracted	**20 789**	23 295

16. INTEREST-BEARING LIABILITIES

	2017 Rm	2016 Rm
Bank overdrafts	**72**	–
Current borrowings	**9 081**	19 635
Current liabilities	**9 153**	19 635
Non-current borrowings	**70 567**	67 319
	79 720	86 954

17. ISSUE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

During the year under review the following entities raised and repaid significant debt instruments:

MTN Holdings raised R5,1 billion (December 2016: R18,1 billion) additional debt through loan facilities, R5,6 billion (December 2016: R2 billion) on general banking facilities and R5,3 billion (December 2016: R2,1 billion) through the Domestic Medium Term Programme.

MTN Holdings repaid R7,2 billion (December 2016: R7,4 billion) of the loan facility, R6,8 billion (December 2016: R2,9 billion) of general banking facilities and R2,9 billion (December 2016: R154 million) of the Domestic Medium Term Programme.

MTN International (Mauritius) Limited (MTN Mauritius) raised R1,4 billion (December 2016: R11,2 billion) and repaid R1,4 billion (December 2016: R12,9 billion) on a revolving credit facility.

MTN Nigeria Communications Limited raised R2,2 billion (December 2016: Rnil) in long-term borrowings and repaid R4,3 billion (December 2016: R5,4 billion).

Other borrowings raised and repaid across the group amounted to R3,7 billion (December 2016: R12 billion) and R5,8 billion (December 2016: R8,4 billion), respectively.

During the second half of 2016 MTN (Mauritius) Investments Limited raised R14,2 billion debt through long-term fixed interest rate unsecured notes. These notes are listed on the Irish Stock Exchange.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

18. CONTINGENT LIABILITIES

	2017 Rm	2016 Rm
Uncertain tax exposures	**8 667**	7 611
Legal and regulatory matters	**1 180**	516
	9 847	8 127

Uncertain tax exposures

The group operates in numerous tax jurisdictions and the group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the group and the relevant tax authority. The outcome of such disputes may not be favourable to the group. At year-end there were a number of tax disputes ongoing in various of the group's operating entities, the most significant of which relates to a transfer pricing dispute which the group is contesting.

The group has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

Legal and regulatory matters

The group is involved in various legal and regulatory matters, the outcome of which may not be favourable to the group and none of which are considered individually material. The group has applied its judgement and has recognised liabilities based on whether additional amounts will be payable and has included contingent liabilities where economic outflows are considered possible but not probable.

19. EXCHANGE RATES

		Closing rates		Average rates	
		2017	2016	**2017**	2016
United States dollar	USD	**0,08**	0,07	**0,07**	0,07
Nigerian naira	NGN	**29,05**	22,81	**24,61**	18,28
Iranian rial	IRR	**2 893,16**	2 355,36	**2 493,01**	2 119,83
Ghanaian cedi	GHS	**0,36**	0,31	**0,33**	0,27
Cameroon Communaute Financière Africaine franc	XAF	**44,44**	45,34	**44,06**	40,23
Côte d'Ivoire Communaute Financière Africaine franc	CFA	**45,50**	45,56	**43,92**	40,55
Ugandan shilling	UGX	**293,68**	261,73	**270,09**	232,52
Syrian pound	SYP	**35,18**	37,71	**37,76**	32,41
Sudanese pound	SDG	**1,61**	0,48	**0,55**	0,43

The group's functional and presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the group's largest operations contributed to the decrease in consolidated assets and liabilities and the resulting foreign currency translation reserve reduction of R12 376 million (December 2016: R22 907 million) for the year. Following the exercise of the exchange rights in INT (note 7), a foreign currency translation loss of R3 298 million was released to the consolidated income statement.

Nigeria and Sudan exchange rates

Following a review of the liquidity and sustainability of quoted exchange rates introduced in Nigeria and Sudan, the group changed the rates applicable to the relevant transactions and balances as well as the translation of the results, cash flows and financial position of these operations in the last quarter of 2017. The new quoted rates applied are considered to represent more appropriately the rate at which the future cash flows on the relevant foreign denominated transactions or balances could have been settled if those cash flows had occurred at the measurement date or the rate at which dividends can be remitted in respect of the translation of foreign entities. For MTN Nigeria, the group changed its reference rate from the Interbank rate to the Nigerian Autonomous Foreign Exchange (NAFEX) rate and in MTN Sudan the group changed from the Central Bank rate to the Margin Resource Incentive Rate.

Net investment hedges

During 2016 and for the year ended 31 December 2017, the group hedged a designated portion of its dollar net assets in MTN (Dubai) Limited (MTN Dubai) for forex exposure arising between the USD and ZAR as part of the group's risk management objectives. The group designated external borrowings (Eurobonds) denominated in USD held by MTN (Mauritius) Investments Limited with a value of R22,4 billion (December 2016: R23,2 billion) and external borrowings denominated in USD held by MTN Nigeria Communications Limited with a value of R2,6 billion (December 2016: R4,5 billion) as hedging instruments. For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences recognised in other comprehensive income, arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior year.

20. RELATED PARTY TRANSACTIONS

Transactions between members of the group

Scancom Limited (MTN Ghana) entered into operating lease agreements with Ghana Tower InterCo B.V. in prior years. The operating lease commitments amount was R8 446 million at 31 December 2017 (2016: R6 795 million). The expense recorded amounted to R627 million for the 2017 financial year (2016: R532 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Uganda Limited entered into operating lease agreements with Uganda Tower InterCo B.V. in prior years. The operating lease commitments amount was R1 636 million at 31 December 2017 (2016: R2 187 million). The expense recorded amounted to R558 million for the 2017 financial year (2016: R432 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Nigeria Communications Limited entered into operating lease agreements with INT in prior years, a wholly owned subsidiary of Nigeria Tower InterCo B.V. INT is no longer part of MTN Group from 31 January 2017, refer to note 7. The operating lease commitments amounted to R85 810 million as at 31 December 2016. The expense recorded amounted to R464 million for the 2017 financial year (2016: R4 254 million) representing one month's lease costs to January 2017. The initial term is 10 years (extended to 15 years in 2016), followed by four times five-year renewal periods.

Transaction with an entity associated with a director

On 28 December 2017, 14 750 000 MTN Zakhele Futhi shares, acquired by the group in terms of the 2016 MTN Zakhele Futhi underwrite option, were sold for a total consideration of R295 million. The shares were purchased by Main Street 1561 Proprietary Limited, a wholly owned company of PF Nhleko, non-executive chairman of MTN Group.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2017

21. ZAKHELE FUTHI

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties (including the 14 750 000 shares referred to in note 20), that were previously acquired by the Company in terms of the underwrite option during the allotment of MTN Zakhele Futhi shares in 2016. The shares were sold in four tranches on different grant dates for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million (December 2016: R2 919 million) of which R434 million (December 2016: R1 008 million) relates to the share-based payment expense and R487 million (December 2016: R1 911 million) relates to the option premium for the shares sold.

22. EVENTS AFTER REPORTING PERIOD

Dividends declared

Dividends declared at the board meeting held on 7 March 2018 amounted to 450 cents per share.

Administration

Registration number: 1994/009584/06
ISIN: ZAE000042164
Share code: MTN

Board of directors
PF Nhleko[2]
RA Shuter[#1]
RT Mupita[1]
PB Hanratty[$3]
A Harper[#3]
KP Kalyan[3]
S Kheradpir[††3]
NP Mageza[3]
MLD Marole[3]
AT Mikati[†2]
SP Miller[^3]
KC Ramon[3]
NL Sowazi[3]
J van Rooyen[3]

†† *American*
† *Lebanese*
\# *British*
$ *Irish*
^ *Belgian*
1 *Executive*
2 *Non-executive*
3 *Independent non-executive director*

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue, Fairland, 2195

American depository receipt (ADR) programme
Cusip No. 62474M108 ADR to ordinary Share 1:1

Depository
The Bank of New York
101 Barclay Street, New York NY. 10286, USA

MTN Group sharecare line
Toll free: 0800 202 360 or +27 11 870 8206 if phoning from outside South Africa

Office of the transfer secretaries
Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107

Joint auditors
PricewaterhouseCoopers Inc.
4 Lisbon Lane,
Waterfall City, Jukskei view, 2090

SizweNtsalubaGobodo Inc.
20 Morris Street East
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2196

Attorneys
Webber Wentzel
90 Rivonia Road, Sandton, 2196
PO Box 61771, Marshalltown, 2107

Contact details
Telephone: National 083 912 3000 and 083 869 3000
International +27 83 912 3000
Facsimile: National (011) 912 4093
International +27 11 912 4093

E-mail: investor_relations@mtn.co.za
Website: http://www.mtn.com

Bastion

www.mtn.com

Tel: +27 83 912 3000
+27 83 869 3000
Innovation Centre
216 14th Avenue
Fairland, 2195
South Africa