MTN Group Limited

Integrated Report for the year ended
31 December 2018

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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.

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 2018, and gives commentary, performance measures and prospects for the group's two main operations and three regions. Details of our material matters start on page 6. 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

- Greater disclosure of 2018 and 2019 operational KPIs
- Combined disclosure of material matters and market context
- Better link between strategic initiatives, six capitals and the United Nations' Sustainable Development Goals (SDGs)
- More detail of how we address opportunities across six growth curves
- Reporting on our people and our approach to risk management has been woven into disclosure on the 'hearts and minds' focus of strategy
- More comprehensive remuneration report.

We welcome feedback on this report at:
investor.relations@mtn.com

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 Standards 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 2019.

Ralph Mupita
Group chief financial officer

Navigation:

Links to the pillars of our **BRIGHT strategy**:	Online reports:	
B est customer experience	GR	Governance report
R eturns and efficiency focus	SR	Sustainability, including UN and CDP reports
I gnite commercial performance	AFS	Annual financial statements
G rowth through data and digital	TAX	Tax report
H earts and minds	SE	Social and ethics report
T echnology excellence	KIV	King IV application

Other icons:

www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx
LA Limited assurance obtained

Throughout this report we also use the following symbols:

* Constant currency and after taking into account pro forma adjustments.
** Reported – as reflected in the MTN Group Limited summary group financial results for the year ended 31 December 2018.
For a detailed explanation of these definitions, see page 49.
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.

All about MTN

Who we are

MTN is an emerging market mobile operator with a clear vision to **lead the delivery of a bold, new digital world** to our 233 million customers across 21 operations. We are inspired by our belief that **everyone deserves the benefits of a modern connected life.**

Ours is one of the **most admired brands** in Africa and is also among the **most valuable African brands**. MTN is one of the largest companies listed on the JSE in Johannesburg, and had a market capitalisation of R168 billion at the end of 2018.

We were established in South Africa at the **dawn of democracy** in 1994 as a leader in transformation. Since then, we have grown by investing in **sophisticated communications infrastructure** and by harnessing the **talent of our diverse team** of people across Africa and the Middle East.

Our market segments

MTN is transforming from a telecoms provider into a **digital services provider** which means we deliver not only connectivity (voice, data and SMS) but also the digital services customers use over that connectivity. We offer a **full suite of mobile fintech products** including mobile wallets, payments, micro-loans and micro-insurance that are universally accessible through our app or USSD. We also offer **mobile commerce** through our MTN marketplace and through our investments in other e-commerce platforms. We offer our own digital **lifestyle media services** including music, video and gaming (and soon **messaging** too), as well as digital **marketing** services.

MTN is already the premiere voice and data (fixed and mobile) connectivity provider to small and large enterprises. We use this base to offer enterprises a richer set of services including **cloud and unified communications**. Security underpins all of this. We are also a leader in **IoT**. We provide reliable, secure IoT connectivity and have invested in state-of-the-art IoT platforms to enhance our offering. Our **fintech offering** also extends into the enterprise space, particularly for SMEs and SOHOs.

MTN owns and runs the **largest fixed and mobile infrastructure network in our region**. To provide a high-quality service to customers and to take advantage of our scale, we have established a company called MTN GlobalConnect to run and procure the infrastructure which is shared between our markets and to route the traffic between our markets. The creation of this company has better enabled us to open up our infrastructure to third parties, including **other telcos and tech companies to resell excess capacity**.

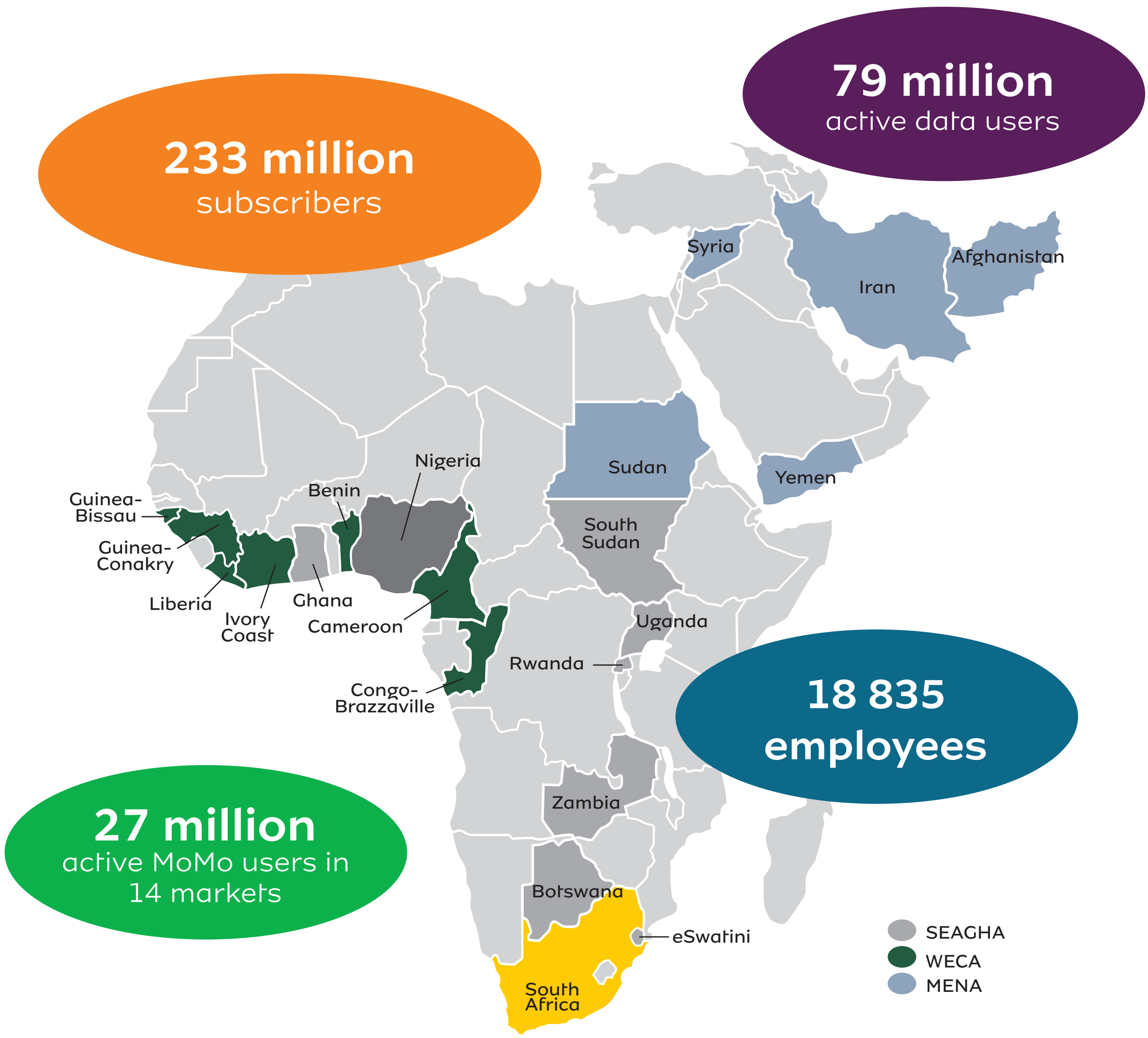
Where we operate

Strong position in the right markets

We operate in Africa and the Middle East – some of the **world's fastest growing regions** for mobile communications. We are in **three of the four largest economies** in these regions and through our extensive investments have a leading share of the market – either number one or number two – in each of these countries. This ensures in-market scale that is the key to profitability.

Exciting demographic opportunity

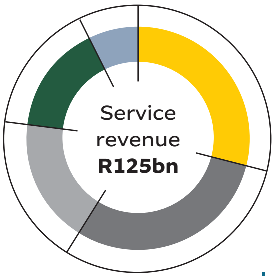
The countries in which we operate have **fast-growing, youthful populations** that are forecast to grow by another 50 million over the next few years. Data and fintech adoption is low across our footprint and there is opportunity to develop strong positions in the **enterprise and wholesale markets which are still at an early stage of maturity.**



How we manage our business

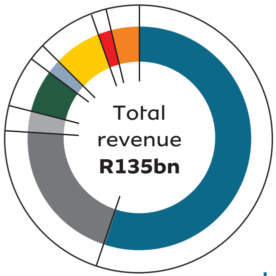
To ensure robust operational oversight across our opcos, we manage the group as follows: South Africa, Nigeria and then the SEAGHA, WECA and MENA regions and their respective operations. The CEOs of MTN South Africa and MTN Nigeria and the vice presidents of each of the regions are members of our executive committee **(see page 64).**

Sources of value creation



Service revenue by top opcos and regions
2018

South Africa	29%	WECA	16%
Nigeria	30%	MENA	7%
SEAGHA	18%		



Revenue by services offered
2018

Voice	55%	SMS	2%
Data	21%	Devices	7%
Digital	3%	Wholesale	2%
Fintech	6%	Other	4%

Our portfolio

MTN Group

MTN South Africa		MTN Nigeria		SEAGHA		WECA		MENA		Other associates, joint ventures and other investments	
	100%		78,8%	MTN Ghana	85,5%	MTN Cameroon	70%	MTN Syria	75%	ATC Ghana	49%
				MTN Uganda	96%	MTN Ivory Coast	58,8%	MTN Yemen	82,8%	ATC Uganda	49%
				MTN Rwanda	80%	MTN Benin	75%	MTN Afghanistan	100%	IHS Towers	29%
				MTN Zambia	86%	MTN Guinea-Conakry	75%	MTN Sudan	85%	Jumia Technologies AG	29,7%
				MTN eSwatini	30%	MTN Guinea-Bissau	100%	MTN South Sudan	100%	Middle East Internet Holding	50%
				Mascom^ Botswana	53,1%	MTN Congo-Brazzaville	100%	MTN Irancell	49%	Iran Internet Group	29,5%
						Lonestar Cell MTN Liberia	60%			Travelstart/ Amadeus	43,7%
										BICS	20,0%
										aYo	50%

—	Equity accounted (excluding IHS and Amadeus)
%	Refers to MTN legal ownership
^	Asset held for sale

Our market context and material matters

The environment in which we operate has direct implications for our ability to create value, and informs our BRIGHT strategy (page 12). By considering our market context, we are better able to determine our material matters – both positive and negative – and how best to respond to them over the short, medium and long term.

Demographics present an opportunity

What's happening	Implications for value
• Young and **fast-growing populations** across our markets – **670 million** of which **60%** under age of 24 • Underpenetration of fintech and digital services in **large cash economies** – 80% unbanked • Greater demands for financial and **digital inclusivity**, including in rural areas	• Opportunity for MTN to bridge the **digital and financial divide** • We can **leverage our unique assets** to offer new services, including fintech solutions, messaging, media and mobile advertising

Technological factors indicate an opportunity

What's happening	Implications for value
• Low levels of **data adoption** – only 33% – and **social media penetration** of only **20%** • **Exponential data** traffic growth • Digital connectivity is expected to accelerate • **Declining data prices**, driven by competition • Data and digital access constrained by affordability of **3G and 4G handsets** – only 30% smartphone adoption	• Opportunity to **increase revenue and profitability** by offering data and digital services • **Capital investments** required to cater for traffic growth and new technologies • Opportunity to offer our customers **low-cost devices** • Growing need for operations powered efficiently and by **renewable energy** • Need to protect customers by **securing their information**

Our analysis of the political, economic, social, technological, environmental and legal context indicates opportunity across our markets.

For details of how we determine materiality, see page 96.

Challenging political and regulatory environment

What's happening	Implications for value
• **Policy uncertainty** and spectrum constraints • US/China trade discussions may affect **supplier risk** • **Elections** in Nigeria and South Africa in 2019 • **U.S. sanctions** re-imposed on Iran • **Licence renewals** in Uganda and Ghana • Trend of higher taxes, regulatory fees and fines, including taxes on MoMo and social media use • Political and social instability in certain markets	• Requires **more capex** to refarm existing spectrum and/or for network roaming to cater for growing traffic • Introduce new vendors to **reduce dependence on large suppliers** • Inability to **repatriate** cash from Iran • Improve and implement **stakeholder management** framework and enhance risk management to reduce exposures to fines and penalties • **Lower company valuation** and impact on reputation; UN equates access to communications with human rights

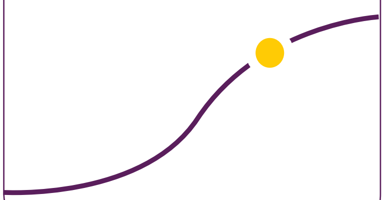
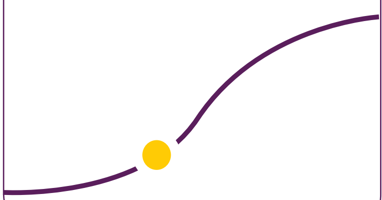
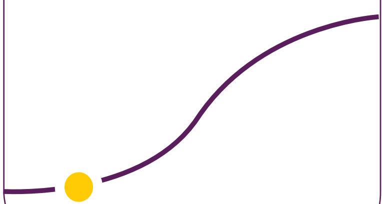
Some improving economies

What's happening	Implications for value
• Stable to **improving GDP** in most of our markets, but a challenged economic environment in our largest markets • Moderate inflation • Foreign currency **volatility**	• Telco industry shows **some resilience** to economic slowdowns • Lower **rand-reported results** • Losses incurred on joint ventures and associates • Localisations planned in **Nigeria, Zambia and Uganda** in 2019

What we are doing to address the opportunities

Considering our market context, and the material matters that this presents, we have identified six distinct growth opportunities which we are pursuing simultaneously, across the consumer, enterprise and wholesale segments.

Consumer

	Voice	**Data**	**Digital**
Where market growth is on the curve	Maturing, large pool **~-2%**Δ 	Inflection to explosive growth **~20%**Δ 	Unique emerging market opportunity **~50%** Δ 
Market size 2021	R240bn	R265bn	R25bn
MTN's 2018 performance	**Revenue** +7,3%* to R82,2 billion	**Revenue** +22,0%* to R28,5 billion	**Revenue** -32,9%* to R3,9 billion# # Declined as a result of ongoing VAS optimisation
MTN's future focus	• Ultra-rural site roll out • Personal pricing with AI • Multi-product selling • Distribution transformation	• 3G national coverage • Service bundling • Smartphone acceleration • Price transformation	• Own services + platform • Music and messaging build • MoMo integration • Local content

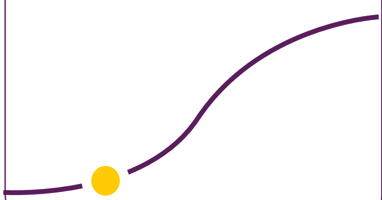
Δ 3-year organic market CAGR

These growth opportunities are the focus of the 'I' and the 'G' of our BRIGHT strategy (see page 12). The curves are a view of the market over the next three years.

Fintech

Transformational opportunity

~50% ∆



R90bn

Revenue

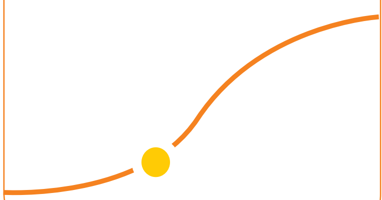
+46,8%*
to R7,8 billion

- Four new markets in 2019
- Open API for merchants
- Launch of mobile wallet interoperability
- Advanced services

Enterprise

SME and product opportunity

~15% ∆



R245bn

Revenue

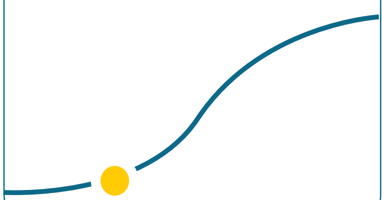
+8,4%*
to R13,4 billion

- Scale up enterprise sales
- Segmented products
- SME channel strategy
- Drive MTN way of selling

Wholesale

Largely untapped assets

~30% ∆



R55bn

Revenue

+63,7%*
to R2,8 billion

- Wet and dry build
- Third-party sales engine
- 'Yellow Connect' platform
- National roaming sales

How we create value

How our strategy is **creating value**

- Good progress made
- More work required

Our BRIGHT operational strategy is the compass for all MTNers: it clearly defines the areas on which we need to focus to build our business sustainably and create value across the six capitals.

	B	R	I
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
Performance against main KPIs in 2018	Brand NPS 90,4%	Cash upstreaming 120,0% Cash ratio 104,9% ROIC 106,4% Procurement savings 120,0%	Subscriber growth 120,0% Ignite transformation 104,1% Enterprise programme 103,0% Wholesale programme 120,0%
Primary executive responsibility in 2018	• Jens Schulte-Bockum • Ebenezer Asante • Karl Toriola • Ismail Jaroudi • Godfrey Motsa • Ferdi Moolman	• Ralph Mupita • Ebenezer Asante • Karl Toriola • Ismail Jaroudi • Godfrey Motsa • Ferdi Moolman	• Jens Schulte-Bockum • Ebenezer Asante • Karl Toriola • Ismail Jaroudi • Godfrey Motsa • Ferdi Moolman
Main KPIs for 2019	• High-volume journey implementation • Brand health index • Pro-customer positioning	• Cash upstreaming • Raising opco debt • Reduce holdco leverage • Asset realisation plan • Reduce capex intensity • Improve adjusted ROE	• Subscriber growth • Enterprise programme • Wholesale programme

Here we show our performance against specific KPIs in 2018, including the executives with the primary responsibility for delivering on each element of BRIGHT. The operational execution is driven by the three regional vice-presidents and the CEOs of our operations in South Africa and Nigeria. 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. After year-end, the group remuneration committee exercised its discretion and adjusted certain executive performance results against KPIs by considering factors beyond the control of management, all force majeure in nature. These adjustments were then ratified by the group board.

G

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

Active data subscribers	99,3%
Dual-data strategy	120,0%
Smartphone penetration	120,0%
Active MoMo subscribers	119,8%
Rich-media subscriptions	120,0%

- Jens Schulte-Bockum
- Ebenezer Asante
- Karl Toriola
- Ismail Jaroudi
- Godfrey Motsa
- Ferdi Moolman

- Active data subscribers
- Rich-media subscriptions
- Active MoMo subscribers
- Smartphone growth

H

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

Employee NPS	120,0%
Culture survey	110,0%
Regulatory risk management	120,0%
Stakeholder engagement management	120,0%
Risk, compliance and audit structure	98,9%
Improved control environment	100,0%
Resolve major legal and regulatory matters	90,0%

- Paul Norman
- Felleng Sekha
- Ralph Mupita
- Michael Fleischer
- Rob Shuter

- Employee NPS
- Employee diversity
- Regulatory risk management
- Reputational risk management
- Stakeholder management
- Effective risk and compliance practices
- Improve control environment
- Resolve major legal and regulatory matters

T

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

Network data quality	110,0%
Population coverage	100,0%

- Jens Schulte-Bockum
- Ebenezer Asante
- Karl Toriola
- Ismail Jaroudi
- Godfrey Motsa
- Ferdi Moolman

- Network NPS
- Population coverage
- Digital service application deployment and integration

How our strategy is **sustaining value**

Key
- Doing well (green)
- Improving (orange)
- Can do better (purple)

	B Best customer experience	R Returns and efficiency focus	I Ignite commercial performance
Capital inputs	**Social** • Constructive relationships with customers, trade partners and regulators **Intellectual** • Trusted brand • Skilled employees **25** years' experience of operating in emerging markets	**Financial** • R168bn market capitalisation • R63,5bn net debt • Our medium-term guidance to investors on our financial performance	**Human** • Strong teams across our market • R270m invested in employee training **Manufactured** • R100bn property, plant and equipment • R26bn** capital expenditure • Offices and networks in 24 countries • Access to public infrastructure **Intellectual** • Mutually beneficial partner ecosystem and joint ventures
Outcomes and outputs	(green) NPS leader in nine markets (green) 30,7m MyMTNapp downloads (green) South Africa's most valuable brand (brand value: R44,2bn) (orange) Group gained NPS leadership: • NPS group: 42% • NPS South Africa: 26% LA • NPS Nigeria: 60% LA • NPS other key markets: 32% LA	**2018** • EBITDA (Rbn): 48,2** • Profit after tax (Rbn): 9,6** • Cash generated by operating activities (Rbn): 32,4** • Net debt to EBITDA ratio: 1,3 • Capex intensity (%): 19,3** • Basic headline earnings per share (cents): 337 • Dividend per share (cents): 500 • Met and enhanced medium-term targets	**2018** • Staff costs (Rbn): 9,5** • Rollout: • 2G sites: 4 206 • 3G sites: 8 295 • 4G sites: 7 257 • Depreciation (Rbn): 19,7** • Recorded 2,7% increase in revenue in Nigeria because of CVM initiatives
How we achieved these	• Revitalised the brand • Redesigned the five most frequent customer journeys • Introduced treating customers fairly framework and mobile advertising controls • Improved our NPS research and measurement capabilities	• Good commercial momentum of opcos • Proceeds from disposal of MTN Cyprus and IPO of MTN Ghana • Smart capex tool implemented	• 233m subscribers • Boosted CVM capabilities • Targeted training and development • Created self-funding wholesale entity • Expanded enterprise channel • 105m smartphones on our networks
Key stakeholders and SDGs	• Customers • Our people • Trade partners	• Regulators and policy makers • Investment community • Governments • The media 8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS	• Our people • Suppliers and vendors • Mobile industry 8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS

To deliver on our strategy and to sustain value generation for our many stakeholders, we require various resources and relationships, known as the six capitals. We transform these stocks of capital through our business activities, and in so doing advance some of the UN's Sustainable Development Goals. When making decisions on allocating capital, we consider the trade-offs between the capitals, using our capital allocation framework (see page 45), and seek to maximise positive outcomes and limit negative impacts. SR

G Growth through data and digital

Intellectual

- Leading African brand
- Good partner ecosystem and joint ventures

Social

- Positive relationships with communities, governments and tax authorities
- Deep, wide distribution channel

Market potential of large unbanked and youthful populations

- 39% drop in group effective data tariffs, improving data affordability
- 79m active data users
- 2,9m insurance policy holders
- One in every four active MFS users in sub-Saharan Africa is an MTN MoMo customer
- 28 Mobile Money (MoMo) transfer corridors in 15 countries

- Extended Mobile Money to 5m more people
- Formed a remittance interoperability partnership
- Launched Open API platform to accelerate MFS ecosystem
- Developed first most affordable 3G smart feature phone with partners
- Acquired Simfy and began creating MTN's own digital media portfolio with MusicTime! App
- Launched dedicated mobile advertising platform
- Launched our CHASE programme

- Our people
- Regulators and policy makers
- Suppliers and vendors
- Trade partners
- Mobile industry
- Equity partners

1 NO POVERTY
17 PARTNERSHIPS FOR THE GOALS

H Hearts and minds

Human

- 18 835 employees
- 27,4% female management
- Defined holistic wellness approach

Social

- Productive engagements with employees, civil society, regulators and governments
- Ethics awareness among employees and business partners
- Protecting personal information

Diverse talent of 64 nationalities

- 4,5% voluntary staff turnover (within expected range)
- 78% sustainable employee engagement (up 3%) LA
- R24,1bn total tax contribution LA
- 94 calls to whistleblower line LA
- 8 673 employees trained/participated in ethics awareness
- 1 197 vendor endorsements of supplier code of conduct
- R185m in CSI

- Set up diversity committee
- Developed stakeholder management framework
- Resolved difficult regulatory issues
- Separated second and third lines of assurance to enhance independence
- Enhanced risk and compliance management framework
- Enhanced risk-escalation and acceptance process
- Revised approach to assurance
- Initiated implementation of information security plan
- Acquired more specialist skills

- Our people
- Regulators and policy makers
- Suppliers and vendors
- Civil society
- The media

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE AND JUSTICE STRONG INSTITUTIONS

T Technology excellence

Manufactured

- 123 807 sites at beginning of year
- R26bn** in capital expenditure

Natural

- Access to radio spectrum across different bands
- 19,1m gigajoules energy used

Intellectual

MTN way: more robust governance, policies and procedures

- Mutually beneficial partner ecosystem and joint ventures

- 143 719 sites at end of year
- 2 188 tonnes greenhouse gas emissions saved/avoided
- 64 renewable energy sites implemented
- 272 tonnes e-waste recycled
- User access to abusive content on children blocked on two international internet gateways

- Implemented the smart capex tool, improving our capex efficiency
- Added 431 new alternative energy sites to our network
- Engaged partners on energy and GHG reduction initiatives
- Increased by 58m the number of people covered by data (3G/4G) access in our markets

- Regulators and policy makers
- Suppliers and vendors
- Mobile industry
- Equity partners
- Governments
- Civil society
- Organised business

17 PARTNERSHIPS FOR THE GOALS

Best customer experience

Customer centricity is a requirement across all industries, with consumers considering better service a key decision factor when making a purchase.

For MTN, 'best customer experience' is focused on meeting this need. We work to ensure that we put our customers at the heart of everything we do. Simply put, our customers are the driving force of our success and market leader position and so their experience of our services, channels, people and technology is key.

2018 main KPIs

- Brand NPS

2018 initiatives

- Redesign our most common customer journeys
- Develop a pro-customer MTN brand identity
- Implement a treat customer fairly (TCF) policy and controls
- Invest in infrastructure and capability to improve customer service

2018 **performance**

Achieved **NPS leader position** in **nine markets**

- Redesigned the five **most frequent customer journeys** across our markets to make them more customer friendly

Recorded **30,7 million downloads of MyMTNapp** – a vehicle for customer engagement and self-service – across 17 opcos

- **Revitalised the brand**, repositioning MTN as 'pro-customer' and interacted extensively with our customers to understand and address their pain-points
- Executed a proactive set of controls across all operations to **protect customers from subscribing involuntarily** or accidentally to services they do not want. We introduced a **double opt-in** to services; a **transparent view** of services subscribed to; and **functionality to easily unsubscribe**
- Improved our **NPS research and measurement capabilities** to better understand customer needs

#1 player

Nigeria	Rwanda	Afghanistan
Zambia	Guinea-Bissau	Uganda
Ivory Coast	Benin	Iran

Future **focus**

- **Expand on the improvements made in customer journeys in 2018**
- **Deepen the 'pro-customer' positioning of the brand, by:**
  - Aligning our media spend with what resonates with our customers
  - Creating customer commitment manifestos
  - Expanding the number of service points using new formats like kiosks
  - Improving our measurement and analytics capability for customer service and brand
- **Continue with the TCF controls and policy implementations, especially regarding:**
  - Roaming guidelines
  - Data pricing rules
- **Empower customers using digitisation and technology through:**
  - More self-service
  - Use of customer-facing technology, like automation, bots and AI assistants

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 leverage the power of MTN Group.

2018 main KPIs

- Cash upstreaming
- Cash ratio
- Return on invested capital
- Procurement savings

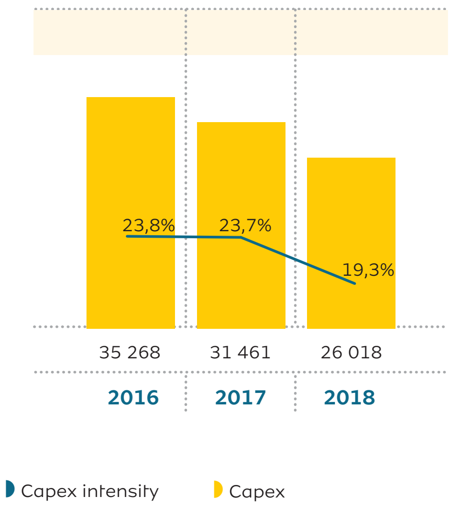
2018 initiatives

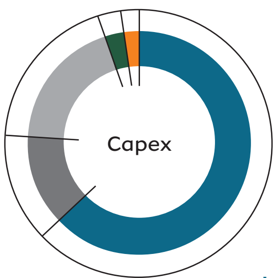
- Roll out smart capex across the group
- Prepare for successful listings of MTN Nigeria and MTN Ghana

2018 **performance**

- Widened **EBITDA margin** by **1,7pp*** to 35,9%
- **Reduced capex intensity** to **19,3%****
- **Reduced adjusted holdco leverage** to **2,3x**
- Repatriated dividends from Iran totalling **R1,3bn**** before the re-imposition of US sanctions against Iran
- Concluded the refinancing of our **US$1,25bn** revolving credit facilities for another five years, at an improved margin and with an option to increase to **US$1,5bn**
- Used proceeds from disposal of MTN Cyprus and listing of MTN Ghana to **pre-pay a portion of the US dollar-denominated holdco debt**
- Successfully listed **MTN Ghana on the Ghana Stock Exchange (GSE)** but MTN Nigeria listing delayed by regulatory issues, since resolved

Capex





Capex allocation

Radio and infrastructure	63%	Core network	3%
Transmission	13%	Other capex	2%
IT systems	19%		

Future **focus**

- **Medium-term targets to:**
  - **Record double-digit growth in group service revenue**
    - Record mid-single-digit growth in MTN South Africa service revenue
    - Record double-digit growth in MTN Nigeria service revenue
  - **Improve EBITDA margins**
  - **Reduce capex intensity** post-implementation of IFRS 16
  - **Reduce adjusted holdco leverage** to within a range of 2,0 to 2,5x
  - **Grow dividend** 10-20% per year from 2018 base of 500 cents per share
  - **Realise at least R15 billion (excluding IHS) through asset sales**
  - **Improve adjusted ROE^** to more than 20% from 11,5%
- **List MTN Nigeria** on the Nigeria Stock Exchange in first half 2019
- **Resume dividend flows from MTN Nigeria** (started in February 2019)

^ Adjusted headline earnings/equity capital.

For details of our total tax contribution, see TAX

Ignite commercial performance

As the telecoms industry has matured, operators have had to manage the pressure on voice revenue.

For MTN, 'ignite commercial performance' encompasses our efforts to transform our core business, enhancing our commercial performance and creating and optimising natural business extension opportunities to grow group revenue.

2018 main KPIs

- Subscriber growth
- Ignite transformation
- Enterprise programme
- Wholesale programme

2018 initiatives

- Move to personalised pricing and segmented value propositions
- Increase focus and capability, building on customer retention and lifecycle management
- Mature our sales and distribution to reach customers in new ways
- Launch MTN GlobalConnect to make better use of our infrastructure
- Focus on enhancing our enterprise offering

2018 **performance**

Recorded **233 million subscribers,** up 16 million

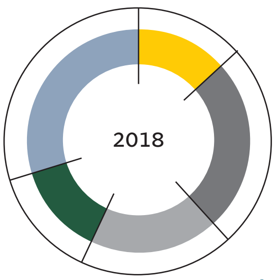
Achieved 7,3%* increase in group voice revenue to R82,2 billion, 22% increase in voice minutes

- CVM initiatives **boosted revenue** by 2,7% in Nigeria
- **Enterprise – grew revenue 8,4%* to R13,4 billion**

Wholesale – created a self-funding wholesale entity: MTN GlobalConnect, which made significant third-party wholesale sales

Grew wholesale revenue 63,7%* to R2,8 billion

Contribution of subscribers



Subscribers

South Africa	13,4%	WECA	13,2%
Nigeria	25,0%	MENA	29,6%
SEAGHA	18,8%		

Future **focus**

- Continue initiatives to **drive more personalised CVM** and keep pricing competitive and honest
- Focus more on **digitisation for sales and service** through app and web and expand channel capabilities and incentives to service the full product portfolio beyond airtime – data, digital, handsets
- Improve MTN GlobalConnect operating model to **drive efficiencies** in how we engage new clients
- Develop additional capabilities, functionality and competencies to **further improve enterprise business offerings** and service

Growth through data and digital

MTN's markets are still early in the data adoption journey and MTN is focused on delivering connectivity across our market to enable our vision.

MTN's ambition is to become the leading digital operator in Africa and the Middle East. A strong digital play is hinged on a good mobile financial services proposition. Data is the critical enabler of success: we work to connect the unconnected to the internet.

2018 main KPIs

- Active data subscribers
- Dual-data strategy
- Smartphone penetration
- Active MoMo subscribers
- Rich-media services subscriptions

2018 initiatives

- Operationalise our dual-data strategy focused on CHASE to bridge the digital divide by making data available and affordable to more customers
- Make handsets accessible to our entire customer base
- Expanded use of MTN Mobile Money
- Develop a wider digital services portfolio

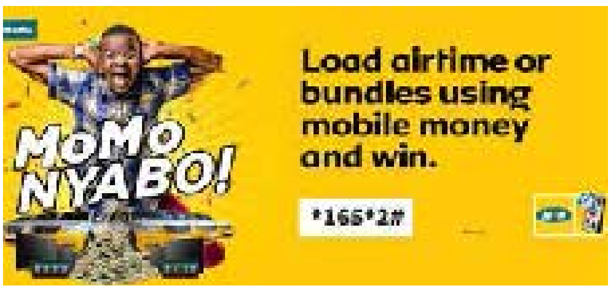
CHASE

Fulfilling the connectivity and communication needs of our customers

COVERAGE	HANDSETS	AFFORDABILITY	SERVICE BUNDLING	EDUCATION
Ensure sufficient data coverage in rural low-income areas	Increase affordability and access to data-enabled devices	Increase data service affordability	Simplify bundling and selling of data and services to ensure relevance	Enhance digital literacy and awareness of the potential of digital services

2018 **performance**

- Started executing our dual-data strategy, **enhancing digital inclusion**
- **Expanded active data users** by 10 million to 79 million
- **Improved data affordability** with a 39% reduction in the group effective rate per megabyte across our markets
- Developed the world's **first affordable 3G smart-feature phone** in partnership with China Mobile and KaiOS, and prepared to launch it at a price of around US$25
- **Incorporated Mowali** in partnership with Orange, to accelerate mobile money interoperability and payments in Africa, enhancing financial inclusion
- Launched **Open API platform** to accelerate innovation and ecosystem
- **Increased active MoMo users** by five million to 27 million in 14 countries; achieved three million insurance policies
- **Acquired Simfy** to accelerate our participation in the digital media OTT space
- Began creating MTN's own digital media portfolio including **MusicTime!, the world's first time-based music subscription app**
- Launched a **dedicated mobile advertising platform** in partnership to start participating and growing our advertising business across a broader range of offers
- Recorded 105 million **smartphones** on our networks



One in every four active MFS users in sub-Saharan Africa is an MTN MoMo customer

Future **focus**

- Continue **implementation of CHASE** with specific focus on
  - Improving customer education and ease-of-access of data
  - Expanding the availability of relevant digital content
- Extend initiatives to make **smartphones more affordable** and accessible; focus on scaling up our pilots on financing and subsidisation
- Launch **MoMo in South Africa and Nigeria, Afghanistan and Sudan**
- **Messaging** – Launch an advanced instant messaging and communications platform
- **Media** – Drive a range of entertainment offerings by building on MusicTime to expand our SmartTime-based offerings to segments including video and gaming
- **Mobile advertising** – continue rolling out the advertising platform and pursue relationships to build the ecosystem in Africa
- Develop platforms that will leverage our connectivity and payment capabilities and foster an ecosystem to help drive local innovation
- Accelerate fintech ecosystem growth and innovation through Open API
- Accelerate merchant payments; roll out insurance

Hearts and minds

People are the fuel that drives the engine of every organisation. However, the economic, political and regulatory environments in which companies work also impact the day-to-day operations and the lives of employees. For MTN, 'hearts and minds' is directly linked to our success through the employment of new skillsets, the upskilling of existing employees and the management of the work environment. This strategic pillar also focuses on the identification and management of risk, compliance and regulatory issues that are prevalent in the countries in which we operate.

2018 main KPIs

- Employee NPS
- Culture survey
- Regulatory risk management
- Stakeholder engagement management
- Risk, compliance and audit structure
- Improved control environment
- Resolve major legal and regulatory matters

2018 initiatives

- Talent management and succession planning
- Create a digital workplace
- Resolve difficult regulatory issues
- Enhance risk management framework across opcos
- Continue to implement risk and compliance roadmap

2018 **performance**

- At 78% LA, we **recorded our highest score for employee sustainable engagement**
- **Reduced voluntary turnover** to 4,53% from 7,91%
- **Improved gender diversity** with women making up 38,1% of total workforce and 27,0% of management positions
- Spent nearly 6 900 hours collaborating through **virtual digital communities** in past 18 months
- Developed **blueprint for stakeholder engagement**
- **Resolved difficult regulatory issues**, including that with Central Bank of Nigeria related to the repatriation of historical dividends; renegotiation of MTN Cameroon licence agreement; memorandum of understanding with Benin government
- **Enhanced risk management** model, separating second and third lines of defence. The second line risk and compliance functions. Third line internal audit and forensic functions
- **Continued to strengthen our compliance** practices by implementing enhanced compliance structures, including revising and **approving various new policies to enhance the consistent** application across the group
- **Enhanced risk-escalation and acceptance** process, with stronger oversight from group
- Reviewed our **risk philosophy and risk tolerances** that form the basis of our decision making
- Revised the tools, policies and frameworks to **enhance** the efficiency, adequacy, effectiveness, co-ordination and **reporting of assurance**
- Acquired **additional specialist skills** and increased the capacity of the assurance, risk and compliance management functions
- **94 calls** to whistle-blower line LA

64
nationalities

43%
millennials

Future **focus**

- Increase the percentage of **women in management** positions to 30%
- Enrol 80 new graduates in our graduate development programme
- Improve our 'employer of choice' status across our markets
- Continue to **digitise HR**, building more agile ways of work
- Implement **stakeholder and reputation management framework** across all opcos
- Roll out **compliance training and awareness** programmes across the regions
- Continue to strengthen the 'centre of excellence' for all assurance providers in line with our **revised structures and roles**
- Implement our risk and compliance transformation roadmap

Technology excellence

For all telecom operators, the strength of their network and IT infrastructure is an enabler to seize opportunities that are either untapped or under-served. It is also a critical differentiator to gain and maintain competitive advantage.

At MTN, we are driven to create a network performance second to none as well as IT capabilities that serve customer and business needs in an agile fashion.

2018 **main KPIs**

- Network data quality
- Population coverage

2018 **initiatives**

- Improve 3G and 4G population coverage in all our markets
- Explore smart coverage expansion options and rural coverage solutions to improve coverage and drive capex intensity lower
- Implement smart capex tool, improving our capex efficiency through analytics and integrated commercial and network planning
- Implement U900 spectrum initiative that allows us to cover, cost effectively, large portions of the population with 3G
- Drive opex optimisation through contract renegotiations and analytics-based efficiency optimisation

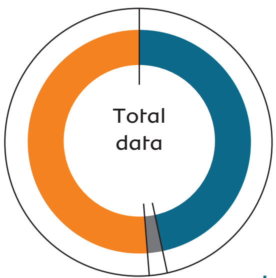
2018 **performance**

- Achieved **#1 network NPS** in 10 markets
- Delivered **R26 billion** in capex**, reduced capex intensity to 19,3%**
- Rolled out 8 295 3G sites and 7 257 4G sites

Total 3G coverage now **68,2%** from 54 535 sites

Total 4G coverage now **33,0%** from 29 294 sites

- Carried **22% more voice billable minutes and 75% more data traffic** than in 2017
- MTN South Africa recognised as having the best mobile network quality by MyBroadband
- Achieved strong improvements in voice metrics, including
  - 13 markets improved **2G dropped call rate** and 10 markets improved 2G network availability
  - 14 markets improved 3G dropped call rate and 12 markets improved 3G network availability
  - Nine markets **improved 4G network availability**
- Achieved strong improvements in data metrics, including
  - 13 markets **improved 3G download speed**; six improved 4G download speed
- Most opcos' radio access networks have software features for **energy efficiency** and have carried out swaps of base stations from indoor to outdoor units, reducing energy consumption, reduced rental opex and lower capex



Total data volumes by technology

4G	46,7%	3G	51,1%
2G	2,2%		

Future **focus**

- **Expand 3G and 4G coverage**
- Extend smart capex programme to further improve capex efficiency
- Expand opex optimisation projects to drive down costs
- Implement **innovative rural coverage solutions**
- Undergo **IT digital transformation** to create efficiencies and a more agile and seamless IT interface
- Explore **network digital transformation** to improve cost efficiency and functionality in management and maintenance of networks
- Roll out fibre and telecommunication line terminal equipment to **provide fixed connectivity in addition to our mobile offering**
- Continue network energy efficiency drive and pilot more renewable energy solutions

Relationships on which we rely to create value

Pursuing shared value

To deliver on our strategy and create value we require the trust and support of various stakeholders. In 2018, we developed a blueprint for stakeholder engagement and reputation management for the group and our operating companies. Apart from being a governance imperative, the framework aims to facilitate quality reporting, assisting strategy development and delivery.

Customers

Purchase competitive and reliable products and services at affordable prices, delivered on a reliable network. Our engagement is based on our belief that everyone deserves the benefits of a modern connected life

★ Priority interest areas

- Affordable pricing
- Superior customer service on a high-quality network
- Personal data protection and privacy
- Elevated customer experience
- Positive brand association

Desired outcome

- Affordable products and services
- Safe communication on the network

Performance in 2018

- Adopted our 'treat customers fairly' policy
- 233 million subscribers in 21 markets
- 79 million active data users
- 27 million active MoMo users
- 39% reduction in the average effective data rate across our markets
- 17% reduction in average effective voice rate across our markets
- Improved quality of service metrics across many markets

Our people

Ensure that our leadership, employees and contractors are aligned to delivering on our BRIGHT strategy

★ Priority interest areas

- Career opportunities
- Workplace conditions and practices
- Training and skills development
- Visible ethical leadership

Desired outcome

- An engaged workforce
- Motivated and high-performing people
- Ethical leadership
- Conducive workplace conditions and environment

Performance in 2018

- Recorded a 96% participation rate in group culture survey
- Sustainable engagement score improved to 78% (up 3pp)
- Employee NPS improved significantly
- Voluntary turnover rate reduced to 4,53% from 7,91%
- Spent R270 million on employee training
- Diverse workforce: 76% of our people come from 32 countries in Africa; 23% are Middle Eastern; 43% are millennials and women make up 38% of our total workforce

When engaging our stakeholders, we aim to:

- Build relationships
- Drive reputation
- Proactively manage issues

Regulators and policy makers

Introduce government and independent authority measures, legislation and monitoring of the telecoms sectors

★ Priority interest areas

- Fair regulation of the telecoms industry to support growth
- Enforce administrative and regulatory law compliance

Desired outcome

- Proactive engagement to create business friendly environments that support industry growth that is inclusive
- Early involvement in policy formulation
- Engagement to build and improve relational capital
- Alignment between MTN objectives and national priorities
- Minimise risk of regulatory issues disrupting our operations

Performance in 2018

- Resolved matter with the Central Bank of Nigeria (CBN)
- MTN Cameroon renegotiated its licence agreement
- Successfully engaged on the policy framework for MFS in Nigeria
- MTN Benin concluded a memorandum of understanding with the government of Benin on frequency fees
- MTN Uganda was granted an extension of its operating licence pending ongoing discussion around long-term licence
- MTN South Africa continued to engage on proposed amendments to the Electronic Communications Act
- President announced that frequency will be made available to mobile operators
- Listed MTN Ghana on Ghana Stock Exchange

Suppliers and vendors

Supply quality products and services

★ Priority interest areas

- Improve the visibility of supply chain delivery lead times
- Introduction of new technologies such as 5G
- Establish ways to drive the enterprise business
- Supply chain risk management

Desired outcome

- Joint market opportunities
- Priority access to new features or solutions
- Improved quality and lead times

Performance in 2018

- Committed R26 billion** in capex
- MTN Ghana recorded strong uptake of electronic supplier portal use
- Collaborated on innovation with major supplier
- Supplier code of conduct to drive ethical and responsible supply chain practices

Relationships on which we rely to create value
continued

Mobile industry

Ensure a diverse competitor landscape

★ Priority interest areas

- Organise with other players in the industry to collaborate on matters of common interest or concern

Desired outcome

- MTN as an active contributor and thought leader
- Positively influence regulatory landscape
- Create a unified view in engagement with regulators
- Knowledge sharing, research, collaboration to overcome industry-related challenges

Performance in 2018

- Worked more closely with industry bodies (eg GSMA) and UN-aligned bodies on developing and implementing strategies on digital inclusion and transforming society and enterprises
- Continue to engage with peers and GSMA Africa chapter in addressing various matters, including MoMo fraud
- MTN and Orange established joint venture to enable mobile money interoperability across Africa
- Active member of the Smart Africa Alliance
- Sponsored ALTON's Nigeria Tech Innovation and Telecoms Awards
- Sponsored ITU's first meeting in Africa, in Durban

Trade partners

Contribute to the effective distribution of the network and its products across MTN's footprint

★ Priority interest areas

- Expanding global ecosystem to include a range of partners
- Successful distribution of company products through partnerships
- Continue building mutually beneficial relationships

Desired outcome

- To become ICT partner of choice through our partner programme

Performance in 2018

- Jointly developed 3G smart feature phone with China Mobile, Unisoc and KaiOS technologies, which will retail at about US$25
- Participated in Africa Com conference in November
- Among many other partnerships with local developers, we developed MoMo shop app in Benin with local trade
- Worked with distributors to more than double electronic voucher distribution in Ghana

Investment community and funders

Provide financial capital for sustainable growth

★ Priority interest areas

- Total shareholder return
- Sustainability of dividend
- Stabilisation of leverage

Desired outcome

- Investor confidence
- Access to financial capital when required
- Positive credit rating

Performance in 2018

- Met all medium-term targets
- Reduced holdco leverage ratio
- Listed MTN Ghana on Ghana Stock Exchange
- Progressed with preparation for listing MTN Nigeria, which was delayed by the CBN matter (resolved on 24 December 2018)
- Paid a dividend of 500 cents per share

Equity partners

Investments and joint ventures between local and global organisations to source capital, skills and resources

★ Priority interest areas

- Strengthen our opco equity partner relationships
- Form new equity partnerships in new business areas

Desired outcome

- Deliver a bold new digital world to customers through our digital partnerships
- Ensure that MTN is a reliable and trusted partner

Performance in 2018

- Brought in new investors into Iran Internet Group (IIG) and Jumia Technologies AG
- IIG cab-hailing service app Snapp reached 1,5 million daily rides and became largest internet platform in Middle East
- Jumia is the largest e-commerce business in Africa and grew at 63% in gross merchandise value

Organised business

- Share in mutually beneficial business associations
- Access new markets
- Create solutions for greater value creation

★ Priority interest areas

- Increased network deployment, coverage and quality
- Ethical and responsible supply chain practices
- Regulatory compliance

Desired outcome

- Trusted network service provider
- Transparent relationship with suppliers and network service providers

Performance in 2018

- Participated in SA-Nigeria Chamber of Commerce
- Participated in Business Unity South Africa during engagement on competition law amendments
- Continued to actively participate in the World Economic Forum as part of Team South Africa
- Worked with Ghana Chamber of Telecommunications on spectrum distribution
- Participated actively in ALTON in Nigeria

Governments

- Provide enabling environment for value creation
- Provide access to licences, spectrum, law enforcement and security agencies

★ Priority interest areas

- Contribution to local economic growth
- National security, personal privacy and consumer protection

Desired outcome

- Demonstrate commitment to growing telecommunications
- Exercise legislative, judicial and executive functions
- Ensure law enforcement and security
- Align MTN objectives to national development plan agenda
- Acts as a policy adviser

Performance in 2018

- Participated in first South African Investment Conference
- Cooperated at the highest level with governments across our footprint
- Hosted South Africa-based ambassadors from across our operations

Relationships on which we rely to create value
continued

Civil society

- Ensure corporate responsibility
- Opportunity to tap into organised markets and groups

★ Priority interest areas

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

◉ Desired outcome

- Engage and build relationships with community organisations and groups
- Invest in community development initiatives
- Promote responsible corporate citizenship
- Strong focus on youth empowerment

• Performance in 2018

- Employed 75 young people in South Africa as part of the president's 'Yes for Youth' campaign
- Participated in Broadband Commission for Sustainable Development
- Host country sponsor for ITU Telecom World 2018 conference in Durban
- Promoted greater financial inclusion with 27 million active MoMo users and a wider range of financial offerings

Media

Create awareness and inform stakeholders about MTN-related news and trends in the telecoms industry

★ Priority interest areas

- Provision of quality network and coverage
- Consumer and data protection
- Business performance and impact

◉ Desired outcome

- Ensure MTN is responsive, transparent and open in its engagement
- Positive brand positioning of MTN products and services
- Position MTN as a thought leader in telecoms
- Build relationships with key media stakeholders

• Performance in 2018

- Continued to build relationships with key media, and increased group and opco excos' visibility and accessibility
- Improved responsiveness to the media, and in so doing had better control over our narrative
- Supported activities of the South African National Editors Forum

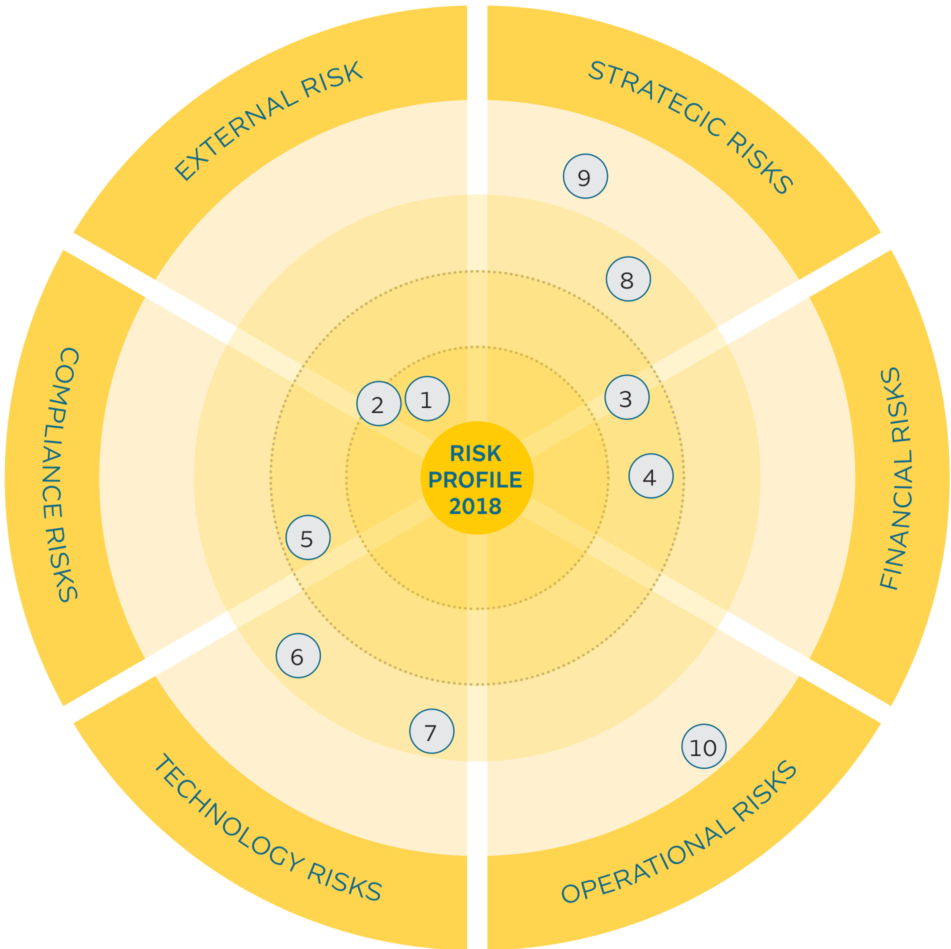
Looking ahead

In 2019, we will further embed the new stakeholder and reputation management framework across all MTN opcos. We will also commission a thorough perception audit to measure the health of our relationships with stakeholders across our markets. This will establish a solid baseline off which to monitor our relationships. We see opportunity to recover reputational capital where it has been lost as well as secure more mutually beneficial relationships with our stakeholders. We must further develop our relationships to become more inclusive in approach, and in so doing improve the trust in the MTN brand, and secure our social legitimacy and licence to operate.

Top risks to value creation

Our top risks

In line with the integrated assurance methodology, in 2018 we considered the following to be MTN's most material risks based on the residual risk rating of each. These took into account the probability of the risk occurring, the impact should it have materialised and the mitigation strategies in place. Rankings changed during the year, however, each of these risks continued to receive equal management attention.



2018 ranking	Risk description	2017 ranking
1	Political, economic and investment environment risk in key markets	5
2	Increased regulatory and tax pressures	3
3	Pressure on holdco leverage due to suboptimal cash generation and cash upstreaming	4
4	Forex volatility and weakening currencies	1
5	Operational and compliance risk arising from inconsistent control environments	2
6	Spectrum cost and availability	6
7	Increasing cyber and information risks	10
8	Key supplier risks and associated disruptions	New
9	Ability to execute large group strategic and change programmes	7
10	Suboptimal returns from portfolio	9

Top risks to value creation continued

2018 rank	Risk name and impact if not managed	Mitigation and opportunities
1)	**Political, economic and investment environment risk in key markets** The political and economic environments in MTN's key markets of Nigeria and South Africa pose a risk due to 2019 elections. These could impact on MTN's operational and financial performance, including the cost of funding. The rise of economic nationalism and protectionism may add to the risk levels. In addition, the continuing political instability in other markets including Syria, Yemen and Sudan impacts the stability and profitability of operations.	• Continuously monitor developments across politically and economically sensitive markets and perform ongoing scenario and sensitivity analysis to navigate difficult conditions • Ensure sufficient levels of committed funding facilities at group level to respond to market stress scenarios • Maintain the group's approach of self-funding of MENA operations • Ensure continuity of operations, protect staff and assets through strong business continuity management measures • Implement strong stakeholder management • Implement various measures to adhere to sanctions laws
2)	**Increased regulatory and tax pressures** MTN operates in many jurisdictions and must comply with various laws and regulations. These include those on: licence conditions and renewals; capital importation and repatriation; data and privacy protection; tax and SIM registration; and know your customer (KYC) requirements. Despite our ongoing efforts to comply, these requirements continue to increase and are often elevated by economic conditions in the markets in which we operate. In some cases, the cost of compliance is very high, impacting revenue and profitability.	• Defend issues relating to tax issues in Nigeria • Ensure robust implementation of a framework to improve pro-activeness and maturity of regulatory engagements • Ensure that group regulatory approach in 2019 focuses on building political, relationship and reputational capital in our markets • Continue to strengthen opcos' regulatory functions • Continue to strengthen subscriber registration infrastructure and further embed new data privacy requirements • Ensure continued compliance with capital importation and repatriation regulations
3)	**Pressure on holdco leverage due to suboptimal cash generation and cash upstreaming** In addition to generating profitable returns, it is vital for our opcos 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 forex laws and sanctions) may impact our ability to keep adjusted group leverage stable as well as to increase distributions to our shareholders. This may also lead to the ineffective management of free cash flows due to an imbalance between revenue growth and high capex intensity.	• Focus on attaining double-digit growth in constant currency service revenue as well as improving EBITDA margins • Ensure management of capex intensity • Continue to implement our smart capex programme • Optimise cash balances in opcos and cash upstreaming to the group • Ensure that group leverage remains within the target range • Implement our asset realisation programme to realise at least R15 billion
4)	**Forex volatility and weakening currencies** Currencies in our operating markets have in many instances been volatile and this remains a key concern especially as we approach specific global events such as elections and the political landscape remains challenging. Large opco contracts in foreign currencies also pose a risk and this leads to opex and capex pressures within opcos impacting their liquidity and eventually impacting the group's profitability. Furthermore, weaker currencies in our operating markets result in translation losses on rand-reported results.	• Stress-test our 2019 – 2021 business plan against currency volatility to understand impact on revenue, EBITDA and free cash flow and implement responsive measures • Develop specific mitigation plans for adverse key currency fluctuations • Ensure alignment of hedging policy within risk appetite framework. Hedge exposures where feasible and where instruments are available • Optimise levels of local versus foreign currency debt by reducing the foreign currency share of holdco debt • Ensure conversion of large contracts into local currencies where possible and financially prudent

2017 rank	Link to strategy	MTN's performance in 2018
5		• Enhanced group-level crisis management by strengthening group and opco crisis management teams • Made greater use of political and economic scenario analysis as an integral part of risk management • Reviewed and enhanced our risk philosophy and tolerance statements to form the basis of risk management • Enhanced sanctions policy in light of re-imposition of U.S. sanctions on Iran
3		• Reached an equitable resolution of the CBN matter, with payment by MTN Nigeria of the equivalent of $52,6 million as the net cost of the notional reversal of the 2008 private placement • Enhanced regulatory structures at group level • Further developed our regulatory framework, including our stakeholder management framework which comprises the strategy, policy and blueprint of regulatory management • Developed the skills and capacity of opco regulatory functions • Made significant progress in respect of the KYC and SIM registration requirements
4		• Reported 10,7%* service revenue growth for 2018 and a group EBITDA margin of 35,2%* from 33,5%* in 2017 • Implemented our smart capex programme in Iran • MTN Ghana and MTN Nigeria developed and adopted a dividend policy informed by the group's dividend policy; other opcos continue to develop their dividend policies • Repatriated dividends from Iran totalling R1,3 billion before the re-imposition of US sanctions against Iran • Used proceeds from the disposal of MTN Cyprus and the listing of MTN Ghana to prepay a portion of US dollar-denominated holdco debt, reducing our forex exposure and bringing holdco leverage into the target range
1		• Performed stress testing in respect of gearing ratios • Completed stress testing of group business plan for key currency volatility • Ensured that our treasury policy is aligned with our risk appetite framework • Made progress in converting large contracts to local currencies • MTN Uganda secured a 50 billion Ugandan shilling and US$12,5 million facility • MTN Benin secured a 75 billion CFA franc facility • MTN Zambia secured a multi-currency facility worth the equivalent of US$90 million • MTN Rwanda secured a 50 billion Rwandan francs facility

Top risks to value creation continued

2018 rank	Risk name and impact if not managed	Mitigation and opportunities
5)	**Operational and compliance risks arising from inconsistent control environments** Amid increasing regulatory requirements (particularly in respect of subscriber registration, mobile financial services and data sovereignty) 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.	• Continue to focus on the revision of existing policies and procedures and the development of new ones • Ensure the enhancement and implementation of compliance frameworks and our controls improvement plan • Ensure the ongoing monitoring of key compliance risks in opcos • Enhance control environment in certain business areas such as enterprise business unit and MTN Mobile Money
6)	**Spectrum cost and availability** Non-availability of adequate spectrum has a direct impact on our quality of service and our 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 profit margins.	• Liaise with regulators on the acquisition of spectrum in line with our defined spectrum strategy • Enhance governance and compliance • Increase the efficiency of utilisation of spectrum across all opcos • Carry out ongoing cost/benefit analysis of spectrum acquisition
7)	**Increasing cyber and information risks** Cyber attacks continue to increase globally and, if not controlled, new hardware and software vulnerabilities could compromise our customer data confidentiality, integrity and availability, ultimately affecting the performance of our networks and information systems.	• Ensure adequate monitoring and reporting on performance against the milestones as defined in the group's new information security plan • Continue to strengthen our incident response capability • Review and enhance security governance and operational structures • Enhance investment in the upgrade of the security environment across the organisation
8)	**Key supplier risks and associated disruptions** The telecoms industry is dependent on certain key suppliers. This increases the risk of disruption to operations in the event of a supplier failure or its inability to deliver goods/services. Current developments relating to Chinese telecoms suppliers are being monitored.	• Implement supplier risk management strategy • Enhance business resilience • Enhance crisis management structures
9)	**Ability to execute large strategic and change programmes** Various large programmes are being executed as part of the BRIGHT strategy. An inability to successfully implement these programmes or an inability of the programmes to deliver desired results will directly impact our business objectives.	• Careful monitoring and oversight from the group strategy and transformation committee • Strengthen the group programme management office • Obtain independent programme assurance on key programmes
10)	**Suboptimal returns from 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.	• Implement an effective capital allocation policy – return on invested capital greater than weighted average cost of capital; and payback period of three to five years • Implement investment and/or divestment strategy – e-commerce and tower companies portfolio not considered strategic for MTN over long term • Trim associate portfolio – Mascom disposal • Optimise portfolio to deliver at least R15 billion over three years • Improve adjusted ROE to more than 20% from 11,5%

2017 rank	Link to strategy	MTN's performance in 2018
2		• Implemented our revised second and third line assurance model • Completed a group policy and procedure project, identifying 25 priority policies. Revised a number of policies and started a process to finalise the development of others • Implemented our treat customers fairly programme vigorously, particularly with regard to value-added services
6		• Proactively engaged with regulators on the cost and acquisition of spectrum • Updated our spectrum strategy to ensure the acquisition and optimum usage of spectrum
10		• Developed and started to implement a new information security plan • Implemented a short-term solution for cyber security on some 18 000 devices across all opcos
New		• Successfully managed risks posed by US denial order in respect of ZTE • Developed a supplier risk management strategy • Pro-actively developed contingency plans for other key suppliers
7		• Established a group programme management office to monitor key group-wide programmes • Reported positive results from our operational execution programme 'Ignite' • Continued to obtain independent assurance on key programmes • Established a strategy and transformation subcommittee of exco to monitor strategic programme portfolio • Implemented new tools to manage strategic programmes
9		• Disposed of MTN Cyprus • Concluded a successful listing of MTN Ghana • Approved recapitalisation plans for certain opcos • Developed and implemented capital allocation framework • Developed risk appetite framework to guide decision making in this regard • Implemented self-funding for conflict markets

Our risk philosophy and framework

Our risk strategy has a risk-based approach towards managing risks, capital and our reputation, as well as our compliance with laws. We want to avoid taking excessive risks that could threaten the financial security of MTN Group in any adverse operating and financial conditions.

Our BRIGHT operational strategy, however, also requires strong growth in market share and returns, and we will not be able to achieve this if our risk strategy is too prudent. As a result, our risk strategy ensures that the risks we take are not so great or so concentrated that they could threaten the financial security of the group in very adverse conditions.

Our **risk framework** takes this into account and is made up of:

Our risk philosophy

Our risk philosophy, which is to seek risk exposures in markets:

- Where it meets our risk return aspirations.
- Where we have the core competence to be a market leader while avoiding volatility that could affect the financial stability of the group.
- Implementing prudent risk management to compensate for the risks that we take.

Our risk preferences

- We articulate our preferences for risk-taking for various classes of risks that impact the achievement of our BRIGHT strategy.

Risk appetite	Risk type
High	• Strategic – market • Strategic – product
Medium	• Strategic – execution • Strategic – mergers and acquisitions • Strategic – supplier concentration • Operational • Technology • Regulatory • Earnings • Funding • Currency
Moderate	• Operating in sanctioned environments • Technology – information security
Low	• Tax structuring • Compliance (including sanctions compliance) • Liquidity • Reputational

Our risk tolerances

- We use a top-down as well as a bottom-up approach to define as well as continuously refine the tolerances for various classes of risks. We continue to use stress analysis as a tool to refine the tolerances and understand the impact of a combination of risks if they were to materialise simultaneously.

Key risk indicators

- We use these to monitor the changes in risk levels and make suitable adjustments to the mitigating actions.

Risk methodology

- This guides our actions to manage the risks on a day-to-day basis.

We continue to enhance our risk framework in response to the evolving business environment.

Leadership and performance overview

The view of our **chairman**

In 2018, the operating environment in MTN's key markets was challenging and was marked by low oil prices, internal political instability occasioned in some cases by geopolitical undercurrents, anaemic GDP growth and weak and volatile currencies.

Notwithstanding these challenges, MTN put in a solid performance and met its medium-term targets by pursuing the delivery of the BRIGHT strategy. This resulted in strong growth in service revenue, a widening of profit margins and an increase of more than 85% in headline earnings per share (HEPS) to 337 cents** from 182 cents** in 2017.

Encouraged by these results, the board declared a total dividend of 500 cents per share for the year, in line with the guidance we gave to investors.

The group recorded many other operational advances, not least a lower level of capex intensity, indicating greater efficiency in deploying assets, and further improvements in the quality of its networks, which were accessible to more people across the MTN footprint. Staff morale improved.

MTN continued to execute its strategy with a greater focus on opportunities in fintech and digital. These markets are still nascent, and MTN has strengthened its specialist teams and has better integrated these businesses across the group to ensure that it achieves the momentum it desires in these areas.

In his Q&A overleaf, the group president and CEO spells out the group's plans to address the fintech and digital opportunities, as well as those identified in the voice, data, enterprise and wholesale markets (see page 8). He also unpacks the group's plans to simplify MTN by optimising the group's portfolio, targeting R15,0 billion in asset realisation proceeds between 2019 and 2021. This will support further improvements in MTN's holding company gearing.

MTN views its ideal portfolio in the medium term as one which is focused on its telco operations enhanced with digital services. The e-commerce assets and the group's interest in tower companies are not considered strategic in the long term.

Although significantly stronger in 2018, MTN Group's HEPS would have been even higher had it not been for the negative impact of a large swing in the contribution of associates and joint ventures. This was the result of the impact of the sharply weaker Iranian rial on MTN Irancell's profit contribution, along with the higher marketing expenses in e-commerce business Jumia Technologies AG.

By achieving MTN's ideal portfolio, the volatility in the share of joint venture earnings will be reduced, resulting in more predictable group earnings, allowing for improved visibility for investors.

Addressing regulatory uncertainty

2018 was marked by increasing regulatory instability as many regulators became more conscious of their power and influence and used it assertively to draw more fees and taxes from sector players. This requires that MTN takes a more deliberate pre-emptive approach to ameliorate this. Work continues in this regard – part of which is the group's new blueprint for stakeholder engagement and reputation management.

Good progress was made in 2018 in resolving key regulatory matters in markets including Benin, Cameroon and Nigeria. In December 2018, MTN Nigeria successfully resolved the matter with the Central Bank of Nigeria related to the notional reversal of a 2008 private placement transaction. The tax dispute between MTN Nigeria and the attorney general is yet to be resolved and comes before the Nigerian courts as this integrated report is distributed to shareholders. The audit committees of both MTN Nigeria and MTN Group have assessed the attorney general claims and remain of the view that all taxes due have been paid, and as such no provision or contingent liabilities need to be raised. The group will vigorously defend its position on this matter.

So, while there has been progress on many fronts, many markets remain unpredictable. The group's localisation initiatives are an important part of addressing regulatory risks and in 2019, the group's efforts to increase local ownership of MTN operations will be focused on Nigeria, Uganda and Zambia.

The initiatives across the MTN footprint are, however, not limited to ownership but include work to address greater local participation in spheres such as management control, employment diversity, skills development, procurement, enterprise development and social responsibility. In 2018, the group committed R185 million in social investment.

As a prominent operator and brand, MTN is always susceptible to opportunistic claims, such as 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 be of the strong view that there is no legal merit to Turkcell's claim and will continue to vigorously oppose it.

Chairman
Phuthuma Nhleko

Enhancing governance

Over the past few years, we have significantly strengthened MTN's board of directors with a wider repository of skills, taking into consideration the group's ambition to become the leading African digital operator, as well as the number of directors who will be due to retire in the next few years.

Swazi Tshabalala and Mcebisi Jonas joined the board on 1 June 2018 and Khotso Mokhele joined on 1 July 2018. All three independent non-executive directors bring diverse skills and new perspectives. Alongside the depth of skills and institutional memory of our other directors, this makes for robust debate among a strong ethical and effective leadership team.

A change in 2019 is the departure of long-serving company secretary, Bongi Mtshali. We thank Bongi for her commitment to MTN over the years and wish her well in her retirement. We welcome Thobeka Sishuba as the new company secretary.

Celebrating 25 years of shared value

2019 marks 25 years since the group was established. Launched at the dawn of democracy in South Africa as a leader in transformation, MTN has evolved from serving only one market back then, to 21 today. The MTN brand is instantly recognisable to millions of people across the world and is among the most valuable African brands. At its launch, we had expected the scope of the mobile market in South Africa to be around 378 000 lines. At the end of 2018, the group had 233 million subscribers across its footprint.

I look forward to the group's continued growth in the next 25 years, as it broadens access to connectivity, helps bridge the digital and financial divide and in so doing enhances the prospects for sustainable societies across Africa and the Middle East.

Q & A with the group **president and CEO**

Q MTN reported an encouraging performance in 2018 and met its targets. How do you plan to deliver double-digit service revenue growth over the medium term?

A. With eight quarters of operational improvements behind us, we are building a track record of disciplined execution. In 2018 our BRIGHT strategy re-energised the business and drove performance. While we continue to focus on delivering on the key performance indicators linked to each element of BRIGHT, increasingly we see growth in the years ahead coming from the two central pillars of BRIGHT – the 'I' – 'Ignite commercial performance' and the 'G' – 'Growth through data and digital'.

Within these, we are focused on the following six areas:

Voice	– a large, maturing revenue pool
Data	– at an inflection to explosive growth
Digital	– unique emerging market opportunity
Fintech	– transformational opportunity
Enterprise	– especially SME and converged services
Wholesale	– explosive traffic growth driving demand

Q Why do you believe these areas offer an opportunity for growth?

A. It is really the so-called 'demographic dividend' in our markets that is creating these opportunities: the population is youthful and growing fast; there are low levels of data, fintech and digital adoption; the enterprise sector is under-developed and MTN is already the largest infrastructure player, which means we are uniquely positioned to offer services to the wholesale market.

Q What makes you certain MTN can win?

A. MTN has unique assets and capabilities to become the leading digital operator in our markets. We have a large base of customers – 233 million at the end of December 2018 – and can cross-sell these customers with data, digital and fintech offerings. Ours is a leading African brand with a track record of offering innovative services and we are investing in analytics and artificial intelligence capabilities ahead of our competitors.

We also have deep customer insights with local knowledge and presence: by understanding customers' needs we can offer locally relevant content. We also benefit from our deep and wide distribution channel which allows us to reach customers with new services and collect fees from them.

It is also important to note that MTN is already a large fintech provider – over 27 million customers with one in every four mobile financial services customers in sub-Saharan Africa an MTN MoMo customer (source: GSMA). Our data network coverage is extensive and growing and we have the best network in most markets; we are a pioneer in low-cost data technology innovation.

Q Do you believe you have the right portfolio to achieve your ambitions?

A. Our portfolio includes telco subsidiaries, telco associates and our e-commerce and tower company investments (see page 5). In 2018 we completed a review of the portfolio to assess our assets for appropriate strategic and operational fit, considering demographics, regional synergies, control position and business and regulatory environments.

MTN's core business is mobile telecoms in Africa, and this is where the opportunity for growth lies. While our e-commerce and tower investments are material investments where we need a tight commercial integration with our mobile assets wherever possible, we do not view them as long-term strategic holdings for the group.

Our portfolio optimisation is therefore aimed at simplifying the group, reducing risk and improving returns. This will deliver at least R15,0 billion in asset realisation over the period 2019 to 2021.

The R15 billion target excludes any proceeds from tower company IHS Holding Limited (which had a fair value of R23,4 billion at end December 2018) and includes potential proceeds from the sale of our 53,1% shareholding in Mascom Wireless Botswana (Pty) Limited, for which we have received and accepted an offer. The purchase consideration of US$300 million represents an EBITDA multiple of approximately 6,0x. Mascom is considered non-core because of the lack of control position and the related inability to execute the BRIGHT strategy.

One of our core assets is our 78,8% stake in MTN Nigeria. We see the value of increasing the ownership of the business by Nigerians and are committed to listing MTN Nigeria on the Nigerian Stock Exchange. We plan to do this in the first half of 2019. This will be followed by a public offer once market conditions are conducive. Over time, we anticipate that the participation of Nigerians in the ownership of the business will increase from around 20% to 35%.

Q What's the outlook for 2019?

A. As the CFO outlines in his Q&A, after performing ahead of our medium-term targets in 2018, we have revised our guidance upwards for the next three to five years.

We will achieve this through our attention to delivering against all elements of BRIGHT and, in particular, on the six growth curves we have identified.

Group president and CEO
Rob Shuter

In 2019, we will focus on the following initiatives:

Voice – is still a growing business for MTN

- Ultra-rural site roll-out
- Personal pricing with artificial intelligence
- Multi-product selling
- Distribution transformation

Fintech – will be a major driver of new value creation

- Launch in four new markets
- Open API for merchants
- Launch mobile money interoperability
- Advanced services

Data – is a core medium-term growth driver

- 3G national coverage
- Service bundling
- Smartphone acceleration
- Price transformation

Enterprise – we will grow market share in a high-growth segment

- Scale up enterprise sales
- Segmented products
- SME channel strategy
- Drive MTN way of selling

Digital – will drive new revenues and data adoption

- Own services + platform
- Music and messaging build
- MTN Mobile Money integration
- Local content

Wholesale – we will build a scale pan-African infrastructure group

- Wet and dry build
- Third-party sales engine
- 'Yellow Connect' platform
- National roaming opportunities

We look to the future with confidence and thank our many stakeholders for their role in helping us deliver on our belief, which is that **everyone deserves the benefits of a modern, connected life**.

Q & A with our group **CFO**

Q How do you see MTN's financial performance evolving?

A. In 2018, we delivered on all our medium-term targets, most notably by reporting a 10,7%* increase in service revenue, an expansion of the EBITDA margin to 35,9%** and moderating our capex intensity to 19,3%**. Encouraged by this performance, we revised our guidance upwards for service revenue and enhanced our medium-term guidance with additional targets.

We are now targeting double-digit growth in service revenue (in constant currency terms) for the next three to five years from a previous target of upper-single-digit growth. We expect this to be driven by double-digit growth at MTN Nigeria and mid-single-digit growth at MTN South Africa.

In 2018, the growth in service revenue was supported by the continued expansion of our voice (up 7,3%*), data (up 22,0%*), fintech (up 46,8%*), and wholesale (up 63,7%*) revenue. This was in turn the result of our continued focus on executing on our BRIGHT strategy and despite challenging macroeconomic conditions in many markets, in the Middle East in particular.

As the CEO outlines in his Q&A, we see significant opportunity to grow subscribers and voice revenue and execute on the large mobile data opportunity in our markets. We will also extend our BRIGHT strategy to build MTN into a digital operator with a major focus on the fintech, digital, enterprise and wholesale business areas.

Over the medium term, we continue to expect an increasing group EBITDA margin and a reduced capex intensity, evidence of our greater efficiency in deploying assets because of our smart capex approach.

Driven to ensure that our network is second to none, in 2018 we invested R26 billion in capex, down from R31,5 billion in 2017. Price-book savings and the implementation of the smart capex tool resulted in capex intensity moving below 20% from 23,7% in 2017.

As a result we forecast higher returns, with an improvement in our adjusted return on equity (ROE – adjusted headline earnings/equity capital) from 11,5% in 2018, to above 20% over the medium term. This is a new target.

Q What are your plans to stabilise leverage metrics?

A. In 2018, the balance sheet remained strong, with group gearing on a consolidated basis at 1,3x net debt:EBITDA. Benchmarked against emerging market peers, this is a comfortable level of gearing. Having said that, the holding company leverage is the one on which we focus and guide as its financing costs and redemptions depend on resources from the operating subsidiaries. In 2018, at the holdco level, gearing improved to 2,3x from 2,7x at end-2017. This is within our target range of 2,0x to 2,5x over the medium term.

At the end of 2018, our holdco net debt was R57,5 billion. It was negatively impacted by the weaker closing rand rate and the payment of the 2017 dividend under the previous dividend policy of 700 cents per share, but partially offset by proceeds from the sale of MTN Cyprus and the MTN Ghana IPO.

Our average cost of debt remained stable at 8,3%, and we improved our mix of debt. At the end of 2017, 54,4% of head office borrowings were dollar-denominated. This reduced to 51,6% at the end of 2018 following the paydown of some US dollar debt from the MTN Cyprus proceeds as well as greater cash upstreaming from opcos in the second half. Of the total management fees paid to the group in the year, around 15% of total payments occurred in the first half and 85% in the second.

We also addressed our debt maturity profile in 2018, by refinancing our US$1,25 billion revolving credit facilities that mature in 2019 with a new five-year facility at an improved margin and an option to increase it to US$1,5 billion.

We continue to work to optimise the debt capacity of operations, after securing numerous local currency facilities at opco level in 2018. Proceeds from the R15 billion asset realisation plan will support further improvements in holdco leverage over the next three years.

Q How do you plan to sustain your dividend?

A. We have a very clear capital allocation framework, which prioritises organic growth and stabilising leverage ahead of returning cash to shareholders. Within that framework, we have an appropriate dividend policy that is supported by improvements in free cash flow development as the leverage ratios stabilise. We anticipate that operating cash flows will cover the dividend distribution by the end of 2021.

Group CFO
Ralph Mupita

Capital allocation priorities in order of importance for the medium term:

1. **Organic growth:** Invest in capex to improve network, drive EBITDA and cash flow generation. Target capital intensity of 20% to 15% (pre-IFRS 16).
2. **Stabilise leverage:** Target holdco leverage of 2,0x to 2,5x. Rebalance the holding company debt mix to target rand debt making up more than 60% of total debt.
3. **Return cash to shareholders:** Distribute profits in line with our progressive dividend policy, which targets medium-term growth of 10% to 20% off a base of 500 cents per share in 2018.
4. **Selective mergers and acquisitions:** Opportunities aligned to the investment case, subject to strict risk and financial criteria.
5. **Share repurchases or special dividends:** Only considered when other capital allocation priorities have been met.

Q Further embedding effective risk and compliance practices remains a priority. What progress was made in 2018?

A. Effective risk and compliance is essential to delivering on our strategy and creating value for our stakeholders. In 2018, we enhanced our risk management model, separating the second and third lines of defence. The second line is made up of risk and compliance functions, while the third comprises internal audit and forensic functions. We updated our risk and compliance management frameworks and approved key policies to ensure consistent application across the organisation. We enhanced the risk-escalation and acceptance process, with stronger oversight from the group. We also reviewed our risk philosophy and risk tolerances. These form the basis for decision making at MTN. A group risk appetite framework was developed and approved by the board and is detailed on page 38. During the year, we also revised the tools, policies and frameworks of assurance. By hiring additional specialist skills, we improved the capacity of our assurance, risk and compliance management functions.

Key financial tables

Selected financial results information

Strong operational EBITDA development; associates and JVs drag on earnings

	2018 Rm	2017# Rm	% change reported	% change constant currency*
Revenue	134 560	132 869	1,3	10,2
Service revenue[1]	125 430	124 041	1,1	10,7
EBITDA before once-off items	46 855	41 361	13,3	15,9
Once-off items	1 391†	5 610		
EBITDA^	48 246	46 971	2,7	15,9
Depreciation, amortisation and goodwill impairment	24 670	26 398	(6,5)	
Net finance cost[2]	8 331	9 267	(10,1)	
Loss on derecognition of loan	–	2 840		
Hyperinflationary monetary gain	290	264		
Share of results of associates and joint ventures after tax	(527)	840	NM	
Profit before tax	15 008	9 570	56,8	
Income tax expense	5 430	5 020	8,2	
Profit after tax	9 578	4 550		
Non-controlling interests	859	134		
Attributable profit	8 719	4 416	97,4	
EPS (cents)	485	246	97,2	
HEPS (cents)	337	182	85,2	
Adjusted HEPS (cents)	565	668	(15,4)	

[1] Service revenue excludes device and SIM card revenue
[2] Net finance costs comprise net interest expense, forex losses and interest on Nigeria fine unwind (2018: R812m; 2017: R1 047m)
^ Reported 2018 EBITDA includes R304m from the gain on dilution of MTN Dubai's investment in IIG and R265m from the gain on dilution of Mobile Telephone Network Holdings's investment in Jumia
# 2017 numbers restated for changes in accounting policies
NM= Not measurable
† Once-off items (2018: CBN resolution (-R744m) profit on sale of Cyprus R2 112m and tower profits R23m) (2017: tower profits R6 044m and Zakhele Futhi (–R434m)

Commentary

Service revenue
Data (22,0%), voice (7,3%) and fintech (46,8%) are the main contributors to the constant currency growth. Digital continues to decline.

EBITDA
Growth was led by the performance of Nigeria, South Africa and the SEAGHA region.

Net finance cost
Lower forex losses (driven by decreases in Nigeria and head offices) and lower interest income in Nigeria.

Share of results of associates and joint ventures after tax
The Irancell contribution was impacted by forex losses as a result of currency weakening, and changing the translation rate from the CBI rate to the SANA rate from August 2018, together with widening losses in Jumia given some prior year consolidation adjustments.

HEPS
Operational earnings strong from key markets of South Africa, Nigeria and Ghana.

Adjusted HEPS
Impacted by lower profits from associates and JVs, weaker performance of WECA markets and stronger rand.

Selected financial position information

Impacted by a weaker rand and Iranian rial closing rates

	2018 Rm	2017# Rm	% change reported
Property, plant and equipment	100 581	91 786	9,6%
Goodwill and other intangible assets	40 331	38 330	5,2%
Other non-current assets	42 898	53 386	(19,6%)
Current assets	58 038	60 780	(4,5%)
Non-current assets held for sale	2 759	–	100,0%
Total assets	244 607	244 282	0,1%
Total equity	88 226	95 720	(7,8%)
Interest-bearing liabilities	85 001	79 720	6,6%
Other liabilities	71 380	68 842	3,7%
Non-current liabilities held for sale	–	–	0,0%
Total equity and liabilities	244 607	244 282	0,1%
Net debt	63 546	57 145	11,2%

2017 numbers restated for changes in accounting policies

Commentary

Property, plant and equipment
Net increase as a result of foreign currency translation reserves of R6,3bn** and additions of R26bn** offset by depreciation of R19,7bn**.

Goodwill and other intangibles
Fees paid in Benin to extend and expand the licence and Ghana licence renewal and impairment of R0,3bn**.

Other non-current assets
Irancell lower associates carrying value due to equity accounting at the SANA rate from August 2018 and at the end of 2018, fair valued our IHS holding at R23,4bn**, with the reduction in value recognised in other comprehensive income.

Non-current asset held for sale
Mascom business was classified as a non-current asset held for sale.

Interest-bearing liabilities
Increased mainly as a result of an increase in holdco borrowing in H1 2018.

Key financial tables continued

Selected cash flow information

Iran repatriation key, financing activities driven by additional debt raised in Nigeria and Mobile Telephone Network Holdings

	2018 Rm	2017# Rm	Change %
Cash generated from operations	**40 345**	38 484	4,8
Dividends received from associates and joint ventures	**1 942**	7 129	(72,8)
Net interest (paid)/received	**(4 871)**	(4 630)	(5,2)
Tax paid	**(5 027)**	(7 596)	33,8
Cash generated by operating activities	**32 389**	33 387	(3,0)
Acquisition of property, plant and equipment and intangible assets	**(28 196)**	(26 661)	(5,8)
Movement in investments and other investing activities	**4 977**	(924)	NM
Cash used in investing activities	**(23 219)**	(27 585)	15,8
Dividends paid to equity holders of the company	**(11 236)**	(12 565)	10,6
Dividends paid to non-controlling interests	**(759)**	(956)	20,6
Other financing activities	**872**	(1 091)	NM
Cash used in financing activities	**(11 123)**	(14 612)	23,9
Cash movement	**(1 953)**	(8 810)	77,8
Cash and cash equivalents at the beginning of the year	**15 937**	27 375	(41,8)
Effect of exchange rates and net monetary gain	**1 598**	(2 628)	NM
Cash classified as held for sale	**(615)**	–	–
Cash and cash equivalents at the end of the period	**14 967**	15 937	(6,1)

# 2017 numbers restated for changes in accounting policies
NM = Not measurable

Commentary

Cash generated from operations
Includes H1 2018 payment of R4bn relating to the Nigeria SIM registration fine.

Dividends received from associates and joint ventures
Benefited from the repatriation of dividends from Iran amounting to R1,3bn**. This was lower than the R6,5bn** received in 2017.

Movement in investments and other investing activities
Driven by proceeds from the sale of MTN Cyprus.

How we report our numbers

Certain financial information presented in this integrated report constitutes *pro forma* financial information. This *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 2018. It has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 is available for inspection at the company's registered office on weekdays from 09:00 to 16:00. The *pro forma* financial information should not be confused with non-financial information on certain aspects of the business that has been externally assured (and identified by LA).

The financial information presented in this integrated report has been prepared excluding the impact of hyperinflation and the goodwill and asset impairments, tower profits, 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), the profit from the sale of MTN Cyprus, the CBN resolution and, in addition to the above, profit on the exercise of IHS exchange right, loss on the de-recognition of IHS Loan receivable and MTN Zakhele Futhi share-based payments, which relate to the 2017 year of assessment ('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 summary group financial statements for the year ended 31 December 2018.

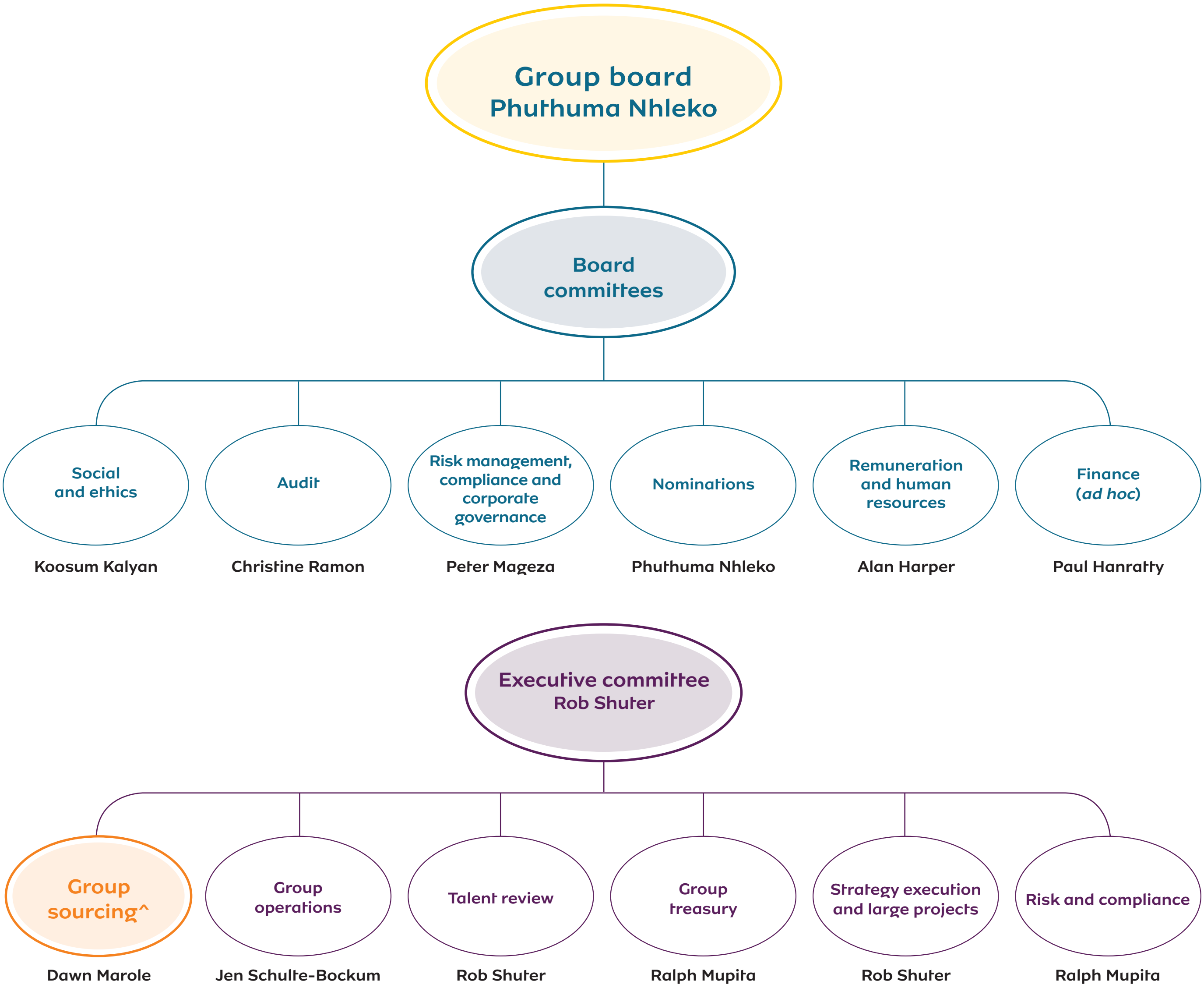
This *pro forma* financial information has been presented to eliminate the impact of the *pro forma* adjustments from the consolidated financial results to achieve a comparable analysis year-on-year. The *pro forma* adjustments have been calculated in terms of the group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policies as a result of the adoption of the accounting standards effective 1 January 2018, and the change in the presentation of cash flows.

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. The economies of Sudan, South Sudan and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied.

Governance and remuneration

Governance

Governance at MTN is structured in line with best practice and is substantially cascaded to subsidiaries across the group. Below are the various committees of our board and exco and their respective chairs.



Among key responsibilities of the board are strategy, talent management and transformation. Management helps to implement these through the various committees of the executive committee.

^ Chaired by an independent non-executive director.

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 2018, the company continued to focus on addressing any gaps identified in terms of King IV. The board is satisfied 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. The board is satisfied that it has fulfilled all these responsibilities.

Board and company secretary appointments and resignations

In 2018, the board made three appointments, assisted by the nominations committee. The process was conducted in a formal manner under the guidance of the director's appointment policy.

The process involves considering the existing balance of skills and experience, and assessing the needs of the company.

MTN welcomed Mcebisi Jonas and Swazi Tshabalala as directors of the company, both with effect from 1 June 2018. We also welcomed Khotso Mokhele as a director, with effect from 1 July 2018.

After the year-end, we announced that company secretary Bongi Mtshali had reached the group's mandatory retirement age and would be retiring with effect from 31 March 2019. Thobeka Sishuba was appointed as the new company secretary with effect from 1 April 2019.

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.

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. Several directors will be retiring at the AGM as a result of having served on the board for an aggregate period in excess of nine years.

This process 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.

The directors who will be retiring at the AGM are set out in the notice to the AGM.

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.

The role of the lead independent director (LID)

As a result of the chairman having held the position of executive chairman in 2016 and the early part of 2017, the chairman is not considered independent. The LID is appointed to guide the board should a situation arise where the chairman may be conflicted.

Director development

To ensure that all directors are adequately equipped with the latest information relating to the business of MTN the company endeavours to provide ongoing training related to general management, corporate governance, laws and regulations and best practices.

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 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.

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.

Governance continued

Board diversity

The group has a unitary board, consisting of executive and non-executive directors who represent a broad spectrum of demographic attributes and characteristics. The diverse perspectives of directors allow for proper strategic oversight as well as robust deliberation during board meetings. The board is focused on improving the representation of women on the board and ensuring that a decent number of all races/ages and skills are represented on the board.

Category and objective	Current numbers	Target
Nationality To solicit ideas from various parts of the world and provide the board with a contemporary and global perspective.	Non-South Africans 5	Maintain appropriate mix of nationalities
Gender To promote an appropriate balance in the views of the board and to improve the representation of women at MTN.	Women (we have exceeded our voluntary target) 4	Maintain minimum of three
Race To maintain a mix of race and cultures representing the stakeholders in the various communities which interact with the company.	△ Black/Coloured **9** △ Indian **2** White **4** Middle Eastern **2** △ Historically disadvantaged	Maintain historically disadvantaged members > 50%
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 **9** 60 – 69 **6**	Maintain appropriate mix of ages
Tenure To ensure that there is an appropriate mix of institutional knowledge and experience and fresh new perspectives.	Years **members** 0 – 3 **8** 3 – 6 **3** 6 – 9 **0** 9 – 12 **6**	If > 9 years review every year and present to shareholders for re-election

Category and objective	Current numbers	Target
Independent non-executive directors To promote objectivity and reduce the possibility of conflicts of interest.	13	Majority of members
Non-executive directors (non-independent) To promote objectivity.	2	
Executive directors To take charge of the execution of the board's strategic plans.	2	CEO and CFO
Skills/experience To ensure that the board has diverse/sufficient skills to execute MTN's strategy^.	• Risk • Sustainability • Finance/mergers and acquisitions • General business/commercial • Strategy and business leadership • Industry experience • Corporate governance	Appropriate mix of skills and experience

^ We work continuously to improve the diversity of skills and experience on our board.

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 2018 the committees effectively discharged their responsibilities, in accordance with their respective terms of reference. Please see the reports of the committee chairmen on the pages that follow.

Governance continued

Risk management, compliance and corporate governance committee

Chairman
Peter Mageza

"In 2018, our risk management process was focused on determining and assessing the impact of our top risks on the organisation's goals and the mitigation of these risks in accordance with our risk appetite and tolerance. The implementation of an effective risk management process is critical to the delivery of MTN's overall strategic plan and thus it has been important to manage the probability of unforeseen events and to limit their effect on the business together with responding proactively to opportunities."

Members	Attendance
Peter Mageza (chairman)	4/4
Mcebisi Jonas (appointed, 5 October 2018)	0/1
Koosum Kalyan	4/4
Shaygan Kheradpir	4/4
Dawn Marole	4/4
Stanley Miller	4/4
Nkunku Sowazi	4/4

By invitation: Chairman of the audit committee, group president and CEO, group CFO, group business risk officer, joint 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 2018

- Provided oversight on the implementation of the revised compliance operating model
- Ensured that the risk appetite and tolerance methodology was implemented across the opcos
- Focused attention on providing oversight on cyber security risks and vulnerabilities and assessed MTN's readiness to manage such eventualities
- Reviewed the proposed plan aimed at improving cyber security resilience
- Reviewed the spectrum strategy
- Benchmarked MTN's risks and exposures to both industry-specific risks and those emanating from the socio-political and economic environment
- Continued to monitor and keep abreast of developments in the corporate governance framework, including regulatory and listings requirements and other relevant business practices
- Approved policies and procedures to enable a better risk and compliance monitoring environment
- Recommended the group risk management framework for approval by the board
- Continued to evaluate and monitor MTN's business continuity approach and processes across the group as well as the group's insurance programme
- 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 2019

- Continue to embed risk appetite and tolerance methodology
- 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
- Review the risks and control environment for mobile financial services
- Assess and ensure that related risks are adequately addressed in new group initiatives.

Social and ethics committee

Chairman
Koosum Kalyan

"In 2018, one of the committee's key focus areas was ensuring that the company builds and maintains sound relationships with all its stakeholders. Also important was reviewing the issues our stakeholders consider most important and addressing them appropriately. A blueprint for stakeholder engagement was approved by the board. In 2019, the key focus will be to cascade it to all our operating countries for adoption and implementation."

Members	Attendance
Koosum Kalyan (chairman)	4/4
Peter Mageza	3/4
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, business integrity and governance of sustainability
- Holding all opco CEOs accountable for stakeholder management and ethics management
- 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 by 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 2018

- Continued to monitor the implementation of the ethics management programme, ensuring that each opco is accountable for embedding an ethics management framework including the key ethics policies
- Oversaw the repositioning of ethics into the second line assurance model
- Considered a revised King IV-aligned stakeholder, issues and reputation management strategy that was approved by the board in 2018 and is being rolled out across the group
- Oversaw the establishment of the global diversity and inclusion committee which will develop strategies and policies on diversity and inclusion
- Focused on identifying gaps in the sustainability framework and ensuring improvements in sustainability reporting
- Oversaw MTN's work to bring households solar energy boxes with connectivity functionality
- Reviewed the activities of the MTN foundations and other CSI initiatives as we prepare to introduce a more integrated approach
- Oversaw progress by MTN South Africa under the amended BEE ICT sector code. SR

Key focus areas for 2019

- Review the 2019 group-wide ethics risk assessment and ensure corrective measure are implemented
- 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
- Introduce a foundations' workshop where all the foundations align themselves with the group's CSI initiatives, share best practice and key challenges
- Ensure the integration of CSI initiatives with marketing campaigns to create more synergy
- Oversee the implementation of the approved stakeholder management programme, which is in line with the principles of King IV
- Continue to review and assess stakeholder relations
- Continue to provide oversight on the activities of the global diversity and inclusion committee
- Continuing to 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 embedding of ethics at MTN: business must be done in an ethical, safe and responsible way
- Monitor and evaluate the implementation of ethics management.

Governance continued

Audit committee

Chairman
Christine Ramon

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

"The group maintained a positive momentum in 2018 to improve the internal control environment in line with its BRIGHT strategy, despite continued regulatory uncertainty in some key markets."

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

By invitation: Group president and CEO, group CFO, group business risk officer, joint external auditors and other assurance providers, head of internal audit, head of technical accounting and financial reporting.

Mandate

The 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 2018

- Implemented a revised second and third line assurance model to increase the maturity of the risk and compliance function and to strengthen the independence of internal audit in support of a stronger combined assurance model
- Employed initiatives to standardise policies and procedures across the group
- Further strengthened the internal control environment through ensuring the correct tone from the top, focusing on increasing the risk management maturity and resolving known areas of weakness
- Reviewed and evaluated the independence and quality of the external audit function
- Reviewed the trading and market updates and the half year and full year results
- Confirmed the integrity and quality of and signed off the group's integrated report and annual financial statements
- Assessed accounting judgements and estimates
- Reviewed tax provisions and contingencies
- Assessed going concern assumptions and solvency/liquidity requirements
- Reviewed implementation of the new accounting standards effective 2018 and monitored progress on the new accounting standard on leases (IFRS 16), effective in 2019
- Reviewed developments in reporting standards, corporate governance and best practice

Key focus areas for 2019

- Consider the group's approach and responsiveness to manage the impact of regulatory and other macro environmental developments on the control environment
- Strengthen and refine the three lines of defence model and ensure appropriate planning, execution and reporting in terms of the combined assurance framework
- Evaluate the group's initiatives to further strengthen the effectiveness of its internal financial controls
- Implement IFRS 16 and appropriate disclosure of its impact on the results of 2019
- Consider the group's approach to mandatory audit firm rotation that will be effective for the group's 2024 financial period.

Remuneration and human resources committee

Chairman
Alan Harper

Members	Attendance
Alan Harper (chairman)	4/4
Azmi Mikati	4/4
Phuthuma Nhleko	4/4
Khotso Mokhele (appointed 7 August 2018)	1/1
Nkunku Sowazi	3/4
Swazi Tshabalala (appointed 7 August 2018)	0/1
Jeff van Rooyen	4/4

Group president and CEO, group CFO, group chief human resources officer (as and when required).

"The committee carefully considered the implementation of the remuneration policy and following collaborative efforts between management and the board, believes it has made great strides in achieving its objectives and addressing many of the concerns raised by shareholders. At the 2018 annual general meeting (AGM), 93,80% of shareholders voted in favour of the group's remuneration policy and 68,17% in favour of the implementation report. These results prompted additional much-needed engagements with shareholders. We took their concerns and recommendations sincerely and are committed to ensuring that our policy reflects a continued commitment to improving our remuneration and implementation policies as well as transparency in our reporting. Our remuneration report on page 66 details how our remuneration policy will be enhanced."

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 2018

- Reviewed MTN's remuneration policies to facilitate the attraction of new senior management and the retention of critical specialist skills
- Endeavoured to address shareholder concerns regarding our remuneration philosophy through various shareholder engagements
- Reviewed non-executive directors' fees and ensured that these were appropriately benchmarked
- Enhanced MTN's short-term and long-term incentive schemes
- Continued to strategically review leadership succession planning
- Reviewed the group culture audit outcomes with the aim of providing oversight on the improvement of employee engagement.

Key focus areas for 2019

- Review the staff costs-to-revenue ratios and align each subsidiary to approved budgeted ratios. This will entail giving feedback on the various policy amendments which impacted staff costs management in the year
- Review of existing remuneration-related policies and governance structures. We have already set up an internal policy and governance committee comprising senior executive employees with a mandate to ensure all policies are aligned to the broader organisational goals and properly documented and shared with employees. To date, this committee has successfully addressed our group travel policy
- Measure the extent to which internal pay differentials are fair, particularly with respect to gender and race and further placing mechanisms to correct anomalies
- Promote employee wellbeing by creating practices which support this. A draft employee wellbeing framework completed in 2018 will serve as a foundation for the wellness strategy and implementation plan
- Focus on interventions within the business that give the highest impact and experience to employees. We have already identified our priority high impact areas and socialised these with the business.

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.

Our board of directors continued

at 31 December 2018

1. **Phuthuma Nhleko** (Born 1960)
Chairman and non-executive director
BSc (Civil Eng), MBA
Appointed: 28 May 2013
Scheduled board attendance:
100%
Board committee membership and attendance:
100% 100% 75%
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** (Born 1967)
Executive director
Group president and CEO
BCom (Econ and Acc), PG Dip Acc CA(SA)
Appointed: 13 March 2017
Scheduled board attendance:
100%
Board committee membership and attendance:
100% 75% 100%
Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Telecommunications and banking.

3. **Ralph Mupita** (Born 1972)
Executive director
Group chief financial officer
BScEng (Hons), MBA, GMP
Appointed: 3 April 2017
Scheduled board attendance:
100%
Board committee membership and attendance:
100% 100% 100%
Other directorships: Director of various companies in MTN Group. RMB Holdings Limited and Rand Merchant Investment Holdings Limited.
Skills, expertise and experience: Financial services in emerging markets.

4. **Paul Hanratty** (Irish) (Born 1961)
Independent non-executive director
B.BusSc (Hons), Fellow of Institute of Actuaries, Advanced Management Programme (Harvard)
Appointed: 1 August 2016
Scheduled board attendance:
86%
Board committee membership and attendance:
100%
Other directorships: Director of various companies in MTN Group and of Sanlam Limited.
Skills, expertise and experience: Financial services.

5. **Alan Harper** (British) (Born 1956)
Independent non-executive director
BA (Hons)
Appointed: 1 January 2010
Scheduled board attendance:
100%
Board committee membership and attendance:
75% 100%
Other directorships: Director of various companies in MTN Group, Avanti Communications Group plc and chairman of Azuri Technologies Limited.
Skills, expertise and experience: Telecommunications.

6. **Mcebisi Jonas** (Born 1960)
Independent non-executive director
BA, Higher Diploma in Education
Appointed: 1 June 2018
Scheduled board attendance:
100%
Board committee membership and attendance:
0/1
Other directorships: Director of various companies in the MTN Group, Northam Platinum Limited and Sygnia Limited. One of President Cyril Ramaphosa's four independent presidential investment envoys tasked with attracting investors to South Africa.
Skills, expertise and experience: Accounting, finance, investment management, economics and strategic leadership.

7. **Koosum Kalyan** (Born 1955)
Independent non-executive director
BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)
Appointed: 13 June 2006
Scheduled board attendance:
100%
Board committee membership and attendance:
100% 100%
Other directorships: Director of various companies in MTN Group, non-executive director of Anglo-American South Africa, Aker Solutions Oil and Gas. Member of the Invest Africa International Advisory Board, Garda World International Advisory Board and the Thabo Mbeki Foundation Advisory Board.
Skills, expertise and experience: Economics, corporate governance, infrastructure, oil and gas/energy and scenario planning.

8. **Shaygan Kheradpir** (American) (Born 1960)
Independent non-executive director
Doctorate in Electrical Engineering
Appointed: 8 July 2015
Scheduled board attendance:
100%
Board committee membership and attendance:
100%
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.

9. **Peter Mageza** (Born 1954)
Independent non-executive director
FCCA
Appointed: 1 January 2010
Scheduled board attendance:
100%
Board committee membership and attendance:
100% 100% 75%
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
Committee membership and attendance as a percentage of all applicable meetings:
- Board
- Nominations
- Remuneration and human resources
- Audit
- Risk management, compliance and corporate governance
- Social and ethics

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

10. **Dawn Marole** (Born 1960)
Independent non-executive director
BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme

Appointed: 1 January 2010

Scheduled board attendance:
86%

Board committee membership and attendance:
100% 100%

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.

11. **Azmi Mikati** (Lebanese) (Born 1972)
Non-executive director
BSc

Appointed: 21 July 2006

Scheduled board attendance:
100%

Board committee membership and attendance:
75% 100%

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.

12. **Stanley Miller** (Belgian) (Born 1958)
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:
86%

Board committee membership and attendance:
75%

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.

13. **Khotso Mokhele** (Born 1955)
Independent non-executive director
BSc (Agriculture), MSc (Food Science), PhD (Microbiology) and a number of honorary doctorates from various institutions

Appointed: 1 July 2018

Scheduled board attendance:
100%

Board committee membership and attendance:
100% 100%

Other directorships: Director of various companies in the MTN Group. Chancellor of the University of the Free State, chairman of Tiger Brands and AECI, the lead independent non-executive director at Afrox Limited and a non-executive director of Hans Merensky Holdings (Pty) Limited.

Skills, expertise and experience: Science and technology.

14. **Christine Ramon** (Born 1967)
Independent non-executive director
BCompt, BCompt (Hons), CA(SA), Senior Executive Programme (Harvard)

Appointed: 1 June 2014

Scheduled board attendance:
100%

Board committee membership and attendance:
100%

Other directorships: Director of various companies in MTN Group, the International Federation of Accountants, executive director of AngloGold Ashanti Limited and chairman of the CFO Forum.

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

15. **Nkunku Sowazi** (Born 1963)
Independent non-executive director
MA

Appointed: 1 August 2016

Scheduled board attendance:
86%

Board committee membership and attendance:
67% 75% 100%

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.

16. **Swazi Tshabalala** (Born 1965)
Independent non-executive director
Masters in Business Administration. Oxford Fintech Programme

Appointed: 1 June 2018

Scheduled board attendance:
100%

Board committee membership and attendance:
100% 100%

Other directorships: Director of various companies in the MTN Group. She is the Vice President and CFO of the African Development Bank.

Skills, expertise and experience: Financial services, risk, treasury and general management.

17. **Jeff van Rooyen** (Born 1950)
Independent non-executive director
BCom, BCompt (Hons), CA(SA)

Appointed:18 July 2006

Scheduled board attendance:
100%

Board committee membership and attendance:
100% 100% 100%

Other directorships: Director of various companies in MTN Group, Chairman of Exxaro Resources Limited, various companies in Uranus Group, Pick n Pay Stores, and former chairman of Financial Reporting Standard Council of South Africa.

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.

Rob Shuter
(born 1967)

BCom (Econ and Acc), PG Dip Acc CA(SA)

Executive since March 2017

Group president and chief executive officer

Ralph Mupita
(born 1972)

BScEng (Hons), MBA, GMP

Executive since April 2017

Group chief financial officer

Ebenezer Asante
(born 1968)

BA (Hons) (Econ and Stats), Postgraduate Diploma in Management

Executive since October 2017

Vice-president: SEAGHA

Ferdi Moolman
(born 1963)

CA(SA), BCom, BCompt (Hons), Theory of Accounting Diploma

Executive since 2015

Chief executive officer: MTN Nigeria

Paul Norman
(born 1965)

MA (Psych), MBA

Executive since 1997

Group chief human resources officer

Jens Schulte-Bockum
(born 1966)

MA (SocSci)

Executive since January 2017

Group chief operations officer

Michael Fleischer
(born 1961)

BProc, Advanced Tax Certificate

Admitted as attorney of the High Court of South Africa

Executive since 2014

Group chief legal counsel

Ismail Jaroudi
(born 1970)

BA, Executive Education Certificate

Executive since 2015

Vice-president: MENA

Godfrey Motsa
(born 1973)

BCom, MBA

Executive since January 2017

Chief executive officer: MTN South Africa

Felleng Sekha
(born 1967)

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

Executive since June 2017

Group chief regulatory and corporate affairs officer

Karl Toriola
(born 1972)

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

Executive since 2015

Vice-president: WECA

Remuneration report

Part 1
Background statement

Background

With the emergence of the King IV™ Code on Corporate Governance, and an increased focus on good governance principles within the South African remuneration space, we are committed to applying the principles of King IV™ and specifically, the practices relating to fair, responsible and transparent remuneration.

In keeping with this commitment to fair, responsible, and transparent remuneration, and our ongoing engagement with shareholders, we constantly review our remuneration policies to ensure that they remain fit-for-purpose, and are aligned to our business strategy.

After engagement with the board and various stakeholders, as a continuation of our remuneration strategy executed in 2017, we further revised our short-term incentive scheme. This review was necessary to maintain our competitiveness, appropriately reward performance, motivate value-creating behaviours, and to contribute towards attraction and retention of quality staff. The short-term incentive scheme review was aimed at encouraging and supporting business practices consistent with the group's vision, mission and strategies. We engaged with the various stakeholders during and after the implementation of the changes.

Factors which influenced remuneration decisions in 2018

Key remuneration decisions were formulated as a result of the following drivers:

Skills availability

We continued our drive to employ skilled and knowledgeable employees in the market. The current market conditions present a challenge in sourcing quality candidates mainly for key and strategic areas of the business. The demand and supply forces of certain skills resulted in management offering remuneration, which was on occasion higher than the average remuneration offered to MTN employees. As a management intervention, we introduced a review committee constituting senior executive employees who approve any pay exceptions. Our approach to setting pay for new employees is guided by our internal pay scales where we offer packages targeting the market median. Progression within the scale considers several factors for each individual employee such as experience, qualifications, leadership skills, technical competencies, employee performance and so forth. Where necessary, we consulted with our external survey vendors to ensure that remuneration decisions were aligned to best practices in the industry.

Fair and transparent remuneration

King IV™ recommends that companies apply remuneration practices that are fair, responsible and transparent. Consistently, we operationalised these principles by formulating decisions that resulted in fair remuneration across all employee levels. These included the following:

- Reviewing our internal pay scales and consistently applying them to all appointments
- Defining a guideline on what constitutes pay inequity during appointments across various job levels
- Training the recruitment consultants on the employee value proposition concept where potential candidates do not only acknowledge their fixed pay but appreciate a holistic total reward investment by the company.

During the year, we made the following remuneration changes:

(a) Introduced "malus and clawback" provisions for our long-term incentive share scheme.
(b) Further refined our short-term incentive scheme principles.

Further details of these changes can be found in Part 2 of this report.

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

We are committed to building and maintaining a strong relationship with our shareholders based on trust and mutual understanding, and we aim to transparently interact with shareholders in order to achieve this. In line with King IV™ and the JSE Listings Requirements, the remuneration policy and implementation report are tabled for separate non-binding advisory votes by the shareholders at the group's annual general meeting (AGM) each year. The purpose is to enable shareholders to express their views on the remuneration policies adopted in remuneration matters and the implementation of such policies in the reporting year.

In 2018, more than 25% of shareholders voted against the implementation report. We initiated communication with shareholders to determine and address their concerns. In 2019 shareholders will also be invited to provide the company with written submissions as to the reasons they voted against either the remuneration policy or remuneration implementation report. The company will endeavour to address shareholder concerns using various mediums of engagement such as conference calls, emails and investor roadshows.

The table below displays the shareholder voting results.

	2016 year		2017 year	
	Voting for	**Voting against**	**Voting for**	**Voting against**
Remuneration policy	62,60%	37,40%	93,80%	6,20%
Implementation report			68,17%	31,83%

Based on the 31.83% of shareholders voting against our 2017 implementation report, we consulted with shareholders in order to address their concerns. The table below details the shareholder concerns alongside MTN's responses.

Shareholder feedback	MTN responses and action taken
The remuneration report is not divided into remuneration policy and remuneration implementation.	To align with King IV™, the current year's report is divided into three sections namely: • Part 1: Background statement; • Part 2: Overview of the remuneration policy; and • Part 3: Implementation report.
The remuneration report does not provide details of benchmarks used, including which companies MTN benchmarks itself against and where salaries are set relative to the market.	We provide details of the benchmarking approach in Part 2 of this report. Refer to page 72.
The remuneration policy regarding the payment of short-term incentives appears to be entirely at the discretion of the CEO or committee.	Our performance bonus structure is not entirely at the discretion of the CEO or board. The group remuneration and human resources committee (the group remco), as delegated by the group board of directors, reviews and approves all matters of the short-term incentive performance bonus scheme. The current year's report provides the following comprehensive disclosure relating to the performance bonus: • Performance objectives per director, including thresholds for a bonus to be paid • Potential bonus payments at target and stretch achievement • Elements used to calculate a bonus • Applicable bonus weightings per director • Example of a performance bonus computation for a director • Performance bonus approval requirements. Details on the performance bonus payable in respect of the financial year are on page 85.
The report notes that the 2010 Employee Share Ownership Plan (ESOP) only had 48% of allocated staff remaining, implying the scheme was far from successful.	During 2018, an explanatory note was provided to the stakeholders stating that the 2010 ESOP was fully vested and many beneficiaries had left employment after they had exercised their shares. These employment terminations at these levels of employees are in accordance with normal attrition rates. A further explanation to the outsourcing decisions during 2015 and 2016 resulted in an increased number of employees who terminated employment.
Concerns were raised over generosity of significant special payment arrangements which were not fully justified.	In this year's report, we provide complete details of any special payments made during the year on page 84 of the report. We further disclose any future potential payments that may arise as a result of these special arrangements, including how they were determined and who approved them. For the 2018 period, three once-off payments were made to three prescribed officers in relation to employment contract amendments to introduce a general restraint of trade and extended notice periods. Refer to Part 3 on page 84.
Concerns were raised over incentive awards, ie: • Inadequate disclosure of incentive awards made to executives • Lack of robust targets which include stretching performance targets to reward strong performance and drive shareholder value over time • Unclear link of exceptional awards to performance of directors.	In this year's report, we have focused on improving our disclosure with respect to both the policy and actual payment of incentive awards. In Part 2 of this report on page 69, we provide a futuristic view of potential incentive payments for executives including related performance metrics used to determine the quantum of payments as well as the required thresholds and stretch performance implications to such incentives. The actual targets have not been prospectively provided as they are linked to budget and considered commercially sensitive information; however, they will be disclosed retrospectively. Part 3 provides the actual payouts made to executives in relation to the 2018 financial performance. In this section, we provide details of these payouts, including the performance metrics and weightings used to calculate the payments. In addition, we provide an illustrative example of how a bonus was calculated for one of the directors. In the example, we have clearly linked the incentive payout to performance as a demonstration of how shareholder value was created. Furthermore, details surrounding the share allocations made to executives, together with related performance conditions, weightings and targets are provided on page 86.
Concerns were raised over the lack of rationale behind the TGP and STI remuneration paid to the chairman for the services he provided as the interim executive chairman.	The fees paid to the MTN group executive chairperson for the 2017 period were for the services rendered by the service provider (Captrust Investments Proprietary Limited), which included, amongst others, the following: • Interim fulfilment of the role of the group chief executive officer • Handling the NCC and government of Nigeria regarding the fine imposed on MTN Nigeria • Establishment of an effective management structure for MTN Nigeria post the settlement of the fine • Commencement of the search for the new group president and CEO to assume duties by no later than April 2016 • Propose a trust, confidence and reputational restoration programme to the board • Ensure that the company continues to perform and operate optimally efficiently until the new CEO was appointed • Maintain governance standards • Proposing an MTN Nigeria risk mitigation and diversification plan.

Remuneration report continued

Key priorities in 2019

Our key focus areas include:

- Reviewing our staff costs to revenue ratios and aligning each subsidiary to approved budgeted ratios. This will entail giving feedback on the various policy amendments which impacted staff cost management during the year;
- Reviewing existing remuneration-related policies and governance structures. We have set up an internal policy and governance committee comprising senior executive employees, with a mandate to ensure all policies are aligned to the broader organisational goals and are properly documented and shared with employees.
- Further measuring the extent to which internal pay differentials are fair, particularly with respect to gender and race, and placing corrective mechanisms to correct identified anomalies;
- Promoting employee wellbeing by creating practices which support this. A draft employee wellbeing framework was completed during 2018 and will serve as a foundation for the wellness strategy and implementation plan;
- Focusing on interventions within the business that give the highest impact and experience to employees. We have identified our priority high-impact areas and socialised these with the business; and
- Enhancing engagement with shareholders on the remuneration policy and implementation report.

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 directors as well as a high-level overview of all other employees. All strategic reward decisions are prepared and guided by our executive management team for approval by the group remco. This committee has delegated approval authority at various levels with its roles and responsibilities outlined on page 59.

Use of remuneration consultants

During the year, we relied on information received from our remuneration consultants. For the head office-based employees, external remuneration services were obtained from PwC Research Services Proprietary Limited (PwC REMchannel®) and Korn Ferry Hay Group.

It is our view that these service providers are independent and objective in their reporting, and there was no bias in the information and resultant remuneration decisions taken.

Closing remarks

The group remco has carefully considered the implementation of the remuneration policy during the year and believes it has achieved its stated objectives. They are confident that the remuneration policy as presented in Part 2 is aligned with the strategy of the business in order to continue to achieve its objectives.

The group remco looks forward to your support at the forthcoming AGM.

Alan Harper
Group remco chairman

Part 2
Overview of our remuneration policy and philosophy

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 performance, delivered fairly without bias, and is 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 group remco 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.

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, ie 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 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.

Alignment with King IV™ is our priority for this year and the coming financial years. Against this backdrop, MTN's remuneration policies aim to achieve the following:

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.

- 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 stretch 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.

Strategic workforce planning

- In addition to the general remuneration benchmarks, our strategic workforce plan is used to proactively anticipate current and future skills needed.
- This approach ensures that MTN has the resources needed to meet its business goals aligned to the BRIGHT strategy, underpinned by MTN's growth curves.
- A total of 662 jobs have been identified as critical jobs within the group, in support of the above. The plan focuses over a three-year period taking into account new hires, natural attrition, reskilling and upskilling, and the global graduate intake.

After the previous year's executive movements, in addition to the appointment of the group president and CEO and CFO, we further established an effective management structure for the group and Nigeria to reflect the reintroduction of regional vice-president roles. Within our operations, we successfully placed vacant CEO roles either by recruiting externally or internal appointments.

Remuneration report continued

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. For technical skills, our market is generally companies that compete in the telecoms circle; however, for support skills, we use the national market. • Generally reviewed annually. **Benefit plans** • Provide economic security for employees. • Commonly include retirement, health, death, disability and insurance.	• Annual incentives in the form of variable remuneration provided by the company aligned with the short-term goals of the company. • Performance is measured and assessed over one year and relatively rewarded for achieving threshold, at target and above target performances. Below threshold is regarded as poor performance, therefore not incentivised. • 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.

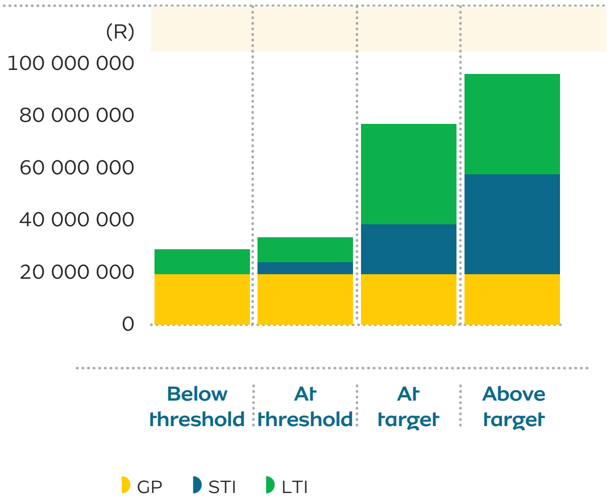
Executive pay composition

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.

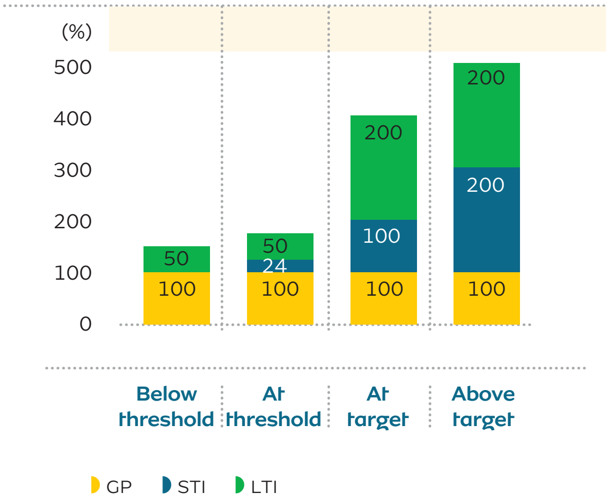
King IV™ recommends the disclosure of remuneration elements offered in the organisation and the mix of these. The following graphs illustrate the mix of minimum, on-target and potential maximum compensation for the two director positions, Group president and CEO and the group chief financial officer (CFO) based on four performance scenarios being below threshold, at threshold, at target and above target. All illustrations are expressed as a percentage of annual guaranteed package (GP).

Group president and CEO pay mix

RA Shuter



RA Shuter

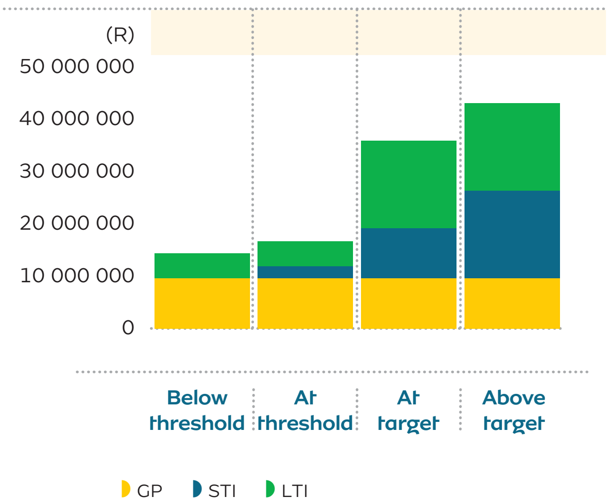


Notes

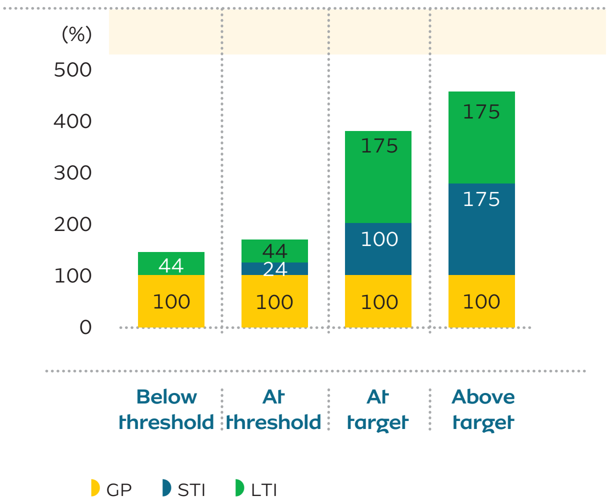
- GP – guaranteed package, STI – short-term incentive, LTI – long-term incentives.
- 'Below threshold' refers to the achievement of performance target below the minimum acceptable performance. 'At threshold' refers to the achievement of performance exactly at the acceptable minimum performance. 'At target' refers to performance achievement exactly at the agreed performance target. 'Above target' refers to the performance achievement above the target up to the maximum performance achievement.
- The 24% threshold is the minimum % payable as short-term incentive performance bonus. This is on the assumption that all the team performance objectives, weighted accordingly, are met at the minimum 80% achievement. If any of the KPIs are below 80%, the calculated performance bonus % reduces to below 24%. This also assumes that although the company performance threshold has been met, it does not contribute to the actual bonus but is only indicative of declaring a bonus in accordance with the performance bonus rules.
- The long-term incentive % at below threshold and at threshold represents non-performance-based retention shares exercisable once the vesting period is completed. Because the total allocation value is 200% of annual GP, the equivalent % is 50% (i.e. 25% times 200% times annual GP). This element is subject to board approval on an annual basis.

Group chief financial officer pay mix

RT Mupita



RT Mupita



Notes

The 25% long-term incentive minimum is the non-performance-based retention shares exercisable once the vesting period is completed. This element is subject to board approval on an annual basis.

- GP – guaranteed package, STI – short-term incentive, LTI – long-term incentives.
- 'Below threshold' refers to the achievement of performance target below the minimum acceptable performance. 'At threshold' refers to the achievement of performance exactly at the acceptable minimum performance. 'At target' refers to performance achievement exactly at the agreed performance target. 'Above target' refers to the performance achievement above the target up to the maximum performance achievement.
- The 24% threshold is the minimum % payable as short-term incentive performance bonus. This is on the assumption that all the team performance objectives, weighted accordingly, are met at the minimum 80% achievement. If any of the KPIs are below 80%, the calculated performance bonus % reduces to below 24%. This also assumes that although the company performance threshold has been met, it does not contribute to the actual bonus but is only indicative of declaring a bonus in accordance with the performance bonus rules.
- The long-term incentive % at below threshold and at threshold represents non-performance-based retention shares exercisable once the vesting period is completed. Because the total allocation value is 175% of annual GP, the equivalent % is 50% (i.e. 25% times 175% times annual GP). This element is subject to board approval on an annual basis.

Remuneration report continued

As illustrated on the previous page, 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 or 'at risk pay' and less on the fixed package. While the fixed package does not vary based on individual performance, the variable portion does.

Fixed remuneration

How we benchmark our fixed remuneration

To remain competitive, it is key to benchmark pay using relevant market information. We apply two approaches to benchmarking:

a) Annual setting of our internal pay scales – where we obtain the average market remuneration movements from multiple credible survey providers to adjust our internal pay ranges. In determining the market ranges, we generally use companies operating in the telecommunications circle. We target the market median per job as our internal pay scale minimum and the market upper quartile as our internal pay scale maximum.
b) Annual benchmarking of remuneration – on an annual basis we participate in a remuneration survey through PwC REMchannel®. Once the process is completed, we use the reports for day-to-day determination of remuneration for new and existing employees.

How we use the benchmark information

We use the benchmark information for various purposes summarised below:

- Internal remuneration alignment – where we re-align existing remuneration to market movements as guided by our salary scales. This entails adjusting the remuneration of employees who are placed below our scale minimum to at least the minimum.
- New employment remuneration – where the recruitment team uses this information as an internal guideline for package determination for new employees.
- Annual budget process – where we use the internal scales as input for our annual budget process.
- Ad hoc remuneration review – as and when requested by the business we use the survey reports to price or evaluate existing remuneration. This helps us to re-align with the market particularly where the market movements are volatile.
- Internal pay differences – where we use the information to compare any pay differences. This helps us to identify anomalies and highlight any undesirable pay practices.
- Employee career advancement opportunities – as part of our employee value proposition, salary scales are used as a career advancement tool for employees who aspire to grow into senior roles.

For all head office employees, including executive directors, as a minimum, we benchmark our fixed remuneration against the market median of either the PwC REMchannel® or Korn Ferry Hay Group. Across all our operations, we also target the market median as our policy line for fixed remuneration.

When determining the salary for executives, we consider the following:

- Job evaluation grading outcomes which details the scope, risk, decision making, accountability and other factors used when grading jobs;
- Flight risk of the position and its level of contribution to the broader business goals; and
- Prior industry knowledge and job-specific skills as well as general leadership competencies.

Whereas general remuneration decisions of non-executive (that is, group executive committee members and other general executives) employees are handled internally with the support of the reward function, the remuneration decisions for executive committee employees are approved by the group remco in accordance with their roles and responsibilities as set out in their terms of reference.

Short-term incentive plans

We provide different short-term incentives to employees to reward performance on a short-term basis. The two types of short-term incentive plans are annual performance bonus for non-sales roles and sales incentive plans for sales roles, as explained below.

Overview of the annual performance bonus

Plan	Purpose	Detail
Annual performance bonus	To incentivise the delivery of our objectives, balancing short-term performance and risk taking with sustainable value creation for shareholders.	• Provides an incentive to all employees for achieving set goals within 12 months. • Performance is aligned primarily with the performance achievements of the company, and secondarily teams and individual priorities. All performance metrics and their targets are robust and stretching enough to create shareholder value. • For an annual performance bonus to be approved for each operation, management must demonstrate to the board that the threshold company performance targets have been met as agreed at the beginning of the financial period.

How performance is measured

Company performance (CP)

Description of objective and link to business strategy		CP measurement: Below threshold	Threshold	At target	Above target	Weighting: Head office	Subsidiary
Financial element							
Revenue	A key indicator reflective of the sales performance of our services with respect to the overall group strategy and business objectives.	< 90%	90%	100%	110%	20%	25%
EBITDA	EBITDA is earnings before interest, taxation, depreciation and amortisation. In simple terms, it is the net income power of the company through its operations. Which is, what kind of earnings can a company generate if a company had zero debt (no interest needs to be paid), no tax burden (does not have to pay any kind of taxes) and does not have any goods whose value depreciates over time (no depreciation or amortisation).	< 90%	90%	100%	110%	20%	25%
Operating free cash flow	Represents the cash generated by the company after cash outflows to support operations and maintain its capital assets.	< 90%	90%	100%	110%	20%	25%
Group attributable earnings	Part of the company's profit which is "attributable" to the ordinary shareholders. In other words, after the normal operating expenses have been deducted, together with finance costs, extraordinary items, taxation and preference dividends.	< 90%	90%	100%	110%	20%	
Non-financial element							
Competitive performance	Competitive performance is defined by the following three metrics namely market share, churn and relative net promoter score:						
Market share	Market share – Represents the percentage of an industry, or market's total sales that are earned over a specified time.	<90%	90%	100%	Varies	20%	Varies between 8,33% and 25%
Customer churn	Customer churn – Percentage or number of subscribers to a service who discontinue their subscriptions to the service within a given time period.						
Relative customer net promoter score (NPS)	Relative customer NPS – NPS is an index that measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. The NPS is measured relative to the company's closest competitor in the market.	<90%	90%	100%	110%		

The actual 2019 performance targets have not been disclosed as this detail is commercially sensitive.

Remuneration report continued

Team performance (TP)

Description of objective and link to business strategy		Performance measurement: Below threshold	Threshold[1]	At target	Above target	Weighting: Head office and subsidiary
Financial element						
Bonus agreement	The TP target relates to value drivers, consisting of operational imperatives to ensure alignment with the wider business strategy BRIGHT. The organisational structures and integrated business model are designed to ensure that all business units contribute to the delivery of the overall business units in delivering the group targets.	0%	80%	100%	120%	Variable based on employee job level

[1] The threshold refers to the minimum performance per objective and not the consolidated achievements of objectives.
Refer to page 12 for details.

Employee performance (EP)

Description of objective and link to business strategy		Performance measurement: Below threshold	Threshold	At target	Above target	Weighting: Head office and subsidiary
Financial element						
Integrated performance score	The EP is aimed at recognising individual performance based on the individual performance agreement. It is applicable to all employees except executive employees.	0 – 49%[a] 0 – 49%[b]	50%[a] 50%[b]	100%[a] 91,7%[b]	150%[a] 133%[b]	20 – 30% 50%

[a] Represents employee performance applicable multiplier for management level 3, 3H and 4 employees only.
[b] Represents employee performance applicable multiplier for general staff employees level 1 and 2 only.

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%. Employee performance does not apply to executive employees.
2. First, we calculate the on-target performance bonus per weighted element (CP, TP, EP) by multiplying annual fixed package with on-target level based multiplier.
3. Using the results above, for each element, we then apply the multiplier based on the actual performance achieved. The multiplier is a translated "nominal percentage" read against the actual performance, eg 100% actual performance equals multiplier of 1.0. If the element is above target, the multiplier will adjust to above target bonus. If the element is below target performance, the multiplier will adjust to below target bonus.

The total bonus payable will be the sum of the above calculations performed against each element.

The following table summarises the bonus parameters used for the directors and other prescribed officers of the company.

	Name	Company performance (multiplier against actual company performance achieved as a % of annual bonus remuneration)				Team performance (multiplier against actual performance bonus agreement goals achieved as a % of annual bonus remuneration)			
		Weighting	At or below threshold	At target	Above target	Weighting	At or below threshold	At target	Above target
Directors									
Group president and CEO	RA Shuter	70%	0	1,0	2,0	30%	0	1,0	2,0
Group chief financial officer	RT Mupita	70%	0	1,0	1,75	30%	0	1,0	1,75
Prescribed officers									
Group chief operating officer	J Schulte-Bockum	50%	0	1,0	1,75	50%	0	1,0	1,75
Group chief HR officer	PD Norman	50%	0	0,7	2,0	50%	0	0,7	2,0
Group chief legal counsel	MD Fleischer	50%	0	0,7	2,0	50%	0	0,7	2,0
Group chief regulatory and corporate affairs officer	FL Sekha	50%	0	0,7	2,0	50%	0	0,7	2,0
Vice president for WECA^	KO Toriola	60%	0	0,7	2,0	40%	0	0,7	2,0
Vice president for MENA^	I Jaroudi	60%	0	0,7	2,0	40%	0	0,7	2,0
Vice president for SEAGHA^	ET Asante	60%	0	0,7	2,0	40%	0	0,7	2,0
CEO: MTN Nigeria^	F Moolman	60%	0	0,7	2,0	40%	0	0,7	2,0
CEO: MTN South Africa^	GN Motsa	60%	0	0,7	2,0	40%	0	0,7	2,0

Notes
^ The company performance weighting of 60% comprises a 30% focus on the MTN Group and 30% focus on the MTN operations.

Refer to page 12 for details of objectives assigned to each member of the executive committee.

Remuneration report continued

The following sections illustrate the potential bonus payable to the group president and CEO. The illustration is for achievement of stated performance conditions at threshold, at target and above target. There is no bonus where the thresholds are not achieved.

Example case study for group president and CEO
At the beginning of the year, the group's company performance (financial and non-financial) targets and actual achievements for calculating bonuses are illustrated below:

Company performance

Company performance objective	Actual % achievement	Bonus multiplier %	Weighting %	Bonus multiplier %
Revenue	99	91	20	18
EBITDA	98	83	20	17
Net operating free cash flow	133	200	20	40
Group attributable earnings	109	187	20	37
Competitive performance~	110	200	20	40

All objectives, financial and non-financial, were achieved. For the element to be considered for a bonus, the achievement against target needs to be greater or equal to 90% of target.

Only the elements that scored more than or equal to the threshold will be used for a performance bonus computation. The weighted sum of these elements in the above example is 152%.

Team performance

Objective	Weighted achieved %
Cash upstreaming	12
Return on invested capital	10
Subscriber growth	12
Active data subscribers	10
Active Mobile Money subscribers	6
Rich media subscriptions	6
Group culture survey	6
Employment equity	6
Regulatory risk management	6
Improved control environment	8
Network data quality	11
Population coverage	9
Tower asset monetisation	5
Total TP	107

The corresponding weighted sum of these elements in the above example is **138%**. This is looked up against a translation table ranging from 0 to 100% to 200% at below threshold, at target and above target performance respectively.

Performance bonus workings

Assumptions	Company performance	Team performance
Annual performance bonus remuneration (a)	R17 000 000	R17 000 000
Element weighting (b)	70%	30%
At target % (c)	100%	100%
At target performance bonus (d) = (a*b*c)	R11 900 000	R5 100 000
Actual multiplier ("nominal translation") (e)	152%	138%
Equals calculated bonus (f) = (d*e)1	R18 000 000	R7 000 000
Final bonus payable	R18 000 000	R7 000 000

All values rounded for illustrative purposes.

In the above scenario, the director's total performance bonus is R25 million which is equivalent to 148% of the potential target value. This payment reflects an "above target" performance.

If the company performance objectives do not meet the threshold performance, all managerial employees and above are not paid the performance bonus incentive.

General staff incentive calculations
Although lower level employees (general and supervisory) participate in a performance bonus if declared, they are also eligible for an annual incentive payable in December which is not dependent on the financial performance. The condition and details of this payment are summarised below (column "Minimum 4% payment").

The 4% of annual remuneration payment in December remains 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 earnings and performance scores.

Additionally, if managerial employees do not receive a performance bonus due to the company not meeting threshold performance, lower level employees remain eligible to receive the annual incentive. The incentive payment will be based on a reduced calculation as summarised below.

Description	Minimum 4% payment	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%

Remuneration report continued

Long-term incentive plans

Selected employees, including executives, are given the opportunity to participate in the long-term incentive scheme at the sole discretion of the board. We operate two classes of share schemes:

For executive and managerial employees

LTIs awarded to managerial and senior employees are aimed at aligning their contributions to shareholders' expectations by sharing in the long-term growth of the company.

Performance Share Plan (PSP) overview

Plan	Purpose	Detail
PSP	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.	• Share awards are at the discretion of the MTN Group board. Operating entities make representations to the board for award inclusion/ exclusions. • Participation is limited to managerial employees and those in more senior positions only. • Performance is measured using the following performance conditions: – Total Shareholder Return (TSR) versus the MSCI EM (Emerging Markets) Telecoms Index - Rationale: the use of the MSCI EM (Emerging Markets) Telecoms Index as a comparator group is reflective of telcos with significant exposure to emerging markets. – Cumulative operating free cash flow (OFCF) - Rationale: this objective focuses on working capital management and improved management of capital allocation. – Return on average capital employed (ROACE) - Rationale: utilised as shareholders' value is created when a return on capital is generated that exceeds the weighted cost of capital. ROACE is the closest link to value enhancement that drives the share price over the longer term. – Non-performance-based retention element - Rationale: it is industry practice for a portion of the award to be based only on continued employment. The company strongly believes that with no retention element, the business is at risk of losing key executives in the short term. • The directors and chief operating officer have two additional performance indicators relating to corporate compliance to industry codes and black economic empowerment. • See table below for further details on weightings and performance targets. 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.

How allocations are determined

Each participating employee is awarded conditional shares expressed as a percentage (allocation multiple) of their total fixed package. Details of the allocation multiples are as below:

Job level	Annual allocation percentage of salary
Group president and CEO	2,00
Group chief financial officer	1,75
Group chief operating officer	1,75
Other prescribed officers	1,25
Other general executives	1,00
General manager	0,60
Senior managers	0,40
Managers	0,20

How performance is measured

The PSP scheme is measured using a combination of financial performance targets and retention summarised below:

Performance measure	Description	Weightings for allocations made before 2017 financial year		Weightings for allocations made in 2017 onwards	
		General	Executives	General	Executives
TSR – JSE Top 25 Index	Sliding scale of 100% vesting at the 75th percentile as compared to JSE Industrial 25 comparator group and 25% vesting at the median with straight-line vesting in between the two points. 0% vesting for below the median. TSR will be measured by comparing the 30 day (VWAP) at the beginning and end of the three-year measurement period plus re-invested dividends. TSR must be positive.	37,5%	50%		
TSR – MSCI EM Index[1]	Sliding scale of 100% vesting at the 75th percentile as compared to MSCI EM Telecoms Index and 25% vesting at the median with straight-line vesting in between the two points. 0% vesting for below the median. TSR will be measured by comparing the 30 day (VWAP) at the beginning and end of the three-year measurement period plus re-invested dividends. TSR must be positive and to be measured on common currency (ZAR).			25%	25%
Adjusted free cash flow (AFCF)	Measured on a three-year CAGR calculated as the growth in the average AFCF in the three years preceding the measurement period (01/01/2014 to 31/12/2016) to the average AFCF during the three-year measurement period (01/01/2017 to 31/12/2019), using the following parameters: 100% vesting at 10% growth; 20% vesting at 6% growth; 0% vesting below 6% growth With a sliding scale between each point.	37,5%	50%		
Cumulative operating free cash flow (COFCF)[2]	Targeted at the sum of the budgeted OFCF established each year for the three-year measurement period: 25% vesting at 90% of the target; stretch of 100% vesting at 110% of the target; sliding scale between each point. Operating Free Cash Flow will be measured on constant currency.			25%	25%
Return on average capital employed (ROACE)	Defined as the sum of (EBIT/(equity + net debt)) for each year divided by 3. 25% vesting at 90% of budget (kick-in); 100% vesting at 100% of budget; with a straight-line vesting between the kick-in and budget rate.			25%	25%/8,33%
Compliance to DTI and the ICASA[3]	Making all reasonable efforts to ensure that the company is compliant with the relevant targets and codes in terms of labour legislation and/or established by the DTI, and the ICASA.				8,33%
Black economic empowerment (BEE)[3]	Achievement of the Black Economic Empowerment deliverables as set out in employment contracts.				8,33%
Service/ retention[4]	100% vesting upon remaining with the company for the duration of the award fulfilment period.	25%		25%	25%

[1] MCSI Emerging Markets Telecoms Index measured on common currency, ie ZAR.
[2] COFCF measured on a constant currency basis at budgeted numbers.
[3] Only applicable to group president and CEO, group chief financial officer and group chief operating officer.
[4] The service element for executives to be reviewed on an annual basis.

Remuneration report continued

Treatment of shares on termination of employment

If a participant terminates employment voluntarily, there will be no vesting of shares. For involuntary termination, ie no fault leavers as defined in the PSP scheme rules, the participant will be entitled to the same rights and subject to the same conditions as they would have been if they remained employed by the company. These rights will, however, be applied on shares that have been pro-rated and retained based on the service between the grant date and termination. No shares are settled or vest at termination date as each award has to fulfil the full vesting period and be subjected to the initial measurement period.

Clawback and malus

During 2018, the board approved the implementation of clawback and malus provisions effective for the December 2017 allocation.

Malus provisions

These provisions allow the board to reduce the number of MTN shares awarded to any participant under the PSP scheme in certain circumstances before the settlement of the underlying shares. The adjustment would notably apply where the relevant accounts for any company, business or undertaking where the participant worked or works, or for which he/she was or is directly or indirectly responsible, are found to be materially incorrect or require restatement.

Clawback provisions

These provisions would apply in respect of a period after the settlement of the underlying shares to the relevant participant and effectively provide MTN with a contractual right to recover an amount of money from a participant in certain similar circumstances as those that apply to the malus provisions, but which arise (or are only disclosed) after settlement.

Share appreciation rights scheme (SAR) and share rights scheme (SR)

The SAR and SR schemes were the two schemes in place before the PSP scheme was implemented. The last allocation under these schemes was made in June 2010. Although the schemes remain active with share balances, no further awards were made to employees. Each award had a 10-year term, after which the allocation expires. Both the SAR and SR schemes are measured using the company's appreciation in the share price.

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.

Notional share option (NSO scheme)

The notional share option scheme is our non-equity scheme for non-executive employees (that is, group executive committee members and other general executives), in managerial and more senior positions in non-listed operations outside South Africa. Qualifying employees own options and also participate in the growth of the group and its operations, as applicable.

Plan	Purpose	Detail
Notional share option (NSO)	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 managerial and senior employees for the value gain derived from the NSO price per share appreciation between the allocation and vesting dates.	• 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 in the operations. • Employees of MTN Group Management Services, MTN Dubai and MTN South Africa are not eligible to participate in the PSP scheme. • Executive employees across operations are also not eligible to participate as they participate in the PSP scheme. • Performance is measured using the group share price and operation's EBITDA performance. Thus the NSO scheme is divided into: – Group aligned notional (GAN) share options measured using group share price; and – Locally aligned notional (LAN) share options measured using operation's EBITDA performance.

How allocations are determined

The quantum of the awards is based on the future increase in the value of the NSO awards. Allocation multiples of annual salary are used to determine the annual allocation of NSO to qualifying employees. Awards are made annually and vest after a three-year period. The detail regarding the allocation multiples and performance measurement are set out below.

Job level	Annual allocation multiple (as a % of salary) for both LAN and GAN
General manager	0,60
Senior managers	0,40
Managers	0,20

Share scheme for general and supervisory employees

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 intended to incentivise designated employees and to align them more closely with the activities of the company with the aim of promoting their continued growth by giving them shares. Participating employees who received awards 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 ESOP. This scheme is managed under a trust. The first allocation of awards was made to qualifying employees on 1 December 2017 with subsequent allocations made every six-month period.

Termination of employment payments

The following applies in the event of termination of employment:

Incentive	"Fault terminations" – resignation, abscondment, early retirement, dismissal	"No-fault terminations" – retrenchment, retirement, restructuring, disability, death
Fixed pay	Paid over the notice period or as a lump sum.	Paid over the notice period or as a lump sum or as per statutory requirement.
Benefits	Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis.	Benefits will fall away at such time that employment ceases.
Short-term incentives	No payment will be made, unless incentive payment is due while the employee is serving notice, in which case it will be paid on last working date.	Any board approved incentive, eg annual performance bonus becomes payable on a pro rata basis at the same time as other active employees subject to the incentive policy.
Long-term incentives	No payment will be made. Only incentives which vest during active employment will be paid out.	Any board-approved incentive, eg shares become payable on a pro rata basis at the same time as other active employees subject to the incentive policy. Only shares equivalent to time served between grant and vesting are paid. No adjustment to performance is performed.
Recognition and other benefits	No payment unless board determines payment due.	No payment unless board determines payment due.

Remuneration report continued

Employment contracts, notice and general restraint of trade

Director	Employment contract	Extended notice period	Restraint of trade
RA Shuter: Group president and CEO	Employed on 13 March 2017 on a limited duration employment contract expiring on 12 March 2021	6 months	12 months
RT Mupita: Group chief financial officer	Employed 3 April 2017 on a no fixed duration contract	6 months	12 months
J Schulte-Bockum~: Group chief operating officer	Employed on 16 January 2017 on a limited duration employment contract expiring on 15 January 2021	6 months	12 months
PD Norman~: Group chief HR officer	Employed 1 April 1997 on a no fixed duration contract	6 months	6 months
MD Fleischer: Group chief legal counsel	Employed 1 February 2014 on a no fixed duration contract	6 months	6 months
FL Sekha: Group chief regulatory and corporate affairs officer	Employed 10 October 2016 on a no fixed duration contract	6 months	6 months
KO Toriola: Vice-president for WECA	Employed 1 November 2006 on a no fixed duration contract	6 months	6 months
I Jaroudi: Vice-president for MENA	Employed 1 January 1992 on a no fixed duration contract	6 months	6 months
ET Asante: Vice-president for SEA	Employed 2 January 2008 on a no fixed duration contract	6 months	6 months
F Moolman: CEO: MTN Nigeria	Employed 25 June 2014 on a no fixed duration contract	6 months	6 months
GN Motsa: CEO MTN South Africa	Employed 1 January 2017 on a no fixed duration contract	6 months	6 months

Notes:

~ Refer to Part 3 for details of once-off special payments made to executive employees in respect of extended notice and general restraint of trade.

Special remuneration 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 remco. In addition, to attract key senior employees, it is sometimes necessary to compensate them for the loss of equity in their previous companies. Details of any payments will be disclosed in the implementation report for the relevant year. Refer to page 84 for special payment made in 2018.

Non-executive directors' remuneration for 2019

The group remco 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. It 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 NEDs receive an annual retainer and a meeting attendance fee (both amounts VAT inclusive). They do not participate in any type of incentive scheme nor do they receive any employee-related benefit. They are provided with communication devices such as a cellphone to conduct their duties. The company covers all expenses related to their board and committee meeting attendance.

In the last quarter of 2018, management commissioned an external benchmark with Korn Ferry Hay Group. As required by King IV™, we believe the benchmark provided an objective and independent perspective of the fees paid to other NEDs of the comparator group. For competitive purposes, we benchmarked our NED fees against the list of selected companies[1] listed in the Johannesburg Stock Exchange.

[1] JSE Top 10 companies used for the 2019 fees are: First Rand, Standard Bank, Sasol, Discovery, Old Mutual, Sappi, Shoprite, Sanlam and Vodacom. The comparator group was based on the list of companies used in the previous benchmark exercise conducted in 2017. For the 2018 benchmark, the list was, however, revised where four comparator companies were replaced with new comparator companies. The comparator selection criteria was based on market capitalisation, employee size, footprint, amongst other factors.

The benchmark resulted in the following recommendations to be tabled at the 2019 AGM:

Main board

- **Local chairman**
  The total fees which include the annual retainer and meeting attendance for the chairman of the main board were aligned with the average of the comparator group hence there was no special adjustment required except an inflation linked increase of 4,7%.

- **Local members**
  The total fees which include the annual retainer and meeting attendance for the members of the main board were aligned with the average of the comparator group hence there was no special adjustment required except an inflation linked increase of 4,7%.

- **International members**
  Equally, the international member fees denominated in euro were recommended to be adjusted by inflation of 1,0%.

Sub-committees

- **Local chairpersons of sub-committees**
  The total fees which include the annual retainer and meeting attendance for the chairpersons of the various sub-committees of the main board were all aligned with the average of the comparator group except for the audit and risk committee. All South African rand-based fees were recommended to be adjusted by inflation of 4,7% and all non-rand-based fees were recommended to be adjusted by 1,0%. The audit and risk committee recommended as follows:
  – Audit – special adjustment of 67,8% to current potential policy-based fees which will be implemented over a two-year period in 2019 and 2020.
  – Risk – special adjustment of 119,4% to current potential policy-based fees which will be implemented over a two-year period in 2019 and 2020.

  Both adjustments were necessary to align the total fees payable to these committees to the average of the comparator group list above. All other committees were aligned with the peer company average therefore there was not special adjustment required.

- **International chairpersons and members of sub-committees**
  All international chairpersons and members fees denominated in euro were recommended to be adjusted by inflation of 1,0%.

Thus, the proposed fees structure for 2019 is as follows:

	Annual retainer fee 2018	Meeting attendance fee 2018	Annual retainer fee 2019	Meeting attendance fee 2019
MTN Group board				
Chairman	R2 886 671	R160 370	R3 000 000	R173 500
Member	R225 242	R56 310	R235 900	R58 950
International member	€78 082	€7 808	€78 863	€7 886
Special assignments or projects (per day)				
Local non-executive director		R23 997		R25 100
International non-executive director		€3 424		€3 500
Ad hoc work performed by non-executive directors for special projects (hourly rate)		R4 224		R4 400
Remuneration and human resources committee				
Local chairman	R89 361	R33 662	R93 829	R35 168
International chairman	€5 709	€3 644	€5 766	€3 680
Local member	R52 365	R24 686	R54 983	R25 804
International member	€3 346	€3 346	€3 379	€3 379
Social and ethics committee				
Chairman	R89 361	R33 662	R93 829	R35 168
Member	R52 365	R24 686	R54 983	R25 804
MTN Group Share Trust (Trustees)				
Chairman	R79 425	R29 920	R83 396	R31 276
Member	R34 920	R16 462	R36 666	R17 209
Sourcing committee				
Chairman	R79 425	R29 920	R83 396	R31 276
Member	R46 410	R21 879	R48 731	R22 867
Audit committee[1]				
Chairman	R119 675	R36 918	R160 226	R49 427
Member	R65 382	R25 437	R75 903	R29 530
Risk management, compliance committee and corporate governance committee[2]				
Chairman	R89 361	R33 662	R142 725	R53 764
Member	R52 365	R24 686	R67 119	R31 641
International member	€3 346	€3 346	€3 379	€3 379

[1] Represents a fee increase of 50% (from the approved 67,8% special adjustment) to be implemented in 2019. The balance will be adjusted in 2020.
[2] Represents a fee increase of 50% (from the approved 119,4% special adjustment) to be implemented in 2019. The balance will be adjusted in 2020.

Non-binding advisory vote on the remuneration policy

This report is subject to a non-binding advisory vote by shareholders at the 23 May 2019 AGM. Shareholders are requested to cast a non-binding advisory vote on the remuneration policy as contained in Part 2 of this report.

Remuneration report continued

Part 3
Implementation report

Executive salary adjustments

To set the annual fixed package increases for executive management, the group remco considered the average increases to general staff using the relevant market data.

Benchmarks were selected based on several factors, including, but not limited to, company size and complexity of comparable listed companies by reference to market capitalisation, turnover, profitability, number of employees, inflation and sector.

On aggregate, executive management and general employees received a 6% increase budget. The distribution of the budget was based on individual performance. Because executive management do not have individual performance scores to inform increases, those who were eligible received a flat 6% increase to their fixed package. This compared to general employees who on average received a 6% increase.

Special payments

In lieu of extended notice and general restraint of trade

During the year, a review of the prescribed officers' contracts of employment revealed that some of our executive management did not have the six months' extended notice and six months' restraint of trade. As a result, we calculated the equivalent months each executive had based on their then current contract and compared this to the desired periods. Where a gap existed, the group remco approved that the difference (expressed in months) is covered through the delivery of a special payment calculated based on the individual's monthly fixed package.

The following special payments were made in lieu of a six months' extended notice period and a six months' general restraint of trade.

Prescribed officer	Approved value in respect of notice and restraint	Percentage of benefit payable in 2018	Benefit amount paid in 2018
PD Norman[1]	R6 638 421	25% paid in May 2018 25% paid in November 2018	R1 659 605 R1 659 605
F Moolman[2]	US$176 000	50% paid in January 2018	US$88 000
I Jaroudi[2]	US$517 140	50% paid in April 2018	US$258 570

[1] Value of the payment in rand in line with the contract of employment currency.
[2] Value of the payments in US dollar in line with the contract of employment currency.

Sign-on bonus

GN Motsa received a sign-on bonus as compensation for forfeiture of his shares from his previous employer. The details of this payment are as follows:

Prescribed officer	Approved value in respect of sign-on bonus	Percentage of benefit payable in 2018	Benefit amount paid in 2018
GN Motsa	R13 500 000	33,33% paid in January 2018 in respect of December 2017 Further 33,33% paid in December 2018 in respect of December 2018	R4 500 000 R4 500 000

This above payment was in full and final payment related to this special payment. There will be no outstanding future payments.

Short-term incentive outcomes for 2018

Company performance actual achievement for 2018

MTN Group Limited

Group directors

Company performance objective	Actual % achievement^	RA Shuter %	RT Mupita %
Revenue	99	18,11	18,11
EBITDA	98	16,50	16,50
Net operating free cash flow	133	40	35
Group attributable earnings	109	40	35
Competitive performance~	110	37,43	33,08
Total		152,04	137,69

Vice presidents and CEOs of major operations

Company performance objective	Actual % achievement	KO Toriola %	I Jaroudi %	ES Asante %	F Moolman %	GM Motsa %
Revenue	99	18,11	18,11	18,11	18,11	18,11
EBITDA	98	16,50	16,50	16,50	16,50	16,50
Net operating free cash flow	133	40	40	40	40	40
Group attributable earnings	109	40	40	40	40	40
Competitive performance~	110	37,43	37,43	37,43	37,43	37,43
Total		152,04	152,04	152,04	152,04	152,04

All values above were applicable for Group function.

Percentage applicable for OPCO functions are KO Toriola (64,48%), I Jaroudi (130,94%), ES Asante (164,51%), F Moolman (173,49%), GN Motsa (74,14%).

Functional executive committee members

Company performance objective	Actual % achievement^	J Schulte-Bockum %	PD Norman %	MD Fleischer %	FL Sekha %
Revenue	99	18,11	18,11	18,11	18,11
EBITDA	98	16,50	16,50	16,50	16,50
Net operating free cash flow	133	35	40	40	40
Group attributable earnings	109	35	40	40	40
Competitive performance	110	33,08	37,43	37,43	37,43
Total		137,69	152,04	152,04	152,04

^ Each company performance element has a 20% weighting.

Table of performance bonus paid in 2018

Prescribed officers	Currency	Total fixed package	Group performance (%)	OPCO performance (%)	Group weighting (%)	OPCO weighting	At target (%)	CP bonus amount	Team performance (%)	Weighting (%)	TP bonus amount	Total	Total bonus as % of package
RA Shuter^	ZAR	9 073 644	152,05		70		100	9 657 312	137,80	30	3 751 045	13 408 356	148
RA Shuter^	USD	611 606	152,05		70		100	650 947	137,80	30	252 838	903 785	148
RT Mupita	ZAR	9 405 000	137,69		70		100	9 064 694	131,76	30	3 717 679	12 782 373	136
J Schulte-Bockum^	ZAR	5 016 211	137,69		50		100	3 453 362	137,31	50	3 443 942	6 897 304	138
J Schulte-Bockum^	USD	359 000	137,69		50		100	247 150	137,31	50	246 476	493 625	138
KO Toriola	USD	560 280	152,05	64,48	30	30	70	254 758	63,31	40	99 320	354 078	63
I Jaroudi	USD	629 883	152,05	130,94	30	30	70	374 317	97,85	40	172 575	546 893	87
ES Asante	GHS	3 137 250	152,05	164,51	30	30	70	2 085 572	93,41	40	820 541	2 906 114	93
F Moolman	USD	541 977	152,05	173,49	30	30	70	370 510	142,05	40	215 566	586 075	108
GM Motsa	ZAR	7 865 200	152,05	74,14	30	30	70	3 735 886	87,11	40	1 918 385	5 654 271	72
PD Norman	ZAR	6 516 443	152,05		50		70	3 467 809	159,30	50	3 633 243	7 101 051	109
MD Fleischer	ZAR	8 014 860	152,05		50		70	4 265 210	99,97	50	2 804 359	7 069 570	88
FL Sekha	ZAR	4 561 506	152,05		50		70	2 427 464	124,85	50	1 993 264	4 420 728	97

^Amounts split due to split contract to two currencies.

Remuneration report continued

Long-term incentives – performance share plan (PSP)

Long-term incentives awarded during 2018

2018 PSP grant performance conditions

Incentive	Performance conditions and weighting	Detail of performance conditions	Vesting profile
PSP shares issued in 2018 and vesting in 2021	• Total shareholder return (TSR) MSCI EM Index 25%	**TSR MSCI EM index** • Threshold – median of peer group • Above target – 75th percentile of peer group	**TSR** • Below threshold – 0% vesting • At threshold – 25% vesting • Above target – 100% vesting Linear vesting will occur between the levels stated above
	• Cumulative operating free cash flow (OFCF) 25%	**Cumulative OFCF** • Three-year measurement: • Threshold – 90% of target • Above target – 110% of target	**Cumulative OFCF** • Below threshold – 0% • At threshold – 25% vesting • Above target – 100% vesting Linear vesting will occur between the levels stated above
	• Return on average capital employed (ROACE) 25%+	**ROACE** • Threshold – 90% of budget • Above target – 100% of target	**ROACE** • Below threshold – 0% • At threshold – 25% vesting • Above target – 100% vesting Linear vesting will occur between the levels stated above
	• Retention element 25%	**Retention** • The participant must remain in employment throughout the performance period	**Retention** • Achieved – 100% vesting There will be no vesting if employment is terminated before vesting period
	• Compliance to DTI and the ICASA^	**Compliance** • As per contract of employment	**Compliance** • As per contract of employment
	• Black economic empowerment (BEE)^	**BEE** • As per contract of employment	**BEE** • As per contract of employment

+ ROACE has a weighting of 25% for all employees except for the CEO, CFO and COO who have a weighting of 8,33% each.
^ Only applicable to the CEO, CFO and COO with a weighting of 8,33%.

The PSP awards granted during 2018 are shown below.

Director	Number of awards	LTI as a % of annual fixed package
Group president and CEO: RA Shuter	436 600	200%
Group chief financial officer: RT Mupita	190 200	175%

Prescribed officer	Number of awards	LTI as a % of annual fixed package
Group chief operating officer: J Schulte-Bockum	205 500	175%
Group chief HR officer: PD Norman	94 600	125%
Group chief legal counsel: MD Fleischer	115 200	125%
Group chief regulatory and corporate affairs: FL Sekha	66 200	125%
Vice-president for WECA: KO Toriola	114 000	125%
Vice-president for MENA: I Jaroudi	133 700	125%
Vice-president for SEAGHA: ET Asante	137 500	125%
CEO: MTN Nigeria: FJ Moolman	112 900	125%
CEO: MTN South Africa: GN Motsa	114 100	125%

Long-term incentives vesting in respect of the performance of 2018

The performance conditions of the allocation of June 2016 and their evaluation is summarised below.

Performance indicator	Threshold	Target	Actual achievement	Weighting	% shares vested	Number of shares vested
Total shareholder return^	Ranking #13	Ranking #7	Ranking #20	37,5%	0%	0
Adjusted free cash flow†	6 % growth	10% growth	-26% growth	37,5%	0%	0
Retention#	Employment	Employment	N/A	25%	25%	361 199

^ MTN was ranked 20 in the JSE Top 25 Industrial Index over the measurement period 01/01/2016 – 31/12/2018. The threshold was ranking 13 vesting at 25% and the target was ranking 7 vesting at 100%. There was a straight-line vesting between the two points.

† MTN achieved a negative cash flow growth of -26% over the measurement period 01/01/2016 – 31/12/2018. The threshold was 6% vesting at 20% and the target was 10% vesting at 100%.

This condition is service-based with no financial evaluation. The participant only needs to be in employment as at vesting date unless terminated involuntarily. The retention element does not apply to executive employees.

Due to the non-achievement of the threshold on the 2016 PSP shares, there was no payment made for all executives, prescribed officers and directors. Only the 25% retention linked portion was paid to employees.

How the PSP scheme has performed historically

A summary of the performance of the historic PSP allocations which have vested and settled is displayed below.

Grant date	Vesting date	Number of shares granted	Number of shares vested	% of shares vested
29/06/2011	31/12/2013	1 611 200	321 439	20%
29/12/2011	29/12/2014	1 491 714	304 414	20%
28/12/2012	28/12/2015	1 960 540	193 806	10%
20/12/2013	20/12/2016	2 452 200	223 094	9%
19/12/2014	19/12/2017	2 294 400	191 447	8%
28/06/2016	28/12/2018	3 793 700	361 199	10%
		9 810 054	1 234 200	13%

Including the 2018 vesting of June 2016 grant, the average vesting of the previous six grants is 13%. The total vested shares includes the service element which is not linked to company performance.

Remuneration report continued

Long-term incentives – employee share ownership plan (ESOP)

A summary of awards made and outstanding under the ESOP schemes is set out below.

Plan	Issue date	Number of participants as at issue date	Number of shares issued	Plan vesting date	Number of shares traded (as at 31/12/2018)	Number of shares outstanding (as at 31/12/2018)
ESOP 2010	01/12/2010	3 461	1 384 400	01/12/2015	38 900	352 352
ESOP 2016	01/12/2017	3 893	2 008 788	01/12/2022	–	1 935 000
	01/06/2018	361	203 965	01/06/2023	–	194 360
	28/12/2018	24	13 560	01/06/2023	–	13 560
	28/12/2018	185	152 440	28/12/2023	–	152 440
			3 769 369		38 900	2 653 928

The closing balances exclude forfeited shares as a result of voluntary and involuntary terminations.

For the 2010 ESOP award, as at 31 December 2018, from a total of 3 461 participants:

- 1 769 allocated employees had left the employment of the company for various reasons, voluntary and involuntary and 1 692 are still in the employ of the company.

At the AGM held in 2018, shareholders raised a concern that the retention effect of this plan was not successful. Management indicated that many employees had left employment due to workforce resizing and retrenchment that took place mainly in MTN South Africa. It is further noted that there are employees in active employment of the company who still hold these shares even though they fully vested in December 2015.

For the 2016 ESOP, no shares had vested as at 31 December 2018.

Termination of office payments

King IV™ Principle 14, RP 35 (c) recommends that the implementation report must contain details of payments made as a result of termination of employment for executive management. This must be a separate disclosure, containing the reasons for any payments made on termination of employment or office.

For the 2018 period, there were no payments as a result of termination of employment by a director or prescribed officer.

Remuneration

Names	Salaries R000	Post-employment benefits R000	Other benefits[1] R000	Bonuses[2] R000	Sub-total R000	Share gains R000	Total R000
Executive directors							
2018							
R Shuter	15 279	1 621	746	25 277	42 923	–	42 923
R Mupita	8 243	955	559	12 782	22 539	–	22 539
Total	23 522	2 576	1 305	38 059	65 462	–	65 462
2017							
R Shuter	11 528	1 225	10 581	17 122	40 456	–	40 456
R Mupita	5 944	673	384	10 672	17 673	–	17 673
Total	17 472	1 898	10 965	27 794	58 129	–	58 129

[1] Includes medical aid, death and disability insurance, executive lifestyle benefits, unemployment insurance fund and any other special payments made. For 2017, details of such special payments are disclosed in the 2017 integrated report.

[2] Performance bonus linked to performance in the 2017 and 2018 financial years payable within three months after year-end.

Names	Salaries R000	Post-employment benefits R000	Other benefits[1] R000	Bonuses[2] R000	Sub-total R000	Share gains[3] R000	Total R000
2018							
Prescribed officers							
E Asante	9 956	703	5 225	8 145	24 029	–	24 029
M Fleischer	7 011	818	384	7 070	15 283	–	15 283
I Jaroudi	10 215	–	5 285	7 182	22 682	–	22 682
F Moolman	9 740	477	3 319	7 696	21 232	23	21 255
G Motsa	6 898	770	10 168	5 654	23 490	–	23 490
P Norman	5 706	666	3 683	7 101	17 156	–	17 156
J Schulte-Bockum	8 697	921	252	13 379	23 249	–	23 249
F Sekha	4 008	447	122	4 421	8 998	–	8 998
K Toriola	7 357	736	1 407	4 650	14 150	–	14 150
S van Coller^	5 360	598	714	–	6 672	–	6 672
Total	74 948	6 136	30 559	65 297	176 941	23	176 964

	Salaries R000	Post-employment benefits R000	Other benefits[1] R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
2017							
Prescribed officers							
E Asante	1 451	113	329	2 744	4 637	–	4 637
M Fleischer	6 706	789	478	6 204	14 177	–	14 177
I Jaroudi	10 481	–	1 517	6 686	18 684	–	18 684
F Moolman	9 032	448	518	7 604	17 602	–	17 602
G Motsa	6 384	722	5 294	6 409	18 809	–	18 809
P Norman	5 232	616	3 920	5 090	14 858	–	14 858
J Schulte-Bockum	8 218	876	303	10 492	19 889	–	19 889
F Sekha	3 440	389	183	1 884	5 896	–	5 896
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	64 903	4 899	14 332	61 170	145 304	–	145 304

^ Resigned 31 August 2018.
[1] Includes medical aid, death and disability insurance, executive lifestyle benefits, unemployment insurance fund and any other special payments made. For 2018, details of such special payments are disclosed on page 84 of this integrated report.
[2] Performance bonus linked to performance in the 2017 and 2018 financial years payable within three months after year-end.
[3] The value of historic share awards which are subject to performance conditions. For both 2017 and 2018, there were no payments in respect of PSP shares, except the payment reflected above in respect of the share appreciation rights scheme.

Single-figure reporting

For the 2018 integrated report, given MTN's total remuneration structure and LTI vesting conditions (performance-based targets, which can only be determined at the time of vesting), we do not provide single-figure disclosure of remuneration, as recommended by King IV. In 2019, we will consider whether that approach provides more insight and usefulness for readers of the integrated report.

Remuneration report continued

Table of unvested awards and cash flow
Performance share plan

Offer date	Vesting date	Number outstan-ding as at 31 Dec 2017	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number outstan-ding as at 31 Dec 2018
R Shuter								
29/09/2017	31/12/2019	213 600	–	–	–	–	–	**213 600**
18/12/2017	18/12/2020	200 200	–	–	–	–	–	**200 200**
28/12/2018	29/12/2021	–	436 600	–	–	–	–	**436 600**
Total		413 800	436 600	–	–	–	–	**850 400**
R Mupita								
18/12/2017	18/12/2020	118 300	–	–	–	–	–	**118 300**
28/12/2018	29/12/2021	–	190 200	–	–	–	–	**190 200**
Total		118 300	190 200	–	–	–	–	**308 500**
PD Norman								
19/12/2014	18/12/2017	27 000	–	–	27 000	–	–	**–**
29/06/2016	29/12/2018	46 100	–	–	–	–	–	**46 100**
28/12/2016	28/12/2019	56 300	–	–	–	–	–	**56 300**
18/12/2017	18/12/2020	57 700	–	–	–	–	–	**57 700**
28/12/2018	29/12/2029	–	94 600	–	–	–	–	**94 600**
Total		187 100	94 600	–	27 000	–	–	**254 700**
G Motsa								
09/03/2017	28/12/2019	66 500	–	–	–	–	–	**66 500**
18/12/2017	18/12/2020	69 700	–	–	–	–	–	**69 700**
28/12/2018	29/12/2021	–	114 100	–	–	–	–	**114 100**
Total		136 200	114 100	–	–	–	–	**250 300**
J Schulte-Bockum								
18/12/2017	18/12/2020	125 500	–	–	–	–	–	**125 500**
28/12/2018	29/12/2021	–	205 500	–				**205 500**
Total		125 500	205 500	–	–	–	–	**331 000**
F Sekha								
28/12/2016	28/12/2019	27 200	–	–	–	–	–	**27 200**
18/12/2017	18/12/2020	40 400	–	–	–	–	–	**40 400**
28/12/2018	29/12/2021	–	66 200	–	–	–	–	**66 200**
Total		67 600	66 200	–	–	–	–	**133 800**
M Fleischer								
19/12/2014	18/12/2017	30 400	–	–	(30 400)	–	–	**–**
29/06/2016	29/12/2018	51 900	–	–	–	–	–	**51 900**
28/12/2016	28/12/2019	75 200	–	–	–	–	–	**75 200**
18/12/2017	18/12/2020	73 000	–	–	–	–		**73 000**
28/12/2018	29/12/2021	–	115 200	–	–	–		**115 200**
Total		230 500	115 200	–	(30 400)	–	–	**315 300**
F Moolman								
19/12/2014	18/12/2017	15 700	–	–	(15 700)	–	–	**–**
29/06/2016	29/12/2018	44 700	–	–	–	–	–	**44 700**
28/12/2016	28/12/2019	66 400	–	–	–	–	–	**66 400**
18/12/2017	18/12/2020	66 100	–	–	–	–	–	**66 100**
28/12/2018	29/12/2021	–	112 900	–	–	–	–	**112 100**
Total		192 900	112 900	–	(15 700)	–	–	**290 100**
SB Mtshali								
19/12/2014	18/12/2017	5 800	–	(1 450)	(4 350)	19/03/2018	125	**–**
29/06/2016	29/12/2018	10 100	–	–	–	–	–	**10 100**
28/12/2016	28/12/2019	12 800	–	–	–	–	–	**12 800**
18/12/2017	18/12/2020	12 600	–	–	–	–	–	**12 600**
Total		41 300	–	(1 450)	(4 350)	–	–	**35 500**

Offer date	Vesting date	Number outstan-ding as at 31 Dec 2017	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number outstan-ding as at 31 Dec 2018
G Engling^								
19/12/2014	18/12/2017	10 000	–	–	(10 000)	–	–	–
29/06/2016	29/12/2018	28 800	–	–	(8 603)	–	–	20 197
28/12/2016	28/12/2019	21 400	–	–	(12 438)	–	–	8 962
Total		60 200	–	–	(31 041)	–	–	29 159
I Jaroudi								
19/12/2014	18/12/2017	24 600	–	–	(24 600)	–	–	–
29/06/2016	29/12/2018	60 000	–	–	–	–	–	60 000
28/12/2016	28/12/2019	89 000	–	–	–	–	–	89 000
18/12/2017	18/12/2020	77 600	–	–	–	–	–	77 600
28/12/2018	29/12/2021	–	133 700	–	–	–	–	133 700
Total		251 200	133 700	–	(24 600)	–	–	360 300
S Ntsele								
19/12/2014	18/12/2017	5 000	–	(1 250)	(3 750)	19/03/2018	125	–
29/06/2016	29/12/2018	25 500	–	–	–	–	–	25 500
28/12/2016	28/12/2019	31 400	–	–	–	–	–	31 400
18/12/2017	18/12/2020	30 700	–	–	–	–	–	30 700
28/12/2018	29/12/2021	–	57 000	–	–	–	–	57 000
Total		92 600	57 000	(1 250)	(3 750)	–	–	144 600
K Toriola								
19/12/2014	18/12/2017	22 300	–	–	(22 300)	–	–	–
29/06/2016	29/12/2018	54 700	–	–	–	–	–	54 700
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900
18/12/2017	18/12/2020	69 100	–	–	–	–	–	69 100
28/12/2018	29/12/2021	–	114 000	–	–	–	–	114 000
Total		202 000	114 000	–	(22 300)	–	–	293 700
S van Coller##								
28/12/2016	28/12/2019	100 800	–	–	(100 800)	–	–	–
18/12/2017	18/12/2020	108 600	–	–	(108 600)	–		–
Total		209 400	–	–	(209 400)	–	–	–
E Asante								
19/12/2014	18/12/2017	13 800	–	–	(13 800)	–	–	–
29/06/2016	29/12/2018	45 800	–	–	–	–	–	45 800
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900
18/12/2017	18/12/2020	78 000	–	–	–	–	–	78 000
28/12/2018	29/12/2021		137 500	–	–	–	–	137 500
Total		193 500	137 500	–	(13 800)			317 200

Resigned 31/08/2018.
^ Ceased to be a prescribed officer on 16/01/2017.

Share appreciation rights scheme

Offer date	Strike price R	Vesting date	Number outstan-ding as at 31 Dec 2017	Exercised	Forfeited	Exercise date	Exercise price R	Number outstan-ding as at 31 Dec 2018
F Moolman								
19/03/2008	126,99	19/03/2010	10 200	10 200	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2011	10 200	10 200	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2012	15 300	15 300	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2013	15 300	15 300	–	16/03/2018	127,45	–
Total			51 000	51 000	–	–	–	–

Remuneration report continued

Special cash settled on boarding incentives

The following table shows special once-off incentives which were awarded to three senior executives during 2017 as compensation of loss of equity in their previous companies.

There were no further special awards made in 2018.

	Incentive grant price R	Incentive maturity date	Number of units^ granted	Value of incentive at grant date R
RA Shuter+	125,09	12/03/2020	327 214	40 931 199
RT Mupita++	113,10	28/10/2019	446 027	50 445 654
J Schulte-Bockum+++	127,60	15/01/2020	64 423	8 220 375

+ Appointed on 13/03/2017. On appointment, RA Shuter was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 327 214 ordinary listed shares in MTN Group Limited. The incentive will be paid on 12/03/2020.

++ Appointed on 03/04/2017. On appointment, RT Mupita was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive will be paid on 28/10/2019.

+++ Appointed on 16/01/2017. On appointment, J Schulte-Bockum was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 64 423 ordinary listed shares in MTN Group Limited. The incentive will be paid on 15/01/2020.

^ Units are the equivalent of an MTN Group share.

Non-executive director fees adjustments for 2018

In the last quarter of 2017, we commissioned Korn Ferry Hay Group to conduct a benchmarking exercise of our NED pay. The study looked at the remuneration of NEDs compared to 10 JSE listed peer companies. The benchmark analysis was performed on the peer data based on market capitalisation and job grade.

The benchmark was consistent with the previous year's methodology and made recommendations on NED fees based on updated peer group information. The following recommendations were made:

- The report highlighted that the remuneration for the chairperson of MTN was below the median and average of the comparator group. Thus the group remco considered a 14,6% increase to both the retainer and attendance fees.
- The group remco approved an increase of the South African rand denominated NED fees 6% and 1,5% for euro-denominated fees.

Details of the actual fees paid during the year are as follows:

Non-executive directors' fees

	Date appointed	Retainer# R000	Atten-dance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2018							
Non-executive directors							
PF Nhleko^	28/05/2013	2 846	1 052	300	529	–	4 727
PB Hanratty+	01/08/2016	1 280	717	212	474	34	2 717
A Harper+	01/01/2010	1 306	848	212	474	223	3 063
M Jonas[1]	01/06/2018	144	169	14	104	–	431
KP Kalyan	13/06/2006	334	597	109	217	–	1 257
S Kheradpir+	08/07/2015	1 269	978	212	474	4	2 937
NP Mageza	01/01/2010	426	683	109	217	–	1 435
MLD Marole	01/01/2010	404	658	109	217	–	1 388
AT Mikati+†	18/07/2006	1 269	926	242	474	29	2 940
SP Miller +	01/08/2016	1 269	954	242	229	4	2 698
KD Mokhele[1]	01/07/2018	126	258	42	104	–	530
KC Ramon@	01/06/2014	340	517	109	217	57	1 240
NL Sowazi	01/08/2016	325	523	95	104	8	1 055
BS Tshabalala[2]	01/06/2018	144	117	56	104	–	421
J van Rooyen	18/07/2006	390	642	109	217	65	1 423
Total		11 872	9 639	2 172	4 155	424	28 262

^ Fees paid to Captrust Investments Proprietary Limited.
@ Fees paid to AngloGold Ashanti Limited.
+ Fees have been paid in euro.
† Fees are paid to M1 Limited.
# Retainer and attendance fees for board and committee representation and meetings.
[1] Appointed 01/06/2018.
[2] Appointed 01/07/2018.

Non-binding advisory vote on the implementation report

This report is subject to a non-binding advisory vote by shareholders at the 23 May 2019 AGM.

Shareholders are requested to cast a non-binding advisory vote on the implementation as contained in Part 3 of this report.

Glossary

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
AGF	Attorney General of the Federal Republic of Nigeria
AI	Artificial intelligence
ARPU	Average revenue per user
BRIGHT	Our strategy
BCM	Business continuity management
BEE	Black economic empowerment
CAGR	Compound annual growth rate
Capex	Capital expenditure
Capex intensity	Capex divided by revenue
CBN	Central Bank of Nigeria
CEO	Chief executive officer
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
EPS	Earnings per share
ESOP	Employee share ownership plan
Exco	Executive committee
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
Fintech	Includes MTN Mobile Money, ecommerce, insurance, airtime lending and data monetisation streams
Forex	Foreign exchange
GHG	Greenhouse gas
GSMA	The GSM Association
HEPS	Headline earnings per share
Holdco	Holding company
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPO	Initial public offering
IoT	Internet of Things
ISP	Internet service provider
ITU	International Telecommunication Union
JSE	Johannesburg Stock Exchange

Glossary continued

King IV™	Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved
KPI	Key performance indicators
KYC	Know your customer: a process to identify and verify customer identity
LA	Limited assurance
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
MoMo	MTN Mobile Money
MOU	Minutes of use
NM	Not measurable
NPS	Net promoter score
Opcos	Our operating companies
Open API	A publicly available programming interface
Opex	Operating expenditure
QoS	Quality of service
RAN	Radio access network
RMS	Rich-media services
ROE	Return on equity
ROI	Return on investment
ROIC	Return on invested capital
SAICA	South African Institute of Chartered Accountants
SARS	Share appreciation rights scheme
SDG	Sustainable Development Goals
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
SOHO	Small office/home office
SRP	Share rights plan
TCF	Treat customers fairly policy
TP	Team performance
TSR	Total shareholder return
UC	Unified communications
UN	United Nations
USSD	Unstructured supplementary service data
VAS	Value-added services
VP	Vice-president
WECA	West and Central Africa

Administration

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$]
AP Harper[3#]
MH Jonas[3] (appointed 1 June 2018)
KP Kalyan[3]
S Kheradpir[3††]
NP Mageza[3]
MLD Marole[3]
AT Mikati[2†]
SP Miller[3^]
KD Mokhele[3] (appointed 1 July 2018)
KC Ramon[3]
NL Sowazi[3]
BS Tshabalala[3] (appointed 1 June 2018)
J van Rooyen[3]

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

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

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

Lead sponsor
JP Morgan Equities (SA) Proprietary Limited
1 Fricker Road, cnr Hurlingham Road, Illovo, 2196

Joint sponsor
Tamela Holdings Proprietary Limited
Ground Floor, Golden Oak House, Ballyoaks Office Park
35 Ballyclare Drive, Bryanston, 2021

Attorneys
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E-mail: investor.relations@mtn.com
Website: http://www.mtn.com

Defining materiality

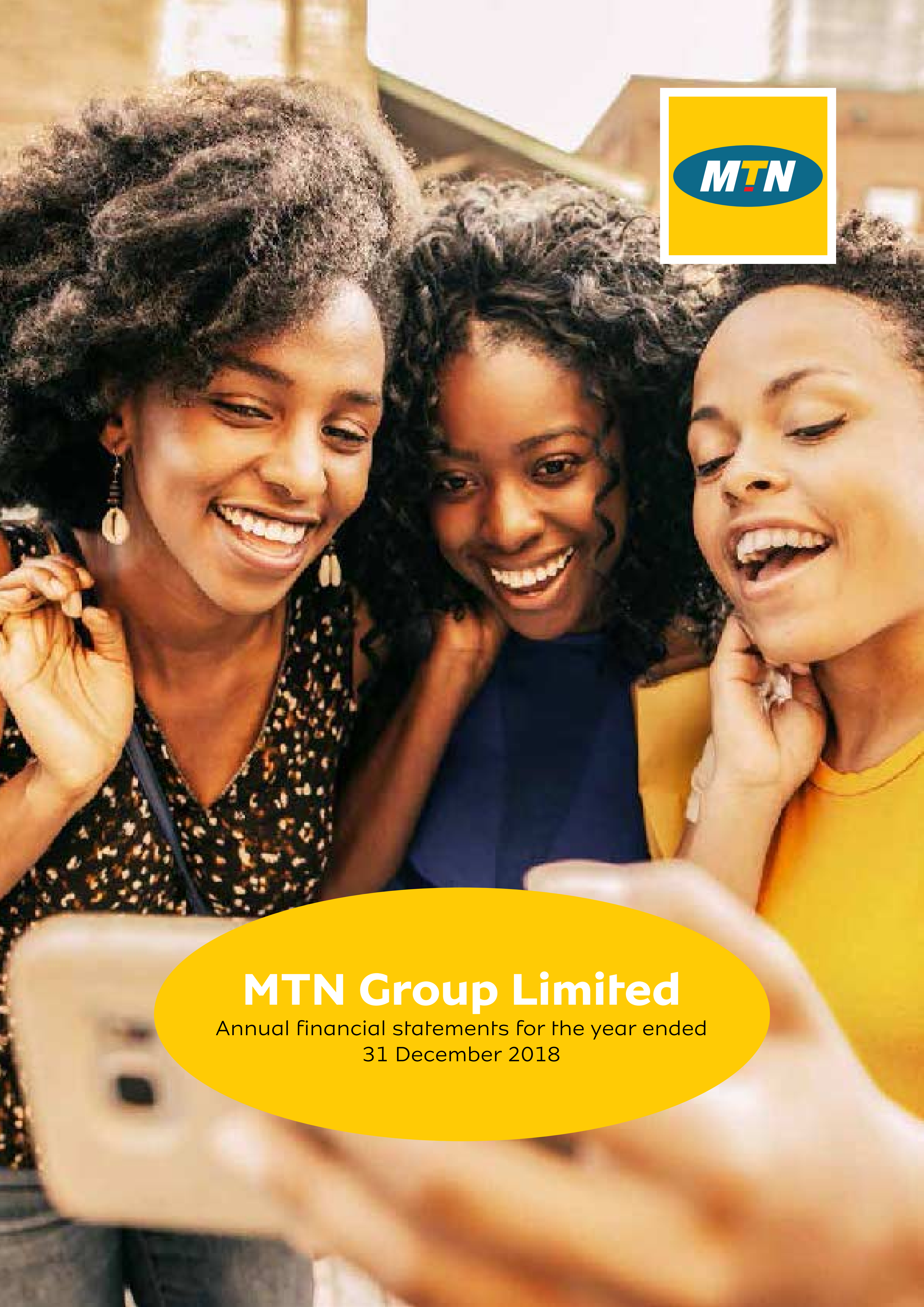
The content for this report is information that we deem to be of material significance to our ability to create value in the short, medium and long term, and in so doing affect, both from a positive and negative perspective, the long-term sustainability of the company and its stakeholders.

We determine our material issues by reviewing the issues most important to our stakeholders, and the impact of these issues on the achievement of our business objectives. Material issues are prioritised according to the scale and nature of impact on business operations, economic performance and interests of our stakeholder groups.

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.



MTN Group Limited

Annual financial statements for the year ended
31 December 2018

Contents

Company financial statements

Group financial statements

Annexure

The group and company financial statements were audited in terms of the Companies Act, No 71 of 2008.

The group and company annual financial statements have been prepared by the MTN Finance staff under the guidance of the group finance operations executive, Sugentharen Perumal CA(SA) and were supervised by the group chief financial officer, Ralph Mupita, BSc.Eng (Hons), MBA, GMP.

These annual financial statements were authorised on 6 March 2019 by the board of directors.

Statement of directors' responsibility

for the year ended 31 December 2018

The directors are responsible for the integrity, preparation and fair presentation of the annual separate and consolidated financial statements of MTN Group Limited (the company), its subsidiaries, joint ventures, associates and structured entities (together, the group) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act).

The company also subscribes in all its activities to principles of best practice and corporate governance, as set out in the King IV Report on Corporate Governance for South Africa 2016 (King IV*).

The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable judgements and estimates. The directors are of the opinion that the information contained in the annual financial statements fairly presents the financial position at year-end and the financial performance and cash flows of the group and the company for the year then ended.

The directors have the responsibility for ensuring that accurate and complete accounting records are kept to enable the group and the company to satisfy their obligation with respect to the preparation of financial statements.

The directors are also responsible for the oversight of the group's system of internal controls. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The group operates in an established control environment, which is documented and regularly reviewed. The group risk committee plays an integral role in risk management. Risk management and internal control procedures are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are controlled.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The group's internal audit function, which operates unimpeded by operational management, and has unrestricted access to the group's audit committee, assesses and, when necessary, recommends improvements in the system of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

The directors have reviewed the group and the company budgets and cash flow forecasts for the year to 31 December 2019. In light of this review, the current financial position and existing borrowing facilities, the going concern basis has been adopted in preparing the group and the company annual financial statements. The directors have no reason to believe that the company or its subsidiaries will not be going concerns in the year ahead. These financial statements support the viability of the group and the company.

The group's external auditors, PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., jointly audited the group and the company annual financial statements and their unqualified audit report is presented on pages 12 to 17.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The group and the company annual financial statements which appear on pages 1 to 156 were approved for issue by the board of directors on 6 March 2019 and are signed on its behalf by:

RA Shuter
Group president and chief executive officer (CEO)

RT Mupita
Group chief financial officer (CFO)

Fairland

Certificate by the company secretary

for the year ended 31 December 2018

I certify that, to the best of my knowledge and belief, MTN Group Limited has filed all its returns and notices with the Registrar of Companies and Intellectual Property Commission for the year ended 31 December 2018, as required of a public company in terms of section 88(2)(e) of the Companies Act, No 71 of 2008, and that such returns and notices are true, correct and up to date.

SB Mtshali
Group secretary

Fairland
6 March 2019

Report of the audit committee

for the year ended 31 December 2018

The MTN Group audit committee is pleased to present its report for the 2018 financial year.

The report has been prepared based on the requirements of the South African Companies Act, No 71 of 2008, as amended, King IV, the JSE Listings Requirements and other applicable regulatory requirements.

TERMS OF REFERENCE

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.

THE YEAR UNDER REVIEW

In 2018, the operating environment was marked by regulatory matters in some key markets relating to licence conditions and renewals; certification of capital importation and repatriation; data and privacy protection; tax; SIM registration; and know your customer (KYC) requirements. In addition, ongoing conflict in Syria, Yemen, Afghanistan and South Sudan and the reinstatement of US sanctions in Iran added to the challenging operating environment.

Despite these challenges, the group has maintained its positive momentum on improving and sustaining the internal control environment in accordance with its strategy.

Key focus areas for 2018 were:

- Implementation of a revised second and third line assurance model to increase the maturity of the Risk and Compliance function and to strengthen the independence of the internal audit function in support of a stronger combined assurance model;
- Initiatives to standardise policies and procedures across the group;
- Further strengthening the internal control environment through the tone from the top, focusing on increasing the risk management maturity and resolving known areas of weakness;
- Monitor regulatory compliance and further strengthen maturity of the compliance structures;
- Review implementation of the new accounting standards effective 2018 and monitor progress on the new accounting standard on leases (IFRS 16), effective in 2019;
- Review and evaluate the independence and quality of the external audit function; and
- Evaluate and consider a fair and balanced approach to corporate reporting.

MEMBERSHIP, MEETING ATTENDANCE AND EVALUATION

Members of the committee are independent and are nominated annually by the board for re-election at the Annual General Meeting (AGM). The individual members satisfy the requirements to serve as members of an audit committee as provided in section 94 of the Companies Act and have adequate knowledge and experience. The composition of the committee and the attendance at the meetings by its members are set out below for the period January to December 2018:

Members	Attendance
KC Ramon (Chairman)	4/4
NP Mageza	4/4
J van Rooyen	4/4
P Hanratty	4/4

The committee meets at least four times a year and members' fees are included in the table of directors' emoluments and related payments in note 10.

The committee also convened special audit committee meetings to discuss critical matters that arose during the period.

The group president and CEO, the group chief financial officer, the group business risk officer (of which internal audit is a part of), joint external auditors and other assurance providers attend committee meetings by invitation. The committee also meets separately with the joint external auditors, internal auditors and senior management before or after every meeting.

The effectiveness of the individual members of the committee and of the committee as a whole is assessed on an annual basis.

EXECUTION OF FUNCTIONS OF THE AUDIT COMMITTEE

The committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference and the Companies Act.

Report of the audit committee (continued)

for the year ended 31 December 2018

The committee discharged the following responsibilities during the year under review:

EXTERNAL AUDITORS

- Considered and satisfied itself with the independence and objectivity of the joint external auditors and designated registered auditors and ensured that the scope of non-audit services rendered did not impair their independence.
- Approved the non-audit-related services performed by the joint external auditors during the year in accordance with the policy established and approved by the board.
- Fees paid for non-audit services are disclosed in note 2.4 of these annual financial statements and represents 17% of audit fees. Non-audit services provided by the group auditors during the year comprised assurance related (21%), advisory (43%), tax (29%) and other services (7%). Services assigned to the group audit firms were preapproved following an evaluation of the impact on audit independence based on the group's approved policy. Services for larger assignments are individually evaluated by the group audit committee and approved if the committee is satisfied that the independence of the audit firms will not be compromised. These appointments relate to work that will further complement the audit engagement or where the audit firm will be in a position to provide a higher quality or more cost-effective service. Larger projects during 2018 included comfort letters in preparation for the MTN Nigeria IPO on the Nigerian stock exchange and benchmarking the governance framework for network and IT spend.
- Determined the joint external auditors' terms of engagement and fees for 2018. Fees paid to auditors for the year under review are disclosed in note 2.4 of these annual financial statements.
- Satisfied itself with the performance of the joint external auditors and designated registered auditors and further that they are accredited on the JSE's list of auditors and advisers.
- Satisfied itself that the designated registered auditors are within their tenure and rotation requirements.
- Noted the merger of SizweNtsalubaGobodo Inc. with Grant Thornton Inc. The firm has now been renamed SizweNtsalubaGobodo Grant Thornton Inc. The group's joint external auditors are PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. PricewaterhouseCoopers (PwC) is a global auditing firm and SizweNtsalubaGobodo Grant Thornton Inc. is a local auditing firm. Both firms are level 1 BBBEE contributors.
- PwC and SizweNtsalubaGobodo Grant Thornton Inc. have been auditing the group for 25 years and 16 years, respectively. The joint group engagement partner representing PwC, JR van Huyssteen, has completed his tenure and rotated off the group audit following the conclusion of the 2017 audit. SN Madikane has replaced him as the new joint group engagement partner from PwC in 2018. DH Manana from SizweNtsalubaGobodo Grant Thornton Inc. was appointed as the group engagement partner since the 2017 financial period. The risk to audit independence is further mitigated by the appointment of the group president and CEO and group CFO during the past two years.
- The committee assessed the respective audit firms as well as the engagement partners' suitability for appointment, taking into account the quality of the audit work and related reporting to the audit committee, industry expertise of the firm and its designated partners, findings by the Independent Regulatory Board of Auditors and statements relating to independence. The committee recommends the reappointment of the joint external auditors at the annual general meeting.

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS

- Reviewed and approved the accounting policies and the annual financial statements of the group and the company for the year ended 31 December 2018, and based on the information provided to it, the committee considers that, in all material respects, they are appropriate and comply with the provisions of the Companies Act, IFRS, the SAICA Financial Reporting Guides as issued by the APC, Financial Reporting Pronouncements as issued by the FRSC, and the JSE Listings Requirements.
- Reviewed the processes in place for the reporting of concerns and complaints relating to financial reporting and accounting practices, internal audit, contents of the group's and the company's financial statements, internal financial controls and any related matters. The committee can confirm that there were no such complaints of substance during the year under review.
- Reviewed group tax exposures and assessed the appropriateness of the group's tax policies.
- Reviewed group treasury reports, group funding requirements, credit ratings and recommended financing proposals to the board.
- Reviewed progress on litigation and legal exposures and the related accounting applied and disclosure included in these annual financial statements.
- Received regular updates from management on the repatriation of funds from sanctioned territories.
- Considered the appropriateness of management judgement and the accounting treatment of significant transactions.
- Significant matters that the audit committee has considered in relation to the annual financial statements were:

Report of the audit committee (continued)

for the year ended 31 December 2018

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

Significant matter considered	Actions and conclusions
Fair and balanced financial reporting	The committee considered the appropriateness of the group's financial reporting to ensure fair and balanced reporting is achieved. The committee reviewed submissions and presentations by management on the financial results, significant transactions, critical accounting judgements and assumptions as well as views by the group's joint external auditors on key audit matters and internal auditors on internal financial controls. The committee has recommended that the board approve both the interim and annual financial results.
Judgement applied regarding the impairment of goodwill Acquisitions made in prior years resulted in the recognition of goodwill. Goodwill is tested at least annually for impairment to assess whether the recoverable amounts exceed the carrying amounts. The calculation of the recoverable amounts require judgement relating to future cash flows and discount rates (refer note 1.5.1 and note 5.2.1).	The committee reviewed the annual impairment testing performed by management. It evaluated the cash generating units with impairment indicators selected for detailed impairment testing, reviewed the underlying key assumptions supporting the future cash flows in the context of the operations' business plans and considered the reasonableness of discount rates of these operations in the context of their respective operating environments. It also considered the views from the group's external auditors on the valuation methodology applied, their assessment of the reasonableness of the key assumptions and sensitivities to changes in these assumptions. The committee was satisfied that the analysis performed by management and the related disclosure in the annual financial statements were appropriate.
Classification and measurement of the investment in a telecommunication infrastructure provider, IHS Group The group's investment in IHS Group is classified as an investment at fair value through other comprehensive income. The calculation of fair value of R23 353 million is based on earnings multiples applied to estimated earnings (refer note 1.5.2 and note 7.1.3).	The committee reviewed the appropriateness of the classification of IHS Group as an investment at fair value through other comprehensive income in accordance with IFRS 9 *Financial Instruments*. It evaluated the methodology followed to estimate earnings and evaluated the multiples applied against international earnings multiples of similar entities. It evaluated the assessment and views of the group's external auditors on management's valuation and disclosure. The committee was satisfied that the classification and measurement of the investment in IHS Group was appropriate.
Foreign exchange rates applied in multiple exchange rate jurisdictions MTN Iran operates in a multiple currency environment and implemented a secondary market rate (SANA rate) in August 2018. Judgement is required in determining the quoted foreign exchange rate to be used for translating and recording foreign currency transactions and balances and converting the equity-accounted results of MTN Iran (refer note 1.5.3 and note 7.6).	The committee reviewed management's analysis of the various applicable foreign exchange rates in Iran, taking into account approvals to remit receivables at the official exchange rate. The committee evaluated management's application of the various rates to loans, receivable balances and future dividends. The committee also considered the views of the group's external auditors on management's analysis and conclusion. The committee was satisfied that management's approach to the use of multiple exchange rates was appropriate.
Judgement relating to uncertain tax, legal and regulatory matters The group operates in a number of complex and uncertain regulatory and tax jurisdictions where judgement is required in assessing the regulatory and tax exposures (refer note 1.5, note 3 and note 6.7). Significant matters considered include a transfer pricing dispute, a tax claim by the Nigerian Attorney General (AG) and a claim by Turkcell arising from its unsuccessful bid for a licence in Iran.	The committee reviewed risk, legal, regulatory and tax reports from management and requested opinions from independent specialists where considered appropriate. The committee considered management's assessment of possible, probable and remote exposures and the related provisions and disclosure on tax and regulatory and legal liabilities, provisions and contingent liabilities in the light of the latest correspondence on these matters by the respective authorities. The committee also considered the assessment by the group's external auditors of the appropriate recognition, measurement and disclosure of uncertain tax and regulatory matters. The committee was satisfied that the recognition, measurement and disclosure of uncertain tax and regulatory matters by management was appropriate. With regard to the claim by the AG in Nigeria and the Turkcell matter, the committee was satisfied with management's conclusion that the claims were assessed to be remote.

Report of the audit committee (continued)
for the year ended 31 December 2018

FINANCIAL STATEMENTS, ACCOUNTING PRACTICES AND OTHER FINANCIAL MATTERS (continued)

Significant matter considered	Actions and conclusions
Significant transactions for 2018 included: • the sale of MTN Cyprus Limited (MTN Cyprus) (note 2.3); • initial public offering by Scancom PLC (MTN Ghana) (note 9.3.1); • dilution of the group's equity-accounted interests in Jumia Technologies AG and International Digital Services Middle East Limited (note 9.2); and • the unsolicited offer to sell the group's 53% shareholding in Mascom Wireless Botswana (Pty) Limited, a joint venture of the group (note 9.3.2).	The committee considered the accounting treatment and the disclosure of the transactions proposed by management. The committee also considered the group's external auditors' views on the transactions. The committee was satisfied that the transactions were appropriately accounted for and disclosed by management.
Resolution agreement entered with the Central Bank of Nigeria (CBN) MTN Nigeria concluded a resolution agreement with the CBN whereby MTN Nigeria implemented a notional reversal of the 2008 private placement of shares in MTN Nigeria at a net cost of R744 million (the CBN resolution amount). This is on the basis that certain certificates of capital importation (CCIs) utilised in the private placement were not properly issued (refer note 2.4.1).	The committee reviewed the resolution agreement and management's proposed accounting treatment and disclosure. The committee evaluated the views of the group's external auditors on the recognition and disclosure. The committee was satisfied that management's proposed treatment and disclosure was appropriate.
Adoption of new accounting standards The group adopted IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* with effect from 1 January 2018 (refer note 11).	The committee evaluated and approved the revised accounting policies following the adoption of the new standards. It considered the disclosure provided by management in the annual financial statements on the adoption of IFRS 15 and IFRS 9, including the restatement of the 2017 results for the impact of IFRS 15. The committee considered the views of the group's external auditors on the group's application and disclosure of the new accounting standards. The committee was satisfied that management applied and disclosed the adoption of the new standards appropriately.

Report of the audit committee (continued)

for the year ended 31 December 2018

INTERNAL FINANCIAL CONTROLS

- Reviewed the assessment, prepared by internal audit, on the effectiveness of the group's system of internal financial controls. This assessment, together with the report on the overall control environment, formed the basis of the committee's recommendation to the board in this regard. The board's report on the effectiveness of the system of internal controls, which the committee fully supports, is included in the directors' report on page 11.
- Reviewed the reports of the external auditors detailing their concerns arising from their audit and considered the appropriateness of the responses from management.
- Assessed the revenue assurance control environment and related revenue leakage exposure for the group.
- Reviewed fraud and whistleblowing reports and that appropriate management action is taken with regards to the control environment and consequence management.

GOING CONCERN STATUS

- The group's annual financial statements have been prepared on a going concern basis, and the directors are satisfied that the group is in a sound financial position to meet its foreseeable cash requirements. The board's statement on the going concern status of the group and company is contained on page 9 of the directors' report.

INTERNAL AUDIT

- Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the performance of the group business risk officer to which the internal audit function reported to during the year, R Wessels, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately during the year under review.
- Considered the effectiveness of the combined assurance provided by all assurance providers.

FINANCE DIRECTOR AND FINANCE FUNCTION

- Reviewed the performance of the group chief financial officer, Ralph Mupita, and was satisfied that he has the necessary expertise and experience to fulfil this role and that he had performed appropriately for the year ended 31 December 2018.
- Considered, and has satisfied itself of the appropriateness of the expertise and experience of the finance function and adequacy of resources employed in this function.

SOLVENCY AND LIQUIDITY REVIEW

The committee is satisfied that the board has performed a solvency and liquidity test on the company in terms of section 46 of the Companies Act and has concluded that the company will satisfy the test after payment of the final dividend.

The committee also considered guarantees issued on behalf of subsidiaries.

KEY FOCUS AREAS FOR 2019

The committee has set the following key areas for management to focus on during 2019:

- Consider the group's approach and responsiveness to manage the impact of regulatory and other macro-environmental developments on the control environment;
- Strengthening and refining the three lines of defence model and ensuring appropriate planning, execution and reporting in terms of the combined assurance framework;
- Evaluate the group's initiatives to further strengthen the effectiveness of its internal financial controls;
- Implementation of the new accounting standard on leases (IFRS 16) and appropriate disclosure of its impact on the results of 2019; and
- Consider the group's approach to Mandatory Audit Firm Rotation that will be effective for the group's 2024 financial period.

KC Ramon
Audit committee chairman

6 March 2019

Directors' report

for the year ended 31 December 2018

NATURE OF BUSINESS

The company, incorporated in the Republic of South Africa on 23 November 1994 (company registration: 1994/009584/06), carries on the business of investing in the telecommunications industry through its subsidiary companies, joint ventures and associated companies. The company's shares are listed on the JSE Limited under JSE: MTN in the mobile telecommunications sector.

The company's registered address is 216 14th Avenue, Fairland, Roodepoort, Gauteng, 2195.

COMPLIANCE WITH FINANCIAL REPORTING STANDARDS

The group and the company annual financial statements were prepared in accordance with IFRS as issued by the IASB and Interpretations as issued by the IFRIC and comply with the SAICA Financial Reporting Guides as issued by the APC and Financial Reporting Pronouncements as issued by the FRSC, the JSE Listings Requirements and the requirements of the Companies Act.

FINANCIAL RESULTS

The group recorded a profit after tax for the year ended 31 December 2018 of R9 578 million (2017: R4 550# million).

Full details of the financial results of the group and the company are set out in these annual financial statements and accompanying notes for the year ended 31 December 2018.

Restated for changes in accounting policies, refer to note 11 for details of restatements.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2018 amounted to R26 018 million (2017: R31 461 million) which comprise the following:

	2018 Rm	2017 Rm
Property, plant and equipment	23 601	28 004
Land and buildings	206	474
Leasehold improvements	135	165
Network infrastructure	12 377	16 520
Information systems, furniture and office equipment	1 225	1 317
Capital work-in-progress/other[1]	9 534	9 423
Vehicles	124	105
Intangible assets	2 417	3 457
Software	1 915	2 197
Capital work-in-progress	502	1 260
	26 018	31 461

[1] The majority of capital work-in-progress relates to long-term network infrastructure projects.

Licences and spectrum acquired during the year:

	2018 Rm	2017 Rm
MTN Yemen	323	–
Spacetel Benin S.A	1 370	22
MTN Zambia Limited	26	11
Scancom PLC (MTN Ghana)	285	72
Sudan	–	567
Other	92	27
	2 096	699

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 10.1 of these annual financial statements.

YEAR UNDER REVIEW

The results of the group and company have been set out in the attached financial statements.

LITIGATION

AG assessment of foreign tax compliance

The AG performed a high-level calculation that MTN Nigeria Communications Limited (MTN Nigeria) should have paid approximately US$2,0 billion in taxes relating to the importation of foreign equipment and payments to foreign suppliers over the last 10 years and requested MTN Nigeria to do a self- assessment of the taxes in this regard that have been actually paid.

MTN Nigeria completed an initial assessment of the full period and submitted comprehensive documentation to the office of the AG. MTN Nigeria was notified by the office of the AG that they have not accepted the documentation presented and they have called for payment of the outstanding amount, failing which legal action would be instituted. Based on the detailed review performed, MTN Nigeria believes it has fully settled all amounts owing under the taxes in question.

The legal process initiated by MTN Nigeria for injunctive relief restraining the AG from taking further action in respect of its orders for back taxes is continuing. The AG matter came up for initial mention before the Federal High Court of Nigeria Lagos Judicial Division and has subsequently been adjourned to 26 March 2019. MTN Nigeria continues to maintain that its tax matters are up to date and no additional payment, as claimed by the AG, is due, and consequently no provision or contingent liability has been raised in the accounts of MTN Nigeria for the AG back taxes claim.

Turkcell claim

In the matter relating to Turkcell's alleged grievance arising from its unsuccessful bid to obtain a mobile licence in Iran, and the awarding of that licence to MTN Iran in 2005, MTN continues to be of the view that there is no legal merit in Turkcell's claim and the group will continue to vigorously oppose it. Consequently, no provision or contingent liability has been raised.

Directors' report (continued)

for the year ended 31 December 2018

BORROWING POWERS

In terms of the memorandum of incorporation (MOI), the borrowing powers of the company are unlimited. However, all borrowings by the company are subject to limitations set out in the treasury policy of the group. The details of borrowings are disclosed in note 6.1.

GOING CONCERN

The directors have reviewed the group's and company's budget and cash flow forecasts for the year to 31 December 2019. On the basis of this review, and the current financial position and existing borrowing facilities, the directors are satisfied that the company and the group have access to adequate resources to continue in operational existence for the foreseeable future, are going concerns, and have continued to adopt the going concern basis in preparing the annual financial statements.

SUBSIDIARY COMPANIES AND JOINT VENTURES

Details of subsidiaries and joint ventures in which the group has a direct or indirect interest are set out in note 9.1 of these annual financial statements.

All group entities have a year-end consistent to that of the company with the exception of Irancell Telecommunication Company Services (PJSC) (MTN Iran), a joint venture of the group that has a year-end of 21 December for group reporting purposes and a statutory year-end of 21 March.

DISTRIBUTION TO SHAREHOLDERS

Before declaring dividends, the board:

- applied the solvency and liquidity test; and
- reasonably concluded that the company would satisfy the solvency and liquidity test immediately after payment of the interim and final dividend.

The payments of future dividends will depend on the board's ongoing assessment of the group's earnings, financial position, cash needs, future earnings prospects and other future factors.

Final dividend

Notice is hereby given that a gross final dividend of 325 cents per share for the period to 31 December 2018 has been declared payable to shareholders. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 9 791 839 treasury shares held by Mobile Telephone Networks Holdings Limited and the 2016 MTN ESOP trust 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 260 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 65 cents per share.

The company'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, the salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Tuesday, 26 March 2019
First trading day ex dividend on the JSE	Wednesday, 27 March 2019
Record date	Friday, 29 March 2019
Payment date	Monday, 1 April 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 27 March 2019 and Friday, 29 March 2019, both days inclusive. On Monday, 1 April 2019, 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 Monday, 1 April 2019 will be posted on or about that date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository participant or broker credited on Monday, 1 April 2019.

The board confirms that the company will satisfy the solvency and liquidity test after the completion of the dividend distribution.

Interim dividend

A gross dividend of 175 cents per share (2017: 250 cents per share) amounting to R3 150 million (2017: R4 494 million) in respect of the half-year period ended 30 June 2018 was declared on 8 August 2018 and paid to shareholders on 3 September 2018.

Shareholders on the South African register who dematerialised their ordinary shares receive payment for their dividend electronically, as provided for by STRATE. For those shareholders who have not yet dematerialised their shareholding in the company in certificated form, the company operates an electronic funds transmission service, whereby dividends may be electronically transferred to shareholders' bank accounts. These shareholders are encouraged to mandate this method of payment for all future dividends by approaching the company's share registrar, Computershare Investor Services Proprietary Limited, whose contact details are:

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

Directors' report (continued)
for the year ended 31 December 2018

SHARE CAPITAL

Authorised share capital

There was no change in the authorised share capital of the company during the year under review. The authorised ordinary share capital of the company is 2,5 billion shares of 0,01 cents each.

Issued share capital

The issued share capital of the company is R188 427 (2017: R188 427) comprising 1 884 269 758 (2017: 1 884 269 758) ordinary shares of 0,01 cents each.

MTN Zakhele Futhi Scheme

Details of the MTN Zakhele Futhi Scheme are set out in note 8.1.

Details of participation in the MTN Zakhele Futhi Scheme by directors of the company, the group secretary, directors and the company secretaries of major subsidiaries are set out in note 10.2 of the annual financial statements.

CONTROL OF UNISSUED SHARE CAPITAL

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act. As this general authority remains valid only until the next AGM, shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, to a maximum of 10% of the company's issued share capital, under the control of the directors until the next AGM.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last AGM held on 24 May 2018, shareholders gave the company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act, by way of special resolution, for the acquisition of its own shares. As this general approval remains valid only until the next AGM, to be held on 23 May 2019, shareholders will be asked at that meeting to consider a special resolution to renew this general authority until the next AGM, subject to a maximum extension of 15 months.

SHAREHOLDERS' INTEREST

Details of shareholders' interest and a shareholder spread analysis are disclosed in annexure 1 of these annual financial statements.

Details of the directors' remuneration and shareholding are set out in note 10.2 of these annual financial statements.

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the company's MOI, Mcebisi Jonas, Khotso Mokhele and Swazi Tshabalala will retire at the forthcoming AGM. The retiring directors, being eligible, offer themselves for re-election.

The directors who shall be rotating in terms of the MOI, being eligible and offer themselves for re-election, are Paul Hanratty, Stan Miller and Nkululeko Sowazi.

In accordance with the policy adopted by the board and the MOI of the company, directors who have been in office for an aggregate period in excess of nine years are required to retire at the next AGM and at each AGM thereafter. Accordingly, Alan Harper, Koosum Kalyan, Peter Mageza, Dawn Marole, Azmi Mikati and Jeff van Rooyen who have served on the board for an aggregate period in excess of nine years, retire at the forthcoming AGM and are eligible and offer themselves for re-election following an evaluation of their independence.

The profiles of the directors retiring by rotation and seeking re-election will be set out in the notice of the AGM.

APPOINTMENTS AND RESIGNATIONS

Mcebisi Jonas and Swazi Tshabalala were appointed as independent non-executive directors with effect from 1 June 2018, and Khotso Mokhele was appointed as independent non-executive director with effect from 1 July 2018.

There were no other director appointments or resignations other than those mentioned above during the year under review.

APPOINTMENT AND RETIREMENT OF COMPANY SECRETARY

In February 2019, subsequent to the year-end, the company announced that Bongi Mtshali had reached the group's mandatory retirement age and would be retiring as the company secretary for MTN Group and its subsidiaries, with effect from 31 March 2019. In Bongi's stead, Thobeka Sishuba was appointed as company secretary of MTN Group and its subsidiaries, with effect from 1 April 2019.

INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS

Details of the interests of directors and prescribed officers are provided in note 10.2.

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDINGS AND DEALINGS

Details of directors and prescribed officers shareholdings and dealings are provided in note 10.2.

EMPLOYEE SHARE SCHEMES

Details of the group's share schemes are provided in note 8.4.

CHANGES IN SHAREHOLDING

The group disposed of its wholly-owned subsidiary, MTN Cyprus, on 4 September 2018, refer to note 2.3.

The MTN Ghana initial public offering reduced the group's interest in the company by 12.16%, refer to note 9.3.

The group diluted its interests in International Digital Services Middle East Limited and Jumia Technologies AG and received an unsolicited offer to sell the group's 53% shareholding in Mascom Wireless Botswana (Pty) Ltd, refer to note 9.2 and note 9.3. These three entities are equity-accounted by the group.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in relevant notes within these financial statements.

Directors' report (continued)

for the year ended 31 December 2018

AMERICAN DEPOSITORY RECEIPT (ADR)

A sponsored ADR facility is in place. This facility is sponsored by the Bank of New York and details of the administrators are: Cusip No 62474M108 ADR.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 23 May 2019. Refer to the notice of the 24th AGM, when issued, for further details of the ordinary and special business for consideration at the meeting.

INTERNAL FINANCIAL CONTROLS

During the year under review, the board, through the audit committee, assessed the results of the formal documented review of the group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls conducted by internal audit and considered information and explanations given by management and discussions with the external auditors on the results of the audit. Although certain weaknesses in financial controls, whether in design, implementation or execution were identified, the board does not consider these control weaknesses (individually or in combination with other weaknesses) to have resulted in actual material financial loss, fraud or material errors. Based on the above results, nothing has come to the attention of the board that caused it to believe that the group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The board's opinion is supported by the audit committee.

AUDITORS

PwC and SizweNtsalubaGobodo Grant Thornton Inc. will continue in office as joint auditors in accordance with section 90 of the Companies Act.

The audit committee reviewed the independence of the auditors during the period under review and satisfied itself that the auditors were independent of the group.

Independent auditors' report to the shareholders of MTN Group Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of MTN Group Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

MTN Group Limited's consolidated and separate financial statements set out on pages 19 to 155 comprise:

- the Group statement of financial position and Company statement of financial position as at 31 December 2018;
- the Group income statement for the year then ended;
- the Group statement of comprehensive income and Company statement of comprehensive income for the year then ended;
- the Group statement of changes in equity and Company statement of changes in equity for the year then ended;
- the Group statement of cash flows and Company statement of cash flows for the year then ended;
- the notes to the group financial statements, which include a summary of significant accounting policies; and
- the notes to the company financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters discussed in the table below relate to the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Independent auditors' report to the shareholders of MTN Group Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement and Classification of the equity investment in IHS Holding Limited (IHS)	
At 31 December 2018, the absence of transactions between market participants resulted in the fair value of the equity investment held in IHS being determined using models considered to be appropriate by management. The fair value was calculated using industry earnings multiples applied to management's estimates of earnings, less estimated net debt. Given the confidentiality restrictions in the shareholders' agreement with IHS Group, the Group does not have access to the IHS group business plans or 2018 actual financial information. Any estimated earnings used to derive the fair value are therefore solely determined by management, based on market estimates and assumptions on financial growth, currency movements, costs and performance. Management has determined that the equity interest held does not allow the Group to appoint a board member. In addition, IHS 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 that relate to fundamental changes in the business or that apply in exceptional circumstances and are considered by management to be protective in nature. There have been no changes to the economic interest percentage or classes of shares held in IHS during the current year, and as a result the information disclosed in the relevant notes to the consolidated financial statements remains consistent with that of the prior year. We considered this to be a matter of most significance to the current year's audit due to the significant judgements made by management and the complexity in respect of the valuation of the investment, and the fair value movement recorded through other comprehensive income at the end of the year. This matter is disclosed in the following notes to the consolidated financial statements: note 1.5.2: Critical accounting judgements, estimates and assumptions – IHS fair value through other comprehensive income investment (FVOCI): Source of estimation uncertainty – investment measurement and Significant judgement – investment classification, note 7.1.3: Fair value estimation and note 7.2: Investments.	We tested the mathematical accuracy of the valuation model and found no material exceptions. With the assistance of our internal valuation experts, we assessed the approach adopted by management in the valuation model used to value the investment in IHS at year-end against the applicable requirements of IFRS 13 *Fair Value Measurement* and found it to be consistent. We tested the reasonability of management's estimates of earnings and the estimated net debt by inspecting information published by an investor in IHS and found management's estimates to be reasonable. We also performed reasonability assessments of the valuation performed by management with the assistance of our internal valuation experts through an independent assessment of appropriate EBITDA multiples to be applied to businesses of this nature, and found the multiples applied by management to be reasonable. With the assistance of our internal IFRS specialists, we considered whether or not the Group's rights, as embedded in the underlying agreements, constituted significant influence to participate in the financial and operating policy decisions of IHS and whether accounting for the investment in IHS as an equity investment at fair value through other comprehensive income (as opposed to an investment in an associate) was appropriate. We enquired with management as to whether there have been any changes effected to the shareholder agreements (or any other changes to information on which our previous conclusion was based), which would warrant a reconsideration of the classification of the investment. To corroborate this, we agreed the share percentage held by the Group in IHS to the IHS share register and did not find exceptions. In addition we inspected the minutes of meetings and board resolutions and found no indicators of a change in classification.

Independent auditors' report to the shareholders of MTN Group Limited (continued)

Key audit matter

Impairment assessment of goodwill arising from business combinations

Due to the number of business combinations that the Group has historically entered into, the Group's net assets include a significant amount of goodwill at the reporting date. Some of the businesses that these balances relate to operate in countries subject to political instability, worsening economic conditions, hyperinflation and various sanctions. There is a risk that these businesses may not trade in line with expectations and forecasts, resulting in a potential impairment of the carrying amount of goodwill allocated to these businesses.

Goodwill is tested annually for impairment at the opted date of 31 December and whenever there is an impairment indicator identified by management. Such indicators were identified by management at the time of preparation of the Group's interim results for the period ended 30 June 2018 in its operations in Guinea-Bissau, Guinea-Conakry, Liberia, Congo Brazzaville, Afghanistan, Sudan, Yemen and Syria. Such indicators prevailed at year-end in respect of Yemen, Afghanistan, Liberia and Guinea-Bissau.

The goodwill impairment assessment is considered to be a matter of most significance to the current year audit due to the significant judgements and assumptions made by management when performing the impairment assessment, and in estimating discount rates, terminal growth rates and cash flow forecasts specifically for conflict markets where reliable economic data is not available.

These matters are disclosed in the following notes to the consolidated financial statements: note 1.5.1: Critical accounting judgements, estimates and assumptions – Impairment of goodwill and property, plant and equipment, note 5.1: Property, plant and equipment and note 5.2.1: Goodwill.

How our audit addressed the key audit matter

We tested the mathematical accuracy of the valuation models and found no material exceptions. We also considered the appropriateness of the valuation models applied by management. Based on procedures performed, we are satisfied that the approach adopted by management in the valuation models is principally in line with market practice and the applicable requirements of IAS 36 *Impairment of Assets*, which was also confirmed with our internal valuation experts.

We assessed the reliability of the Group's budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results. We also agreed revenue and EBITDA used to calculate cash flow forecasts used in the valuation models to approved budgets. We further assessed the reasonability of adjustments made at Group level, to the in-country approved budgets.

The terminal growth rates as used by management were compared to long-term inflation rates obtained from independent sources by our internal valuation experts. Where differences were noted between the respective growth rates, we obtained an understanding of the reasons for these differences and incorporated the independently obtained rates as part of our stress testing to assess the impact of the differences noted on the valuation results.

With the assistance of our internal valuation experts, we independently recalculated weighted average cost of capital discount rates (which includes a country risk premium) for each territory in the Group taking into account independently obtained data such as the cost of debt, risk-free rates in the applicable market, market risk premiums, debt/equity ratios as well as the beta of comparable companies. Where differences were noted between the respective discount rates, we obtained an understanding of the reasons and incorporated the PwC rates as part of our stress testing to assess the impact of the differences noted on the valuation results.

We performed stress testing on management's valuation models, which involved an assessment of management's cash flow forecasts and assumptions made by comparison to prior years' actual results, our understanding of the industry, information obtained on the specific country economic environment and outlook from independent sources.

We further performed sensitivity analyses to determine the minimum changes in discount rates, long-term growth rates and forecast cash flows that would result in limited or no headroom being available and compared our results to that of management, in order to identify those operations considered sensitive to a change in assumptions for disclosure purposes.

Based on the above procedures performed we found that management's assessment of the impairment of goodwill fell within a reasonable range and no material differences were identified.

Independent auditors' report to the shareholders of MTN Group Limited (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting treatment for uncertain tax exposures, regulatory and pending litigation exposures in the various markets that the Group operates in The Group operates across multiple tax and regulatory jurisdictions and due to the inherent nature of exposures, rulings issued and assessments and sanctions by tax and regulatory authorities in developing markets, the Group recognised a significant amount of tax and/or regulatory provisions and contingencies at year-end. Management applies their judgement to estimate the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective. We considered this to be a matter of most significance to the current year's audit due to the magnitude, complexity and nature of these exposures together with a significant level of management judgement involved in interpreting specific acts, regulatory provisions or practices in determining the amounts of these liabilities. These matters are disclosed in the following notes to the consolidated financial statements: note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes, note 4.5: Trade and other payables, note 6.3: Provisions and note 6.7: Contingent liabilities.	*Tax matters* We used our tax specialists to evaluate management's assessment of tax exposures relating to income tax (including transfer pricing and controlled foreign company legislation), withholding tax, VAT and other taxes. Discussions were held between our tax specialists and Group management as well Group tax experts to evaluate the reasonableness of management's conclusions in relation to tax exposures. In-country management's tax assessment reports were also considered by our in-country tax specialists and group tax specialists (as necessary) to independently assess the conclusions reached by management. We further inspected correspondence received by management from the tax authorities and the Group's tax advisers to evaluate the adequacy of provisions and disclosures made and to evaluate the consistency of the responses received. Where required, we performed an independent recalculation of the tax exposures. *Regulatory matters* We evaluated management's assessment of regulatory exposures relating to applicable legislation and related regulations and requirements prevalent in each of the jurisdictions in which the Group operates. Meetings were held between ourselves and the Group's internal legal and regulatory experts and management to discuss the significant exposures and evaluate the reasonableness of management's conclusions. In-country management's assessments were also considered at a Group level through evaluation of reports provided and assessments performed by internal compliance and legal counsel at a Group level. Correspondence with external legal counsel was also inspected, as applicable. To corroborate management's assessment against the requirements of IFRS, we also inspected correspondence received by management from the respective regulatory authorities and external counsel (where applicable), to evaluate the adequacy of provisions and disclosures made. Where required, we performed an independent recalculation of the regulatory exposures noted. With regards to both the tax and regulatory exposures identified, we considered management's recognition, measurement and disclosure thereof in the financial statements. No material exceptions were noted as a result of the procedures performed.

Independent auditors' report to the shareholders of MTN Group Limited (continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *MTN Group Limited Annual financial statements for the year ended 31 December 2018*, which includes the Directors' report, the Report of the audit committee and the Certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report, and the *MTN Group Limited Integrated Report for the year ended 31 December 2018*, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

Independent auditors' report to the shareholders of MTN Group Limited (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. have been the auditors of MTN Group Limited for 25 years and 16 years, respectively.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor

Johannesburg
6 March 2019

SizweNtsalubaGobodo Grant Thornton Inc.
Director: DH Manana
Registered Auditor

Johannesburg
6 March 2019

Group
Financial statements

Group income statement
for the year ended 31 December 2018

	Note	2018 Rm	2017 Restated[1] Rm
Revenue	2.1; 2.2	**134 560**	132 869
Other income	2.3	**3 186**	6 591
Direct network and technology operating costs		**(25 370)**	(25 077)
Costs of handsets and other accessories		**(11 638)**	(10 764)
Interconnect and roaming costs		**(10 731)**	(10 974)
Staff costs	2.4	**(9 510)**	(9 082)
Selling, distribution and marketing expenses		**(16 798)**	(17 194)
Government and regulatory costs		**(4 889)**	(5 150)
Impairment of trade receivables and contract assets	2.4; 7.1	**(810)**	(836)[2]
CBN resolution	2.4	**(744)**	–
Other operating expenses		**(9 010)**	(13 412)[2]
EBITDA[3]		**48 246**	46 971
Depreciation of property, plant and equipment	5.1	**(19 709)**	(19 277)
Amortisation of intangible assets	5.2	**(4 649)**	(4 490)
Impairment of goodwill	5.2	**(312)**	(2 631)
Operating profit	2.4	**23 576**	20 573
Finance income	2.5	**1 992**	3 488
Finance costs	2.5	**(10 323)**	(12 755)
Loss on derecognition of long-term loan receivable	2.6	**–**	(2 840)
Net monetary gain		**290**	264
Share of results of associates and joint ventures after tax	9.2	**(527)**	840
Profit before tax		**15 008**	9 570
Income tax expense	3.1	**(5 430)**	(5 020)
Profit after tax		**9 578**	4 550
Attributable to:			
Equity holders of the company		**8 719**	4 416
Non-controlling interests		**859**	134
		9 578	4 550
Basic earnings per share (cents)	2.7	**485**	246
Diluted earnings per share (cents)	2.7	**478**	241

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] Impairment of trade receivables was aggregated with other operating expenses in 2017. In 2018 the amounts were disaggregated and the impairment of contract assets was included in the impairment of trade receivables. The comparative numbers have been updated accordingly.
[3] EBITDA is defined in note 2.1.

Group statement of comprehensive income

for the year ended 31 December 2018

	2018 Rm	2017 Restated[1] Rm
Profit after tax	**9 578**	4 550
Other comprehensive income after tax:		
Items that may be reclassified to profit or loss:	**(574)**	(6 557)
Net investment hedges	**(2 517)**	1 421
Foreign exchange movement on hedging instruments	**(3 497)**	1 963
Deferred and current tax	**980**	(542)
Available-for-sale financial assets[2,3]	**–**	4 439
Gains arising during the year	**–**	4 439
Exchange differences on translating foreign operations including the effect of hyperinflation[2]	**1 943**	(12 417)
Gains/(losses) arising during the year	**1 943**	(12 417)
Items that have been reclassified to profit or loss:	**(37)**	3 298
Reclassification of foreign currency translation differences on loss of significant influence[2,4]	**–**	3 298
Reclassification of foreign currency translation differences on loss of control[2,5]	**(37)**	–
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income[2,3]	**(8 030)**	–
Losses arising during the year	**(8 030)**	–
Other comprehensive income for the year	**(8 641)**	(3 259)
Attributable to equity holders of the company	**(8 847)**	(2 698)
Attributable to non-controlling interests	**206**	(561)
Total comprehensive income for the year	**937**	1 291
Attributable to:		
Equity holders of the company	**(128)**	1 718
Non-controlling interests	**1 065**	(427)
	937	1 291

1 Restated for changes in accounting policies, refer to note 11 for details of the restatements.
2 This component of other comprehensive income does not attract any tax.
3 The available-for-sale investments (2017) and equity investments at fair value through other comprehensive income (2018) relate mainly to the group's investment in IHS Holding Limited (IHS Group) (note 7.2). Available-for-sale financial assets have been reclassified to equity investments at fair value through other comprehensive income in 2018 in terms of IFRS 9.
4 The reclassification to profit or loss relates to the exercise of the exchange right in IHS Group (note 2.3).
5 The reclassification to profit or loss relates to the sale of MTN Cyprus Limited (note 2.3).

Group statement of financial position
at 31 December 2018

	Note	2018 Rm	31 December 2017 Restated[1] Rm	1 January 2017 Restated[1] Rm
ASSETS				
Non-current assets		183 810	183 502	189 987
Property, plant and equipment	5.1	100 581	91 786	95 633
Intangible assets and goodwill	5.2	40 331	38 330	46 473
Investments	7.2	24 025	27 686	11 841
Investment in associates and joint ventures	9.2	11 884	19 673	26 744
Loans and other non-current receivables	7.3	1 516	2 901	6 726
Capitalised contract costs	2.2	998	708	619
Contract assets	2.2	773	828	849
Deferred tax assets	3.2	3 702	1 590	1 102
Current assets		58 038	60 780	80 579
Inventories	4.1	2 995	3 000	3 972
Trade and other receivables	4.2	26 669	28 475	35 927
Contract assets	2.2	2 698	2 531	2 404
Taxation prepaid	3.3	2 974	2 632	2 019
Current Investments	7.4	4 455	5 552	7 858
Derivative assets	7.5	265	205	4
Restricted cash	4.3	2 760	2 376	1 020
Cash and cash equivalents	4.4	15 222	16 009	27 375
Non-current assets held for sale	9.3.2	2 759	–	–
Total assets		244 607	244 282	270 566
EQUITY				
Ordinary share capital and share premium	8.1	36 929	36 786	36 786
Retained earnings		56 300	58 408	66 278
Other reserves	8.2	(8 430)	(1 006)	763
Attributable to equity holders of the company		84 799	94 188	103 827
Non-controlling interests	9.5	3 427	1 532	2 889
Total equity		88 226	95 720	106 716
LIABILITIES				
Non-current liabilities		83 811	83 482	86 223
Borrowings	6.1	72 563	70 567	67 319
Deferred tax liabilities	3.2	9 497	8 003	9 539
Other non-current liabilities	6.2	1 316	4 503	8 985
Provisions	6.3	435	409	380
Current liabilities		72 570	65 080	77 627
Trade and other payables	4.5	48 354	45 856	45 111
Contract liabilities	2.2	5 862	5 606	6 300
Provisions	6.3	2 721	1 929	2 229
Taxation liabilities	3.3	2 987	2 418	4 294
Borrowings	6.1	12 183	9 081	19 635
Derivative liabilities	7.5	208	118	58
Bank overdrafts	4.4	255	72	–
Total liabilities		156 381	148 562	163 850
Total equity and liabilities		244 607	244 282	270 566

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Group statement of changes in equity

for the year ended 31 December 2018

	Note	Attributable to equity holders of the company: Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 January 2017 as previously reported		*	36 786	64 831	763	102 380	2 851	105 231
Adjustment on initial application of IFRS 15	11	–	–	1 447	–	1 447	38	1 485
Restated balance at 1 January 2017		*	36 786	66 278	763	103 827	2 889	106 716
Total comprehensive income (restated)		–	–	4 416	(2 698)	1 718	(427)	1 291
Profit after tax		–	–	4 416	–	4 416	134	4 550
Other comprehensive income		–	–	–	(2 698)	(2 698)	(561)	(3 259)
Transactions with shareholders								
Share-based payment transactions – Zakhele Futhi	8.1	–	–	–	921	921	–	921
Share-based payment transactions – Other	8.4	–	–	–	237	237	–	237
Dividends declared	8.3	–	–	(12 572)	–	(12 572)	(1 029)	(13 601)
Other movements		–	–	286	(229)	57	99	156
Restated balance at 31 December 2017		*	36 786	58 408	(1 006)	94 188	1 532	95 720
Adjustment on initial application of IFRS 9	11	–	–	(384)	–	(384)	–	(384)
Restated balance at 1 January 2018		*****	**36 786**	**58 024**	**(1 006)**	**93 804**	**1 532**	**95 336**
Total comprehensive income		**–**	**–**	**8 719**	**(8 847)**	**(128)**	**1 065**	**937**
Profit after tax		**–**	**–**	**8 719**	**–**	**8 719**	**859**	**9 578**
Other comprehensive income		**–**	**–**	**–**	**(8 847)**	**(8 847)**	**206**	**(8 641)**
Opening reserve adjustment for hyperinflation		**–**	**–**	**531**	**–**	**531**	**94**	**625**
Transactions with shareholders								
Transactions with non-controlling interests	9.3.1	**–**	**–**	**–**	**1 666**	**1 666**	**1 532**	**3 198**
Decrease in treasury shares		**–**	**143**	**–**	**–**	**143**	**–**	**143**
Reclassification of reserves on sale of MTN Cyprus		**–**	**–**	**327**	**(327)**	**–**	**–**	**–**
Cancellation of share-based payment	8.1	**–**	**–**	**–**	**(295)**	**(295)**	**–**	**(295)**
Share-based payment transactions – Other	8.4	**–**	**–**	**–**	**371**	**371**	**–**	**371**
Dividends declared	8.3	**–**	**–**	**(11 248)**	**–**	**(11 248)**	**(806)**	**(12 054)**
Other movements		**–**	**–**	**(53)**	**8**	**(45)**	**10**	**(35)**
Balance at 31 December 2018		*****	**36 929**	**56 300**	**(8 430)**	**84 799**	**3 427**	**88 226**
Note		8.1	8.1		8.2			

* Amount less than R1 million.

Group statement of cash flows

for the year ended 31 December 2018

	Note	2018 Rm	2017 Restated[1] Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	2.8	**40 345**	38 484
Interest received		**2 130**	2 607
Interest paid		**(7 001)**	(7 237)
Income tax paid	3.3	**(5 027)**	(7 596)
Dividends received from associates		**204**	213
Dividends received from joint ventures		**1 738**	6 916
Net cash generated from operating activities		**32 389**	33 387
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(24 224)**	(23 861)
Acquisition of intangible assets		**(3 972)**	(2 800)
Proceeds from sale of property, plant and equipment and intangible assets		**44**	74
Increase in non-current investments and joint venture		**(802)**	(820)
Sale of MTN Cyprus, net of cash disposed of	2.3	**3 986**	–
Increase in investment in insurance cell captives		**–**	(200)
Realisation of bonds, treasury bills and foreign deposits		**1 727**	1 849
Increase in restricted cash		**(641)**	(1 727)
Decrease in restricted cash		**647**	–
Other investing activities		**16**	(100)
Net cash used in investing activities		**(23 219)**	(27 585)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from borrowings	2.9	**25 219**	23 287
Repayment of borrowings	2.9	**(27 359)**	(24 606)
Dividends paid to equity holders of the company		**(11 236)**	(12 565)
Dividends paid to non-controlling interests		**(759)**	(956)
Proceeds from Ghana initial public offering	9.3	**3 057**	–
Premium received on option issued to MTN Zakhele Futhi		**–**	192
Other financing activities		**(45)**	36
Net cash used in financing activities		**(11 123)**	(14 612)
Net decrease in cash and cash equivalents		**(1 953)**	(8 810)
Net cash and cash equivalents at beginning of the year		**15 937**	27 375
Exchange gains/(losses) on cash and cash equivalents		**1 564**	(2 664)
Net monetary gain on cash and cash equivalents		**34**	36
Cash classified as held for sale	9.3.2	**(615)**	–
Net cash and cash equivalents at end of the year	4.4	**14 967**	15 937

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Index to the notes to the group financial statements

Notes to the group financial statements

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS

1.1 Basis of preparation

The group financial statements of MTN Group Limited (the company) comprise the company and its subsidiaries and the group's interest in associates and joint ventures and controlled structured entities (together referred to as the group and individually as group entities).

The group financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Johannesburg Stock Exchange (JSE) Listings Requirements and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act). The group and the company have adopted all new accounting standards that became effective in the current reporting period. The following standards had an impact on the group:

- IFRS 9 *Financial Instruments* (IFRS 9); and
- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15).

The group also implemented a voluntary change in accounting policy on the presentation of cash flows.

Refer to note 11 for details of the change in accounting policies.

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and for certain financial instruments that have been measured at fair value, where applicable.

The Sudanese, South Sudanese and Syrian economies have been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries, MTN Sudan Company Limited (MTN Sudan), MTN South Sudan Limited (MTN South Sudan) and MTN Syria (JSC) (MTN Syria) have been expressed in terms of the measuring unit current at the reporting date.

Amounts are rounded to the nearest million with the exception of earnings per share and the related number of shares (note 2.7), number of ordinary shares (note 8.1), share-based payments (note 8.4) and directors' emoluments and interests (note 10.2).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 1.5.

1.2 Going concern

The group's and the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and the company should be able to operate within their current funding levels into the foreseeable future.

After making enquiries, the directors have a reasonable expectation that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future. The financial statements therefore have been prepared on a going concern basis.

1.3 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out on the following pages and in the related notes to the group financial statements and should be read in conjunction with the financial definitions disclosed on pages 153 and 155 of the financial statements. Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, except as stated above.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation

Business combinations

The group accounts for business combinations using the acquisition method when control is obtained by the group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, this amount is negative, such negative amount is recognised immediately in profit or loss as a gain on bargain purchase.

When the group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. The remaining other reserves related to that entity are transferred to retained earnings.

Consolidation of subsidiaries

The group financial statements incorporate the financial statements of MTN Group Limited and all its subsidiaries and controlled structured entities (SEs) for the reporting date 31 December 2018 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). The group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on consolidation. Unrealised losses are considered an impairment indicator of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the group.

The group does not consolidate entities where it owns more than half of the issued ordinary share capital where the contractual agreements are such that other shareholders have substantive rights that provide authority over the relevant activities of the entities.

The company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.1 Consolidation (continued)

Non-controlling interests

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased or disposed of, is recorded in equity.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1.3.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the entity's functional currency. The group financial statements are presented in South African rand, which is the functional and presentation currency of the company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation of foreign operations

The results, cash flows and financial position of group entities which are not accounted for as entities operating in hyperinflationary economies and that have a functional currency different from the presentation currency of the group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- Foreign exchange translation differences are recognised as other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent the difference is allocated to non-controlling interests.

The results, cash flows and financial position of the group entities which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the group or that of the company is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level or exchange rates in the current financial year.

An entity may have a monetary item that is receivable from a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income and accumulated in the foreign currency translation reserve.

The exchange rates relevant to the group are disclosed in note 7.6.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.3 Principal accounting policies (continued)

1.3.2 Foreign currency (continued)

Disposal of foreign operations

On disposal of a foreign operation, all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the group are reclassified to profit or loss.

Exchange differences accumulated in equity in respect of a monetary item that is part of the group's net investment in a foreign operation, are not reclassified to profit or loss on settlement of the monetary item.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

For more details on judgements applied in the selection of exchange rates in countries operating in dual exchange rate economies refer to note 1.5.3.

1.3.3 Hyperinflation

The financial statements (including comparative amounts) 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 reporting period.

As the presentation currency of the group or the company is that of a non-hyperinflationary economy, comparative amounts are not adjusted for changes in the price level in the current year. Differences between these comparative amounts and current year hyperinflation adjusted equity balances are recognised in other comprehensive income.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior period gains and losses are recognised directly in equity. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

Gains or losses on the net monetary position are recognised in profit or loss.

All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. If on initial application of hyperinflation accounting the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

The Sudanese, South Sudanese and Syrian economies have been classified as hyperinflationary. Accordingly, the results, cash flows and financial position of the group's subsidiaries; MTN Sudan, MTN South Sudan and MTN Syria, have been expressed in terms of the measuring unit current at the reporting date. For further details, refer to note 1.5.6.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.4 New accounting pronouncement – IFRS 16 Leases (IFRS 16)

The standard listed below will be effective in future reporting periods and is considered significant to the group. The group has elected not to early adopt IFRS 16. It is expected that the group will adopt IFRS 16 on its effective date.

Topic	Key requirements	Effective date
IFRS 16 *Leases*	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Practical expedients are available for short-term and low-value leases. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Lease* (IAS 17). The group expects that the most significant impact of the new standard will result from its current property and network site operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R129,4 billion (refer to note 6.5). Of these commitments, approximately R73,6 billion relates to non-lease components of operating leases which will continue to be recognised as an expense in profit or loss as they are incurred. For lease commitments (excluding non-lease components, short-term and low-value leases) the group will recognise lease liabilities, representing the present value of the future minimum lease payments discounted at a rate appropriate and after taking into account the lease term, value, economic environment and security over the asset applicable, on 1 January 2019, and corresponding right-of-use assets in respect of these leases, adjusted for prepayments recognised as at 31 December 2018. On adoption of IFRS 16 operating lease costs (other than short-term and low-value lease) will no longer be recognised as part of operating expenses. The group intends to apply a threshold of US$5 000 for assessing what constitutes low-value assets. For the year ended 31 December 2018 the group has recognised lease expenses of R13,8 billion (refer to note 2.4). Of these operating lease expenses, approximately R6,3 billion relates to non-lease components of operating leases which will continue to be recognised as an expense in operating expenses as they are incurred. As a result of the new accounting rules, EBITDA[1] used to measure segment results is expected to increase, as the total operating lease payments were previously included in EBITDA[1] under IAS 17. The group will recognise depreciation on the right-of-use assets and interest on the lease liabilities over the lease term in profit or loss – these charges are excluded from EBITDA[1]. Due to the impact of reducing finance charges over the life of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods. Furthermore, leases denominated in currencies that are not the functional currency of the operation will increase foreign exchange exposure. Therefore, the group expects that net profit after tax may decrease for 2019 as a result of adopting the new standards. Cash generated from operations will increase, as lease costs will no longer be included in this category of cash flows. Interest paid will increase, as it will include the interest portion of the lease liability repayments. This is expected to have a net positive impact on net cash generated from operating activities. Net cash used in financing activities will increase, as the capital portion of lease liability repayments will be included within repayment of borrowings. Application of IFRS 16 will also impact the EBITDA[1]:net interest, net debt and net debt:EBITDA[1] ratios significantly. The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required in the next reporting period. The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid lease expenses). The group has elected to apply the practical expedient to not reassess the lease definition.	1 January 2019

[1] EBITDA is defined in note 2.1.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions

The group makes judgements, estimates and assumptions concerning the future when preparing its financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

This note should be read in conjunction with the 'Principal accounting policies' disclosed in note 1.3.

1.5.1 Impairment of goodwill and property, plant and equipment

The group tests goodwill for impairment on an annual basis or whenever there is an impairment indicator identified by management, in accordance with the accounting policy disclosed in note 5.2. The group tests property, plant and equipment for impairment when there is an indication of impairment, in accordance with the accounting policy disclosed in note 5.1. The recoverable amounts of cash-generating units (CGUs) have been determined based on value in use calculations. These calculations are performed internally by the group and require the use of estimates and assumptions.

Source of estimation uncertainty

The input factors most sensitive to change are management estimates of future cash flows based on budgets and forecasts, growth rates, terminal rates and discount rates. Further detail on these assumptions has been disclosed in note 5.2. The group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the changes in input factors result in any of the goodwill allocated to an appropriate CGU, being impaired. Goodwill impairment in the current year amounted to R312 million (2017: R2 631 million), refer to note 5.2. Property, plant and equipment impairment reversal in the current year amounted to R172 million (2017 impairment: R2 518 million), refer to note 5.1.

1.5.2 IHS Group fair value through other comprehensive income investment

Significant judgement – investment classification

The group has an economic interest in IHS Holding Limited (IHS Group) of approximately 29%, comprising class A voting shares and class B non-voting shares. An investor is presumed to have significant influence over an investee when it owns 20% of the investee, unless it can be clearly demonstrated that this is not the case. Per the IHS Group shareholders' agreement, the group is not entitled 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 accounts for its investment in IHS Group as an equity instrument held at fair value though other comprehensive income (FVOCI) (note 7.2).

Source of estimation uncertainty – investment measurement

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 2018 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 been classified at level 3 of the fair value hierarchy for the current period in terms of IFRS 13 *Fair Value Measurement* (refer to note 7.1.3).

1.5.3 Dual exchange rates

Significant judgement

The group operates in a number of foreign jurisdictions that have multiple quoted exchange rates. When several quoted exchange rates are available in a foreign jurisdiction, the group uses judgement to determine the rate at which the future cash flows represented by foreign denominated transactions or balances could have been settled if those cash flows had occurred at the measurement date in these foreign entities. For the translation of the results, cash flows and financial position of the foreign entities into the presentation currency of the group, the group uses the rate at which dividends can be remitted. If exchangeability between two currencies is temporarily lacking, the rate used is the first subsequent rate at which exchanges could be made.

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 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.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.3 Dual exchange rates (continued)

In August 2018, the Central Bank of Iran (CBI) clarified that all future dividends and all future loan repayments can be expected to be repatriated at the SANA rate. Judgement is required in determining the quoted foreign exchange rate to be used for translating and recording foreign currency transactions and balances and converting the equity-accounted results of Irancell Telecommunication Company Services (PJSC) (Iran). After the introduction of the SANA rate, the group equity accounts the results and translates any receivables from Iran at the SANA rate. However, the group continues to translate any receivables that have been approved by the Iranian government under the Foreign Investment Promotion and Protection Act (FIPPA) at the CBI rate on the basis that management expects these balances to be settled at the CBI rate (refer to note 4.2).

Further information on the relevant exchange rates is provided in note 7.6.

1.5.4 Income taxes

Source of estimation uncertainty

The group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business.

The group recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether an unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability, refer to note 6.7.

Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Deferred tax assets – source of estimation uncertainty

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (as applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. The group is required to make significant estimates in assessing whether future taxable profits will be available.

Future taxable profits are determined based on business plans for individual subsidiaries in the group and the probable reversal of taxable temporary differences in future. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The group's deferred tax assets for the current year amounted to R3 702 million (2017: R1 590 million[1]), refer to note 3.2.

1.5.5 Determining whether an arrangement qualifies as an operating lease or finance lease

Significant judgement

The group applies its principal accounting policies for leases to account for arrangements which constitute or contain leases and follows the guidance of IAS 17 to determine the classification of leases as either operating or finance leases.

During previous years the group entered into sale and leaseback transactions with IHS Group that resulted in the sale of its mobile network towers in Nigeria.

The critical elements that the group considered with respect to the classification of the lease transaction were:

- whether the lease terms are for the major part of the economic life of the tower assets; and
- whether, at inception of the leases, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the tower assets.

The group estimated that the lease term of the tower assets is not for a major part of the economic life of the tower assets, taking into account the non-cancellable period for which the group has contracted, and any options to renew such period where it is reasonably certain that the group will exercise the option.

The minimum lease payments were determined by separating the payments required by the lease arrangements into those pertaining to the lease and those pertaining to other elements such as services and cost of inputs on the basis of their relative fair values. Management exercised judgement in estimating the fair value of the other elements by reference to comparable cost structures of the group and other independent tower operators. The discount rate used in calculating the present value of the minimum lease payments reflects the rate of interest MTN Nigeria Communications Limited (MTN Nigeria) would incur in borrowing the funds necessary to purchase similar assets.

[1] Restated for changes in accounting policy refer to note 11 for details of the restatement.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Determining whether an arrangement qualifies as an operating lease or finance lease (continued)

The fair value of the tower assets was determined by reference to the amounts at which the tower assets were sold which represents the prices at which the assets could be sold in an orderly transaction between market participants under current market conditions. The group determined that the present value of the minimum lease payments did not equal substantially all the fair value of the underlying tower assets.

Following the group's assessment, the leaseback transactions were classified as operating leases.

1.5.6 Hyperinflation

Significant judgement

The group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Management exercises judgement as to when a restatement of the financial statements of a group entity becomes necessary. Following management's assessment, the group's subsidiaries, MTN Sudan, MTN South Sudan and MTN Syria have been accounted for as entities operating in hyperinflationary economies. The results, cash flows and financial positions of MTN Sudan, MTN South Sudan and MTN Syria have been expressed in terms of the measuring units current at the reporting date.

MTN Sudan

The economy of Sudan was assessed to be hyperinflationary effective 1 July 2018, and hyperinflation accounting was applied for the six months ended 31 December 2018[1]. Upon first application of hyperinflation, net prior period gains of R625 million were recognised directly in equity. The uplift of the assets on initial adoption resulted in the net asset value of MTN Sudan exceeding its estimated recoverable amount. As a result of this, the initial adjustment was capped at the recoverable amount and the difference recorded directly to retained earnings. If the initial uplift had not been capped the related increase in opening equity would have been R1,2 billion.

As at 31 December 2017[1], the historical increase in the asset value as a result of hyperinflation accounting had been fully impaired, which resulted in a R1 690 million decrease in EBITDA[2] during 2017. During the six-month period ended 30 June 2018, R306 million of the impairment was reversed, resulting in an increase in EBITDA[2]. This amount represents the full impairment recognised during 2017, translated at a significantly weaker exchange rate.

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2018	2007	1 416	64

The cumulative inflation rate over three years as at 31 December 2018 is 168%. The average adjustment factor used for the period from 1 July 2018 to 31 December 2018 was 1,14.

[1] Hyperinflationary accounting was applied previously in Sudan, up until 30 June 2016.
[2] EBITDA is defined in note 2.1.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.6 Hyperinflation (continued)

MTN South Sudan

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied since.

The general price index used as published by the International Monetary Fund is as follows:

Date	Base year	General price index	Inflation rate (%)
31 December 2018	2011	8 975	99

The cumulative inflation rate over three years as at 31 December 2018 is 2 416%. The average adjustment factor used for 2018 was 1,5.

MTN Syria

The economy of Syria was assessed to be hyperinflationary effective 1 January 2014 and hyperinflation accounting has been applied since. Reliable inflation data could not be obtained on the inflation rate in Syria. The general price index set out below was calculated by reference to the change in the United States dollar (US$):Syrian pound (SYP) exchange rate.

Until 30 June 2017, hyperinflation accounting was applied by estimating Syria's inflation rate using the change in the US$:SYP exchange rate. The SYP started strengthening against the US$ from October 2017 onwards. Syria's 2017 and 2018 estimated inflation rate using the change in US$:SYP exchange rate, after the SYP strengthened, was negative, i.e. there was deflation.

However, the characteristics of Syria's economy continue to indicate that Syria's economy is hyperinflationary. Recognising deflation was not considered appropriate, due to lack of sufficient available information at 31 December 2018. Therefore, a hyperinflation adjustment factor of 1 was applied from 1 July 2017 to 31 December 2018.

Date	Base year	General price index	Inflation rate (%)
31 December 2018	2014	220	0

The cumulative inflation rate over three years as at 31 December 2018 is 30%. The average adjustment factor used for 2018 was 1,0.

As at 31 December 2017, R1 348 million of assets previously written up for hyperinflation have been impaired with the impact being included in EBITDA[1] during 2017.

Iran

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. Accordingly, the amounts expressed in terms of the measuring unit at 30 June 2015 were treated as the basis for the carrying amounts with no further hyperinflation adjustments being passed from 1 July 2015 onwards. 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 R873 million for the year ended 31 December 2018 (2017: R1 328 million).

The cumulative impact of adjusting the group's results for the effects of hyperinflation is set out below:

	2018 Rm	2017 Rm
Income statement		
Increase in revenue	174	504
Increase/(decrease) in EBITDA[1]	271	(2 948)
Net monetary gain	290	264
Decrease in share of results of associates and joint ventures after tax	(873)	(1 328)
Decrease in profit after tax	(538)	(4 925)

[1] EBITDA is defined in note 2.1.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.7 Consolidation of MTN Zakhele Futhi

Significant judgement

MTN implemented its BBBEE transaction through a separate legal entity, MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) during the 2016 financial year. MTN Zakhele Futhi is a structured entity with the sole business of holding shares of MTN Group Limited and administering the associated funding of these shares.

The group was involved in structuring MTN Zakhele Futhi, determining the level of its debt and negotiating the related debt covenants. In addition, the group holds a call option which, if exercised on the occurrence of a trigger event, entitles it to settle MTN Zakhele Futhi's debt with the third-party funders. This gives the group the ability to manage the credit risk of MTN Zakhele Futhi and consequently, the related BBBEE credentials which are dependent on the continued success of MTN Zakhele Futhi. As these activities are considered to be the relevant activities of MTN Zakhele Futhi, it is consolidated by the group.

1.5.8 Contingent liabilities

Significant judgement

The group applies judgement in assessing the potential outcome of uncertain legal and regulatory matters. The group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised. The group has included contingent liabilities where economic outflows are considered possible but not probable.

2 RESULTS OF OPERATIONS

2.1 Operating segments

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 clustered as follows:

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

South Africa and Nigeria comprise the segment information for the South African and Nigeria-based cellular network services providers respectively.

The SEAGHA, WECA and MENA clusters comprise segment information for operations in those regions which are also cellular network services providers in the group.

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.

A key performance measure of the group is EBITDA. EBITDA is defined as earnings before finance income and finance cost (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; and
- Share of results of associates and joint ventures after tax.

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

- Hyperinflation (note 1.5.6);
- Tower sale profits (note 2.3);
- MTN Zakhele Futhi share-based payment expense (note 8.1);
- Profit on exercise of exchange right in IHS Group (note 2.3);
- Gain on dilution of investment in associate and joint venture (note 2.3);
- Gain on disposal of subsidiary (note 2.3); and
- CBN resolution (note 2.4).

These exclusions have remained unchanged from the prior year, apart from the gain on disposal of subsidiary, gain on dilution of investment in associate and joint venture and CBN resolution that occurred during the year.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Iran proportionate results are included in the segment analysis as reviewed by the CODM and excluded from 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.

Revenue 2018	Network services Rm	Mobile devices Rm	Inter–connect and roaming Rm	Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
South Africa	28 037	8 389	3 540	2 435	1 866	44 267	391	44 658
Nigeria	30 747	78	3 923	1 942	1 281	37 971	–	37 971
SEAGHA	14 599	278	1 873	5 051	812	22 613	–	22 613
Ghana	7 636	70	1 010	2 945	199	11 860	–	11 860
Uganda	3 495	52	414	1 333	129	5 423	–	5 423
Other SEAGHA	3 468	156	449	773	484	5 330	–	5 330
WECA	14 358	156	2 870	1 994	845	20 223	–	20 223
Ivory Coast	4 547	43	1 183	1 063	322	7 158	–	7 158
Cameroon	3 748	57	563	376	215	4 959	–	4 959
Other WECA	6 063	56	1 124	555	308	8 106	–	8 106
MENA	6 934	230	1 155	308	218	8 845	–	8 845
Syria	2 101	–	89	85	23	2 298	–	2 298
Sudan	1 125	6	457	89	21	1 698	–	1 698
Other MENA	3 708	224	609	134	174	4 849	–	4 849
Major joint venture – Iran	9 252	168	879	1 129	206	11 634	33	11 667
Head office companies and eliminations	(24)	(1)	(418)	3	516	76	–	76
Hyperinflation impact	148	–	29	(16)	13	174	–	174
Iran revenue exclusion	(9 252)	(168)	(879)	(1 129)	(206)	(11 634)	(33)	(11 667)
Consolidated revenue	94 799	9 130	12 972	11 717	5 551	134 169	391	134 560

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue Restated[1] 2017	Network services Rm	Mobile devices Rm	Inter–connect and roaming Rm	Digital and fintech[2] Rm	Other[2] Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
South Africa	28 851	7 691	2 381	2 325	889	42 137	360	42 497
Nigeria	27 486	108	4 221	3 477	775	36 067	–	36 067
SEAGHA	12 950	239	1 944	4 186	868	20 187	–	20 187
Ghana	6 748	83	1 072	2 339	191	10 433	–	10 433
Uganda	3 251	58	425	1 314	145	5 193	–	5 193
Other SEAGHA	2 951	98	447	533	532	4 561	–	4 561
WECA	15 322	368	2 680	1 728	830	20 928	–	20 928
Ivory Coast	5 259	48	949	878	278	7 412	–	7 412
Cameroon	3 936	197	704	294	242	5 373	–	5 373
Other WECA	6 127	123	1 027	556	310	8 143	–	8 143
MENA	9 929	423	1 553	495	322	12 722	–	12 722
Syria	1 829	–	84	83	5	2 001	–	2 001
Sudan	3 507	23	687	262	61	4 540	–	4 540
Other MENA	4 593	400	782	150	256	6 181	–	6 181
Major joint venture – Iran	12 510	257	1 508	1 974	171	16 420	20	16 440
Head office companies and eliminations	(12)	(1)	(432)	4	405	(36)	–	(36)
Hyperinflation impact	426	1	49	17	11	504	–	504
Iran revenue exclusion	(12 510)	(257)	(1 508)	(1 974)	(171)	(16 420)	(20)	(16 440)
Consolidated revenue	94 952	8 829	12 396	12 232	4 100	132 509	360	132 869

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

[2] Subsequent to the publication of interim results for the six months ended 30 June 2018, the group updated its definition of digital and fintech revenue which resulted in a reclassification of revenue from digital and fintech to other revenue. These included caller line identification (CLI), itemised billing and bulk SMS advertising revenue which are not considered to be part of the main categories of revenue of the group.

EBITDA	**2018 Rm**	2017 Restated[1] Rm
CODM EBITDA		
South Africa	**15 660**	14 635
Nigeria	**16 574**	14 070
SEAGHA	**7 865**	6 908
Ghana	**4 452**	4 189
Uganda	**1 980**	1 794
Other SEAGHA	**1 433**	925
WECA	**4 133**	5 335
Ivory Coast	**1 593**	2 359
Cameroon	**455**	1 305
Other WECA	**2 085**	1 671
MENA	**2 510**	3 810
Syria	**909**	597
Sudan	**590**	1 592
Other MENA	**1 011**	1 621
Major joint venture – Iran	**4 231**	5 881
CODM EBITDA	**50 973**	50 639
Head office companies and eliminations[2]	**(727)**	(449)
Hyperinflation impact	**271**	(2 948)
Tower sale profits	**23**	27
Gain on dilution of investment in associate and joint venture	**569**	–
Gain on disposal of subsidiary	**2 112**	–
Profit on exercise of exchange right in IHS Group	**–**	6 017
MTN Zakhele Futhi share-based payment expense	**–**	(434)
CBN resolution	**(744)**	–
Iran CODM EBITDA exclusion	**(4 231)**	(5 881)
EBITDA	**48 246**	46 971
Depreciation, amortisation and impairment of goodwill	**(24 670)**	(26 398)
Net finance cost	**(8 331)**	(9 267)
Net monetary gain	**290**	264
Loss on derecognition of long-term loan receivable	**–**	(2 840)
Share of results of joint ventures and associates after tax	**(527)**	840
Profit before tax	**15 008**	9 570

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

[2] Head office companies and eliminations consist mainly of the group's central financing activities, management fees, professional and consulting fees and dividends received from segments as well as inter-segment eliminations.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)
2.1 Operating segments (continued)

Capital expenditure incurred	2018 Rm	2017 Rm
South Africa	9 448	11 470
Nigeria	6 888	8 953
SEAGHA	3 801	3 794
Ghana	2 015	2 196
Uganda	793	909
Other SEAGHA	993	689
WECA	3 281	3 696
Ivory Coast	1 364	1 203
Cameroon	694	976
Other WECA	1 223	1 517
MENA	2 215	2 294
Syria	935	951
Sudan	439	545
Other MENA	841	798
Major joint venture – Iran	3 716	9 274
Head office companies and eliminations	457	1 173
Hyperinflation impact	(72)	81
Iran capex exclusion	(3 716)	(9 274)
	26 018	31 461

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

	2018 Revenue Rm	2018 EBITDA Rm	2018 Capex Rm
Syria	9	6	–
Sudan	(109)	233	(67)
South Sudan (included in other SEAGHA)	274	32	(5)
	174	271	(72)

	2017 Revenue Rm	2017 EBITDA Rm	2017 Capex Rm
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	–

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers

The group principally generates revenue from providing mobile telecommunications services, such as network services (comprising data, voice and SMS), digital and fintech services, interconnect and roaming services, as well as from the sale of mobile devices. Products and services may be sold separately or in bundled packages. The typical length of a contract for postpaid bundled packages is 24 months.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or services to a customer.

For bundled packages, the group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the group sells mobile devices and network services separately.

The main categories of revenue and the basis of recognition are as follows:

Network services and digital and fintech

The group provides mobile telecommunication services, including network services and digital and fintech services. Network services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the MTN network and transmitted as data representing a digital signal on the network. The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the MTN network.

Digital and fintech services include value-added services, rich media services, mobile money (MoMo), insurance, airtime lending and e-commerce etc.

Customers either pay in advance for these services or pay monthly in equal instalments over the contractual period. A contract liability is recognised for amounts received in advance, until the services are provided or when the usage of services becomes remote.

The group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services/digital and fintech services provided during the reporting period as a proportion of the total units of network services/digital and fintech services to be provided. The customer receives and uses the benefits of these services simultaneously. Units of network services/digital and fintech services outside of postpaid contracts are recognised as the service is provided.

When the group expects to be entitled to breakage (forfeiture of unused value or network services), the group recognises the expected amount of breakage in proportion to network services provided versus the total expected network services to be provided. Any unexpected amounts of breakage are recognised when the unused value of network services expire or when usage thereof becomes remote. Assessment of breakage is updated each reporting period and any resulting change is accounted for prospectively as a change in estimate in terms of IAS 8 *Accounting policies, changes in accounting estimates and errors*.

Mobile devices

The group sells a range of mobile devices. The group recognises revenue when customers obtain control of mobile devices, being when the customers take possession of the devices. For mobile devices sold separately, customers pay in full at the point of sale. For mobile devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of 24 months. Contract assets are recognised when customers take possession of devices for postpaid contracts.

The group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The group has elected to apply the practical expedient that allows the group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. For contracts containing significant financing components, the group reduces device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

The group bases the subscriber contract period on the contractual term and accounts for early upgrades as contract modifications. The effect of the modification is that the contract asset at modification date is treated as a payment to a customer and results in a reduction of the revenue from the subsequent contract.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Interconnect and roaming

The group provides interconnect and roaming services. The group recognises interconnect and roaming revenue and debtors as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties in settling amounts.

Payment for interconnect and roaming is generally received on a monthly basis. Some interconnect and roaming debtors have a historical pattern of late payment due to sanctions imposed. The group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

Capitalisation of subscriber acquisition costs

The group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agents' commission on postpaid contracts and SIM activation costs on prepaid contracts. The group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer life and included in selling, distribution and marketing expenses in profit or loss.

In terms of a practical expedient, the group has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expense in profit or loss, when incurred, if the amortisation period of the assets that the group otherwise would have recognised is 12 months or less.

Contract costs are assessed for impairment in terms of IAS 36 *Impairment of Assets* (IAS 36) when there is an indication of impairment.

Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

	2018 Rm	2017 Restated[1] Rm
Contract assets	3 859	3 359
Contract assets – non-current	1 055	828
Contract assets – current	2 804	2 531
Loss allowance	(388)	–
Total contract assets	3 471	3 359
Capitalised contract costs	998	708
Contract liabilities	5 862	5 606

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Significant changes in contract assets and liabilities

Contract assets have increased due to an increase in handset sales included as part of postpaid contracts. The group also recognised a loss allowance for contract assets following the adoption of IFRS 9, see note 11 and 7.1.4 for further information.

Contract liabilities increased due to an increase in prepaid sales.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in the prior years.

	2018 Rm	2017 Restated[1] Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	4 999	5 121

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Unsatisfied performance obligations

	2018 Rm	2017[1] Rm
Aggregate amount of transaction price allocated to unsatisfied performance obligations	3 536	–

[1] As permitted under the transitional provisions in IFRS 15, the transaction price allocated to unsatisfied/partially unsatisfied performance obligations as of 31 December 2017 is not disclosed.

For postpaid contracts that were effective at 31 December 2018, the above amounts reflect the transaction price for services to be provided over the remainder of the contractual periods.

Management expects that 93% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period (R3 304 million). The remaining 7% (R232 million) will be recognised in the 2020 financial year.

For contracts with a term of one year or less, the transaction price is not disclosed above as allowed by IFRS 15.

2.3 Other income

Other income is recognised when the risks and rewards of ownership of the assets are transferred to the buyer.

	2018 Rm	2017 Rm
Realisation of deferred gain on tower sale	23	27
ZTE settlement[1]	344	–
Gain on disposal of subsidiary	2 112	–
Gain on dilution of investment in joint venture and associate (note 9.2)	569	28
Profit on exercise of exchange right in IHS Group	–	6 017
Gain on modification of financial liabilities[2]	–	323
Other	138	196
	3 186	6 591

[1] In 2018, MTN entered into a settlement with Zhongxing Telecommunications Equipment (ZTE) for ZTE's breach of contract. In terms of the agreement, ZTE agreed to provide property, plant and equipment at no cost to the value of US$24 million (R344 million at an exchange rate of US$1:ZAR14,12). The group accounted for this transaction as other income measured at the value of the property, plant and equipment received.

[2] In December 2017, MTN (Dubai) Limited (MTN Dubai) entered into individual agreements with various vendors of Areeba Guinea S.A. (MTN Guinea-Conakry) and Lonestar Communications Corporation LLC (MTN Liberia), in terms of which MTN Dubai purchased receivables (owing from MTN Guinea-Conakry and MTN Liberia to the respective vendors), at a discounted price. The group has accounted for this transaction as a modification of a financial liability, as the group has contractually agreed to modify the payment terms of the vendor liabilities. The group has recognised the difference between the fair value of the modified financial liabilities and the carrying amount of the original financial liabilities as a gain in profit or loss.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.3 Other income (continued)

Gain on disposal of subsidiary

In July 2018, the group entered into an agreement with Monaco Telecom S.A (Monaco Telecom), in terms of which Monaco Telecom acquired 100% of the group's interest in MTN Cyprus Limited (MTN Cyprus). The sale became effective on 4 September 2018. MTN Cyprus was presented as part of other MENA in the segment information (note 2.1).

The carrying amounts of assets and liabilities as at the date of sale were:

	2018 Rm
Property, plant and equipment	1 093
Intangible assets and goodwill	1 197
Deferred tax and other non-current assets	225
Trade receivables and other current assets	705
Cash and cash equivalents	264
Total assets	**3 484**
Borrowings	806
Deferred tax and other non-current liabilities	135
Current liabilities	485
Total liabilities	**1 426**
Carrying amount of net assets sold	**2 058**
Total disposal consideration	4 231
Cash	4 302
Fair value of contingent consideration	(71)
Reclassification of foreign currency translation reserve	34
Transaction costs	(95)
Gain on disposal of subsidiary	2 112
Net cash:	
Cash received	4 302
Less: Cash and cash equivalents in MTN Cyprus	(264)
Less: Transaction costs paid	(52)
Net cash received on disposal	**3 986**

Profit on exercise of exchange right in IHS Group

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 Group. This resulted in a net impact on profit before tax of R6 017 million, a decrease of R4 452 million in investments in associates and an increase of R13 767 million in available-for-sale investments (note 7.2). The transaction had no tax impact.

2.4 Operating profit

Employee benefits

Short-term employee benefits

Salaries and wages, including non-monetary benefits and accumulated leave pay (remuneration), that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised as a liability and are measured at the amounts expected to be paid when the liabilities are settled. Remuneration to employees in respect of services rendered during a reporting period is expensed in that reporting period.

A liability for bonuses is recognised when there is no realistic alternative other than to settle the liability, and at least one of the following conditions is met:

- there is a formal plan and the amounts to be paid can be reliably estimated; or
- achievement of previously agreed bonus criteria has created a valid expectation by employees that they will receive a bonus and the amount can be reliably estimated.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)
2.4 Operating profit (continued)

Post-employment benefits
Group companies operate various defined contribution plans. Contributions to defined contribution plans in respect of services rendered during a period are recognised as an employee benefit expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payment transactions
The group operates a number of share incentive schemes. For further details, refer to note 8.4.

Termination benefits
Termination benefits may be payable when an employee's employment is terminated before the normal retirement date due to retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits at the earlier of the following dates:
- when the group can no longer withdraw the offer of those benefits; and
- when the group recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (IAS 37) that includes the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

	2018 Rm	2017 Restated[1] Rm
Staff costs	(9 510)	(9 082)
Salaries and wages	(7 053)	(6 929)
Post-employment benefits	(446)	(362)
Share options granted to directors and employees (note 8.4)	(399)	(193)
Training	(270)	(252)
Other	(1 342)	(1 346)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	(158)	(116)
Audit fees	(132)	(106)
Fees for other services	(23)	(5)
Expenses	(3)	(5)
Emoluments to directors and prescribed officers (notes 10.1 and 10.2)	(271)	(269)
Operating lease rentals	(13 779)	(13 394)
Network sites and property	(13 704)	(13 302)
Equipment and vehicles	(75)	(92)
Research and development costs	(18)	(8)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(44)	8
Net impairment reversal/(loss) on property, plant and equipment (note 5.1)	172	(2 518)
Net impairment reversal/(loss) on intangible assets (note 5.2)	34	(527)
Net reversal of write-down/(write-down) of inventories to net realisable value (note 4.1)	84	(162)
Impairment of trade receivables and contract assets (note 4.2)	(810)	(836)
Amortisation of capitalised contract costs	(58)	(19)
Professional and consulting fees	(2 681)	(3 484)
CBN resolution (note 2.4.1)	(744)	–
Share-based payment transaction – MTN Zakhele Futhi (note 8.1)	–	(434)

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.4 Operating profit (continued)

2.4.1 CBN resolution

On 30 August 2018, MTN Group announced that MTN Nigeria received a letter on 29 August 2018 from the Central Bank of Nigeria (CBN) alleging that Certificates of Capital Importation (CCIs), issued in respect of the conversion of shareholders loans in MTN Nigeria to preference shares in 2007, had been improperly issued. The CBN claimed that historic dividends repatriated by MTN Nigeria between 2007 and 2015 amounting to US$8,1 billion needed to be refunded to the CBN.

MTN Nigeria strongly refuted these allegations and claims, stating that no dividends had been declared or paid by MTN Nigeria other than pursuant to CCIs issued by its bankers and with the approval of the CBN as required by law.

On 27 December 2018, MTN Group announced that MTN Nigeria had held various engagements in order to find an equitable resolution to the matter. In particular, a series of meetings were held in Lagos with CBN officials during November 2018. At these meetings MTN Nigeria provided additional material documentation which satisfactorily clarified its remittances.

The CBN, upon review of the additional documentation, concluded that MTN Nigeria is no longer required to reverse the historical dividend payment made to MTN Nigeria shareholders. However, the CBN maintained that the proceeds from the preference shares in MTN Nigeria's private placement remittances of 2008 of circa US$1 billion were irregular having been based on CCIs that only had approval-in-principle, but not final regulatory approval by the CBN.

The CBN instructed MTN Nigeria to implement a notional reversal of the 2008 private placement of shares at a net cost of circa N19,1 billion (CBN resolution amount) (the CBN resolution amount was equivalent to US$50,6 million at the time of the announcement). This was on the basis that certain CCIs utilised in the private placement were not properly issued.

MTN Nigeria and the CBN agreed to resolve the matter on the basis that MTN Nigeria had to pay the CBN resolution amount without admission of liability. In terms of the resolution agreement, the CBN will regularise all the CCIs issued on the investment by the shareholders of MTN Nigeria of circa US$402,6 million without regard to any historical disputes relating to those CCIs, thereby bringing to a final resolution all incidental disputes arising from this matter.

MTN Nigeria recognised an expense to the equivalent of R744 million in December 2018 and paid the CBN resolution amount on 4 January 2019.

2.5 Finance income and finance costs

Finance income
Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange gains and any gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs
Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, fair value movements, net foreign exchange losses and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction or production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

	2018 Rm	2017 Rm
Interest income on loans and receivables	1 120	2 109
Interest income on bank deposits	872	1 379
Finance income	**1 992**	**3 488**
Interest expense on financial liabilities measured at amortised cost[1]	(8 422)	(8 400)
Net foreign exchange losses	(1 901)	(4 355)
Finance costs	**(10 323)**	**(12 755)**
Net finance costs recognised in profit or loss	**(8 331)**	**(9 267)**

[1] R812 million (2017: R1,0 billion) relates to the discount unwind on the MTN Nigeria regulatory fine liability.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.6 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 Group. 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 Group 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 Group being incentivised economically to transact with MTN under the current master services agreement.

2.7 Earnings per ordinary share

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after tax dilutive effect. The company has dilutive potential ordinary shares which comprise share options and share rights issued in terms of the group's share schemes, performance share plan and MTN Zakhele Futhi.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 4/2018 issued by the South African Institute of Chartered Accountants (SAICA).

	2018 '000	2017 '000
Weighted average number of shares (excluding treasury shares) for calculation of basic earnings per share	**1 797 603**	1 797 414
Adjusted for:		
– Share options – MTN Zakhele Futhi	**22 967**	28 536
– Share appreciation rights	**–**	32
– Performance share plan	**3 713**	3 028
– Employee share ownership plan	**157**	5
Weighted average number of shares for calculation of diluted earnings per share	**1 824 440**	1 829 015

Refer to note 8.1 for a reconciliation of total shares in issue.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.7 Earnings per ordinary share (continued)

Reconciliation between net profit attributable to the equity holders of the company and headline earnings:

	2018 Gross Rm	2018 Net[2] Rm	2017 Restated[1] Gross Rm	2017 Restated[1] Net[2] Rm
Profit after tax		8 719		4 416
Adjusted for:				
Loss/(profit) on disposal of property, plant and equipment and intangible assets	20	26	(11)	(15)
– subsidiaries (IAS 16)	44	44	(8)	(13)
– joint ventures (IAS 28)	(24)	(18)	(3)	(2)
Profit on disposal of subsidiary (IFRS 10)	(2 112)	(2 112)	–	–
Impairment of goodwill (IAS 36)	312	312	2 631	2 631
(Net impairment reversal)/net impairment loss on property, plant and equipment and intangible assets (IAS 36)	(206)	(164)	3 045	2 319
Net gain on dilution of investment in associate and joint venture (IAS 28)	(703)	(703)	(28)	(28)
– Subsidiaries	(569)	(569)	(28)	(28)
– Joint ventures	(134)	(134)	–	–
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	(23)	(23)	(27)	(27)
Profit on derecognition of equity-accounted investment (IAS 28)	–	–	(6 017)	(6 017)
Headline earnings		6 055		3 279

	2018	2017
Earnings per ordinary share (cents)		
– Basic	485	246
– Basic headline	337	182
– Diluted	478	241
– Diluted headline	332	179

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] Amounts are measured after taking into account non-controlling interests and tax.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)
2.8 Cash generated from operations

	2018 Rm	2017 Restated[1] Rm
Profit before tax	**15 008**	9 570
Adjusted for:		
Finance costs (note 2.5)	10 323	12 755
Finance income (note 2.5)	(1 992)	(3 488)
Depreciation of property, plant and equipment (note 5.1)	19 709	19 277
Amortisation of intangible assets (note 5.2)	4 649	4 490
Loss/(gain) on disposal of property, plant and equipment and intangible assets (note 2.4)	44	(8)
Gain on disposal of subsidiary (note 2.3)	(2 112)	–
Gain on dilution of investment in associate and joint venture (note 2.3)	(569)	(28)
Amortisation of contract costs (note 2.4)	58	19
Share of results of associates and joint ventures after tax (note 9.2)	527	(840)
Increase in provisions	1 666	982
Net (reversal of write-down)/write-down of inventories (note 4.1)	(84)	162
Impairment of goodwill (note 5.2)	312	2 631
Net (impairment reversal)/impairment loss on property, plant and equipment (note 5.1)	(172)	2 518
Net (impairment reversal)/impairment loss on intangible assets (note 5.2)	(34)	527
Impairment of trade receivables and contract assets (note 4.2)	810	836
Realisation of previously deferred gain (note 2.3)	(23)	(27)
Share-based payment transactions (note 8.4)	399	193
Net monetary gain	(290)	(264)
Share-based payment transaction – MTN Zakhele Futhi (note 8.1)	–	434
Loss on derecognition of long-term loan receivable (note 2.6)	–	2 840
Gain on modification of financial liabilities (note 2.3)	–	(323)
Gain on exercise of exchange right in IHS Group (note 2.3)	–	(6 017)
CBN resolution (note 2.4.1)	744	–
ZTE settlement (note 2.3)	(344)	–
Other	(229)	(70)
	48 400	46 169
Changes in working capital	(8 055)	(7 685)
Decrease in inventories	102	485
Increase in contract assets and capitalised contract costs	(474)	(88)
Decrease in contract liabilities	(344)	(689)
Increase in receivables and prepayments	(821)	(2 649)
Decrease in trade and other payables	(6 518)	(4 744)
Cash generated from operations	**40 345**	38 484

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

2 RESULTS OF OPERATIONS (continued)

2.9 Reconciliation of cash flows arising from financing activities related to borrowings

	2018 Rm	2017 Restated[1] Rm
Borrowings at the beginning of the year	79 648	86 954
Current	9 081	19 635
Non-current	70 567	67 319
Cash flows	(2 140)	(1 319)
Proceeds from borrowings raised	25 219	23 287
Repayment of borrowings	(27 359)	(24 606)
Other movements	7 238	(5 987)
Effects of changes in foreign exchange rates	9 532	(6 300)
Interest accrued	4 239	4 156
Other movements[2]	(6 533)	(3 843)
Borrowings at the end of the year	84 746	79 648
Comprising:		
– current	12 183	9 081
– non-current	72 563	70 567

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatement.
[2] Comprises interest paid which is presented as part of operating activities.

3 TAXATION

3.1 Income tax expense

The tax expense for the period comprises current, deferred and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

Deferred tax is not provided on temporary differences arising on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

As the functional currencies of MTN Sudan, MTN South Sudan and MTN Syria are currencies of hyperinflationary economies, deferred tax relating to these subsidiaries is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their restated carrying amounts.

Withholding tax

Withholding tax is payable at different rates varying between 0% and 25% on amounts paid to the group companies by certain of their subsidiaries as dividends, interest and management fees.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

3 TAXATION (continued)

3.1 Income tax expense (continued)

Analysis of income tax expense for the year	2018 Rm	2017 Restated[1] Rm
Normal tax	(5 568)	(5 020)
Current year	(5 751)	(4 875)
Adjustments in respect of the prior year	183	(145)
Deferred tax (note 3.2)	1 009	869
Current year	1 201	743
Adjustments in respect of the prior year	(192)	126
Foreign income and withholding taxes	(871)	(869)
	(5 430)	(5 020)

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

The table below explains the differences between the expected tax expense on continuing operations, at the South African statutory rate of 28% and the group's total tax expense for each year.

The group's effective tax rate is reconciled to the South African statutory rate as follows:

Tax rate reconciliation	2018 %	2017 (Restated)[1] %
Tax at statutory tax rate	28	28
Expenses not allowed	12,19	50,75
Nigeria regulatory fine and related expenses[2]	2,16	4,53
CBN resolution	1,38	–
Sudan non-deductible expenses	2,55	10,98
MTN Zakhele Futhi share-based payment expense	–	1,27
Assessed loss on which deferred tax was not recognised	1,73	2,78
Disallowed interest expenses	2,22	2,56
Goodwill impairment	0,58	7,71
Controlled foreign company legislation imputation	0,95	1,90
Loss on derecognition of long-term loan receivable	–	8,32
Other	0,62	10,70
Effect of different tax rates in other countries	0,78	(7,23)
Income not subject to tax	(5,77)	(19,27)
Exempt income	(1,83)	(1,13)
Non-taxable gain from MTN Cyprus sale	(3,94)	–
Gain on exchange right exercised	–	(18,14)
Share of results of associates and joint ventures	0,98	(2,46)
Foreign income and withholding taxes	5,80	9,09
Other	(5,80)	(6,42)
Effective tax rate	36,18	52,46

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] This line item includes unwinding interest on the Nigeria fine liability and the amortisation of fees related to the listing of MTN Nigeria (note 2.4).

Notes to the group financial statements (continued)
for the year ended 31 December 2018

3 TAXATION (continued)
3.1 Income tax expense (continued)

The following are the corporate tax rates applicable to the various jurisdictions in which the group operates:

	Corporate tax rate	
Country	**2018 %**	2017 %
Afghanistan	**20**	20
Benin	**30**	30
Cameroon	**33**	33
Congo Brazzaville[1]	**15**	15
Cote d'Ivoire S.A	**30**	30
Cyprus	**12,5**	12,5
Ethiopia	**30**	30
Ghana	**25**	25
Guinea-Bissau	**25**	25
Guinea-Conakry	**35**	35
Kenya	**30**	30
Liberia	**25**	25
Namibia	**32**	32
Netherlands	**25**	25
Nigeria	**30**	30
Rwanda	**30**	30
South Africa	**28**	28
South Sudan	**20**	20
Sudan	**5**	5
Syria	**14**	14
Uganda	**30**	30
Yemen	**50**	50
Zambia	**40**	40

[1] The entity was granted a tax holiday until April 2016. From April 2016 the entity was granted a 50% reduction on its corporate tax rate as a result of its investment agreement with the government, in terms of this agreement, the reduction in the corporate tax rate is valid for five years.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

3 TAXATION (continued)

3.2 Deferred taxes

Deferred tax is accounted for in accordance with the accounting policy disclosed in note 3.1.

	1 January 2017 Restated[2] Rm	Recognised in profit or loss Restated[2] Rm	Recognised in other comprehensive income Rm
Provisions	1 508	338	–
Tax loss carried forward	215	190	–
Arising due to fair value adjustments on business combinations/revaluations	(1 314)	35	–
Working capital allowances	401	67	–
Tax allowances in excess of depreciation	(8 998)	(549)	–
Losses on net investment hedges	797	–	(6)
Other temporary differences	(1 046)	788	–
Net deferred tax liability	(8 437)	869	(6)
Comprising:			
Deferred tax assets	1 102		
Deferred tax liabilities	(9 539)		
	(8 437)		

[1] Including the effect of hyperinflation.
[2] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

There were deductible temporary differences and unused tax losses of R5 625 million (2017: R5 065 million) for which no deferred tax asset had been recognised in the statement of financial position at year-end.

2018

Year of expiry	2019	2020	2021	2022	2023	Total
Amount (Rm)	698	1 992	1 829	881	215	5 615
No expiry (Rm)	–	–	–	–	–	10
Total	698	1 992	1 829	881	215	5 625

2017

Year of expiry	2018	2019	2020	2021	2022	Total
Amount (Rm)	366	698	1 992	1 829	180	5 065
No expiry (Rm)	–	–	–	–	–	–
Total	366	698	1 992	1 829	180	5 065

3.3 Income tax paid

	2018 Rm	2017 Restated[1] Rm
At beginning of the year	214	(2 275)
Amount recognised in profit or loss (note 3.1)	(5 430)	(5 020)
Deferred tax charge (note 3.1)	(1 009)	(869)
Effect of movements in exchange rates	(159)	322
Current tax recognised in OCI	974	(651)[2]
Withholding tax credits	48	644
Other	322	467
At end of the year	13	(214)
Taxation prepaid	(2 974)	(2 632)
Taxation liabilities	2 987	2 418
Total tax paid	(5 027)	(7 596)

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] Current tax recognised in OCI was aggregated with other in 2017. In 2018, the amounts were disaggregated and comparative numbers have been updated accordingly.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

Exchange and other movements[1] Restated[2] Rm	31 December 2017 Restated[2] Rm	Effect of IFRS 9 Rm	1 January 2018 Restated[2] Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Exchange and other movements[1] Rm	31 December 2018 Rm
74	1 920	–	1 920	2 153	–	75	4 148
(8)	397	–	397	11	–	1	409
(129)	(1 408)	–	(1 408)	741	–	(17)	(684)
104	572	77	649	(650)	–	(49)	(50)
1 470	(8 077)	–	(8 077)	(470)	–	(657)	(9 204)
–	791	–	791	–	4	–	795
(350)	(608)	–	(608)	(776)	–	175	(1 209)
1 161	(6 413)	77	(6 336)	1 009	4	(472)	(5 795)
	1 590		1 590				3 702
	(8 003)		(7 926)				(9 497)
	(6 413)		(6 336)				(5 795)

Notes to the group financial statements (continued)

for the year ended 31 December 2018

4 WORKING CAPITAL

4.1 Inventories

Inventories mainly comprise handsets, SIM cards, accessories held for sale and consumable items.

Inventories are measured at the lower of cost and net realisable value. The cost of inventory is determined using the weighted average method. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are the currencies of hyperinflationary economies, inventories relating to these subsidiaries are measured at the lower of the restated cost and net realisable value.

	2018 Rm	2017 Rm
Finished goods – at cost	**3 741**	3 840
Handsets	**2 995**	2 658
SIM cards and accessories	**746**	1 182
Consumables	**107**	61
Less: Write-down to net realisable value[1]	**(853)**	(901)
	2 995	3 000

[1] The write-down of inventories to net realisable value mainly relates to handsets.

Scancom PLC (MTN Ghana) has secured facilities through the pledge of its inventories amounting to R30 million (2017: R56 million) (note 6.1).

Reconciliation of write-down of finished goods

	At beginning of the year Rm	Additions[1] Rm	Reversals[1] Rm	Utilised Rm	Exchange and other movements Rm	At end of the year Rm
2018						
Movement in write-down	**(901)**	**(190)**	**274**	**13**	**(49)**	**(853)**
2017						
Movement in write-down	(1 152)	(297)	135	376	37	(901)

[1] A net reversal on inventories of R84 million (2017: R162 million net write-down) was recognised in the current year. This amount is included in other operating expenses in profit or loss (note 2.4).

4.2 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Prepayments and other receivables are stated at their nominal values.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, prepayments relating to these subsidiaries are restated by applying the change in the general price indices from the date of payment to the current reporting date.

	2018 Rm	2017 Restated[1] Rm
Trade receivables (note 7.1.4)	**17 664**	17 915
Less: Allowance for impairment of trade receivables (note 7.1.4)	**(3 035)**	(2 753)
Net trade receivables	**14 629**	15 162
Loan to Iran[2]	**1 730**	2 071
Loan to Ghana Tower InterCo B.V.[3]	**884**	–
Receivable from Iran[4]	**1 031**	3 355
Prepayments and other receivables[5]	**2 809**	3 025
Sundry debtors and advances[6]	**5 586**	4 862
	26 669	28 475

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] This balance relates to a loan receivable from Iran and was due on 30 September 2017 but remains outstanding at year-end. The amount outstanding was translated at the CBI rate (note 1.5.3 and note 7.6).
[3] The loan to Ghana Tower InterCo B.V. attracts interest at a fixed interest rate of 21,87% per annum. The loan is repayable in 2019.
[4] R1 296 million (2017: R6 509 million) of the outstanding balance was received during the current financial year. The amount outstanding was translated at the SANA rate (note 1.5.3 and note 7.6). Subsequent to year-end, MTN (Mauritius) Investments Limited (MTN Mauritius) and Iran signed an agreement to convert Iranian rial-denominated receivables amounting to R505 million into a loan with a two-year term accruing interest at 18% per annum.
[5] Prepayments and other receivables include prepayments for base transceiver station (BTS) sites and other property leases.
[6] Sundry debtors and advances include advances to suppliers and receivables from related parties (note 10.1).

Notes to the group financial statements (continued)

for the year ended 31 December 2018

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables (continued)

An allowance for impairment of R549 million (2017: R836 million) was incurred in the current year. This amount is included in impairment of trade receivables and contract assets in profit or loss (note 2.4). Additionally, R261 million was written-off directly to profit or loss during the year.

MTN Ghana has secured facilities through the pledge of its trade and other receivables amounting to R959 million (2017: R1 055 million) (note 6.1).

The group does not hold any collateral for trade and other receivables.

The group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 7.1.

On 8 May 2018, the US announced its decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) agreement and to reimpose economic sanctions against Iran. The first round of these sanctions became effective on 7 August 2018 and a second phase of sanctions became effective on 5 November 2018. The sanctions may limit the ability of the group to repatriate cash from Iran, including future dividends.

4.3 Restricted cash

Restricted cash comprises short-term deposits that are not highly liquid and are accounted for at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Restricted cash deposits include amounts of R145 million (2017: R182 million) and R1 469 million (2017: R1 427 million) relating to the Syrian and Nigerian operations respectively, which are not available for use by the group.

In respect of Syria, this was due to exchange control regulations and deposits required to secure letters of credit. The restricted cash balance is considered to represent excess cash not required for payment of Syrian pound denominated liabilities.

In respect of Nigeria, restricted cash mainly comprises money placed on deposit with banks to secure letters of credit.

Restricted cash also includes R623 million relating to Spacetel Benin S.A (MTN Benin) for mobile money. This is not available for use by the group.

4.4 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the group has a current legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 Rm	2017 Rm
Cash at bank and on hand	15 837	16 009
Bank overdrafts	(255)	(72)
Cash classified as held for sale (note 9.3.2)	(615)	–
Net cash and cash equivalents	**14 967**	15 937

MTN Ghana has secured facilities through the pledge of its cash and cash equivalents amounting to R1 103 million (2017: R542 million) (refer to note 6.1).

Notes to the group financial statements (continued)
for the year ended 31 December 2018

4 WORKING CAPITAL (continued)
4.5 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Other payables are stated at their nominal values.

	2018 Rm	2017 Restated[1] Rm
Trade payables	**13 712**	11 264
Sundry creditors	**2 437**	3 674
Accrued expenses[2]	**22 182**	21 999
Nigeria regulatory fine[3]	**4 150**	3 481
Other payables[4]	**5 873**	5 438
	48 354	45 856

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] Includes accruals for operating expenses, inventories and capital expenditure for which supplier invoices are outstanding at year-end.
[3] The accrual for the Nigeria regulatory fine comprises N110 billion (2017: N110 billion) discounted at 14,71% per annum and translated at the 31 December 2018 closing rate of R1 = N25,33 (2017: R1 = N29,05). The amount of N110 billion is payable in two final instalments of N55 billion on 31 March 2019 and 31 May 2019 respectively.
[4] Includes dealer commissions, withholding taxes and VAT payable.

5 INFRASTRUCTURE INVESTMENTS
5.1 Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Property, plant and equipment acquired through business combinations are initially shown at fair value (based on replacement cost) and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment losses.

Property, plant and equipment under construction (capital work-in-progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment, i.e. when commissioned and ready for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment. The group capitalises general and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are expensed in profit or loss.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to provisions (note 6.3) for further information about the recognised decommissioning provision and the accounting judgements, estimates and assumptions made.

In circumstances whereby the group enters into an exchange transaction, the group determines whether such an exchange has commercial substance. Property, plant and equipment acquired in an exchange transaction are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. Any consideration paid or payable is included in the cost of the asset received. Property, plant and equipment received for no consideration are accounted for at zero value.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, property, plant and equipment relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives. Depreciation relating to the property, plant and equipment of MTN South Sudan, MTN Sudan and MTN Syria is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)
5.1 Property, plant and equipment (continued)

Useful lives and residual values are reviewed on an annual basis and the effect of any changes in estimate is accounted for on a prospective basis.

In determining residual values, the group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

The estimated useful lives of property, plant and equipment are as follows:

	2018 Years	2017 Years
Buildings – owned	5 – 50	5 – 50
Buildings – leased	1 – 20	1 – 20
Network infrastructure	2 – 20	2 – 20
Information systems equipment	1 – 10	1 – 10
Furniture and fittings	3 – 15	3 – 15
Leasehold improvements	2 – 15	2 – 15
Office equipment	2 – 12	2 – 12
Vehicles	3 – 10	3 – 10

Land is not depreciated. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are included in profit or loss during the financial period in which they are incurred. The gain or loss arising on the disposal or retirement of an asset is included in profit or loss.

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Goodwill arising from business combinations is allocated to CGUs or the group of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

The group annually reviews the carrying amounts of its property, plant and equipment in order to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

	Land and buildings[1] Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles[2] Rm	Total Rm
Carrying amount at 1 January 2017	6 226	1 076	72 880	4 072	11 063	316	95 633
Additions	474	165	16 520	1 317	9 423	105	28 004
Disposals	–	(2)	(105)	(3)	(38)	–	(148)
Reallocations	166	391	8 331	551	(9 729)	88	(202)
Depreciation for the year	(417)	(256)	(16 471)	(1 663)	(314)	(156)	(19 277)
Impairment (loss)/reversal	(49)	(11)	(1 673)	(40)	(742)	(3)	(2 518)
Other movements	–	1	4	8	130	6	149
Effect of movements in exchange rates[3]	(307)	(81)	(7 949)	(342)	(1 144)	(32)	(9 855)
Carrying amount at 31 December 2017	6 093	1 283	71 537	3 900	8 649	324	91 786
Comprising:							
Cost	9 136	3 459	160 983	13 359	10 701	955	198 593
Accumulated depreciation and impairment losses	(3 043)	(2 176)	(89 446)	(9 459)	(2 052)	(631)	(106 807)
	6 093	1 283	71 537	3 900	8 649	324	91 786
Carrying amount at 1 January 2018	**6 093**	**1 283**	**71 537**	**3 900**	**8 649**	**324**	**91 786**
Additions	**206**	**135**	**12 377**	**1 225**	**9 534**	**124**	**23 601**
Disposals	**(1)**	**(2)**	**(77)**	**(7)**	**–**	**(9)**	**(96)**
Reallocations	**36**	**204**	**9 711**	**804**	**(11 013)**	**15**	**(243)**
Disposal of subsidiary	**(83)**	**(22)**	**(799)**	**(86)**	**(103)**	**–**	**(1 093)**
Depreciation for the year	**(351)**	**(274)**	**(16 791)**	**(1 823)**	**(325)**	**(145)**	**(19 709)**
Impairment (loss)/reversal	**11**	**–**	**188**	**5**	**(32)**	**–**	**172**
Other movements	**–**	**–**	**(1)**	**3**	**(132)**	**4**	**(126)**
Effect of movements in exchange rates[3]	**175**	**129**	**4 683**	**295**	**969**	**38**	**6 289**
Carrying amount at 31 December 2018	**6 086**	**1 453**	**80 828**	**4 316**	**7 547**	**351**	**100 581**
Comprising:							
Cost	**9 568**	**3 913**	**181 173**	**14 734**	**10 276**	**1 124**	**220 788**
Accumulated depreciation and impairment losses	**(3 482)**	**(2 460)**	**(100 345)**	**(10 418)**	**(2 729)**	**(773)**	**(120 207)**
	6 086	**1 453**	**80 828**	**4 316**	**7 547**	**351**	**100 581**

[1] Included in land and buildings are leased assets with a carrying amount of R111 million (2017: R128 million).

[2] Included in vehicles are leased assets with a carrying amount of R38 million (2017: R47 million).

[3] Includes the effect of hyperinflation.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment reversal

The following entities recognised impairment (losses)/reversals in other operating expenses in profit or loss:

	2018 Rm	2017 Rm
MTN Sudan	273	(1 518)
MTN Syria	–	(994)
Other	(101)	(6)
	172	(2 518)

MTN Sudan is operating in a hyperinflationary economy from 1 July 2018 onwards while MTN Syria and MTN South Sudan continue to operate in hyperinflationary economies (see note 1.5.6). Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. The value in use of these assets did not exceed the hyperinflated carrying values resulting in the non-monetary assets being impaired in 2017. During 2018, R306 million of the previously recorded impairment was reversed for MTN Sudan on property, plant and equipment (R273 million) as well as intangible assets (R33 million). This amount represents the full impairment recognised during 2017, translated at a significantly weaker exchange rate.

5.1.2 Leased property, plant and equipment

The group leases various premises and sites which have varying terms, escalation clauses and renewal rights. The carrying amount of the leased items of property, plant and equipment is disclosed in note 5.1.

Finance lease commitments are disclosed in note 6.6.

5.1.3 Capital work-in-progress

There are various capital work-in-progress projects under way within the group, a summary of which is set out below:

	2018 Rm	2017 Rm
Mobile Telephone Networks Proprietary Limited (MTN South Africa)	311	151
MTN Ghana	100	676
MTN Sudan	152	9
MTN Nigeria	605	519
MTN Guinea-Conakry	132	111
MTN Côte d'Ivoire S.A. (MTN Ivory Coast)	232	100
MTN Benin	233	158
MTN Dubai	2	168
MTN Yemen	288	186
MTN Syria	196	873
MTN Congo S.A. (MTN Congo Brazzaville)	139	315
MTN Cameroon Limited (MTN Cameroon)	357	728
Global Connect Solutions Limited	357	–
Other	219	532
	3 323	4 526

5.1.4 Changes in estimates

There were no material changes in the depreciation method, residual values or useful lives for any of the categories of property, plant and equipment during the current or prior year.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.5 Encumbrances

Borrowings (note 6.1) are secured by various categories of property, plant and equipment with the following carrying amounts:

	2018 Rm	2017 Rm
MTN Ghana	**7 407**	6 226
MTN Sudan	**727**	1 325
	8 134	7 551

5.2 Intangible assets and goodwill

Goodwill

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, goodwill relating to these subsidiaries is restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Goodwill arising on the acquisition of subsidiaries is included in intangible assets. Goodwill arising on the acquisition of an associate or joint venture is included in 'Investment in associates and joint ventures' and is tested for impairment as part of the overall balance.

Gains or losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

The group annually reviews the carrying amounts of intangible assets and goodwill with indefinite useful lives for impairments. The recoverable amounts of the assets are estimated in order to determine the extent, if any, of the impairment loss.

Intangible assets with finite useful lives

The group's intangible assets with finite useful lives are as follows:

- Licences;
- Customer relationships;
- Computer software; and
- Other intangible assets.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. The initial cost incurred in respect of licences is capitalised. Contingent licence fees are expensed as they are incurred.

As the functional currencies of MTN South Sudan, MTN Sudan and MTN Syria are currencies of hyperinflationary economies, intangible assets relating to these subsidiaries are restated by applying the change in the general price indices from the date of acquisition to the current reporting date.

Amortisation is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. Amortisation relating to MTN South Sudan, MTN Sudan and MTN Syria is based on the restated amounts, which have been adjusted for the effects of hyperinflation.

Useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)
5.2 Intangible assets and goodwill (continued)
Intangible assets with finite useful lives (continued)

The basis for determining the useful lives for the various categories of intangible assets is as follows:

	Basis for determining useful lives	2018 Years	2017 Years
Licences	The useful lives are determined primarily with reference to the unexpired licence period.	**3 – 25**	3 – 20
Customer relationships	The useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to factors such as customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life.	**5 – 10**	5 – 10
Software	The useful life is determined with reference to the licence term of the computer software. For unique software products controlled by the group, the useful life is based on historical experience with similar assets as well as anticipation of future events such as technological changes, which may impact the useful life.	**3 – 6**	3 – 6
Other intangible assets	Useful lives are based on management's estimates and take into account historical experience as well as future events which may impact the useful lives.	**3 – 10**	3 – 10

The gain or loss arising on the disposal or retirement of an intangible asset is included in profit or loss.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure that enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and capitalised to the original cost of the assets. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment
An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is subsequently reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

An impairment loss in respect of goodwill is not reversed.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[1,2] Rm	Other intangible assets Rm	Capital work-in-progress[2] Rm	Total Rm
Carrying amount at 1 January 2017	22 068	14 815	883	7 601	250	856	46 473
Additions	–	699	–	2 197	9	1 260	4 165
Reallocations	–	105	–	1 355	–	(1 258)	202
Amortisation for the year	–	(1 703)	(205)	(2 579)	(3)	–	(4 490)
Impairment (loss)/ reversal[3]	(2 631)	(533)	–	(17)	23	–	(3 158)
Other movements	–	–	–	–	(25)	1	(24)
Effect of movements in exchange rates[4]	(2 799)	(1 672)	(1)	(365)	3	(4)	(4 838)
Carrying amount at 31 December 2017	16 638	11 711	677	8 192	257	855	38 330
Comprising:							
Cost	22 679	21 045	1 341	20 074	5 375	855	71 369
Accumulated amortisation and impairment losses	(6 041)	(9 334)	(664)	(11 882)	(5 118)	–	(33 039)
	16 638	11 711	677	8 192	257	855	38 330
Carrying amount at 1 January 2018	**16 638**	**11 711**	**677**	**8 192**	**257**	**855**	**38 330**
Additions	**–**	**2 096**	**–**	**1 915**	**12**	**502**	**4 525**
Reallocations	**–**	**78**	**–**	**1 377**	**(48)**	**(1 164)**	**243**
Disposal of subsidiary	**(882)**	**(200)**	**(1)**	**(109)**	**–**	**(5)**	**(1 197)**
Amortisation for the year	**–**	**(1 540)**	**(202)**	**(2 904)**	**(3)**	**–**	**(4 649)**
Impairment (loss)/ reversal[3]	**(312)**	**30**	**–**	**4**	**–**	**–**	**(278)**
Reclassified to held for sale	**–**	**–**	**–**	**–**	**(302)**	**–**	**(302)**
Other movements	**–**	**–**	**–**	**(10)**	**75**	**–**	**65**
Effect of movements in exchange rates[4]	**1 792**	**1 407**	**2**	**299**	**9**	**85**	**3 594**
Carrying amount at 31 December 2018	**17 236**	**13 582**	**476**	**8 764**	**–**	**273**	**40 331**
Comprising:							
Cost	**21 798**	**24 765**	**1 309**	**21 979**	**5 498**	**273**	**75 622**
Accumulated amortisation and impairment losses	**(4 562)**	**(11 183)**	**(833)**	**(13 215)**	**(5 498)**	**–**	**(35 291)**
	17 236	**13 582**	**476**	**8 764**	**–**	**273**	**40 331**

[1] Included in software are leased assets with a carrying amount of R639 million (2017: R690 million).

[2] Included in software and capital work-in-progress is internally generated intangible assets with a carrying value of R1,9 billion (2017: R2.2 billion) and R160 million (2017: R409 million) respectively. During the year amortisation of R494 million (2017: R238 million) was recognised.

[3] The impairment loss in respect of licences included an amount of R172 million and R354 million relating to MTN Sudan and MTN Syria, respectively, for the prior financial year and a reversal relating to MTN Sudan of R33 million in 2018.

[4] Includes the effect of hyperinflation.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill

A summary of the goodwill allocation and related assumptions applied for impairment testing purposes is presented below:

	2018			2017		
	Growth rate %	Discount rate %	Goodwill carrying amount Rm	Growth rate %	Discount rate %	Goodwill carrying amount Rm
MTN Ivory Coast	2,0	11,1	3 066	2,0	9,7	2 682
MTN Ghana	6,0	19,5	4 643	6,0	17,5	4 330
MTN Sudan	61,0	100,7	–	14,0	39,0	–
MTN Yemen	5,0	29,2	1 123	9,0	31,7	1 202
MTN Afghanistan Limited (MTN Afghanistan)	5,0	18,6	525	6,0	17,6	490
MTN Uganda Limited (MTN Uganda)	5,0	16,9	627	5,0	15,1	551
MTN Congo Brazzaville	3,0	19,2	1 013	2,4	16,0	909
MTN Cyprus	–	–	–	2,0	10,1	787
MTN Benin	1,9	12,1	1 389	2,0	24,7	1 192
MTN South Africa	5,5	13,0	2 583	5,5	12,0	2 583
MTN Liberia	8,5	30,0	369	7,1	25,0	312
MTN Rwandacell Limited (MTN Rwanda)	5,0	16,9	351	5,0	15,1	313
MTN Nigeria (Visafone)	14,5	27,4	395	14,5	25,5	345
MTN Zambia Limited (MTN Zambia)	8,0	22,5	199	8,0	19,2	204
Spacetel Guinea-Bissau S.A. (MTN Guinea-Bissau)	2,8	17,2	375	2,5	13,6	322
Other			578			416
Total			**17 236**			16 638

Goodwill is tested annually for impairment. The recoverable amounts of CGUs were determined based on value in use calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to four-year (2017: three to five-year) period. Management is confident that projections covering periods longer than three years (MTN Yemen) are appropriate in order for terminal values to be determined using steady state cash flows. Cash flows beyond the above period were extrapolated using the estimated growth rates as mentioned above. These growth rates are in line with industry norms.

The following key assumptions were used for the value in use calculations:

- Growth rates: the group used steady growth rates to extrapolate revenues beyond the budget period cash flows. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates used ranged from 1,9% to 61,0% (2017: 2% to 15,0%); and
- Discount rates: discount rates ranged from 11,1% to 100,7% (2017: 9,7% to 41,9%). Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

Impairment losses were recognised relating to the following entities:

	Impairment losses		Recoverable amount[1]	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
MTN Afghanistan	**–**	841	**1 426**	2 317
MTN Yemen	**312**	807	**1 892**	1 769
MTN Sudan	**–**	983	**1 169**	2 963
	312	2 631	**4 487**	7 049

[1] This includes any minority portion of the recoverable amount of CGU.

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 in the current year, resulting in decreased forecast cash flows at 31 December 2018.

An impairment charge amounting to R312 million was recognised against the goodwill of MTN Yemen. MTN Yemen continued to be plagued by political instability and subdued economic conditions. As at 31 December 2018, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment charge. The goodwill balance for MTN Yemen at 31 December 2018 amounts to R1 123 million, after recognising cumulative impairment charges of R1 119 million.

The group performed the annual impairment assessments on all goodwill balances at 31 December 2018.

Recoverable amounts are represented by a CGU's value in use. A specific change in the discount and growth rates (see below) would result in the recoverable amount being equal to the carrying amount of the net assets of the following CGUs:

	2018		2017	
	Absolute change to discount rate (%)	**Absolute change to growth rate (%)**	Absolute change to discount rate (%)	Absolute change to growth rate (%)
MTN Afghanistan	**0,28**	**(0,35)**	5,25	(1,50)
MTN Liberia*	**–**	**–**	3,45	(3,10)
MTN Guinea-Bissau*	**–**	**–**	–	–
MTN Yemen*	**–**	**–**	–	–

* A minimal change in the discount and growth rates at 31 December 2018 would result in the carrying amount exceeding the recoverable amount of the net assets.

The recoverable amount of MTN Afghanistan exceeded its carrying amount by R47 million. For MTN Liberia and MTN Guinea-Bissau the recoverable amount was equal to the carrying amount.

5.2.2 Encumbrances

Borrowings are secured by intangible assets of MTN Ghana with a carrying amount of R1 216 million (2017: R934 million) (note 6.1).

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences

Licence agreements	Type	Granted/renewed	Term
MTN South Africa	ECS licence	15/01/2009	15 years
	ECNS licence	15/01/2009	20 years
	900MHz	29/01/2003	Renewable annually
	1800MHz	29/10/2004	Renewable annually
	2100MHz	02/02/2005	Renewable annually
	6GHz	14/06/2010	Renewable annually
	7GHz	14/06/2010	Renewable annually
	8GHz	14/06/2010	Renewable annually
	10.5GHz	07/02/2006	Renewable annually
	11GHz	23/03/2009	Renewable annually
	13GHz	06/04/2009	Renewable annually
	15GHz	21/10/2005	Renewable annually
	18GHz	14/06/2010	Renewable annually
	23GHz	14/06/2010	Renewable annually
	26GHz Sub 17	21/10/2005	Renewable annually
	26GHz Sub 18	07/02/2006	Renewable annually
	28GHz	12/04/2012	Renewable annually
	38GHz	07/10/2005	Renewable annually
	Ku band	02/10/2012	Renewable annually
	Eband	13/12/2007	Renewable annually
MTN Uganda[1]	900MHz	15/04/1998	TBC
	1800MHz	15/04/1998	TBC
MTN Rwanda	GSM	01/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Nigeria	1800MHz[2]	03/11/2015	5 years
	900MHz[2]	03/11/2015	5 years
	3G spectrum licence	01/05/2007	15 years
	Unified access licence (including international gateway)	01/09/2006	15 years
	WACS	01/01/2010	20 years
	WiMax 3.5GHz spectrum	2007	Renewable annually
	Microwave spectrum 8GHz – 26GHz	2001	Renewable annually
	800MHz spectrum (Visafone)	01/01/2015	10 years
	2.6GHz spectrum[3]	01/08/2016	10 years
	Unified Access Service Licence (Visafone)[4]	01/07/2007	10 years
	700MHz Spectrum Licence[3]	TBC	TBC
MTN Zambia	National Service Licence	31/08/2010	15 years
	International Network Licence	31/08/2010	15 years
MTN Ghana	800MHz	21/06/2016	15 years
	BroadBand Wireless Access	01/12/2018	15 years
	2 600MHz radio access	01/12/2018	15 years
	900MHz	02/12/2004	15 years
	1800MHz	02/12/2004	15 years
	International gateway	08/11/2014	5 years
	Fixed access service of united access	06/07/2015	4 years
	3G	23/01/2009	15 years
	4G (LTE) Spectrum	01/06/2016	15 years

[1] Negotiations with the Uganda Communications Commission is ongoing to grant a formal long-term licence extension. In the interim short-term extensions of MTN Uganda's licence has been granted with the latest expiring on 22 April 2019.
[2] The tenure of the licences has been extended to August 2021.
[3] The Nigerian Communications Commission suspended the effective date (16 June 2018) of the licence until all encumbrances (interferences on the network) have been cleared.
[4] Application to renew has been submitted to the Nigerian Communications Commission and is under consideration.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.3 Licences (continued)

Licence agreements	Type	Granted/renewed	Term
MTN Cameroon	2G	15/02/2015	15 years
	3G	15/02/2015	15 years
	4G	15/02/2015	15 years
MTN Ivory Coast	3G/UMTS 1,9/2,1GHz	31/05/2012	10 years
	Universal networks	04/01/2016	17 years
MTN Benin[1]	900MHz	19/10/2007	25 years
	1800MHz	19/10/2007	25 years
	Universal licence	10/08/2012	20 years
MTN Guinea-Conakry	900MHz	31/08/2005	18 years
	1800MHz	31/08/2005	18 years
	3G[2]	14/08/2013	5 years
	WiMax	04/08/2014	5 years
MTN Congo Brazzaville	900MHz	25/11/2011	15 years
	1800MHz	25/11/2011	15 years
	Optical fibre licence	02/04/2010	15 years
	3G	25/11/2011	17 years
	2G	25/11/2011	15 years
	International gateway by optical fibre	03/06/2013	10 years
	LTE spectrum	09/12/2016	15 years
MTN Liberia	WiMax	24/03/2009	15 years
	3G	19/02/2013	10 years
	Universal Telecommunication Licence	04/08/2015	15 years
MTN Guinea-Bissau	900MHz	23/05/2014	10 years
	1800MHz	23/05/2014	10 years
	3G	17/07/2015	10 years
	4G	17/07/2015	10 years
MTN Syria	Freehold Licence	01/01/2015	20 years
	900MHz	01/01/2016	19 years
	1800MHz	01/01/2016	19 years
	2000MHz	01/01/2016	19 years
	Additional Frequency 1800MHz	07/01/2017	17.5 years
MTN Sudan	2G + 3G	25/10/2003	20 years
	Transmission	25/10/2003	20 years
	VSAT gateway	25/10/2003	20 years
	VSAT hub	25/10/2003	20 years
	VSAT terminal	25/10/2003	20 years
	Frequency 4G	25/10/2017	7 years
MTN Afghanistan	3G unified licence	01/07/2012	15 years
	New number range RTU	31/10/2012	15 years
	New number range RTU	25/08/2013	14 years
	New number range RTU	31/10/2014	13 years
	New number range RTU	31/05/2015	12 years
	New number range RTU	31/12/2018	12 years
MTN Yemen	900MHz	01/01/2018	2 years
	1800MHz	01/01/2018	2 years

[1] MTN Benin and the government of Benin concluded a memorandum of understanding (MOU) in April 2018, which includes the settlement of historical frequency fees, a five-year licence extension and the addition of optical fibre to the existing licence conditions. MTN Benin made payments of CFA35 billion (R802 million) and CFA35 billion (R857 million) in May 2018 and February 2019, respectively. Part of the payment relating to the extended licence and the right to deploy optical fibre was recognised as an intangible asset (CFA55,2 billion, R1 370 billion).

[2] The 3G licence was terminated on 31 August 2018. At the expiry date the entity did not meet several essential obligations. The licence has subsequently been extended to 31 December 2019.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS
6.1 Borrowings

Borrowings are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 7.1.

Fees paid on the establishment of loan facilities are recognised as transaction costs and capitalised to the extent that it is probable that some or all of the facility will be drawn down. When the draw down is made, the transaction costs are amortised to profit or loss using the effective interest method. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Details of the group's significant unsecured borrowings are provided below:

	2018 Rm	2017 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
Mobile Telephone Networks Holdings Limited (MTN Holdings)	**34 849**	28 785				
	252	–	ZAR [2,4]	8,6	Quarterly	June 2021
	604	–	ZAR [2,4]	8,9	Quarterly	June 2023
	906	–	ZAR [2,4]	9,2	Quarterly	June 2025
	1 000	–	ZAR [2,6]	9,4	Quarterly	March 2023
	1 002	–	ZAR [2,6]	9,5	Quarterly	December 2022
	802	–	ZAR [2,7]	8,0	Monthly	January 2019
	1 007	–	ZAR [2,7]	8,0	Monthly	January 2019
	1 503	1 493	ZAR [2,6]	9,3	Quarterly	December 2020
	5 543	5 535	ZAR [1,2]	9,1	Quarterly	February 2021
	3 325	2 811	ZAR [1,2]	9,4	Quarterly	August 2021
	4 223	3 656	US$ [1,2]	4,9	Quarterly	August 2021
	1 518	1 502	ZAR [2,6]	9,4	Quarterly	October 2022
	192	201	ZAR [4,5]	10,1	Quarterly	April 2019
	1 382	1 447	ZAR [2,6]	9,7	Quarterly	August 2021
	3 514	2 601	ZAR [2,3]	9,0	Quarterly	February 2021
	2 510	3 009	ZAR [2,3]	9,7	Semi-annual	February 2021
	–	652	ZAR [2,7]	8,0	Monthly	January 2018
	968	978	ZAR [2,4]	8,9	Quarterly	April 2019
	1 528	1 529	ZAR [2,4]	8,8	Quarterly	July 2020
	1 019	1 020	ZAR [2,4]	9,0	Quarterly	July 2022
	–	310	ZAR [2,4]	8,1	Quarterly	May 2018
	473	463	ZAR [2,4]	8,8	Quarterly	October 2020
	540	540	ZAR [2,4]	9,0	Quarterly	October 2022
	1 038	1 038	ZAR [2,4]	9,2	Quarterly	October 2024
MTN Nigeria	**6 921**	8 792				
	3 367	4 326	NGN [1,2]	15,0	Quarterly	November 2019
	390	1 012	US$ [1,2]	5,6	Semi-annual	December 2019
	352	608	US$ [2,8]	3,6	Semi-annual	August 2019
	235	406	US$ [5,8]	1,7	Semi-annual	August 2019
	356	504	US$ [2,8]	5,6	Semi-annual	December 2019
	1 065	862	US$ [2,8]	8,4	Semi-annual	June 2022
	835	931	US$ [2,8]	3,7	Semi-annual	March 2022
	–	143	US$ [2,3]	5,8	Semi-annual	Repayment on demand
	321	–	US$ [2]	5,8	Monthly	Repayment on demand

[1] Syndicated term loan facility
[2] Variable interest rate
[3] Revolving credit facility
[4] Domestic medium-term notes
[5] Fixed interest rate
[6] Bilateral term loan facility
[7] General bank facility
[8] Export credit facility
[9] Vendor finance facility
[10] Senior unsecured notes
[11] Bank borrowings
[12] Preference shares

*Contractual interest rates on loans as at 31 December 2018.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)
6.1 Borrowings (continued)

	2018 Rm	2017 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Mauritius (MTN International)	**3 883**	6 816				
	–	1 239	US$ [2,3]	4,5	Quarterly	November 2019
	719	5 577	US$ [1,2]	4,9	Quarterly	August 2021
	3 164	–	US$ [2,3]	4,3	Quarterly	September 2023
MTN Mauritius	**25 380**	21 765				
	10 832	9 297	US$ [5,10]	4,8	Semi-annual	November 2024
	7 268	6 239	US$ [5,10]	5,4	Semi-annual	February 2022
	7 280	6 229	US$ [5,10]	6,5	Semi-annual	October 2026
MTN Zambia	**1 309**	993				
	96	248	US$ [2,6]	6,0	Semi-annual	June 2019
	–	526	ZAR [2,11]	11,0	Quarterly	September 2018
	–	219	ZMK [2,6]	15,2	Quarterly	June 2018
	146	–	US$ [1,2]	6,1	Semi-annual	September 2023
	360	–	ZAR [1,2]	11,4	Semi-annual	September 2023
	707	–	ZMK [1,2]	21,8	Semi-annual	September 2023
MTN Uganda	**1 185**	1 174				
	316	399	UGX [1,2]	13,8	Quarterly	February 2021
	358	446	US$ [1,2]	5,7	Quarterly	February 2021
	375	329	UGX [1,2,3]	14,0	Quarterly	February 2021
	136	–	UGX [2,6]	13,5	Quarterly	December 2023
MTN Benin	**1 011**	935				
	–	495	CFA [1,5]	7,3	Semi-annual	June 2020
	–	440	CFA [1,5]	7,3	Semi-annual	April 2022
	185	–	CFA [1,5]	6,0	Semi-annual	January 2019
	826	–	CFA [1,5]	6,8	Semi-annual	December 2025
MTN Ivory Coast	**3 194**	2 928	CFA [1,5]	6,0	Quarterly	June 2023
MTN Cyprus	**–**	724				
	–	578	EUR [2,6]	4,9	Semi-annual	October 2020
	–	146	EUR [2,6]	5,5	Quarterly	June 2020
MTN Cameroon	**2 441**	2 560				
	1 034	1 097	XAF [1,5]	4,3	Semi-annual	June 2020
	1 332	1 350	XAF [1,3,5]	5,0	Semi-annual	June 2020
	75	113	XAF [5,11]	4,5	Semi-annual	March 2019
MTN Rwanda	**632**	–	RWF [1,2]	15,0	Semi-annual	November 2025
MTN Congo Brazzaville	**846**	1 097	CFA CB [1,5]	4,8	Quarterly	March 2021
MTN Zakhele Futhi	**1 442**	1 785	ZAR [12,2]	7.7	Semi-annual	November 2021
Other unsecured borrowings	**45**	146				
Total unsecured borrowings	**83 138**	78 500				

[1] Syndicated term loan facility
[2] Variable interest rate
[3] Revolving credit facility
[4] Domestic medium-term notes
[5] Fixed interest rate
[6] Bilateral term loan facility
[7] General bank facility
[8] Export credit facility
[9] Vendor finance facility
[10] Senior unsecured notes
[11] Bank borrowings
[12] Preference shares

*Contractual interest rates on loans as at 31 December 2018.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the group's significant secured borrowings are provided below:

	2018 Rm	2017 Rm	Deno-minated currency	Nominal interest (%)*	Interest payment	Final maturity	Security/collateral
Secured							
MTN Sudan	222	202					
	–	97#	US$[5,9]	10,0	Quarterly	September 2017	Pledge of network and capital work-in-progress assets
	79#	–	US$[5,9]	–	None	–	Pledge of property, plant and equipment (excluding land and buildings)
	143	105	US$[5,9]	8,5	Annual	September 2019	Pledge of property, plant and equipment (excluding land and buildings)
MTN Ghana	1 275	946					
	985	946	GHS[1,2]	19,8	Semi-annual	December 2022	Floating charge on company assets
	290	–	GHS[1,2,3]	19,8	Quarterly	December 2022	Floating charge on company assets
Other secured borrowings	111	–					
Total secured borrowings	1 608	1 148					
Total unsecured borrowings	83 138	78 500					
Total borrowings	84 746	79 648					

[1] Syndicated term loan facility
[2] Variable interest rate
[3] Revolving credit facility
[4] Domestic medium-term notes
[5] Fixed interest rate
[6] Bilateral term loan facility
[7] General bank facility
[8] Export credit facility
[9] Vendor finance facility
[10] Senior unsecured notes
[11] Bank borrowings
[12] Preference shares

*Contractual interest rates on loans as at 31 December 2018.
#This balance relates to unpaid interest on the loan.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2018 Rm	2017 Rm
The classification of the group's borrowings is as follows:		
Current	**12 183**	9 081
Non-current	**72 563**	70 567
	84 746	79 648
The carrying amounts of the group's borrowings are denominated in the following currencies:		
Nigerian naira	**3 367**	4 326
United States dollar	**37 862**	37 599
South African rand	**32 428**	27 440
Euro	**–**	724
Benin Communauté Financière Africaine franc	**1 011**	935
Côte d'Ivoire Communauté Financière Africaine franc	**3 194**	2 928
Zambian kwacha	**707**	219
Congo Brazzaville Communauté Financière Africaine franc	**846**	1 097
Ugandan shilling	**827**	728
Cameroon Communauté Financière Africaine franc	**2 441**	2 560
Ghanaian cedi	**1 275**	–
Other currencies	**788**	1 092
	84 746	79 648
The group has the following undrawn committed facilities:		
Floating rate	**39 938**	43 396
Fixed rate	**14 816**	16 107
	54 754	59 503

6.2 Other non-current liabilities

Finance leases are accounted for in accordance with the accounting policy disclosed in note 6.6, deferred income is accounted for in accordance with the policy disclosed in note 2.2 and other liabilities are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2018 Rm	2017 Rm
Finance lease obligations (note 6.6)	**615**	645
Deferred income[1]	**291**	270
Other	**410**	432
Nigeria regulatory fine	**–**	3 156
	1 316	4 503

[1] Relates to the deferred gain for tower sales and IRU swap transactions which occurred in previous years. The amounts are amortised to the income statement on a monthly basis.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision to pay a levy is not recognised until the obligating event specified in the legislation occurs, even if there is no realistic opportunity to avoid the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expected outflow of resources required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

	At beginning of the year[1] Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements[2] Rm	At end of the year Rm
2018						
Non-current						
Decommissioning provision	244	41	–	–	(9)	276
Other provisions	165	10	(20)	(35)	39	159
	409	51	(20)	(35)	30	435
Current						
Bonus provision	968	926	(27)	(853)	23	1 037
Decommissioning provision	1	–	–	–	–	1
Licence obligations	91	–	–	(5)	–	86
Other provisions	869	925	(117)	(254)	174	1 597
	1 929	1 851	(144)	(1 112)	197	2 721

[1] Restated for changes in accounting policy, refer to note 11 for details of the restatement.
[2] Includes the effect of hyperinflation.

	At beginning of the year Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements[1] Rm	At end of the year[2] Rm
2017						
Non-current						
Decommissioning provision	245	38	–	(13)	(26)	244
Other provisions	135	26	(18)	(7)	29	165
	380	64	(18)	(20)	3	409
Current						
Bonus provision	622	928	(67)	(423)	(92)	968
Decommissioning provision	2	–	–	–	(1)	1
Licence obligations	130	–	–	(39)	–	91
Other provisions	1 475	621	(472)	(374)	(381)	869
	2 229	1 549	(539)	(836)	(474)	1 929

[1] Includes the effect of hyperinflation.
[2] Restated for changes in accounting policy, refer to note 11 for details of the restatement.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.3 Provisions (continued)

Bonus provision

The bonus provision consists of a performance-based bonus, which is determined by reference to the overall group entity's performance with regard to a set of predetermined key performance measures. Bonuses are payable annually after the group annual results have been approved.

Decommissioning provision

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in property, plant and equipment that are erected on leased land.

The group only recognises these decommissioning costs for the proportion of its overall number of sites for which it expects decommissioning to take place. The expected percentage has been based on actual experience in the respective operations.

Licence obligations

The licence obligations provision represents the estimated costs to be incurred in fulfilling the Universal Services Obligation (USO) in South Africa. USOs are governed by the Electronic Communications Act.

Other provisions

The group is involved in various regulatory and direct and indirect tax matters specific to the respective jurisdictions in which the group operates. These matters may not necessarily be resolved in a manner that is favourable to the group. The group has therefore recognised provisions in respect of these matters based on estimates and the probability of an outflow of economic benefits and should not be construed as an admission of legal liability.

6.4 Capital commitments

Commitments for the acquisition of property, plant and equipment and software:

	2018 Rm	2017 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	**10 280**	6 958
– Property, plant and equipment	**9 428**	6 519
– Software	**852**	439
Not contracted	**18 510**	20 789
– Property, plant and equipment	**15 649**	17 787
– Software	**2 861**	3 002
Total commitments for property, plant and equipment and software	**28 790**	27 747

Capital expenditure will be funded from operating cash flows, existing borrowing facilities and, where necessary, by raising additional facilities.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Operating lease commitments

Leases, where substantially all of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Sub-lease income is recognised in profit or loss on a straight-line basis over the term of the lease.

In all significant operating lease arrangements in place during the year, the group acted as the lessee.

The group leases various premises and sites under non-cancellable/cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Penalties are chargeable on certain leases should they be cancelled before the end of the agreement.

	2018 Rm	2017 Rm
The future aggregate minimum lease payments under non-cancellable operating lease arrangements are as follows:		
Not later than one year	13 155	9 066
Later than one year and no later than five years	52 068	34 576
Later than five years	64 165	51 335
	129 388	94 977

6.6 Finance lease commitments

Assets held under finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the minimum lease payments at the inception of the lease. The corresponding liability to the lessor, net of finance charges, is included in the statement of financial position under other non-current/current liabilities. Each lease payment is allocated between the liability and finance charges. Finance charges, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

In all significant finance lease arrangements in place during the period, the group acted as the lessee.

At the reporting date, the group had outstanding commitments under non-cancellable finance leases which fall due as follows:

	Minimum lease payments Rm	Future finance charges Rm	Present value Rm
2018			
Current			
Not later than one year	75	(24)	51
Non-current (note 6.2)	758	(143)	615
Later than one year and no later than five years	326	(84)	242
Later than five years	432	(59)	373
	833	(167)	666

Notes to the group financial statements (continued)
for the year ended 31 December 2018

6 FINANCING STRUCTURE AND COMMITMENTS (continued)
6.6 Finance lease commitments (continued)

	Minimum lease payments Rm	Future finance charges Rm	Present value Rm
2017			
Current			
Not later than one year	85	(31)	54
Non-current (note 6.2)	809	(164)	645
Later than one year and no later than five years	361	(95)	266
Later than five years	448	(69)	379
	894	(195)	699

6.7 Contingent liabilities

The group does not recognise contingent liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is recognised.

	2018 Rm	2017 Rm
Contingent liabilities	**4 747**	9 847
Uncertain tax exposures	**2 087**	8 667
Legal and regulatory matters	**2 660**	1 180

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 related to a transfer pricing dispute which the group is contesting. At 31 December 2018, the contingency for the transfer pricing assessment has been significantly reduced following the group's review of the tax authority's submissions made in the course of preparing for litigation. Based on internal and external legal and technical advice obtained, the group remains confident that it has a strong legal case to contest the remaining exposure.

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.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK

7.1 Financial risk management and financial instruments

Adoption of IFRS 9

The group adopted IFRS 9 retrospectively on 1 January 2018, without restating comparative information. The group also adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosure*. Accordingly, information relating to 31 December 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39 *Financial Instruments: Recognition and Measurement*. Refer to note 11 for details regarding the initial application of IFRS 9 and the resulting impact. The group continues to apply the hedge accounting requirements of IAS 39.

Accounting for financial instruments

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments in self-insurance cell captives, cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

Recognition

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification

The group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL) on the basis of the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

Measurement category	Criteria
FVTPL	Debt investments that do not qualify for measurement at amortised cost or FVOCI; and equity investments that are held for trading.
Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Equity securities at FVOCI	The asset is not held for trading and the group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Debt investments at FVOCI	The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding however, the group's business model is to collect both the contractual cash flows and selling the financial asset.

Financial assets are not reclassified unless the group changes its business model. In rare circumstances where the group does change its business model, reclassifications are done prospectively from the date that the group changes its business model.

Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and liabilities are initially measured at fair value, including transaction costs, except for those classified as at FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially recognised at the transaction price.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Subsequent measurement: Financial assets

Subsequent to initial recognition, financial assets are measured as described below.

Category	Subsequent measurement
FVTPL	These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Subsequent measurement: Financial liabilities

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Impairment

Under IFRS 9 the group calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost, debt investments at FVOCI and contract assets (unbilled handsets component for contract). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

To calculate ECLs the group segments/groups trade receivables by customer type i.e. interconnect and roaming, Enterprise Business Unit (EBU), mobile (billed handset and network services component for contracts) etc. The group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime expected credit losses for trade receivables and contract assets. ECLs for trade receivables is calculated using a provision matrix. For contract assets and mobile trade receivables relating to the South African operation, ECLs are determined using a simplified parameter-based approach. Refer to note 7.1.4 for more detail about ECLs and how this is calculated.

Risk management

Introduction

The group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price risk). This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

Risk management (continued)

Risk profile

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group considers natural hedges that may exist and, in addition, where possible, uses derivative financial instruments such as forward exchange contracts to hedge exposures. As a matter of principle, the group does not enter into derivative contracts for speculative purposes. The group applies hedge accounting to manage its risk of currency exchange rate volatility associated with certain of its investments in foreign operations.

Risk management is carried out under policies approved by the board of directors of the group and of relevant subsidiaries. The MTN Group treasury committee identifies, evaluates and hedges financial risks in cooperation with the group's operating units. The board provides written principles for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments, and investing cash. Group treasury is responsible for managing the group's exposure to financial risk within the policies set by the board of directors, under the guidance of the group CFO and group board audit and risk committees.

7.1.1 Categories of financial instruments

	Assets			Liabilities		
	Amortised cost Rm	Fair value through profit or loss[1] Rm	Equity instruments at FVOCI Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2018						
Non-current financial assets						
Loans and other non-current receivables	506	–	–	–	–	506
Investments	–	–	24 025	–	–	24 025
Current financial assets						
Trade and other receivables	23 306	–	–	–	–	23 306
Current investments	2 858	1 597	–	–	–	4 455
Derivative assets	–	265	–	–	–	265
Restricted cash	2 760	–	–	–	–	2 760
Cash and cash equivalents[2]	15 837	–	–	–	–	15 837
	45 267	1 862	24 025	–	–	71 154
Non-current financial liabilities						
Borrowings	–	–	–	72 563	–	72 563
Other non-current liabilities	–	–	–	952	–	952
Current financial liabilities						
Trade and other payables	–	–	–	41 863	–	41 863
Nigeria regulatory fine	–	–	–	4 150	–	4 150
Borrowings	–	–	–	12 183	–	12 183
Derivative liabilities	–	–	–	–	208	208
Bank overdrafts	–	–	–	255	–	255
	–	–	–	131 966	208	132 174

[1] All financial instruments at fair value through profit or loss are held for trading.
[2] Includes cash classified as non-current asset held for sale.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

	Assets[2]				Liabilities[2]		
	Loans and receivables Rm	Fair value through profit or loss[1] Rm	Held-to-maturity Rm	Available-for-sale Rm	Amortised cost Rm	Fair value through profit or loss[1] Rm	Total carrying amount Rm
2017							
Non-current financial assets							
Loans and other non-current receivables	2 574	–	–	–	–	–	2 574
Investments	–	–	–	27 686	–	–	27 686
Current financial assets		–	–	–			–
Trade and other receivables[2]	24 881	–	–	–	–	–	24 881
Current investments	2 040	1 669	1 500	343	–	–	5 552
Derivative assets	–	205	–	–	–	–	205
Restricted cash	2 376	–	–	–	–	–	2 376
Cash and cash equivalents	16 009	–	–	–	–	–	16 009
	47 880	1 874	1 500	28 029	–	–	79 283
Non-current financial liabilities							
Borrowings	–	–	–	–	70 567	–	70 567
Nigeria regulatory fine	–	–	–	–	3 156	–	3 156
Other non-current liabilities	–	–	–	–	964	2	966
Current financial liabilities							
Trade and other payables[2]	–	–	–	–	40 483	–	40 483
Nigeria regulatory fine	–	–	–	–	3 481	–	3 481
Borrowings	–	–	–	–	9 081	–	9 081
Derivative liabilities	–	–	–	–	–	118	118
Bank overdraft	–	–	–	–	72	–	72
	–	–	–	–	127 804	120	127 924

[1] All financial instruments at fair value through profit or loss are held for trading.
[2] Restated for changes in accounting policies, refer to note 11 for details of restatement.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.2 Financial assets and liabilities subject to offsetting

The following table presents the group's financial assets and liabilities that are subject to offsetting:

	Gross amount Rm	Amount offset Rm	Net amount Rm
2018			
Current financial assets			
Trade and other receivables	**5 314**	**(2 511)**	**2 803**
Current financial liabilities			
Trade and other payables	**5 629**	**(2 511)**	**3 118**
2017			
Current financial assets			
Trade and other receivables	3 839	(1 714)	2 125
Current financial liabilities			
Trade and other payables	4 525	(1 714)	2 811

The amounts subject to offsetting include interconnect receivables and payables. The group has entered into agreements with the respective counterparties which permit it to offset any payables owing to the counterparty against receivables owing to the group. This right to offset exists in all circumstances and the group intends to settle on a net basis.

7.1.3 Fair value estimation

A number of the group's accounting policies and disclosures require the measurement of fair values. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table on the next page presents the group's assets and liabilities that are measured at fair value. The classification into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

- level 1: fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- level 3: fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

The following table presents the fair value measurement hierarchy of the group's assets and liabilities measured at fair value:

	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2018				
Financial assets				
Investment in IHS Group	–	–	23 353	23 353
Unlisted equity investments	–	–	672	672
Investment in cell captives	–	–	1 597	1 597
Forward exchange contracts	–	265	–	265
Total assets	–	265	25 622	25 887
Financial liabilities				
Forward exchange contracts	–	208	–	208
Total liabilities	–	208	–	208
2017				
Financial assets[1]				
Investment in IHS Group	–	–	27 045	27 045
Unlisted equity investments	–	–	641	641
Investment in treasury bills classified as at fair value through profit or loss	307	–	–	307
Investment in treasury bills classified as available-for-sale	343	–	–	343
Investment in cell captives	–	–	1 362	1 362
Forward exchange contracts	–	205	–	205
Total assets	650	205	29 048	29 903
Financial liabilities				
Fair value through profit and loss	–	–	2	2
Forward exchange contracts	–	118	–	118
Total liabilities	–	118	2	120

[1] Refer to note 11 for details of changes in accounting policies.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the respective fair values:

IHS Group unlisted equity investment – The fair value is determined using models considered to be appropriate by management, due to the absence of transactions between market participants. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including tower industry earnings multiples of between 10x to 15x (2017: 13x to 17x) applied to MTN management's estimates of earnings, less estimated net debt of R18 599 million (2017: R17 117 million). In addition MTN has applied a 10% liquidity discount.

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 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 is therefore classified as a level 3 in the fair value hierarchy. 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 316 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 316 million (2017: R2 148 million). An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R2 821 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 R2 821 million (2017: R3 201 million). An increase of 1% to the liquidity discount, keeping other inputs constant, would have resulted in a decrease in the fair value of R259 million and a decrease of 1% to the liquidity discount, keeping other inputs constant, would have resulted in an increase in the fair value by R259 million as at 31 December 2018.

A decrease of R7 770 million (2017: R4 249 million increase) has been recognised for the year under review in other comprehensive income resulting from the change in fair value that also included a liquidity discount.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

Valuation methods and assumptions (continued)

Other unlisted equity investments – Fair values have been estimated using a discounted cash flow model. The discounted cash flow model requires management to make assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

Derivatives – The group enters into derivative financial instruments with various counterparties. Interest rate swaps, foreign exchange contracts and equity derivatives are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

Investment in insurance cell captives – The fair value of the investment in cell captives is determined based on the net asset value of the cell captive at the reporting date. The net asset value is determined from statements received from the insurer in respect of the net assets of the cell.

Investment in treasury bills – The fair value of these investments is determined by reference to published price quotations in an active market.

Fair value measurements for financial instruments not measured at fair value

Financial assets and financial liabilities at amortised cost – The carrying value of current receivables and liabilities measured at amortised cost approximates their fair value.

The fair values of the majority of the non-current receivables and liabilities measured at amortised cost, other than for the instruments listed below, are also not significantly different to their carrying values.

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 R10 832 million (2017: R9 297 million) and a fair value of R9 850 million (2017: R9 284 million). The notes are listed on the Irish bond market and the fair values of these instruments are determined by reference to quoted prices in this market. The market for these bonds is not liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

During the 2016 year, the group issued US$1 billion listed long-term fixed interest rate unsecured notes. Notes with a face value of US$500 million are redeemable in 2022 (the 2022 notes), with the remaining US$500 million redeemable in 2026 (the 2026 notes). At 31 December 2018, the carrying amount of the 2022 notes is R7 268 million (2017: R6 239 million) and the fair value is R7 019 million (2017: R6 432 million); and the carrying amount of the 2026 notes is R7 280 million (2017: R6 229 million) and the fair value is R7 057 million (2017: R6 718 million). The notes are listed on the Irish bond market and the fair value of these instruments is determined by reference to quoted prices in this 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.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.3 Fair value estimation (continued)

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):

	Insurance cell captives Rm
Balance at 1 January 2017	1 201
Contributions paid to insurance cell captives	409
Claims received by insurance cell captives	(209)
Loss recognised in profit or loss	(39)
Balance at 31 December 2017[1]	1 362
Balance at 1 January 2018	**1 362**
Contributions paid to insurance cell captives	**760**
Claims received by insurance cell captives	**(256)**
Loss recognised in profit or loss	**(269)**
Balance at 31 December 2018	**1 597**
	Investments Rm
Balance at 1 January 2017[1]	380
Transfers from level 2 (IHS Group)[2]	11 240
Acquisitions	132
Exchange right exercise (IHS Group)	13 767
Gain on available-for-sale investment	4 439
Foreign exchange differences	(2 272)
Balance at 31 December 2017	27 686
Balance at 1 January 2018	**27 686**
Acquisitions	**310**
Loss on equity investments at fair value through other comprehensive income	**(8 030)**
Foreign exchange differences	**4 059**
Balance at 31 December 2018	**24 025**

[1] Refer to note 11 for details of changes in accounting policies.
[2] The group considers transfers between fair value hierarchy levels to have occurred at the beginning of the year.

7.1.4 Credit risk

Credit risk, or the risk of financial loss to the group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. The group's maximum exposure to credit risk is represented by the carrying amount of the financial assets and contract assets that are exposed to credit risk.

The group considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2018 Rm	2017[1] Rm
Loans and other non-current receivables	506	2 574
Trade and other receivables	23 306	24 881
Trade receivables	14 629	15 162
Other receivables	8 677	9 719
Contract assets	3 471	3 359
Current investments	4 455	5 552
Derivative assets	265	205
Restricted cash	2 760	2 376
Cash and cash equivalents[2]	15 837	15 937
	50 600	54 884

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Includes cash classified as non-current asset held for sale.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

The risk rating grade of cash and cash equivalents and restricted cash are set out below. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

2018	Credit ratings of financial institution	Cash and cash equivalent Rm	Restricted cash Rm
South Africa (including head office entities)	AA+ to B	4 221	–
MTN Nigeria	ngA to CCC	2 093	1 469
MTN Dubai	A+ to B–	2 642	126
Other	Various	6 881	1 165
		15 837	2 760

The risk rating grade of current investment and trade and other receivables are set out below. Given the credit rating for the treasury bills, management does not expect any counterparty to fail to meet its obligations.

2018 Credit ratings of financial instruments	Current investments Rm	Trade receivables Rm	Other receivables Rm
BBB–[1]	–	–	884
ngA to BB+(ng)	2 283	–	–
Various	2 172	14 629	7 793
	4 455	14 629	8 677

[1] The ultimate holding company of Ghana Tower InterCo B.V credit rating was used as a proxy.

Cash and cash equivalents and current investments

The group determines appropriate internal credit limits for each counterparty. In determining these limits, the group considers the counterparty's credit rating established by an accredited ratings agency and performs internal risk assessments. The group manages its exposure to a single counterparty by spreading transactions among approved financial institutions. The group treasury committee regularly reviews and monitors the group's credit exposure.

Investment in self-insurance cell captives (insurance cell captives)

The group has exposure to the credit risk of the insurance company through its investment in preference shares in its cell captive arrangements.

Trade receivables and contract assets (unbilled handset component)

A large portion of the group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the group operate largely within the prepaid market. The group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the group performs credit risk assessments through credit bureaus. The group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the group. In terms of this arrangement, R6,4 billion (2017: R7,9 billion) has been insured for which the group's risk is limited to R57,5 million (2017: R25 million). In addition, some entities within the group require potential customers to obtain guarantees from banks before credit is granted. During the current year the group did not recognise ECLs amounting to R85 million as a result of collateral held.

The recoverability of interconnect receivables in certain international operations is uncertain; however, this is actively managed within acceptable limits and has been incorporated in the assessment of an appropriate revenue recognition policy (note 2.2) and the ECL of trade receivables where applicable. In addition, in certain countries there exists a right of set-off with interconnect parties to enable collection of outstanding amounts.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Ageing and impairment analysis

	2018 Gross Rm	2018 Impairment Rm	2018 Net Rm	2017 Gross[1] Rm	2017 Impairment[1] Rm	2017 Net[1] Rm
Fully performing trade receivables	9 914	(227)	9 687	10 632	–	10 632
Interconnect receivables	1 373	(31)	1 342	1 528	–	1 528
Contract receivables	1 276	(42)	1 234	1 311	–	1 311
Retail receivables	5 865	(129)	5 736	6 677	–	6 677
EBU[2] receivables	1 074	(20)	1 054	490	–	490
Other receivables	326	(5)	321	626	–	626
Past due trade receivables	7 750	(2 808)	4 942	7 283	(2 753)	4 530
Interconnect receivables	2 625	(697)	1 928	2 845	(773)	2 072
0 to 3 months	793	(136)	657	567	(17)	550
3 to 6 months	462	(68)	394	610	(94)	516
6 to 9 months	162	(17)	145	296	(33)	263
9 to 12 months	1 208	(476)	732	1 372	(629)	743
Contract receivables	1 916	(1 122)	794	2 042	(1 217)	825
0 to 3 months	774	(119)	655	756	(396)	360
3 to 6 months	514	(420)	94	322	(215)	107
6 to 9 months	24	(7)	17	111	(50)	61
9 to 12 months	604	(576)	28	853	(556)	297
Retail receivables	984	(374)	610	642	(120)	522
0 to 3 months	267	(18)	249	252	(17)	235
3 to 6 months	412	(147)	265	202	(27)	175
6 to 9 months	1	–	1	23	(23)	–
9 to 12 months	304	(209)	95	165	(53)	112
EBU[2] receivables	738	(405)	333	890	(509)	381
0 to 3 months	201	(56)	145	319	(125)	194
3 to 6 months	209	(159)	50	287	(209)	78
6 to 9 months	61	(38)	23	61	(61)	–
9 to 12 months	267	(152)	115	223	(114)	109
Other receivables	1 487	(210)	1 277	864	(134)	730
0 to 3 months	329	(19)	310	215	(5)	210
3 to 6 months	662	(51)	611	415	(111)	304
6 to 9 months	96	(12)	84	37	(7)	30
9 to 12 months	400	(128)	272	197	(11)	186
Total	17 664	(3 035)	14 629	17 915	(2 753)	15 162

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Enterprise Business Unit.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Total past due per significant operation

	Interconnect receivables Rm	Contract receivables Rm	Retail receivables Rm	EBU receivables Rm	Other receivables Rm	Total Rm
2018						
MTN South Africa	**188**	**799**	**310**	**156**	**–**	**1 453**
MTN Nigeria	**345**	**499**	**–**	**–**	**53**	**897**
MTN Ivory Coast	**16**	**153**	**112**	**–**	**205**	**486**
MTN Yemen	**500**	**89**	**–**	**–**	**60**	**649**
MTN Cameroon	**155**	**41**	**67**	**237**	**92**	**592**
MTN Benin	**255**	**–**	**–**	**–**	**573**	**828**
Other operations	**1 166**	**335**	**495**	**345**	**504**	**2 845**
	2 625	**1 916**	**984**	**738**	**1 487**	**7 750**
2017[1]						
MTN South Africa	72	689	37	262	–	1 060
MTN Nigeria	769	344	–	–	98	1 211
MTN Ivory Coast	61	292	175	–	147	675
MTN Yemen	405	75	–	–	39	519
MTN Cameroon	88	49	23	244	108	512
MTN Benin	342	288	25	–	113	768
Other operations	1 108	305	382	384	359	2 538
	2 845	2 042	642	890	864	7 283

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.

Expected credit losses

The group has the following financial assets subject to the ECL model:

- Trade receivables;
- Other receivables;
- Contract assets;
- Debt investments carried at amortised cost;
- Cash and cash equivalents; and
- Restricted cash.

Application of the ECL model had an immaterial impact on all financial assets except for contract assets and trade receivables.

Included in other receivables are amounts receivable from related parties (note 10.1) to which the group has applied the general impairment model. The group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables are limited and consequently the probability of default relating to these balances are low.

Provision Matrix – ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting period to the extent that there is a strong correlation between the forward-looking information and the ECL.

The group used 5 – 36 months sales data to determine the payment profile of the sales. Where the group has information about actual historical write-offs, actual write-offs have been used to determine a historic loss ratio. Alternatively, management has used the proxy write-off based on management's best estimated. The group has considered quantitative forward looking information such as core inflation rate. Qualitative assessments has also been performed, of which the impact was found to be immaterial.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

The loss allowance as at 31 December 2018 for trade receivables to which the provision matrix has been applied is determined as follows:

2018	Gross carrying amount Rm	Impairment Rm	Average ECL/ Impairment ratio %
Interconnect receivables	3 998	(728)	18,21
Fully performing	1 373	(31)	2,26
Up to 90 days past due	793	(136)	17,15
120 days and above past due	1 832	(561)	30,62
Contract receivables	1 768	(769)	43,50
Fully performing	604	(5)	0,83
Up to 90 days past due	326	(28)	8,59
120 days and above past due	838	(736)	87,83
Retail receivables	6 849	(503)	7,34
Fully performing	5 865	(129)	2,20
Up to 90 days past due	267	(18)	6,74
120 days and above past due	717	(356)	49,65
EBU receivables	1 812	(425)	23,45
Fully performing	1 074	(20)	1,86
Up to 90 days past due	201	(56)	27,86
120 days and above past due	537	(349)	64,99
Other receivables	1 813	(215)	11,86
Fully performing	326	(5)	1,53
Up to 90 days past due	329	(19)	5,78
120 days and above past due	1 158	(191)	16,49
Total	16 240	(2 640)	16,26

Simplified parameter-based approach – ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. PD x LGD x EAD = ECL). Exposures are mainly segmented by customer type i.e. corporate, consumer etc., ageing, device vs. SIM only contracts and months in contract. This is done to allow for risk differentiation. The probability of a customer defaulting as well as the realised loss with defaulted accounts has been determined using historical data (12 months and 36 months respectively). The EIR represents a weighted average rate which is representative of the portfolio of customers and incorporates a risk-free rate plus a risk premium on initial recognition of the trade receivables. A qualitative assessment of the impact of forward-looking information has been performed and found to be immaterial.

For corporate customers management rebutted the presumption that a customer is in default when 90 days past due and have determined default as 180 days past due. This is on the basis of billing disputes taking time to resolve resulting in a high cure rate.

The balance of trade receivables and contract assets to which the simplified parameter-based approach has been applied is as follows:

2018	Total	Trade receivables	Contract assets[1]
Simplified parameter-based approach			
Gross balance	5 283	1 424	3 859
Expected credit loss allowance	(783)	(395)	(388)
	4 500	1 029	3 471

[1] Contract assets mainly relates to the South African operation.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes for example where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy.

	2018 Trade receivables Rm	2017 Trade receivables Rm	2018 Contract assets Rm
Reconciliation of allowance for credit losses			
At the beginning of the year	(2 753)	(2 538)	–
Amounts restated through opening retained earnings	–	–	(388)
Additions[1]	(957)	(857)	–
Reversals[1]	408	21	–
Utilised	633	442	–
Net monetary gain	–	2	–
Exchange differences and other movements[2]	(366)	177	–
At the end of the year	(3 035)	(2 753)	(388)

[1] A net impairment loss of R549 million (2017: R836 million) was recognised during the year. In addition to the R633 million provision utilised, R261 million was written off directly to profit or loss during the year. These amounts are included in other operating expenses in profit or loss (note 2.4).
[2] Including the effect of hyperinflation.

7.1.5 Liquidity risk

Liquidity risk is the risk that an entity in the group will be unable to meet its obligations as they become due.

The group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Group treasury develops strategies to ensure that the group has sufficient cash on demand or access to facilities to meet expected operational expenses, and to service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group treasury performs regular cash flow forecasts, monitors cash holdings of the group, negotiates lines of credit and sets policies for maturity profiles of loans.

The following liquid resources are available:

	2018 Rm	2017[1] Rm
Trade and other receivables	23 306	24 881
Current investments	4 455	5 552
Cash and cash equivalents[2]	15 837	15 937
	43 598	46 370

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Includes cash classified as non-current asset held for sale.

The group's undrawn borrowing facilities are disclosed in note 6.1.

Although cash held by MTN Sudan, MTN Syria, MTN South Sudan and MTN Guinea-Conakry is available to settle liabilities denominated in the local currency in the respective country of operation, access to foreign currency in the country is constrained.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.5 Liquidity risk (continued)

The following are the undiscounted contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
2018								
Borrowings	**84 746**	**101 980**	**2 910**	**2 573**	**11 616**	**11 808**	**49 131**	**23 942**
Other non-current liabilities	**952**	**1 104**	**–**	**13**	**6**	**121**	**199**	**765**
Nigeria regulatory fine	**4 150**	**4 342**	**–**	**2 171**	**2 171**	**–**	**–**	**–**
Trade and other payables	**41 863**	**42 354**	**31 576**	**6 355**	**4 423**	**–**	**–**	**–**
Derivative liabilities	**208**	**208**	**–**	**–**	**208**	**–**	**–**	**–**
Bank overdrafts	**255**	**255**	**–**	**34**	**221**	**–**	**–**	**–**
	132 174	**150 243**	**34 486**	**11 146**	**18 645**	**11 929**	**49 330**	**24 707**
2017[1]								
Borrowings	79 648	91 945	2 438	1 469	9 433	9 825	50 898	17 882
Other non-current liabilities	966	1 139	–	–	–	153	252	734
Nigeria regulatory fine	6 637	7 576	–	1 894	1 894	3 788	–	–
Trade and other payables	40 483	40 483	23 772	9 997	6 714	–	–	–
Derivative liabilities	118	118	68	–	50	–	–	–
Bank overdrafts	72	72	–	72	–	–	–	–
	127 924	141 333	26 278	13 432	18 091	13 766	51 150	18 616

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.

The group has sufficient undrawn facilities to manage shortfalls in operational cash flows. Refer to note 6.1 for details of the group's undrawn facilities.

7.1.6 Market risk

Market risk is the risk that changes in market prices (such as interest rates, foreign currencies and equity prices) will affect the group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Derivatives are entered into solely for risk management purposes and not as speculative investments. The group treasury policy specifies approved instruments which may be used to economically hedge the group's exposure to variability in interest rates and foreign currency and to manage and maintain market risk exposures within the parameters set by the group's board of directors.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.1 Interest rate risk

Interest rate risk is the risk that arises on an interest-bearing asset or liability, due to variability of interest rates.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, restricted cash, trade and other receivables/payables, loans receivable/payable, current investments, borrowings, bank overdrafts and other non-current liabilities. The interest rates applicable to these financial instruments are a combination of floating and fixed rates in line with those currently available in the market.

The group's interest rate risk arises from the repricing of the group's floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the cash balances which exist. The group aims to maintain its mix of fixed and floating rate debt within internally determined parameters, however, this depends on the market conditions in the geographies where the group operates.

Holding companies' (as disclosed in note 9.1) (including MTN (Mauritius) Investments Limited) debt is managed on an optimal fixed versus floating interest rate basis, in line with the approved group treasury policy.

Debt in the majority of the group's non-South African operations is mainly at floating interest rates. This is due to the environment and availability of funding in the market in which the entity operates. The group continues to monitor developments which may create opportunities as these markets evolve in order to align each underlying operation with the group treasury policy. Group treasury reports on the interest rate profile, in particular that of the holding companies, to the group treasury, board of directors, audit and risk committees on a regular basis.

Where appropriate, the group uses interest rate derivatives and other suitable hedging tools as a way to manage interest rate risk. The group does not apply hedge accounting to these derivatives.

Profile

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	2018		2017	
	Fixed rate instruments Rm	Variable rate instruments Rm	Fixed rate instruments Rm	Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	506	–	1 357	–
Current financial assets				
Trade and other receivables	925	3 748	5 670	1 457
Current investments	2 858	–	4 190	–
Restricted cash	1 621	174	273	183
Cash and cash equivalents	3 827	8 264	4 215	4 937
	9 737	12 186	15 705	6 577
Non-current financial liabilities				
Borrowings	31 589	40 974	28 017	42 550
Other non-current liabilities	613	336	704	250
Current financial liabilities				
Trade and other payables	1 045	576	2 423	1 255
Borrowings	2 698	9 485	2 125	6 859
Bank overdrafts	158	97	72	–
	36 103	51 468	33 341	50 914

7.1.6.2 Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR, prime, EURIBOR and money market rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.2 Sensitivity analysis (continued)

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2017.

	2018 (Decrease)/increase in profit before tax			2017 (Decrease)/increase in profit before tax		
	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	1	(308,9)	308,9	1	(262,9)	262,9
LIBOR	1	(49,7)	49,7	1	(132,3)	132,3
Three-month LIBOR	1	(39,7)	39,7	1	1,9	(1,9)
NIBOR	1	(33,7)	33,7	1	(70,9)	70,9
EURIBOR	1	0,1	(0,1)	1	(5,0)	5,0
Money market	1	(1,6)	1,6	1	8,3	(8,3)
Prime	1	27,2	(27,2)	1	38,4	(38,4)
Other	1	15,4	(15,4)	1	(9,3)	9,3

7.1.6.3 Currency risk

Currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

Currency risk arises on recognised financial assets and liabilities which are denominated in a currency that is not the entity's functional currency. The group aims to maintain its foreign currency exposure within internally determined parameters, however, this depends on the market conditions in the geographies where the group operates. Group treasury reports on the status of foreign currency positions or derivatives to the group treasury committee on a regular basis.

Where possible, entities in the group use forward contracts to hedge their actual exposure to foreign currency. Refer to note 7.5 for the group's outstanding foreign exchange contracts.

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss and to equity, of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The group is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, euro and Iranian rial. This analysis considers the impact of changes in foreign exchange rates on profit or loss and equity.

The analysis excludes foreign exchange translation differences resulting from the translation of group entities that have functional currencies different from the presentation currency, into the group's presentation currency, which are recognised in the foreign currency translation reserve.

The analysis has been performed on the basis of the change occurring at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

Intercompany balances that are denominated in a currency other than the functional currency of the entity are reflected as either impacting profit or loss before tax, or equity in the case of loans for which settlement is neither planned nor likely to occur in the foreseeable future.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.6 Market risk (continued)

7.1.6.3 Currency risk (continued)

Sensitivity analysis (continued)

A change in the foreign exchange rates to which the group is exposed at the reporting date would have increased/(decreased) profit before tax or equity by the amounts shown below.

	Increase/(decrease) in profit before tax				Increase/(decrease) in equity		
Denominated: Functional currency	**Net assets/ (liabilities) denominated in foreign currency Rm**	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**	**Change in exchange rate %**	**Weakening in functional currency Rm**	**Strengthening in functional currency Rm**
2018							
US$:ZAR[1]	**10 514**	**10**	**1 051,4**	**(1 051,4)**	**10**	**–**	**–**
US$:SYP	**(598)**	**10**	**6,4**	**(6,4)**	**10**	**(66,2)**	**66,2**
US$:SDG	**(1 532)**	**10**	**240,3**	**(240,3)**	**10**	**(393,5)**	**393,5**
US$:SSP	**(5 682)**	**10**	**45,5**	**(45,5)**	**10**	**(613,7)**	**613,7**
US$:NGN[1]	**(4 839)**	**10**	**(483,9)**	**483,9**	**10**	**–**	**–**
EUR:SDG	**(1 770)**	**10**	**(177,0)**	**177,0**	**10**	**–**	**–**
EUR:US$	**2 486**	**10**	**248,6**	**(248,6)**	**10**	**–**	**–**
US$:GNF	**(3 776)**	**10**	**(94,6)**	**94,6**	**10**	**(283,0)**	**283,0**
US$:ZMK	**(265)**	**10**	**(26,5)**	**26,5**	**10**	**–**	**–**
IRR:ZAR	**2 761**	**10**	**276,1**	**(276,1)**	**10**	**–**	**–**
EUR:ZAR	**186**	**10**	**18,6**	**(18,6)**	**10**	**–**	**–**
2017							
US$:ZAR[1]	2 259	10	226,0	(226,0)	10	–	–
US$:SYP	(522)	10	(0,4)	0,4	10	(51,8)	51,8
US$:SDG	(993)	10	195,7	(195,7)	10	(295,0)	295,0
US$:SSP	(4 654)	10	(21,9)	21,9	10	(443,5)	443,5
US$:NGN[1]	(5 352)	10	(535,2)	535,2	10	–	–
EUR:SDG	(1 491)	10	(149,1)	149,1	10	–	–
EUR:US$	873	10	87,3	(87,3)	10	–	–
US$:GNF	(2 457)	10	(30,7)	30,7	10	(215,0)	215,0
US$:ZMK	(618)	10	(61,8)	61,8	10	–	–
IRR:ZAR	5 425	10	542,5	(542,5)	10	–	–
EUR:ZAR	(812)	10	(81,2)	81,2	10	–	–

[1] Reduced by the impact of the net investment hedge as disclosed in note 7.5.

7.1.6.4 Price risk

The group is exposed to equity price risk, which arises from equity investments at FVOCI (2017: available-for-sale investments) (see note 7.2).

Refer to note 7.1.3 for disclosure of the sensitivity of the fair values of the investments to a change in the inputs used to determine their fair values. Other comprehensive income (before tax) will be affected by the amounts disclosed in respect of these investments in note 7.1.3.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.7 Capital management

The group's policy is to borrow using a mixture of long-term and short-term borrowing facilities to meet anticipated funding requirements. Borrowings are managed within the group's established debt:equity ratios. The group seeks to maximise borrowings at an operating company level, on a non-recourse basis, within an acceptable level of debt for the maturity of the local company.

Management regularly monitors and reviews net debt:EBITDA[2], and net interest:EBITDA[2] ratios.

Under the terms of the major borrowing facilities, the group is required to comply with financial covenants relating to net debt:EBITDA[2] and net interest:EBITDA[2]. The group has complied with all externally imposed covenants during the current and prior year.

The group's net debt:EBITDA[2], net debt:equity and net interest:EBITDA[2] at the end of the year are set out below. Net debt is defined as borrowings and bank overdrafts less cash and cash equivalents, restricted cash and current investments (excluding investments in Insurance cell captives). Equity approximates share capital and reserves. Net interest comprises finance costs less finance income per the group income statement and EBITDA[2] 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; and
- Share of results of associates and joint ventures after tax.

	2018	2017 Restated[1]
Net debt:EBITDA[2]		
Borrowings and bank overdrafts (Rm)	85 001	79 720
Less: Cash and cash equivalents, restricted cash and current investments (Rm)[3]	(21 455)	(22 575)
Net debt (Rm)	63 546	57 145
EBITDA[2] (Rm)	48 246	46 971
Net debt/EBITDA[2] ratio	1,3	1,2
Net debt:total equity		
Net debt (Rm)	63 546	57 145
Total equity (Rm)	88 226	95 720
Net debt/total equity (%)	72,0	59,7
Net interest:EBITDA[2]		
Net finance costs (Rm)	(8 331)	(9 267)
EBITDA[2] (Rm)	48 246	46 971
Net finance costs/EBITDA[2] (%)	(17,3)	(19,7)

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] EBITDA is defined in note 2.1.
[3] Includes cash classified as non-current asset held for sale.

7.2 Investments

Investments consist of equity investments at fair value through other comprehensive income that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2018 Rm	2017 Rm
Available-for-sale financial assets[1]		
Investment in IHS (note 7.1.3)	–	27 045
Unlisted equity investments	–	641
Financial assets at fair value through other comprehensive income		
Investment in IHS (note 7.1.3)	23 353	–
Unlisted equity investments	672	–
	24 025	27 686

[1] Refer to note 11 for details of changes in accounting policies.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.3 Loans and other non-current receivables

Loans and other non-current receivables are measured at amortised cost in accordance with the accounting policy disclosed in note 7.1.

Prepayments include costs paid relating to subsequent financial years and are stated at nominal value.

	2018 Rm	2017 Restated[1] Rm
Loan to Uganda Tower InterCo B.V.	–	452
Loan to Ghana Tower InterCo B.V.	–	905
Non-current interconnect receivables	60	124
Other non-current receivables	565	667
Non-current prepayments[2]	891	753
	1 516	2 901

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.
[2] Includes prepaid rent on Global Carrier Services cables.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.4 Current investments

Current investments consist of financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets held at fair value through profit or loss, that are accounted for in accordance with the accounting policy disclosed in note 7.1.

	2018 Rm	2017 Rm
Loans and receivables*		
Foreign currency fixed deposits with fixed interest rates of 0,4% – 8%[1]	–	1 759
Foreign currency fixed deposits with a fixed interest rate of 0,03%[4]	–	281
	–	2 040
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives – Guardrisk (note 7.1.3)	1 597	1 362
Treasury bills with fixed interest rates of 17,7% to 17,8% and maturity dates between May and June 2018[2]	–	307
	1 597	1 669
Held-to-maturity financial assets*		
Treasury bills with fixed interest rates of 17,8% – 18,6% and maturity dates between January and May 2018[2]	–	1 468
Treasury bill with a fixed interest rate of 10,5% and a maturity date of June 2018[3]	–	32
	–	1 500
Available for sale*		
Treasury bills with fixed interest rates of 14,9% – 18,6% and maturity dates between February and August 2018[2]	–	343
	–	343
Amortised cost		
Foreign currency fixed deposits with fixed interest rates of 0,4% – 0,6%[1]	43	–
Treasury bills with fixed interest rates of 11,55% –14,48% and maturity dates between January and November 2019[2]	2 283	–
Foreign currency fixed deposits with fixed interest rates of 2% – 8%[1]	302	–
Foreign currency fixed deposits with a fixed interest rate of 2%[4]	104	–
Foreign currency fixed deposits with fixed interest rates of 6,5% – 10,5%[3]	51	–
Treasury bills and bonds (debt instruments) held with rates of 4,25% and maturity dates between September and November 2018[5]	75	–
	2 858	–
Total current investments	4 455	5 552

[1] Denominated in United States dollar.
[2] Denominated in Nigerian naira.
[3] Denominated in Rwandan franc.
[4] Denominated in euro.
[5] Denominated in CFA franc.
* Refer to note 11 for details of changes in accounting policies.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.5 Derivatives and hedges

The group uses derivative financial instruments, such as forward exchange contracts and interest rate swaps, to hedge its foreign currency risks, and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All gains and losses from changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in profit or loss.

	2018 Rm	2017 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	265	205
	265	205
Current liabilities		
Forward exchange contracts	(208)	(118)
	57	87
Gains accounted for directly in profit or loss	39	51
Notional principal amount (US$ forward exchange contracts)	445	84

Net investment hedges

The group hedges a designated portion of its dollar net assets in MTN Dubai for forex exposure arising between the US$ and ZAR as part of the group's risk management objectives. The group designated external borrowings (Eurobonds) denominated in US$ held by MTN (Mauritius) Investments Limited and external borrowings denominated in US$ held by MTN Nigeria 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.

To assess hedge effectiveness the group performs hedge effectiveness testing by comparing the changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the net assets designated in MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior year.

The fair value of the financial liabilities (included in borrowings) designated as net investment hedges are:

	2018 Rm	2017 Rm
US$ denominated bonds held by MTN Mauritius	23 926	22 434
US$ denominated loans held by MTN Nigeria	1 333	2 612

The determination of fair value of these liabilities is disclosed in note 7.1.3.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

7 FINANCIAL RISK (continued)

7.5 Derivatives and hedges (continued)

Net investment hedges (continued)

The following information also relates to the hedge of the net investment:

	2018 Rm
Carrying value of US$ denominated bonds held by MTN Mauritius	25 380
Carrying value of US$ denominated loans held by MTN Nigeria	1 333
Nominal value of US$ denominated bonds held by MTN Mauritius[1]	1 750
Nominal value of US$ denominated loans held by MTN Nigeria[1]	93
Change in carrying amount of loans as a result of foreign currency movements	(3 497)
Change in value of the hedged item used to determine hedge effectiveness	3 497
Hedge ratio	100%
Foreign currency translation reserve	
Opening balance 1 January	466
Change in fair value of hedging instrument recognised in OCI for the year – after tax	2 517
Closing balance	2 983

[1] Amount presented in United States dollar.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

7 FINANCIAL RISK (continued)
7.6 Exchange rates to South African rand

		Closing rates		Average rates	
		2018	2017	**2018**	2017
Foreign currency to South African rand:					
United States dollar	US$	**14,38**	12,39	**13,21**	13,34
Euro	EUR	**16,47**	14,90	**15,11**	15,15
South African rand to foreign currency:					
Uganda shilling	UGX	**257,93**	293,68	**280,55**	270,09
Rwanda franc	RWF	**60,92**	68,34	**64,41**	61,68
Cameroon Communauté Financière Africaine franc	XAF	**39,89**	44,44	**45,07**	44,06
Nigerian naira	NGN	**25,33**	29,05	**27,41**	24,61
Iranian rial	IRR	**6 043,73[1]**	2 893,16[2]	**4 020,06[3]**	2 493,01[2]
Botswana pula	BWP	**0,75**	0,80	**0,78**	0,78
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**39,80**	45,50	**42,73**	43,92
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**39,89**	44,44	**42,18**	44,11
Zambian kwacha	ZMK	**0,83**	0,81	**0,79**	0,71
Swaziland lilangeni	E	**1,00**	1,00	**1,00**	1,00
Afghanistan afghani	AFN	**5,24**	5,62	**5,48**	5,08
Ghanaian cedi	GHS	**0,34**	0,36	**0,36**	0,33
Benin Communauté Financière Africaine franc	XOF	**39,80**	45,50	**42,26**	44,97
Guinean franc	GNF	**631,59**	726,65	**684,03**	680,92
Sudanese pound[4]	SDG	**3,31**	1,61	**2,40**	0,55
Syrian pound[4]	SYP	**30,45**	35,18	**32,79**	37,76
Guinea-Bissau Communauté Financière Africaine franc	XOF	**39,80**	45,50	**42,73**	43,96
Yemen rial	YER	**26,42**	37,71	**29,52**	20,51
Ethiopian birr	ETB	**1,96**	2,20	**2,02**	1,74
South Sudanese pound[4]	SSP	**10,71**	10,51	**10,54**	8,98

[1] SANA rate.
[2] CBI rate.
[3] Weighted average exchange rate used to translate the results of Iran.
[4] The financial results, positions and cash flows of foreign operations trading in hyperinflationary economies are translated as set out in note 1.3.2.

Subsidiaries and joint ventures operating in dual exchange rate economies

MTN Nigeria and MTN Sudan

During the last quarter of the prior year the group changed its reference rate for MTN Nigeria from the Interbank rate to the Nigeria Autonomous Foreign Exchange (NAFEX) rate and in MTN Sudan the group changed from the Central Bank rate to the Margin Resource Incentive Rate. During 2018 the exchange rates in Sudan converged to the Margin Resource Incentive Rate.

Iran

During the 2018 financial year the CBI clarified that all future dividends can be expected to be repatriated at the SANA rate. Consequently, the group equity accounts the results and translates any receivables from Iran at the SANA rate from August 2018.

However, the group continues to translate any receivables that have been approved by the Iranian government under the FIPPA at the CBI rate on the basis that management expects these balances to be settled at the CBI rate (note 4.2). At 31 December 2018 the ZAR to IRR exchange rate based on the CBI rate was 1 ZAR = 2 919,91 IRR.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

8 EQUITY STRUCTURE

8.1 Ordinary share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new ordinary shares or share options are recognised in equity as a deduction (net of tax) from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs (net of tax), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Ordinary share capital (par value of 0,01 cents)	**2018 Number of shares**	2017 Number of shares
Authorised	**2 500 000 000**	2 500 000 000
Issued *(fully paid up)*	**1 884 269 758**	1 884 269 758
In issue at the end of the year	**1 884 269 758**	1 884 269 758
Treasury shares[1]	**(9 791 839)**	(9 983 286)
Options held by MTN Zakhele Futhi[2]	**(76 835 378)**	(76 835 378)
In issue at the end of the year – excluding MTN Zakhele Futhi options and treasury shares[3]	**1 797 642 541**	1 797 451 094

[1] Treasury shares held by Mobile Telephone Networks Holdings Limited and legally owned by the 2016 MTN ESOP trust.
[2] These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option and are shown as such in the share capital reconciliation.
[3] There are no restrictions, rights or preferences including restrictions on dividend distributions attached to these shares.

	2018 Rm	2017 Rm
Share capital		
Balance at the beginning of the year	*	*
Treasury shares	*	*
Balance at the end of the year	*	*
Share premium		
Balance at the beginning of the year	**36 786**	36 786
Decrease in treasury shares	**143**	–
Balance at the end of the year	**36 929**	36 786

* Amounts less than R1 million.

MTN Zakhele Futhi

The group structured a BBBEE transaction through a separate legal entity in 2016, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi) which replaced the group's previous BEE structure known as MTN Zakhele. The transaction was designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

As part of the transaction MTN Zakhele Futhi acquired 76 835 378 of the company's shares at a price of R128,50 per share.

MTN Zakhele Futhi is a structured entity with the sole business of holding shares of MTN Group Limited and administering the associated funding of these shares. The group was involved in structuring MTN Zakhele Futhi, determining the level of its debt and negotiating the related debt covenants. In addition, the group holds a call option which, if exercised on the occurrence of a trigger event, entitles it to settle MTN Zakhele Futhi's debt with the third-party funders. This gives the group the ability to manage the credit risk of MTN Zakhele Futhi and consequently, the related BBBEE credentials which are dependent on the continued success of MTN Zakhele Futhi. As these activities are considered to be the relevant activities of MTN Zakhele Futhi, it is consolidated by the group.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.1 Ordinary share capital and share premium (continued)

MTN Zakhele Futhi (continued)

MTN Zakhele Futhi is funded by equity contributions (comprising cash received from new investors and reinvestment by existing MTN Zakhele shareholders in MTN Zakhele Futhi), preference shares issued to third parties, a donation received from the group and notional vendor financing (NVF) from the company. MTN Zakhele Futhi must repay the preference shares and NVF before the company's shares held by it become unencumbered, while the company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the company's shares held by MTN Zakhele Futhi become unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (i.e. the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, the company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding but treats it as an option for accounting purposes.

Further, no non-controlling interest is recognised in respect of the shares held by the ordinary shareholders of MTN Zakhele Futhi. From a consolidated perspective, their equity contributions (comprising cash received from new investors and the reinvestment by existing MTN Zakhele shareholders in MTN Zakhele Futhi) are in substance treated as a premium paid for the option to acquire the company's shares in future.

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties, 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 for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million of which R434 million was recognised as a share-based payment expense, and R487 million as the option premium on the shares sold.

14 750 000 of the underwrite option shares were sold to PF Nhleko, non-executive chairman of the MTN group. On 29 June 2018, the parties agreed not to proceed with the sale of the shares to PF Nhleko. This is regarded as a cancellation of a share-based payment transaction. The related receivable (R295 million) was derecognised with a corresponding debit in equity. There was no profit or loss impact arising from the cancellation.

Third-party preference share funding obtained by MTN Zakhele Futhi

A reconciliation of the third-party preference share funding obtained by MTN Zakhele Futhi to purchase shares of the company is provided below:

	2018 Rm	2017 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at the beginning of the year	**1 785**	2 179
Interest accrued at the effective interest rate	**96**	140
Accrued interest paid	**(126)**	(135)
Redemption of preference shares during the year	**(313)**	(399)
Balance at the end of the year	**1 442**	1 785

The class A preference shares are held by Jabisan 04 Proprietary Limited. The preference shares are mandatorily redeemable five years following the date of issue. Dividends are paid semi-annually on 30 April and 30 September. The preference share dividend rate is 75% of prime.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.2 Other reserves

	2018 Rm	2017 Restated# Rm
Balance at beginning of the year	**(1 006)**	763
Transactions with non-controlling interests	**1 666**	–
Transfer to retained earnings	**(327)**	–
Share-based payment transactions	**76**	1 158
Exchange differences on translating foreign operations[6]	**1 700**	(8 558)
Foreign exchange movement on hedging instruments[6]	**(2 517)**	1 421
Net change in fair value of available-for-sale investments[1]	**–**	4 439
Net change in fair value of equity instruments through other comprehensive income (FVOCI) reserve[1]	**(8 030)**	–
Other	**8**	(229)
Balance at end of the year	**(8 430)**	(1 006)
Consisting of:		
Contingency reserve (as required by insurance regulations)[2]	**4**	4
Statutory reserve (as required by Rwanda and Congo-Brazzaville legislation)[3]	**211**	211
Transactions with non-controlling interests[4]	**(10 057)**	(11 396)
Share-based payment transactions[5]	**7 200**	7 124
Foreign currency translation reserve[6]	**(4 880)**	(4 063)
Available-for-sale reserve[7]	**–**	7 111
Equity instruments at fair value through other comprehensive income[8]	**(919)**	–
Other	**11**	3
	(8 430)	(1 006)

[1] Net change relates to movement in previous available-for-sale category under IAS 39 of R4 439 million in 2017 and R8 030 million change under the new FVOCI classification category under IFRS 9 in 2018.

[2] A contingency reserve has been created in terms of the Short-term Insurance Act, 1988. Transfers to the contingency reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of shareholders' funds. On dissolution of the structured entities to which the reserve relates, they will become available for distribution.

[3] A statutory reserve has been created in terms of local legislation. Transfers to the statutory reserve are treated as an appropriation of income, and the balance of the reserve is disclosed in the statement of financial position as a non-distributable reserve, forming part of the shareholders' funds.

[4] Non-controlling shareholders are treated as equity participants and, therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased is recorded in equity. All profits or losses arising as a result of the disposal of interests in subsidiaries to non-controlling shareholders, where control is maintained subsequent to the disposal, are also recorded in equity. Following the sale of MTN Cyprus reserves worth R327 million were transferred to retained earnings.

[5] Refer to the accounting policy in note 8.4 with regard to equity-settled share-based payments.

[6] Refer to the translation and disposal of foreign operations sections in accounting policy 1.3.2 foreign currency. The group's presentation currency is rand. The weakening of the closing rate of the rand against the functional currencies of the group's largest operations contributed to an increase in assets and liabilities and the resulting foreign currency translation reserve increase of R1 700 million (2017: R8 558 million reduction) since 31 December 2017. The amount also comprises foreign currency losses arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R2 517 million (2017: R1 421 million gains). Following the exercise of the exchange right in INT Towers Limited in the prior year (note 2.3 other income), a foreign currency translation loss of R3 298 million was released to the income statement.

[7] This comprises all fair value adjustments on all financial assets that have been classified as available-for-sale. Following the adoption of IFRS 9, the available-for-sale reserve is now the equity instruments at fair value through other comprehensive income reserve.

[8] This comprises all fair value adjustments on all equity investments that have been classified as FVOCI. On the disposal of the FVOCI equity investments, the cumulative gains recognised on these investments are not reclassified to profit and loss.

Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.3 Dividends

Dividends declared to the company's shareholders are recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's directors.

	2018 Cents per share	2018 Rm	2017 Cents per share	2017 Rm
Dividends declared during the year				
Final dividend declared in respect of the prior year	450	8 098[2]	450	8 078
Interim dividend declared in respect of the current year	175	3 150[2]	250	4 494
		11 248		12 572
Dividends declared after year-end				
Approved after the reporting date and not recognised as a liability	325[1]	5 849[2]	450	8 089

[1] Declared at the board meeting on 6 March 2019.
[2] Excluding 7 606 434 (2017: 9 983 286) treasury shares held by Mobile Telephone Networks Holdings, 76 835 378 (2017: 76 835 378) shares held by MTN Zakhele Futhi and including the 2016 MTN ESOP Trust shares of 2 185 405.

8.4 Share-based payments

Equity-settled share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of service or non-market-based vesting conditions) at the grant date. The fair value is measured using a stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations, where applicable. The fair value determined at the grant date of the equity-settled share-based options or rights is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, based on the group's estimate of the shares that will eventually vest. The expense is adjusted to reflect the actual number of options and share rights for which the related service and non-market-based vesting conditions are met.

Where employees exercise options or share rights in terms of the rules and regulations of the schemes, new shares are issued to participants as beneficial owners. The directors procure a listing of these shares on the JSE Limited, the securities exchange on which the company's shares are listed. In terms of the Share Option Scheme, participants entitled to share options pay a consideration equal to the option price when the options are exercised. The nominal value of shares issued is credited to share capital and the difference between the nominal value and the option price is credited to share premium. Settlement of the performance share plan (PSP) awards are done through the acquisition of shares in the open market and the subsequent delivery to participants.

Cash-settled share-based payments

The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

The MTN Group share options, share appreciation rights and share rights schemes and performance share plan

The group operates a number of equity-settled share-based payment schemes for the benefit of eligible employees, including executive directors, in accordance with the schemes' rules. The schemes are designed to retain and recognise the contributions of executive directors and eligible employees and to provide additional incentives to contribute to the group's continued growth.

The performance share plan is the active scheme which superseded the Share Option Scheme, the Share Appreciation Rights and the Share Rights Scheme. The superseded schemes will be wound up once all unvested and/or unexercised awards previously made have run their remaining course.

The vesting periods under the Share Rights Scheme, Share Option Scheme and Share Appreciation Rights Scheme are as follows: 20%, 20%, 30% and 30% on the anniversary of the second, third, fourth and fifth years, respectively, after the grant date. The strike price for these schemes is determined as the closing market price for the MTN Group Limited shares on the day prior to the date of allocation. Unexercised options and rights lapse 10 years from the date of grant and are forfeited if the employee leaves the group before they vest.

The vesting period for the PSP is three years and the awards vest in full based on set performance targets. Employees are not entitled to receive dividends on the shares during the vesting period.

The total number of shares which may be allocated for the purposes of the schemes shall not exceed 5% of the total issued ordinary share capital of the company, being 94 213 488 shares as approved by shareholders in 2001.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN Group Share Appreciation Rights Scheme and Share Rights Scheme (the rights schemes)

The Share Appreciation Rights Scheme was implemented on 31 May 2006.

On 26 August 2008, the board approved the Share Rights Scheme, which superseded the Share Appreciation Rights Scheme. Both the rights schemes operate under the same provisions with the exception that the Share Rights Scheme was extended to allow participation by junior managers.

Share rights under the rights schemes are granted to eligible employees by the relevant employer subsidiary company.

Exercised rights are equity settled whereby the relevant subsidiary purchases the required MTN shares in the open market.

Details of the outstanding Share Appreciation Rights are as follows:

	Strike price R	Number outstanding at 31 December 2017	Forfeited during 2018	Exercised during 2018	Number outstanding at 31 December 2018
Offer date					
19 March 2008	126,99	52 400	(1 400)	(51 000)	–
Total		52 400	(1 400)	(51 000)	–

Details of the outstanding Share Rights are as follows:

	Strike price R	Number outstanding at 31 December 2017	Forfeited during 2018	Exercised during 2018	Number outstanding at 31 December 2018
Offer date					
1 September 2008	118,64	86 810	(86 810)	–	–
28 June 2010	107,49	220 050	(10 290)	(420)	209 340
Total		306 860	(97 100)	(420)	209 340

The share rights outstanding at the end of the year have a weighted average remaining contractual life of one year (2017: two years).

There were no new grants during the current and prior year.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)
8.4 Share-based payments (continued)

MTN PSP

During prior financial years the group granted eligible employees share rights under the PSP, established in 2010. The rights were granted to employees on levels 3, 4, 5 and 6. The PSP was established in order to attract, retain and reward selected employees who are able to contribute to the business of the employer companies and to stimulate their personal involvement thereby encouraging their continued service and encouraging them to advance the interests of the relevant employer company and the group in general.

The share rights generally vest after three years from date of grant. For the grants made between 2014 and 2016, the following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant	
	Employee level 3 – 4 %	Employee level 5 – 6 %
Vesting conditions for shares granted		
Total shareholder return	37,5	50,0
Adjusted free cash flow growth	37,5	50,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	–

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75th percentile of the performance of a comparable group of companies listed on the JSE. For the adjusted free cash flow vesting condition, vesting is based on a sliding scale between 6% and 10% compound annual growth in the adjusted free cash flow for the three years before the grant date compared to the three years after the grant date, for all grants made in 2014 and thereafter. The individual return retention condition is guaranteed subject to the employee remaining employed by the group for the duration of the vesting period.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

The performance conditions were revised during 2017 and apply to new grants issued on and after 29 September 2017. The following performance conditions must be fulfilled to qualify for the percentage of the shares granted as stated in the table below:

	Proportion of grant Employee level 3 – 4 %	Proportion of grant Employee level 5 – 6 %
Vesting conditions for shares granted		
Total shareholder return	25,0	25,0
Cumulative operating free cash flow	25,0	25,0
Individual retention (guaranteed, subject to remaining on the PSP for the duration of the award fulfilment period)	25,0	25,0
Return on average capital employed	25,0	8,33 – 25,0
Compliance to dti and ICASA	–	8,33 – 12,5
Black Economic Empowerment	–	8,33

For the total shareholder return vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at the median to 100% vesting at the 75th percentile of the performance of the MSCI Emerging Markets Telecoms Index[1] comparator group. For the cumulative operating free cash flow vesting condition, vesting is based on a sliding scale that ranges from 25% vesting at 90% of the target to 100% vesting at 110% of the target cumulative operating free cash flow over the measurement period. The individual return retention condition is guaranteed subject to the employee remaining employed by the group for the duration of the vesting period. The return on average capital employed is based on a sliding scale that ranges from 25% vesting at 90% of the budget to 100% vesting at 100% of the budgeted return on average capital employed. The vesting conditions with regards to compliance to the dti and ICASA are based on reasonable efforts made to ensure compliance with the relevant targets and codes. For the black economic empowerment vesting condition, vesting is based on the achievement of previously agreed upon deliverables as applicable in South Africa.

Details of the outstanding equity-settled performance share plan rights are as follows:

	Number outstanding at 31 December 2017	Offered	Forfeited	Exercised during 2018	Number outstanding at 31 December 2018
Offer date					
19 December 2014	1 546 753	–	(1 355 306)	(191 447)	–
30 June 2016	3 254 216	–	(164 184)	–	3 090 032
28 December 2016	4 981 444	–	(458 444)	–	4 523 000
09 March 2017	66 500	–	–	–	66 500
29 September 2017	213 600	–	–	–	213 600
18 December 2017	6 019 700	–	(457 900)	–	5 561 800
28 June 2018	–	65 200	–	–	65 200
28 December 2018	–	11 887 900	(34 838)	–	11 853 062
Total	16 082 213	11 953 100	(2 470 672)	(191 447)	25 373 194

[1] In November 2018 the MSCI Emerging Markets Telecoms index was re-constituted and now consists of the MSCI Emerging Markets Communications index. This has been used in the 2018 grants.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

MTN PSP (continued)

A valuation has been prepared using a stochastic model to determine the fair value of the performance share plan and the expense to be recognised for share rights granted during the current and prior year.

The range of inputs into the stochastic model used for rights granted during the year was as follows:

		June 2018	December 2018
Share price (R)		**104,58**	**88,06**
Expected life		**2 years**	**3 years**
Risk-free rate		**7,43% – 7,54%**	**6,87% – 8,03%**
Expected volatility		**23,83% – 32,14%**	**26,32% – 30,48%**
Dividend yield		**5,67%**	**6,41%**
	March 2017	September 2017	December 2017
Share price (R)	120,80	124,38	134,46
Expected life	3 years	2 years	3 years
Risk-free rate	7,36% – 7,57%	7,09% – 7,93%	7,60% – 7,93%
Expected volatility	32,55% – 36,55%	26,14% – 35,44%	24,08% – 32,88%
Dividend yield	9,17%	7,16%	6,33%

The risk-free rate was estimated using the nominal bond curve as compiled by the JSE of South Africa and obtained from I-Net Bridge for the 2017 and 2018 share rights granted.

Volatility was estimated using the weekly closing share price as provided by I-Net Bridge. An annualised standard deviation of the continuously compounded rates of return of the share and the daily dividend yield was used for the 2017 and 2018 share rights granted.

Employee share ownership programme

During 2018, 369 965 (2017: 2 million) shares were granted to qualifying employees for no consideration and subject to a service condition. The shares will vest in three tranches, i.e. a third will vest on the third, fourth and fifth anniversary of the grant date respectively. The plan is facilitated through a structured entity (the 2016 MTN ESOP trust). MTN provides shares and funding to the 2016 MTN ESOP trust to enable the trust to satisfy its objectives.

Cash settled share-based payment transactions

During the prior year, the group granted newly appointed executives cash-settled onboarding incentives to compensate the executives in respect of the actualised pre-tax amount of stocks or equity relinquished by the executives with their previous employers. The value of each incentive will be determined based on the market value of the specified number of ordinary listed shares in MTN Group Limited at the end of the incentive period for each respective executive. The remaining incentive period at 31 December 2018 is approximately one year (2017: two years). The total number of MTN Group shares on which the incentives are based is 837 664. The fair value of these incentives was determined as at 31 December using a Black-Scholes valuation methodology and a cash-settled share-based payment expense of R16 million (2017: R30 million) was accounted for. None of the incentives granted have been forfeited since the respective grant dates. In addition, throughout the group there are various notional share schemes. The total expense recorded for these schemes in the current year is R12 million (2017: R74 million (income)).

	2018 Rm	2017 Rm
Expense arising from equity-settled share-based payment transactions	**371**	237
Expense/(income) arising from cash-settled share-based payment transactions	**28**	(44)
Total (note 2.4)	**399**	193

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures

MTN Group Limited

HOLDING COMPANIES

Company	Country	Interest
Mobile Telephone Networks Holdings Limited	South Africa	100%
MTN International Proprietary Limited	South Africa	100%

MANAGEMENT SERVICES

Company	Country	Interest
MTN Group Management Services Proprietary Limited	South Africa	100%

TELECOMMUNICATIONS/ISP

Company	Country	Interest
MTN Business Solutions Botswana Proprietary Limited	Botswana	80%
MTN Business Limited (Kenya)	Kenya	70%
MTN Business Kenya Limited	Kenya	70%
Satalite Data Networks Mauritius Proprietary Limited	Mauritius	100%
MTN Business Solutions Namibia Proprietary Limited	Namibia	100%
Cell Place Proprietary Limited	South Africa	100%
iTalk Cellular Proprietary Limited	South Africa	100%
Mobile Telephone Networks Proprietary Limited	South Africa	100%
MTN Business Solutions Proprietary Limited	South Africa	100%
MTN Network Solutions Proprietary Limited	South Africa	100%
MTN Media Holdings Proprietary Limited	South Africa	100%
Smart Village Proprietary Limited	South Africa	100%

PROPERTY

Company	Country	Interest
Aconcagua 11 Proprietary Limited	South Africa	100%
MTN Propco Proprietary Limited	South Africa	100%

ELECTRONIC SERVICES

Company	Country	Interest
Africa Internet Holding GmbH[1]	Berlin	29,69%

TELECOMMUNICATION/ISP

Company	Country	Interest
Swazi MTN Limited[1]	Swaziland	30%

HOLDING COMPANY

Company	Country	Interest
MTN International (Mauritius) Limited	Mauritius	100%

HOLDING COMPANIES

Company	Country	Interest
Cotel Holdings Limited	Zambia	100%
Econet Wireless Citizens Limited[6]	Mauritius	82,8%
Deci Investments Proprietary Limited[1; 6]	Botswana	33,3%
Mobile Botswana Limited[6]	Mauritius	100%

TELECOMMUNICATIONS/ISP

Company	Country	Interest
Mobile Telephone Networks Cameroon Limited	Cameroon[5]	70%
MTN Network Solutions Limited	Cameroon[5]	70%
Afnet	Côte d'Ivoire[3]	58,83%
Arobase	Côte d'Ivoire[3]	58,83%
MTN Côte d'Ivoire[3] S.A.	Côte d'Ivoire	58,83%
MTN Nigeria Communications Limited	Nigeria	78,83%
XS Broadband Limited	Nigeria	78,83%
MTN Uganda Limited	Uganda	96%
MTN (Zambia) Limited	Zambia[2]	86%
Mascom Wireless Botswana Proprietary Limited[1,6]	Botswana	53,1%
Irancell Telecommunication Company Services (PJSC)[1]	Iran	49%
MTN Publicom Limited	Uganda	96%
MTN Rwandacell Limited	Rwanda	80%
MTN Congo S.A.	Republic of the Congo	100%
Visafone Communications Limited	Nigeria	78,83%

ELECTRONIC SERVICES

Company	Country	Interest
MTN Mobile Money Limited	Zambia	86%
Electronic Funds Transfer Operation Nigeria Limited	Nigeria	50%

STRUCTURED ENTITY

Company	Country	Interest
Munyati Buffalo Zambia Limited	Zambia	100%
MTN (Mauritius) Investments Limited	Mauritius	100%

[1] Joint venture.
[2] Effective shareholding of 97,8%, for accounting purposes.
[3] Effective shareholding of 66,8%, for accounting purposes.
[4] Incorporated in 2017.
[5] Effective shareholding of 80% (see note 9.5).
[6] Held for sale in 2018.
[7] Incorporated during the current year.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)
9.1 Interest in subsidiaries and joint ventures (continued)

MTN Group Limited

MTN (Dubai) Limited
Dubai
100%

HOLDING COMPANIES

Company	Country	Interest
Easy Dial International Limited	British Virgin Islands	99%
Investcom Telecommunications Guinea (Conakry) Limited	British Virgin Islands	99%
Investcom Consortium Holding S.A.	British Virgin Islands	99%
Investcom Mobile Benin Limited	British Virgin Islands	99%
Investcom Mobile Communications Limited	British Virgin Islands	100%
Investcom Telecommunications Afghanistan Limited	British Virgin Islands	100%
MTN NIC BV	Netherlands	100%
MTN (Netherlands) BV	Netherlands	100%
MTN (Netherlands) Co-Op UA	Netherlands	100%
Galactic Engineering Projects SA	Panama	78%
Vernis Associates SA	Panama	100%
Starcom Global Limited	British Virgin Islands	89%
Investcom Global Limited	British Virgin Islands	99%
Fourteenth Avenue Investment Holding Limited	UAE	100%
Servico SAL	Lebanon	99,97%
MTN Nigeria Towers SPV B.V.	Netherlands	100%
Investcom Telecommunications Yemen Limited	British Virgin Islands	100%
Global Connect Solutions Limited[7]	Dubai	100%

PROCUREMENT

Company	Country	Interest
Global Trading Company LLC	UAE	100%
Global Sourcing Company LLC	UAE	100%
Telecom Sourcing Services FZ-LLC	UAE	100%
MTN Investments Limited	UAE	100%
MTN SEA Shared Services Limited	Uganda	100%

MANAGEMENT SERVICES

Company	Country	Interest
Inteltec Offshore SAL	Lebanon	99,8%

INTERNATIONAL BUSINESS

Company	Country	Interest
Interserve Overseas Limited	British Virgin Islands	99%

ELECTRONIC SERVICES

Company	Country	Interest
MTN Mobile Money Benin[4]		75%
Middle East Internet Holding S.A.R.L[1]	Luxembourg	50%
aYo Holdings[1] Limited	Mauritius	50%
TravelLab Global AB (Travelstart)[1]	Sweden	43,67%
Amadeus IV Digital 1	United Kingdom	98%
MobileMoney Limited	Ghana	100%

TELECOMMUNICATIONS/ISP

Company	Country	Interest
Lonestar Communications Corporation LLC	Liberia	60%
MTN Afghanistan Limited	Afghanistan	100%
MTN Sudan Company Limited	Sudan	85%
MTN South Sudan Limited	South Sudan	100%
Spacetel Benin S.A	Benin	75%
Scancom PLC	Ghana	85,49%
Areeba Guinea S.A.	Guinea-Conakry	75%
Spacetel Guinea-Bissau S.A.	Guinea-Bissau	100%
MTN Syria (JSC)	Syria	75%
Novafone Incorporated	Liberia	100%
MTN Yemen	Yemen	82,8%
Easynet Search Limited	Ghana	99,6%
MTN ICT Services PLC	Ethiopia	99,9%

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures

Associates and joint ventures are accounted for using the equity method and are recognised initially at cost.

The group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of post-acquisition accumulated profits or losses of associated companies and joint ventures in the carrying amount of the investments, which are generally determined from their latest audited annual financial statements or management accounts and the annual profit attributable to the group is recognised in profit or loss. The group's share of any post-acquisition movement in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where an associate or joint venture's functional currency is the currency of a hyperinflationary economy, the results and financial position of the associate or joint venture are restated in order to calculate the group's share of net assets and profit or loss.

The carrying amount of the group's investments in associates and joint ventures is reduced to recognise any potential impairment in the value of individual investments. When the group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the group does not recognise further losses, unless the group has an obligation, issued guarantees or made payments on behalf of the associate or joint venture.

Dilution gains or losses arising on investments in associates and joint ventures are recognised in profit or loss. If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss. Profits or losses resulting from upstream and downstream transactions between the group and its associates and joint ventures are recognised in the group's financial statements only to the extent of unrelated investors' interests in the associates and joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Adjustments have been made where necessary to bring the accounting policies of the associates and joint ventures in line with those of the group.

The group applies equity accounting up until the date the investment meets the requirements to be classified as held for sale. Thereafter it is measured at the lower of carrying value and fair value less cost to sell in accordance with IFRS 5.

	2018 Rm	2017 Restated[1] Rm
Investment in associates	**3 362**	2 634
Investment in joint ventures	**8 522**	17 039
Total investment in associates and joint ventures	**11 884**	19 673
Share of results of associates after tax	**341**	33
Share of results of joint ventures after tax	**(868)**	807
Total share of results of associates and joint ventures after tax	**(527)**	840

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

Investment in associates

Significant judgement

The group, together with another shareholder, holds the shares in Uganda Tower InterCo B.V. and Ghana Tower InterCo B.V. The group does not have substantive rights that give it power over the relevant activities of these entities. However, the group participates in the significant financial and operating decisions and consequently it has determined that it has significant influence over these entities, resulting in them being classified as associates of the group.

Unless otherwise stated, the group's associates' countries of incorporation are also their principal place of operation.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

Significant judgement (continued)

The group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2018	2017
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Uganda Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Ghana Tower InterCo B.V.	Management of telecommunication infrastructure	Netherlands	**49**	49
Number Portability Company Proprietary Limited	Porting	South Africa	**20**	20
Content Connect Africa Proprietary Limited	Telecommunications	South Africa	**36**	36
International Digital Services Middle East Limited (iME)[1]	Telecommunications	United Arab Emirates	**29,5**	33,3

[1] The entity operates in Iran. During March 2018, iME issued shares to a new investor. The group and Iran each owned a 33,3% shareholding in iME prior to this transaction. After the new investor was introduced, the group and Iran's shareholding decreased to 29,5% each. The group recognised a R304 million gain on dilution, which is included in other income (note 2.3). The group's share of Iran's gain on dilution (R134 million) is included in the share of results of associates and joint ventures after tax.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

	Belgacom International Carrier Services SA (BICS) Rm	Uganda Tower InterCo B.V. Rm	Ghana Tower InterCo B.V. Rm	Nigeria Tower InterCo B.V.[1] Rm	International Digital Services Middle East Limited (iME) Rm	Other Rm	Total Rm
2017							
Balance at beginning of the year	1 770	–	–	4 590	–	9	6 369
Reclassification from joint venture	–	–	–	–	375	–	375
Other income (note 2.3)	–	–	27	–	–	–	27
Disposal[1]	–	–	–	(7 880)	–	–	(7 880)
Additional investment[2]	–	641	–	–	–	–	641
Share of results after tax	235	(66)	26	(8)	(157)	3	33
Dividend income	(213)	–	–	–	–	–	(213)
Effect of movements in exchange rates	21	(42)	(53)	3 298	59	(1)	3 282
Balance at end of the year	1 813	533	–	–	277	11	2 634
2018							
Balance at beginning of the year	**1 813**	**533**	**–**	**–**	**277**	**11**	**2 634**
Other income (note 2.3)	**–**	**–**	**23**	**–**	**304**	**–**	**327**
Share of results after tax	**223**	**189**	**77**	**–**	**(150)**	**2**	**341**
Dividend income	**(204)**	**–**	**–**	**–**	**–**	**–**	**(204)**
Effect of movements in exchange rates	**190**	**131**	**(100)**	**–**	**43**	**–**	**264**
Balance at end of the year	**2 022**	**853**	**–**	**–**	**474**	**13**	**3 362**

[1] In January 2017, the group exchanged its 51% interest in Nigeria Tower InterCo B.V., the parent company of INT, the Nigerian telecom tower operator, for an additional shareholding in IHS Group. Refer to note 2.3 for additional information on this exchange transaction.

[2] The additional investment in Uganda Tower Interco B.V. arose from the conversion of the loan to Uganda Tower Interco B.V. into additional equity of US$48,3 million and a replacement note in Uganda shillings for the remaining balance.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)
9.2 Investment in associates and joint ventures (continued)

Summarised financial information of associates

Set out below is the summarised financial information of each associate that is material to the group. The summarised financial information is adjusted to reflect adjustments made by the group when applying the equity method, including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Belgacom International Carrier Services SA (BICS)		Uganda Tower InterCo B.V.	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Summarised statement of financial position				
Total assets	**16 751**	15 129	**3 405**	2 522
Non-current assets	**5 698**	5 936	**1 400**	1 732
Current assets	**11 053**	9 193	**2 005**	790
Total liabilities	**12 826**	11 596	**1 741**	1 513
Non-current liabilities	**2 739**	2 824	**909**	924
Current liabilities	**10 087**	8 772	**832**	589
Net assets	**3 925**	3 533	**1 664**	1 009
% ownership interest held	**20**	20	**49**	49
Interest in associate	**785**	707	**815**	494
Goodwill	**1 237**	1 106	**–**	–
Forex losses on net investment loan recorded in equity	**–**	–	**38**	39
Balance at end of the year	**2 022**	1 813	**853**	533
Summarised income statement				
Revenue	**20 868**	20 023	**830**	729
Profit/(loss) before tax	**1 471**	1 364	**389**	(75)
Income tax expense	**(358)**	(190)	**(3)**	–
Profit/(loss) after tax	**1 113**	1 174	**386**	(75)
% ownership interest held	**20**	20	**49**	49
Share of results after tax	**223**	235	**189**	(37)
Unrecognised share of losses from associate	**–**	–	**–**	(29)
Share of results after tax	**223**	235	**189**	(66)

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Summarised financial information of associates (continued)

	Ghana Tower InterCo B.V.		International Digital Services Middle East Limited (iME)	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Summarised statement of financial position				
Total assets	**2 669**	2 280	**1 255**	302
Non-current assets	**–**	198	**54**	40
Current assets	**2 669**	2 082	**1 201**	262
Total liabilities	**2 669**	2 454	**352**	161
Non-current liabilities	**1 866**	1 713	**9**	8
Current liabilities	**803**	741	**343**	153
Net assets	**–**	(174)	**903**	141
% ownership interest held	**49**	49	**29,50**	33,33
Interest in associate excluding goodwill	**–**	(85)	**266**	47
Goodwill	**–**	–	**208**	212
Adjustment up to 31 December[1]	**–**	–	**–**	18
Accumulated unrecognised share of losses from associate[2]	**–**	10	**–**	–
Accumulated unrecognised share of other comprehensive income from associate[2]	**–**	75	**–**	–
Balance at end of the year	**–**	–	**474**	277
Summarised income statement				
Revenue	**1 083**	1 505	**1 353**	718
Profit/(loss) before tax	**302**	133	**(503)**	(505)
Income tax expense	**57**	(1)	**(5)**	–
Profit/(loss) after tax	**359**	132	**(508)**	(505)
% ownership interest held	**49**	49	**29,50**	33
Share of results after tax	**176**	65	**(150)**	(185)
Unrecognised share of losses from associate	**(99)**	(39)	**–**	–
Share of (loss)/profit of associates after tax	**77**	26	**(150)**	(185)

[1] Summarised financial information presented with regard to the group's interest in iME is as per the latest available management accounts at 30 November 2018. Preparation of financial statements at 31 December 2018 by iME was impracticable. Appropriate adjustments have been made to the group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

[2] Translated at rates of exchange ruling at the reporting date.

There are no significant contingent liabilities relating to the group's interests in these associates at the end of the current or prior year.

Investment in joint ventures

Classification of significant joint arrangements

Joint arrangements are all arrangements where two or more parties contractually agree to share control of the arrangement, which only exists when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The group exercises judgement in determining the classification of its joint arrangements. The group's joint arrangements provide the group and the other parties to the agreements with rights to the net assets of the entities. The group has joint control over these arrangements as, under the contractual arrangements, unanimous consent is required for all decisions made with regards to the relevant activities. Judgement has been applied in determining that the following entities should be classified as joint ventures of the group:

- Irancell Telecommunication Company Services (PJSC) (49%).
- Mascom Wireless Botswana Proprietary Limited (Mascom) (53,1%).
- Middle East Internet Holding S.A.R.L (MEIH) (50%).
- Africa Internet Holding GmbH (AIH) (29,69%).
- TravelLab Global AB (Travelstart) (43,67%).

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Classification of significant joint arrangements (continued)

The group has the following effective interests in joint ventures:

Joint venture	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2018	2017
Irancell Telecommunication Company Services (PJSC)	Network operator	Iran	**49**	49
Mascom Wireless Botswana Proprietary Limited[5]	Network operator	Botswana	**53,1**	53,1
Swazi MTN Limited	Network operator	Swaziland	**30**	30
Deci Investments Proprietary Limited[5]	Holding company	Botswana	**33,3**	33,3
Middle East Internet Holding S.A.R.L (MEIH)[1]	Telecommunications	Luxembourg	**50**	50
Africa Internet Holding GmbH (AIH)[2; 3; 4]	Telecommunications	Germany	**29,69**[3]	31,28
aYo Holdings Limited	Mobile insurance	Mauritius	**50**	50
TravelLab Global AB (Travelstart)	Online travel services	Sweden	**43,67**	37,16

[1] The entity operates in various countries across the Middle East.
[2] The entity operates in various countries across Africa.
[3] During 2018, African Internet Holding GmbH (AIH) issued shares to a new investor. After the new investor was introduced, the group's shareholding decreased to 29,69%. The group recognised a R265 million gain on dilution, which is included in other income (note 2.3).
[4] AIH changed its name to Jumia Technologies AG in January 2019.
[5] Held for sale as at 31 December 2018, refer note 9.3.2.

The joint ventures listed above are unlisted and their countries of incorporation are also their principal place of operation unless otherwise indicated.

All joint ventures have a year-end consistent with that of the company with the exception of Iran that has a year-end of 21 December, for group reporting purposes.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

	Irancell Telecom-munication Company Services (PJSC) Rm	Mascom Wireless Botswana Proprietary Limited Rm	Africa Internet Holding GmbH (AIH) Rm	Middle East Internet Holding S.A.R.L (MEIH) Rm	Inter-national Digital Services Middle East Limited (iME) Rm	TravelLab Global AB (Travelstart) Rm	Other Rm	Total Rm
2017[1]								
Restated balance at beginning of the year	13 657	1 272	3 329	976	403	386	352	20 375
Additions	–	–	–	–	–	–	113	113
Share of results after tax	930	439	(456)	(145)	(28)	(14)	81	807
Dividend income	(1 321)	(340)	–	–	–	–	(103)	(1 764)
Reclassification to associate	–	–	–	–	(375)	–	–	(375)
Other equity movements	3	279	–	119	–	–	–	401
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[2]	(2 449)	88	(139)	28	–	(39)	(7)	(2 518)
Restated balance at end of the year	10 820	1 738	2 734	978	–	333	436	17 039
2018								
Restated balance at beginning of the year	**10 820**	**1 738**	**2 734**	**978**	**–**	**333**	**436**	**17 039**
Adjustment on initial application of IFRS 9	**(100)**	**–**	**–**	**–**	**–**	**–**	**–**	**(100)**
Restated balance at beginning of the year	**10 720**	**1 738**	**2 734**	**978**	**–**	**333**	**436**	**16 939**
Other income	**–**	**–**	**265**	**–**	**–**	**–**	**–**	**265**
Additions	**–**	**–**	**–**	**–**	**–**	**118**	**–**	**118**
Share of results after tax	**(281)**	**292**	**(862)**	**(87)**	**–**	**27**	**43**	**(868)**
Dividend income	**–**	**(369)**	**–**	**–**	**–**	**–**	**(62)**	**(431)**
Joint venture held for sale	**–**	**(1 639)**	**–**	**–**	**–**	**–**	**(193)**	**(1 832)**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[2]	**(5 892)**	**(22)**	**58**	**72**	**–**	**103**	**12**	**(5 669)**
Balance at end of the year	**4 547**	**–**	**2 195**	**963**	**–**	**581**	**236**	**8 522**

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

[2] Refer to note 1.3.3 for the group's accounting policy with regard to those entities whose functional currency is the currency of a hyperinflationary economy.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture that is material to the group. The summarised financial information is adjusted to reflect adjustments made by the group when applying the equity method including fair value adjustments at acquisition and modifications for differences in accounting policy.

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH (AIH)[2]	
	2018 Rm	2017 Restated[1] Rm	**2018 Rm**	2017 Restated[1] Rm
Summarised statement of financial position				
ASSETS				
Non-current assets	**23 872**	46 460	**127**	3 280
Property, plant and equipment	**20 389**	40 179	**79**	51
Intangible assets	**2 192**	4 542	**4**	9
Loans and other non-current receivables	**70**	180	**41**	3 217
Non-current prepayment	**38**	–	**–**	–
Investment in associate	**298**	508	**–**	–
Investments	**253**	537	**–**	–
Deferred tax assets	**453**	274	**3**	3
Capitalised contract costs	**179**	240	**–**	–
Current assets	**6 209**	13 239	**3 962**	1 370
Inventories	**61**	70	**250**	265
Trade and other receivables	**4 354**	7 320	**1 579**	309
Restricted cash	**435**	32	**–**	–
Cash and cash equivalents	**1 359**	5 817	**1 951**	690
Other current assets	**–**	–	**182**	106
Total assets	**30 081**	59 699	**4 089**	4 650
LIABILITIES				
Non-current liabilities	**1 276**	3 533	**–**	–
Deferred tax liabilities	**1 152**	3 216	**–**	–
Provisions	**124**	309	**–**	–
Other non-current liabilities	**–**	8	**–**	–
Current liabilities	**19 597**	34 212	**1 715**	1 128
Trade and other payables	**14 796**	26 591	**919**	798
Unearned income	**–**	1 654	**169**	90
Provisions	**158**	305	**467**	13
Taxation liabilities	**408**	1 143	**122**	227
Borrowings	**2 776**	1 731	**38**	–
Dividends declared	**1 459**	2 788	**–**	–
Total liabilities	**20 873**	37 745	**1 715**	1 128
Net assets	**9 208**	21 954	**2 374**	3 522
Non-controlling interests	**–**	–	**341**	551
Total net assets	**9 208**	21 954	**2 715**	4 073
% ownership interest held	**49**	49	**29,69**	31, 28
Interest in joint venture excluding goodwill	**4 512**	10 757	**806**	1 274
Adjustment up to 31 December[2]	**–**	–	**120**	313
Other comprehensive adjustments to equity	**–**	10	**–**	–
Goodwill	**35**	53	**1 269**	1 147
Balance at end of the year	**4 547**	10 820	**2 195**	2 734

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

[2] Summarised financial information presented with regard to the group's interest in AIH is as per the latest available management accounts at 30 November 2018 (2017: 30 November 2017). Preparation of financial statements at 31 December 2018 by AIH was impracticable. Appropriate adjustments have been made to the group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Irancell Telecommunication Company Services (PJSC)		Africa Internet Holding GmbH (AIH)[2]	
	2018	2017 Restated[1]	**2018**	2017
	Rm	Rm	**Rm**	Rm
Summarised income statement				
Revenue	**23 811**	33 549	**2 113**	1 503
Other income	**276**	6	**3**	–
Operating expenses	**(15 452)**	(21 412)	**(4 865)**	(3 518)
Depreciation of property, plant and equipment	**(6 375)**	(8 552)	**(32)**	(31)
Amortisation of intangible assets	**(812)**	(1 491)	**–**	–
Operating profit/(loss)	**1 448**	2 100	**(2 781)**	(2 046)
Finance income	**319**	1 172	**26**	19
Finance costs	**(2 453)**	(610)	**(22)**	–
Share of results of joint venture after tax	**(139)**	(149)	**–**	–
(Loss)/profit before tax	**(825)**	2 513	**(2 777)**	(2 027)
Income tax expense	**252**	(615)	**14**	(79)
(Loss)/profit after tax	**(573)**	1 898	**(2 763)**	(2 106)
Non-controlling interests	**–**	–	**(8)**	(647)
(Loss)/profit attributable to equity holders of the company	**(573)**	1 898	**(2 755)**	(1 459)
% ownership interest held	**49**	49	**31,28[3]**	31,28
Share of results after tax	**(281)**	930	**(862)**	(456)

[1] Restated for changes in accounting policies, refer to note 11 for details of the restatements.

[2] Summarised financial information presented with regard to the group's interest in AIH is as per the latest available management accounts at 30 November 2018 (2017: 30 November 2017). Preparation of financial statements at 31 December 2018 by AIH was impracticable. Appropriate adjustments have been made to the group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

[3] During December 2018 there was a dilution of the group's investment in AIH which resulted in the ownership interest change from 31,28% to 29,69%. The share of profits of AIH were accounted for at 31,28% throughout 2018.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Summarised financial information of joint ventures (continued)

	Middle East Internet Holding S.A.R.L (MEIH)		TravelLab Global AB (Travelstart)	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Summarised statement of financial position				
ASSETS				
Non-current assets	**114**	233	**634**	593
Property, plant and equipment	**8**	10	**16**	15
Investments	**–**	–	**54**	42
Loans and other non-current receivables	**106**	223	**560**	536
Deferred tax assets	**–**	–	**4**	–
Current assets	**634**	674	**489**	102
Inventories	**59**	74	**–**	–
Trade and other receivables	**133**	101	**82**	60
Other current receivables	**38**	38	**–**	–
Cash and cash equivalents	**404**	461	**407**	42
Total assets	**748**	907	**1 123**	695
LIABILITIES				
Non-current liabilities	**15**	2	**625**	487
Borrowings	**12**	–	**–**	–
Deferred tax liabilities	**–**	–	**1**	1
Other non-current liabilities	**3**	2	**624**	486
Current liabilities	**429**	222	**84**	61
Trade and other payables	**117**	–	**64**	44
Unearned income	**13**	7	**–**	–
Provisions	**120**	72	**20**	17
Other current liabilities	**179**	143	**–**	–
Total liabilities	**444**	224	**709**	548
Net assets	**304**	683	**414**	147
Non-controlling interest	**170**	193	**–**	–
Total assets	**474**	876	**414**	147
% ownership interest held	**50**	50	**43,67**	37,16
Interest in joint venture excluding goodwill	**237**	438	**181**	55
Adjustment up to 31 December[1]	**102**	(24)	**–**	–
Goodwill	**624**	564	**400**	278
Balance at end of the year	**963**	978	**581**	333
Summarised income statement				
Revenue	**336**	679	**404**	340
Other income	**3**	–	**–**	–
Operating expenses	**(509)**	(957)	**(367)**	(299)
Depreciation of property, plant and equipment	**(1)**	(2)	**(12)**	(9)
Amortisation of intangible assets	**–**	(1)	**–**	–
Operating profit	**(171)**	(281)	**25**	32
Finance income	**–**	–	**43**	–
Finance costs	**(2)**	(10)	**–**	(45)
(Loss)/profit before tax	**(173)**	(291)	**68**	(13)
Income tax expense	**(1)**	–	**(7)**	(25)
(Loss)/profit after tax	**(174)**	(291)	**61**	(38)
% ownership interest held	**50**	50	**43,67**	37,16
Share of results after tax	**(87)**	(145)	**27**	(14)

[1] Summarised financial information presented with regard to the group's interest in MEIH is as per the latest available management accounts at 30 November 2018 (2017: 30 November 2017). Preparation of financial statements at 31 December 2018 by MEIH was impracticable. Appropriate adjustments have been made to the group's interest and share of results for the effects of significant transactions and events that occurred for the one month up to the reporting date.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Commitments relating to joint ventures

Commercial commitments

Irancell Telecommunication Company Services (PJSC)

The investment in Iran is subject to a number of sovereign, regulatory and commercial risks, which could result in the group failing to realise full market value of its investment should it be required to dispose of any portion thereof. In this regard, 21% of Iran is required to be offered to members of the Iranian public within approximately three years from the date of the licence. Such offering could have a proportional dilutory effect on the company's 49% shareholding, effectively reducing its shareholding by 10,3% to 38,7%. Local management together with the shareholders continue to engage the regulator on this matter.

	2018 Rm	2017 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	**595**	2 084
– Property, plant and equipment	**552**	2 043
– Software	**43**	41
Authorised but not contracted	**1 846**	2 744
– Property, plant and equipment	**1 771**	2 437
– Software	**75**	307
	2 441	4 828

Operating lease commitments and contingent liabilities relating to joint ventures

There are no material non-cancellable operating lease commitments or contingent liabilities relating to the group's interests in its joint ventures during the current or prior year.

Licences

Licences awarded to the joint ventures are set out below:

Licence agreements	Type	Granted/ renewed	Term
Irancell Telecommunication Company Services (PJSC)	2G	07/09/2006	15 years
	3G	17/08/2014	7 years
	LTE	23/08/2015	6 years
Mascom Wireless Botswana Proprietary Limited	900MHz 1800MHz 2100MHz	13/06/2013	15 years
Swazi MTN Limited	3G	01/11/2018	10 years
	3G spectrum	01/05/2007	15 years
	Unified access licence	01/09/2006	15 years
	WACS	01/01/2010	20 years
	4G LTE	03/11/2016	3 years

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.3 Changes in shareholding

Changes in shareholding of subsidiaries are transactions that result in increases or reductions in the interest held in a subsidiary of the group, but which do not result in a loss of control and are accounted for as transactions with non-controlling interest as disclosed in note 1.3.1.

9.3.1 Current year changes in shareholding

During the current year MTN Ghana completed an initial public offering of its shares which resulted in a change in the group's shareholding in the company. The company issued 1 530 474 360 shares for localisation as part of the public offering which resulted in a change in the group's shareholding from 97,65% to 85,49%. The investment in MTN Ghana is held by Investcom Consortium Holdings S.A. and MTN Dubai, which are indirect subsidiaries of the group. Proceeds generated from the sale of shares, net of transaction cost, amounted to GHS 1 096 million (R 3 057 million) which has been included in cash flows from financing activities. The share allocation was finalised on 29 August 2018. This was a transaction with shareholders and had no impact on profit and loss.

The group also disposed of 100% of its interest in MTN Cyprus (which was a wholly owned subsidiary of the group) in the current year (note 2.3).

9.3.2 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as non-current assets held for sale and are stated at the lower of their carrying amounts and fair value less cost to sell when their carrying amounts are to be recovered principally through sale rather than continued use and the sale is considered to be highly probable.

In December 2018, the group received an unsolicited offer to sell its interest in Mascom Wireless Botswana Proprietary Limited and its holding companies. Accordingly, the investment in joint venture and related assets in holding companies have been presented as non-current assets held for sale. Any transactions will be subject to the execution of definitive transaction agreements and applicable governance and regulatory approvals. The sale is expected to be concluded in the first half of 2019.

The assets held for sale at carrying value as at 31 December 2018 are:

	2018 Rm
Investment in joint venture (note 9.2)	1 832
Intangible and other non-current assets (note 5.2)	312
Cash and cash equivalents[1] (note 4.4)	615
	2 759

[1] This will be distributed to the group, prior to the conclusion of the sale.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.4 Joint operations

In respect of its interest in joint operations, the group recognises in its financial statements its share of the assets jointly held, classified according to the nature of the assets, any liabilities that it has incurred, its share of any liabilities incurred jointly with the other joint operators in relation to the joint operation, any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation and any expenses that it has incurred in respect of its interest in the joint operation.

When the group acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised in profit or loss. Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

When the group increases its interest in a joint operation in which the activity of the joint operation constitutes a business, by acquiring an additional interest in the joint operation, the group's previously held interests in the joint operation are not remeasured if the joint operator retains joint control.

The group has entered into agreements with several other companies to construct high-capacity fibre-optic submarine cable systems.

The group has the following interests in jointly controlled operations:

	Ownership interest held	
	2018 %	2017 %
Joint operation		
Europe India Gateway Submarine Cable System	**6,88**	6,89
West Africa Cable System	**11,19**	11,06
Eassy Cable System	**16,13**	16,26
Africa Coast to Europe Cable system	**8,87**	8,67

9.5 Interest in subsidiaries

The subsidiaries in which MTN Group Limited has direct and indirect interests are set out in note 9.1. A summary of the group's subsidiaries with material non-controlling interests is presented below.

		Non-controlling interests	
Subsidiary	Principal place of business	**2018 Rm**	2017[1] Rm
MTN Nigeria Communications Limited	Nigeria	**1 833**	823
MTN Côte d'Ivoire S.A.	Côte d'Ivoire	**891**	1 002
Scancom PLC	Ghana	**1 617**	122
MTN Sudan Company Limited	Sudan	**(939)**	(793)
Areeba Guinea S.A.	Guinea-Conakry	**(907)**	(610)
MTN Syria (JSC)	Syria	**321**	309
Other		**611**	679
		3 427	1 532

[1] Restated for changes in the accounting policies, refer to note 11 for details of the restatements.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below and on the next page is the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Unless otherwise stated, the group's subsidiaries' countries of incorporation are also their principal places of operation. The summarised financial information presented is before intercompany eliminations.

	MTN Nigeria Communications Limited		MTN Côte d'Ivoire S.A.		MTN Syria (JSC)	
	2018 Rm	2017[1] Rm	**2018 Rm**	2017[1] Rm	**2018 Rm**	2017[1] Rm
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17[2]**	33,17[2]	**25**	25
Summarised statement of financial position						
Non-current assets[3]	**29 708**	25 344	**9 329**	8 125	**4 727**	4 083
Current assets	**7 748**	8 809	**1 737**	1 426	**1 155**	1 327
Total assets	**37 456**	34 153	**11 066**	9 551	**5 882**	5 410
Non-current liabilities	**5 583**	10 849	**2 818**	2 675	**2 113**	1 656
Current liabilities	**23 214**	19 417	**5 563**	3 855	**2 487**	2 522
Total liabilities	**28 797**	30 266	**8 381**	6 530	**4 600**	4 178
Summarised income statement						
Revenue	**37 971**	36 067	**7 158**	7 412	**2 309**	2 385
EBITDA[4]	**15 830**	14 070	**1 593**	2 359	**917**	(635)
Profit/(loss) before tax	**8 097**	4 801	**(1)**	933	**70**	(1 841)
Income tax expense	**(2 774)**	(1 216)	**30**	(215)	**(13)**	230
Profit/(loss) after tax	**5 323**	3 585	**29**	718	**57**	(1 611)
Profit/(loss) attributable to non-controlling interests	**1 127**	759	**(10)**	237	**14**	(403)
Dividends attributable to non-controlling interests	**268**	425	**290**	269	**42**	60
Summarised statement of cash flows						
Net cash generated from operating activities	**9 327**	5 654	**1 087**	674	**889**	54
Net cash used in investing activities	**(7 777)**	(5 842)	**(1 109)**	(1 241)	**(1 111)**	(758)
Net cash (used in)/from financing activities	**(2 916)**	(2 123)	**(171)**	412	**47**	191
Net decrease in cash and cash equivalents	**(1 366)**	(2 311)	**(193)**	(155)	**(175)**	(513)
Net cash and cash equivalents at beginning of the year	**3 090**	6 412	**291**	445	**331**	788
Exchange gains/(losses) on cash and cash equivalents	**369**	(1 011)	**56**	1	**50**	56
Net cash and cash equivalents at end of the year	**2 093**	3 090	**154**	291	**206**	331

[1] Restated for changes in the accounting policies, refer to note 11 for details of the restatements.
[2] The non-controlling interests hold 41,17% of the issued ordinary share capital of MTN Côte d'Ivoire S.A. However, the effective ownership for accounting purposes is 33,17% due to outstanding funding provided by the group to the non-controlling interests to acquire ordinary share capital in MTN Côte d'Ivoire.
[3] In addition to the assets included in the summarised financial information, R2 473 million (2017: R2 163 million) of goodwill is recognised in the group statement of financial position in relation to MTN Côte d'Ivoire.
[4] EBITDA is defined in note 2.1.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

	Scancom PLC		MTN Sudan Company Limited		Areeba Guinea S.A.	
	2018 Rm	2017[1] Rm	**2018 Rm**	2017 Rm	**2018 Rm**	2017 Rm
% ownership interest held by non-controlling interests	**14,51**	2,35	**15**	15	**25**	25
Summarised statement of financial position						
Non-current assets[2]	**8 897**	7 329	**1 779**	1 624	**1 105**	1 167
Current assets	**3 497**	2 178	**985**	894	**713**	607
Total assets	**12 394**	9 507	**2 764**	2 518	**1 818**	1 774
Non-current liabilities	**1 896**	1 626	**2 552**	2 202	**2 830**	2 324
Current liabilities	**3 491**	2 702	**2 396**	2 104	**2 615**	1 892
Total liabilities	**5 387**	4 328	**4 948**	4 306	**5 445**	4 216
Summarised income statement						
Revenue	**11 860**	10 433	**1 577**	4 540	**927**	932
EBITDA[3]	**4 452**	4 189	**861**	(98)	**70**	40
Profit/(loss) before tax	**3 018**	3 033	**214**	(1 640)	**(591)**	(569)
Income tax expense	**(910)**	(804)	**(61)**	(177)	**(9)**	32
Profit/(loss) after tax	**2 108**	2 229	**153**	(1 817)	**(600)**	(537)
Profit/(loss) attributable to non-controlling interests	**125**	52	**1**	(273)	**(150)**	(134)
Dividends attributable to non-controlling interests	**174**	33	**–**	–	**–**	–
Summarised statement of cash flows						
Net cash (used in)/generated from operating activities	**(575)**	1 150	**706**	1 188	**(5)**	40
Net cash used in investing activities	**(2 225)**	(1 561)	**(501)**	(547)	**(178)**	(143)
Net cash from/(used in) financing activities	**3 384**	647	**(91)**	627	**139**	91
Net increase/(decrease) in cash and cash equivalents	**584**	236	**114**	1 268	**(44)**	(12)
Net cash and cash equivalents at beginning of the year	**535**	487	**454**	370	**29**	46
Exchange (loss)/gains on cash and cash equivalents	**(22)**	(188)	**(290)**	(1 184)	**21**	(5)
Net cash and cash equivalents at end of the year	**1 097**	535	**278**	454	**6**	29

[1] Restated for changes in the accounting policies, refer to note 11 for details of the restatements.
[2] In addition to the assets summarised above, R4 643 million (2017: R4 330 million) of goodwill is recognised in the group statement of financial position in relation to Scancom PLC.
[3] EBITDA is defined in note 2.1.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES

10.1 Related party transactions

Related party transactions constitute the transfer of resources, services or obligations between the group and a party related to the group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the group's executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

	2018 Rm	2017 Rm
Key management compensation		
Salaries and other short-term employee benefits	**127**	123
Post-employment benefits	**9**	7
Other benefits	**32**	26
Bonuses	**103**	113
Total	**271**	269

Details of directors' remuneration are disclosed in note 10.2 of the financial statements.

Subsidiaries

Details of investments in subsidiaries are disclosed in note 9.1 of the financial statements.

Changes in shareholding

The group had a material transaction with non-controlling interest relating to MTN Ghana's initial public offering (note 9.3.1).

There were no material transactions with non-controlling shareholders or changes in shareholding in any of the group's subsidiaries in the prior year.

Joint ventures and associates

Details of the group's investments in and share of results and dividend income from its joint ventures and associates are disclosed in note 9.2 of the financial statements.

Details of other transactions and balances with joint ventures and associates are set out below:

	Joint ventures		Associates	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Balances outstanding at 31 December				
Trade and other payables owing to joint ventures/associates	**409**	233	**240**	156
Loans/receivable from joint ventures/associates	**2 761**	5 426	**884**	1 357
Trade and other receivables from joint ventures/associates	**943**	773	**378**	250
Capital call commitments payable to joint ventures/associates	**107**	1 195	**–**	–
Transactions for the year ended 31 December				
Dividends declared by joint ventures/associates	**431**	1 764	**204**	213
Interest income	**81**	213	**212**	298
Capital call notices paid	**1 100**	892	**–**	–
Repayment of loan/receivable from joint venture	**1 296**	6 509	**–**	–

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Transactions between members of the group

MTN Ghana entered into operating lease agreements with Ghana Tower InterCo B.V. in prior years. The operating lease commitments amount to R9 468 million (2017: R8 446 million). The expense recorded amounted to R1 016 million (2017: R627 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 entered into operating lease agreements with Uganda Tower InterCo B.V. in prior years. The operating lease commitments amount to R1 988 million (2017: R1 636 million). The expense recorded amounted to R439 million (2017: R558 million). The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

Transactions 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.

On 29 June 2018, the group and Mainstreet 1561 Proprietary Limited, a wholly owned company of PF Nhleko, non-executive chairman of MTN Group, agreed not to proceed with the sale of 14 750 000 MTN Zakhele Futhi shares.

Shareholders

The principal shareholders of the company are disclosed in Annexure 1, which is unaudited.

10.2 Emoluments, equity compensation and dealings in ordinary shares

Directors' emoluments and related payments

2018	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Executive directors								
R Shuter	13/03/2017	15 279	1 621	746	25 277	42 923	–	42 923
R Mupita	03/04/2017	8 243	955	559	12 782	22 539	–	22 539
Total		23 522	2 576	1 305	38 059	65 462	–	65 462

* Includes medical aid, expense allowances and Unemployment Insurance Fund.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors emoluments and related payments (continued)

2018	Date appointed	Retainer[#] R000	Attendance[#] R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
PF Nhleko[^]	28/05/2013	2 846	1 052	300	529	–	4 727
PB Hanratty[+]	01/08/2016	1 280	717	212	474	34	2 717
A Harper[+]	01/01/2010	1 306	848	212	474	223	3 063
M Jonas[1]	01/06/2018	144	169	14	104	–	431
KP Kalyan	13/06/2006	334	597	109	217	–	1 257
S Kheradpir[+]	08/07/2015	1 269	978	212	474	4	2 937
NP Mageza	01/01/2010	426	683	109	217	–	1 435
MLD Marole	01/01/2010	404	658	109	217	–	1 388
AT Mikati[+†]	18/07/2006	1 269	926	242	474	29	2 940
SP Miller[+]	01/08/2016	1 269	954	242	229	4	2 698
KD Mokhele[2]	01/07/2018	126	258	42	104	–	530
KC Ramon[@]	01/06/2014	340	517	109	217	57	1 240
NL Sowazi	01/08/2016	325	523	95	104	8	1 055
BS Tshabalala[1]	01/06/2018	144	117	56	104	–	421
J van Rooyen	18/07/2006	390	642	109	217	65	1 423
Total		11 872	9 639	2 172	4 155	424	28 262

[^] Fees paid to Captrust Investments Proprietary Limited.
[@] Fees paid to AngloGold Ashanti Limited.
[+] Fees have been paid in euro.
[†] Fees are paid to M1 Limited.
[#] Retainer and attendance fees for board and committee representation and meetings.
[1] Appointed 01/06/2018.
[2] Appointed 01/07/2018.

2017	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Subtotal R000	Share gains R000	Total
Executive directors								
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
PF Nhleko[^^^∞@]	09/11/2015	19 950	–	–	22 477	42 427	–	42 427
Total		37 422	1 898	10 965	50 271	100 556	–	100 556

[*] Includes medical aid, expense allowance and Unemployment Insurance Fund.
[^^^] Fees paid to Captrust Investments Proprietary Limited.
[∞] Contractual service fees and bonus in accordance with the agreement between the group and Captrust Investments Proprietary Limited.
[@] Executive director until 12/03/2017.
[#] Other benefits include an amount paid in lieu of forfeited benefits from previous employer.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors emoluments and related payments (continued)

2017	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
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

^ Fees paid to Captrust Investments Proprietary Limited.
@ Fees paid to AngloGold Ashanti Limited.
+ Fees have been paid in euro.
† Fees are paid to M1 Limited.
# Retainer and attendance fees for board and committee representation and meetings.
++ Resigned on 31 December 2017.

Prescribed officers' emoluments and related payments

2018	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
E Asante	9 956	703	5 225	8 145	24 029	–	24 029
M Fleischer	7 011	818	384	7 070	15 283	–	15 283
I Jaroudi	10 215	–	5 285@	7 182	22 682	–	22 682
F Moolman	9 740	477	3 319@	7 696	21 232	23	21 255
G Motsa	6 898	770	10 168##	5 654	23 490	–	23 490
P Norman	5 706	666	3 683@	7 101	17 156	–	17 156
J Schulte-Bockum	8 697	921	252	13 379	23 249	–	23 249
F Sekha	4 008	447	122	4 421	8 998	–	8 998
K Toriola	7 357	736	1 407	4 650	14 150	–	14 150
S van Coller^	5 360	598	714	–	6 672	–	6 672
Total	74 948	6 136	30 559	65 298	176 941	23	176 964

^ Resigned 31/10/2018.
@ Other benefits include compensation in lieu of employment agreement amendments in respect of revised notice periods and restraints of trade.
Other benefits include a retention payment made in lieu of forfeiture of performance bonus from previous employer. Payment to be spread over three years ending 31 December 2018.
Includes medical aid and Unemployment Insurance Fund.

Notes to the group financial statements (continued)
for the year ended 31 December 2018

10 RELATED PARTIES (continued)
10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)
Prescribed officers' emoluments and related payments (continued)

2017	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
E Asante[&&]	1 451	113	329	2 744	4 637	–	4 637
J Desai[+]	526	–	–	–	526	–	526
G Engling[∞]	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
F Moolman	9 032	448	518	7 604	17 602	–	17 602
G Motsa[&&&]	6 384	722	5 294[##]	6 409	18 809	–	18 809
P Norman	5 232	616	3 920[@]	5 090	14 858	–	14 858
M Nyati[^^]	765	87	694	–	1 546	–	1 546
J Schulte-Bockum[&]	8 218	876	303	10 492	19 889	–	19 889
F Sekha[^]	3 440	389	183	1 884	5 896	–	5 896
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

& Appointed on 16/01/2017.
&& Appointed on 01/10/2017.
&&& Appointed on 01/01/2017.
^ Appointed on 01/06/2017.
^^ Resigned on 10/03/2017.
∞ Ceased to be prescribed officer on 03/04/2017.
+ Ceased to be prescribed officer on 16/01/2017.
@ Other benefits include compensation in lieu of employment agreement amendments in respect of revised notice period and restraint of trade.
# Includes medical aid and Unemployment Insurance Fund.
Other benefits include a retention payment made in lieu of forfeiture of performance bonus from previous employer. Payment to be spread over three years.

Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding and dealings in ordinary shares

	December 2018	December 2017	Beneficial
RA Shuter	100 000	–	Indirect
RT Mupita	93 598	41 670	Direct
RT Mupita	680	680	Indirect
KP Kalyan	1 373	1 373	Direct
NP Mageza	400	400	Indirect
G Motsa#	161	269	Direct
SB Mtshali	3 199	3 199	Direct
S Ntsele#	6 000	6 000	Direct
PD Norman#	–	300 970	Direct
PD Norman#	10 000	10 000	Indirect
KC Ramon	3 244	3 244	Direct
KC Ramon	9 901	9 901	Indirect
BS Tshabalala	1 004	–	Indirect
J Schulte-Bockum#	50 000	–	Direct
Total	279 560	377 706	

Major subsidiary director.

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Group.

Directors, prescribed officers, company secretary of the MTN Group and directors and company secretaries of major subsidiaries' shareholding relating to MTN Zakhele Futhi

The following persons, being directors of MTN Group Limited and its major subsidiaries and the company secretary, were allocated the following number of MTN Zakhele Futhi shares which has a shareholding in MTN Group Limited shares:

Beneficiary	December 2018	December 2017	Beneficial
RT Mupita	33 562	33 562	Indirect
SA Fakie	6 061	6 061	Direct
SA Fakie	13 031	13 031	Indirect
KP Kalyan	83 967	83 967	Direct
NP Mageza	155 870	155 870	Indirect
SB Mtshali	39 703	39 703	Indirect
KC Ramon	23 500	23 500	Direct
LWC Phalatse	–	5 000	Direct
LWC Phalatse	–	5 000	Indirect
J van Rooyen	500	500	Indirect
Total	356 194	366 194	

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes.

Offer date	Strike price R	Vesting Date	Number out-standing as at 31 December 2017	Exercised 2018	Forfeited	Exercise Date	Exercise Price R	Number out-standing as at 31 December 2018
F Moolman								
19/03/2008	126,99	19/03/2010	10 200	(10 200)	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2011	10 200	(10 200)	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2012	15 300	(15 300)	–	16/03/2018	127,45	–
19/03/2008	126,99	19/03/2013	15 300	(15 300)	–	16/03/2018	127,45	–
Total			51 000	(51 000)	–	–	–	–

Equity compensation benefits for executive directors, prescribed officers, company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan.

Offer date	Vesting date	Number out-standing at 31 December 2017	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number out-standing as at 31 December 2018
RA Shuter[+]								
29/09/2017	31/12/2019	213 600	–	–	–	–	–	213 600
18/12/2017	18/12/2020	200 200	–	–	–	–	–	200 200
28/12/2018	29/12/2021	–	436 600	–	–	–	–	436 600
Total		413 800	436 600	–	–	–	–	850 400
RT Mupita[++]								
18/12/2017	18/12/2020	118 300	–	–	–	–	–	118 300
28/12/2018	29/12/2021	–	190 200	–	–	–	–	190 200
Total		118 300	190 200	–	–	–	–	308 500
PD Norman								
19/12/2014	18/12/2017	27 000	–	–	27 000	–	–	–
29/06/2016	29/12/2018	46 100	–	–	–	–	–	46 100
28/12/2016	28/12/2019	56 300	–	–	–	–	–	56 300
18/12/2017	18/12/2020	57 700	–	–	–	–	–	57 700
28/12/2018	29/12/2029	–	94 600	–	–	–	–	94 600
Total		187 100	94 600	–	27 000	–	–	254 700
G Motsa[^^]								
09/03/2017	28/12/2019	66 500	–	–	–	–	–	66 500
18/12/2017	18/12/2020	69 700	–	–	–	–	–	69 700
28/12/2018	29/12/2021	–	114 100	–	–	–	–	114 100
Total		136 200	114 100	–	–	–	–	250 300
J Schulte-Bockum[+++]								
18/12/2017	18/12/2020	125 500	–	–	–	–	–	125 500
28/12/2018	29/12/2021	–	205 500	–				205 500
Total		125 500	205 500	–	–	–	–	331 000
F Sekha[#]								
28/12/2016	28/12/2019	27 200	–	–	–	–	–	27 200
18/12/2017	18/12/2020	40 400	–	–	–	–	–	40 400
28/12/2018	29/12/2021	–	66 200	–	–	–	–	66 200
Total		67 600	66 200	–	–	–	–	133 800

[+] Appointed on 13/03/2017. On appointment, RA Shuter was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 327 214 ordinary listed shares in MTN Group Limited. The incentive will be paid on 12/03/2020.

[++] Appointed on 03/04/2017. On appointment, RT Mupita was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive will be paid on 28/10/2019.

[+++] Appointed on 16/01/2017. On appointment, J Schulte-Bockum was granted a cash-settled share-based payment incentive in lieu of unvested stocks or equity relinquished upon resignation from previous employment. The value of the incentive will be determined based on the market value of 64 423 ordinary listed shares in MTN Group Limited. The incentive will be paid on 15/01/2020.

[^^] Appointed on 01/01/2017.

[#] Appointed on 01/06/2017.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan

Offer date	Vesting date	Number out-standing at 31 December 2017	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number out-standing as at 31 December 2018
M Fleischer								
19/12/2014	18/12/2017	30 400	–	–	(30 400)	–	–	–
29/06/2016	29/12/2018	51 900	–	–	–	–	–	51 900
28/12/2016	28/12/2019	75 200	–	–	–	–	–	75 200
18/12/2017	18/12/2020	73 000	–	–	–	–		73 000
28/12/2018	29/12/2021	–	115 200	–	–	–		115 200
Total		230 500	115 200	–	(30 400)	–	–	315 300
F Moolman								
19/12/2014	18/12/2017	15 700	–	–	(15 700)	–	–	–
29/06/2016	29/12/2018	44 700	–	–	–	–	–	44 700
28/12/2016	28/12/2019	66 400	–	–	–	–	–	66 400
18/12/2017	18/12/2020	66 100	–	–	–	–	–	66 100
28/12/2018	29/12/2021	–	112 900	–	–	–	–	112 900
Total		192 900	112 900	–	(15 700)	–	–	290 100
SB Mtshali								
19/12/2014	18/12/2017	5 800	–	(1 450)	(4 350)	19/03/2018	125.08	–
29/06/2016	29/12/2018	10 100	–	–	–	–	–	10 100
28/12/2016	28/12/2019	12 800	–	–	–	–	–	12 800
18/12/2017	18/12/2020	12 600	–	–	–	–	–	12 600
Total		41 300	–	(1 450)	(4 350)	–	–	35 500
G Engling#								
19/12/2014	18/12/2017	10 000	–	–	(10 000)	–	–	–
29/06/2016	29/12/2018	28 800	–	–	(8 603)	–	–	20 197
28/12/2016	28/12/2019	21 400	–	–	(12 438)	–	–	8 962
Total		60 200	–	–	(31 041)	–	–	29 159
I Jaroudi								
19/12/2014	18/12/2017	24 600	–	–	(24 600)	–	–	–
29/06/2016	29/12/2018	60 000	–	–	–	–	–	60 000
28/12/2016	28/12/2019	89 000	–	–	–	–	–	89 000
18/12/2017	18/12/2020	77 600	–	–	–	–	–	77 600
28/12/2018	29/12/2021	–	133 700	–	–	–	–	133 700
Total		251 200	133 700	–	(24 600)	–	–	360 300
E Asante								
19/12/2014	18/12/2017	13 800	–	–	(13 800)	–	–	–
29/06/2016	29/12/2018	45 800	–	–	–	–	–	45 800
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900
18/12/2017	18/12/2020	78 000	–	–	–	–	–	78 000
28/12/2018	29/12/2021	–	137 500	–	–	–	–	137 500
Total		193 500	137 500	–	(13 800)	–	–	317 200

Ceased to be prescribed officer on 16/01/2017.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Equity compensation benefits for executive directors, prescribed officers, company secretary of the MTN Group and directors of major subsidiaries in respect of the performance share plan (continued)

Offer date	Vesting date	Number out-standing at 31 December 2017	Offered	Exercised	Forfeited	Exercise date	Exercise price R	Number out-standing as at 31 December 2018
S Ntsele								
19/12/2014	18/12/2017	5 000	–	(1 250)	(3 750)	19/03/2018	125.00	–
29/06/2016	29/12/2018	25 500	–	–	–	–	–	25 500
28/12/2016	28/12/2019	31 400	–	–	–	–	–	31 400
18/12/2017	18/12/2020	30 700	–	–	–	–	–	30 700
28/12/2018	29/12/2021	–	57 000	–	–	–	–	57 000
Total		92 600	57 000	(1 250)	(3 750)	–	–	144 600
K Toriola								
19/12/2014	18/12/2017	22 300	–	–	(22 300)	–	–	–
29/06/2016	29/12/2018	54 700	–	–	–	–	–	54 700
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900
18/12/2017	18/12/2020	69 100	–	–	–	–	–	69 100
28/12/2018	29/12/2021	–	114 000	–	–	–	–	114 000
Total		202 000	114 000	–	(22 300)	–	–	293 700
S Van Coller##								
28/12/2016	28/12/2019	100 800	–	–	(100 800)	–	–	–
18/12/2017	18/12/2020	108 600	–	–	(108 600)	–		–
Total		209 400	–	–	(209 400)	–	–	–

Resigned 31/08/2018.

11 CHANGE IN ACCOUNTING POLICIES

The group has adopted the following new accounting pronouncements as issued by the International Accounting Standards Board (IASB), which were effective for the group from 1 January 2018:

- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15); and
- IFRS 9 *Financial Instruments* (IFRS 9).

The group also implemented a voluntary accounting policy change relating to a change in the presentation of cash flows.

The changes in accounting policies were applied retrospectively. Comparative numbers have been restated for the adoption of IFRS 15 and the change in the presentation of cash flows.

11.1 Adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer. For additional information about the group's accounting policies relating to revenue recognition, refer to note 2.2.

On adoption of IFRS 15, the group restated its retained earnings at 1 January 2017 as follows:

	Note	2017 Rm
Retained earnings – as previously reported		64 831
Earlier recognition of mobile device revenue	11.1.1	1 177
Earlier recognition of breakage	11.1.2	180
Capitalisation of subscriber acquisition costs	11.1.4	694
Increase in current and deferred tax liabilities		(566)
Less: Non-controlling interests portion		(38)
Adjustment to retained earnings on adoption of IFRS 15		1 447
Opening retained earnings 1 January – IFRS 15		66 278

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.1 Adoption of IFRS 15 (continued)

The nature of the changes in the accounting policies were as follows:

Type of product/ service	Nature of change in accounting policy	Impact
11.1.1 Mobile devices	*Earlier recognition of mobile device revenue* The group previously anticipated early contract upgrades and based the subscriber contract period on the expected term and accounted for any consideration received beyond the anticipated upgrade period as network services revenue as it was earned (mainly in its South African operation). Following the adoption of IFRS 15, the group bases the subscriber contract period on the contractual term and accounts for early upgrades as contract modifications. The effect of the modification is that the contract asset at modification date is treated as a payment to a customer and results in a reduction of the revenue from the subsequent contract.	The transaction price in postpaid contracts and revenue allocated to devices has increased. As device revenue has increased and is recognised upfront, this has resulted in a larger contract asset balance that is impaired when customers default on payments on their postpaid contract, i.e. an increase in impairment of trade receivables and contract assets.
	The group recognises interest revenue and a reduction in device revenue on transactions with a significant financing component where the period between the transfer of handsets and the subscriber payment period exceeds 12 months.	This has resulted in lower revenue recognised upfront on the devices and the recognition of interest revenue over the contract period.
11.1.2 Mobile telecommunication services	*Earlier recognition of breakage* When the group expects to be entitled to breakage (forfeiture of unused value of network services), the group recognises the expected amount of breakage in proportion to network services provided versus the total expected network services to be provided. Previously, the group only accounted for breakage when it became remote that customers would use these services.	The group has recognised revenue from breakage earlier and therefore revenue has increased and unearned revenue (which is now named contract liabilities) has decreased.
11.1.3 Interconnect and roaming	Some interconnect and roaming debtors have a historical pattern of late payment due to sanctions imposed. The group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The historical pattern of late payments (i.e. customary business practice) should be taken into account in measuring interconnect and roaming revenue and in assessing whether the contract contains a significant financing component.	This change has resulted in a reduction of interconnect and roaming revenue and an increase in interest revenue over the expected payment period. As this change mainly affects an equity-accounted operation, it has resulted in a decrease in the share of results of associates and joint ventures after tax in 2017. There was no change to retained earnings at 1 January 2017 as the group did not restate for completed contracts at 1 January 2017 as per note 11.1.5.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.1 Adoption of IFRS 15 (continued)

11.1.4 Capitalisation of subscriber acquisition costs

IFRS 15 introduced specific guidance on accounting for incremental costs of obtaining contracts with customers. Under IAS 18, the group expensed subscriber acquisition costs at inception of the contract.

The group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs include agent's commission on postpaid contracts and SIM activation costs on prepaid contracts. The group has therefore capitalised these costs as contract costs. Capitalised contract costs are amortised on a systematic basis over the average customer life and included in selling, distribution and marketing expenses in profit or loss.

In terms of a practical expedient, the group has elected to recognise the incremental costs of obtaining contracts as a selling, distribution and marketing expense in profit or loss, when incurred, if the amortisation period of the assets that the group otherwise would have recognised is 12 months or less.

The impact of this change is a decrease in selling, distribution and marketing expenses and the recognition of a new asset: capitalised contract costs.

11.1.5 Transition to IFRS 15

In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year. The group applied the following practical expedients when applying IFRS 15 retrospectively:

- The group did not restate comparative numbers for contracts that were completed contracts at 1 January 2017;
- The group did not restate comparative numbers for contracts that began and ended in the same annual reporting period; and
- For modified contracts, the group used the contractual terms that existed at 1 January 2017.

11.2 Adoption of IFRS 9

The adoption of IFRS 9 had the following impact on the group:

- Change from the IAS 39 incurred loss model to the ECL model to calculate impairments of financial instruments;
- Change in classification of the measurement categories for financial instruments.

More detail on the impact from the adoption of IFRS 9 is provided below.

11.2.1 Impairment

Before the adoption of IFRS 9 the group calculated the allowance for credit losses using the incurred loss model. Under the incurred loss model, the group assessed whether there was any objective evidence of impairment at the end of each reporting period. If such evidence existed the allowance for credit losses in respect of financial assets at amortised cost were calculated as the difference between the asset's carrying amount and its recoverable amount, being its present value of the estimated future cash flows discounted at the original EIR.

Under IFRS 9 the group calculates the allowance for credit losses based on ECLs for financial assets measured at amortised cost, debt investments at FVOCI and contract assets. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the original EIR of the financial asset.

The group applies the simplified approach to determine the ECL for trade receivables and contract assets. This results in calculating lifetime ECLs for trade receivables and contract assets. ECLs for trade receivables is mainly calculated using a provision matrix. For contract assets and mobile trade receivables ECLs are determined using a simplified parameter-based approach.

Refer to 7.1.4 for more detail on the application of the provision matrix and the simplified parameter-based approach.

The table below reconciles the loss allowance as reported at 31 December 2017 in accordance with IAS 39 to the ECL as determined under IFRS 9 per class of financial instrument that has been impacted by the adoption of IFRS 9:

	Contract assets Rm
Loss allowance	
Closing balance at 31 December 2017	–
Adjustment on adoption of IFRS 9	388
Opening loss allowance as at 1 January 2018	**388**

Refer to 7.1.4 for more detail on the calculation of ECLs.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.2 Adoption of IFRS 9 (continued)

11.2.2 Classification, initial recognition and subsequent measurement

IFRS 9 introduces new measurement categories for financial assets. The impact of the measurement categories of IFRS 9 on the group's financial instruments is illustrated in the table below. From 1 January 2018 the group classifies financial assets in each of the IFRS 9 measurement categories based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

	Measurement category		Carrying amount	
	IAS 39	IFRS 9	31 December 2017 IAS 39 Rm	1 January 2018 IFRS 9 Rm
Non-current financial assets				
Loans and other non-current receivables	Loans and receivables	Amortised cost	2 574	2 574
Investments*	Available for sale	FVOCI	27 686	27 686
Current financial assets				
Trade receivables	Loans and receivables	Amortised cost	15 162	15 189
Other receivables	Loans and receivables	Amortised cost	9 719	9 719
Current investments**	Loans and receivables	Amortised cost	2 040	2 040
Current investments***	FVTPL	FVTPL	1 669	1 669
Current investments**	Held-to-maturity	Amortised cost	1 500	1 500
Current investments****	Available for sale	FVOCI	343	343
Derivative assets	FVTPL	FVTPL	205	205
Restricted cash	Loans and receivables	Amortised cost	2 376	2 376
Cash and cash equivalents	Loans and receivables	Amortised cost	16 009	16 009
Non-current financial liabilities				
Borrowings	Amortised cost	Amortised cost	70 567	70 567
Nigeria regulatory fine	Amortised cost	Amortised cost	3 156	3 156
Other non-current liabilities	Amortised cost	Amortised cost	964	964
Other non-current liabilities	FVTPL	FVTPL	2	2
Current financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	40 483	40 483
Nigeria regulatory fine	Amortised cost	Amortised cost	3 481	3 481
Borrowings	Amortised cost	Amortised cost	9 081	9 081
Derivative liabilities	FVTPL	FVTPL	118	118
Bank overdrafts	Amortised cost	Amortised cost	72	72

* The group has designated the investment in IHS and other unlisted equity investments as at FVOCI as these instruments are not held for trading.

** This comprises treasury bills whose cash flows represent solely payment of principal and interest and is held within a business model to collect contractual cash flows.

*** This represents investments in cell captives and treasury bills held for trading.

**** This comprises treasury bills whose cash flows are solely principal and interest and are held within a business model of collecting contractual cash flows and selling these assets.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.2 Adoption of IFRS 9 (continued)

11.2.2 Classification, initial recognition and subsequent measurement (continued)

The reclassification into the new measurement categories of IFRS 9 did not have a significant impact on the group.

The total impact of the reclassifications on the financial asset measurement categories are as follows:

	FVTPL Rm	FVOCI (Available for sale under IAS 39) Rm	Held-to-maturity Rm	Amortised cost (Loans and receivables under IAS 39) Rm
Financial assets				
Closing balance at 31 December 2017	1 874	28 029	1 500	47 880
Change in carrying amount due to change in measurement under IFRS 9	–	–	–	27
Change in carrying amount due to change in measurement category under IFRS 9	–	–	(1 500)	1 500
IFRS 9 Opening balance	1 874	28 029	–	49 407

11.2.3 Transition to IFRS 9

Changes in accounting policies from the adoption of IFRS 9 have been applied retrospectively however, the group has elected not to restate comparative information. Differences between the carrying amounts as at 31 December 2017 and 1 January 2018 resulting from the initial application of IFRS 9 are recognised in retained earnings. Accordingly, information relating to 31 December 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The group has elected as an accounting policy choice to not adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirements of IAS 39.

11.3 Presentation of cash flows

During 2018, the group reviewed the classification of cash flows and aligned the external presentation of cash flows with the internal presentation applied to manage the business and used for performance management. The group voluntarily changed its accounting policy and reclassified:

- Dividends paid to equity holders of the company from cash flows from operating activities to cash flows from financing activities; and
- Interest paid in the group's head office treasury function from cash flows from financing activities to cash flows from operating activities.

Comparative numbers have been restated accordingly.

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.4 Impact on the financial statements

The following tables show the restatements recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard above.

		Year ended 31 December 2017		
Income statement (extract)	Note	As previously reported Rm	IFRS 15 Rm	Restated Rm
Revenue	11.1.1; 11.1.2	132 815	54	132 869
Selling, distribution and marketing expenses	11.1.4	(17 276)	82	(17 194)
Other operating expenses	11.1.1	(14 128)	(120)	(14 248)
EBITDA		46 955	16	46 971
Operating profit		20 557	16	20 573
Share of results of joint ventures and associates after tax	11.1.3; 11.1.4	841	(1)	840
Profit before tax		9 555	15	9 570
Income tax expense		(5 014)	(6)	(5 020)
Profit after tax		4 541	9	4 550
Attributable to:				
Equity holders of the company		4 414	2	4 416
Non-controlling interests		127	7	134
Basic earnings per share (cents)		246	–	246
Diluted earnings per share (cents)		241	–	241

		Year ended 31 December 2017		
Statement of comprehensive income (extract)	Note	As previously reported Rm	IFRS 15 Rm	Restated Rm
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations including the effect of hyperinflation		(12 376)	(41)	(12 417)
Other comprehensive income for the period		(3 218)	(41)	(3 259)
Attributable to equity holders of the company		(2 664)	(34)	(2 698)
Attributable to non-controlling interest		(554)	(7)	(561)
Total comprehensive income		1 323	(32)	1 291
Attributable to:				
Equity holders of the company		1 750	(32)	1 718
Non-controlling interests		(427)	–	(427)

Notes to the group financial statements (continued)

for the year ended 31 December 2018

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.4 Impact on the financial statements (continued)

Statement of financial position (extract)	Note	31 December 2016 As previously reported Rm	IFRS 15 Rm
Non-current assets			
Investment in associates and joint ventures	11.1.3; 11.1.4	26 669	75
Loans and other non-current receivables	11.1.1	7 366	(640)
Contract assets – non-current	11.1.1	–	849
Capitalised contract costs	11.1.4	–	619
Deferred tax		1 107	(5)
Current assets			
Trade and other receivables	11.1.1	37 363	(1 436)
Contract assets – current		–	2 404
Taxation prepaid		2 019	–
Total assets		268 700	1 866
Total equity			
Attributable to equity holders of the company		102 380	1 447
Non-controlling interest		2 851	38
Non-current liabilities			
Deferred tax		9 059	480
Current liabilities			
Trade and other payables	11.1.2	45 142	(31)
Contract liabilities	11.1.2	6 449	(149)
Provisions		2 229	–
Taxation liabilities		4 213	81
Total equity and liabilities		268 700	1 866

Statement of cash flows (extract)	Note	Year ended 31 December 2017 As previously reported Rm	Change in accounting policy Rm	Restated Rm
Net cash generated from operating activities	11.3	23 694	9 693	33 387
Dividends paid to equity holders of the company	11.3	(12 565)	12 565	–
Dividends paid to non-controlling interests	11.3	(956)	956	–
Interest paid	11.3	(3 409)	(3 828)	(7 237)
Net cash used in financing activities		(4 919)	(9 693)	(14 612)
Repayment of borrowings	11.3	(28 434)	3 828	(24 606)
Dividends paid to equity holders of the company	11.3	–	(12 565)	(12 565)
Dividends paid to non-controlling interests	11.3	–	(956)	(956)

Notes to the group financial statements (continued)

for the year ended 31 December 2018

1 January 2017 Restated Rm	31 December 2017 As previously reported Rm	IFRS 15 Rm	31 December 2017 Restated Rm	IFRS 9 Rm	1 January 2018 Restated Rm
26 744	19 610	63	19 673	(100)	19 573
6 726	3 510	(609)	2 901	–	2 901
849	–	828	828	(282)	546
619	–	708	708	–	708
1 102	1 593	(3)	1 590	–	1 590
35 927	30 022	(1 547)	28 475	27	28 502
2 404	–	2 531	2 531	(106)	2 425
2 019	2 736	(104)	2 632	–	2 632
270 566	242 415	1 867	244 282	(461)	243 821
103 827	92 773	1 415	94 188	(384)	93 804
2 889	1 494	38	1 532	–	1 532
9 539	7 553	450	8 003	(77)	7 926
45 111	45 718	138	45 856	–	45 856
6 300	5 775	(169)	5 606	–	5 606
2 229	2 030	(101)	1 929	–	1 929
4 294	2 322	96	2 418	–	2 418
270 566	242 415	1 867	244 282	(461)	243 821

Company

Financial statements

Company statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 Rm	2017 Rm
Dividend income	1	11 797	12 500
Management fees received	1	195	208
Finance income	2	630	894
Finance costs	2	(404)	–
Other income		20	1
Operating expenses	3	(266)	(278)
Profit before tax		11 972	13 325
Income tax expense	4	(15)	(10)
Profit and total comprehensive income for the year		11 957	13 315

Company statement of financial position

at 31 December 2018

	Note	2018 Rm	2017 Rm
ASSETS			
Non-current assets		23 808	23 758
Investments in subsidiaries	5	23 808	23 758
Current assets		548	889
Trade and other receivables	6	328	509
Cash and cash equivalents	7	220	380
Total assets		24 356	24 647
EQUITY			
Ordinary share capital and share premium	8	37 040	37 040
Accumulated loss		(22 874)	(22 923)
Other reserves		7 324	7 619
Total equity		21 490	21 736
LIABILITIES			
Non-current liabilities		1	–
Deferred tax liability		1	–
Current liabilities		2 865	2 911
Taxation liability	11	3	1
Trade and other payables	9	256	279
Financial guarantee contracts	13	2 606	2 631
Total liabilities		2 866	2 911
Total equity and liabilities		24 356	24 647

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital Rm	Share premium Rm	Accumulated losses Rm	Other reserves[1] Rm	Total Rm
Balance at 1 January 2017	*	37 040	(23 058)	6 698	20 680
Profit and total comprehensive income	–	–	13 315	–	13 315
Transactions with shareholders					
Share-based payment transaction – Zakhele Futhi (note 8)	–	–	–	921	921
Dividends declared[3]	–	–	(13 180)	–	(13 180)[1]
Balance at 31 December 2017	*	37 040	(22 923)	7 619	21 736
Balance at 1 January 2018	*****	**37 040**	**(22 923)**	**7 619**	**21 736**
Adjustment on initial application of IFRS 9[2]	**–**	**–**	**(132)**	**–**	**(132)**
Restated balance at 1 January 2018	*****	**37 040**	**(23 055)**	**7 619**	**21 604**
Profit and total comprehensive income	**–**	**–**	**11 957**	**–**	**11 957**
Transactions with shareholders					
Share-based payment transaction – Zakhele Futhi (note 8)	**–**	**–**	**–**	**(295)**	**(295)**
Dividends declared[3]	**–**	**–**	**(11 776)**	**–**	**(11 776)**
Balance at 31 December 2018	*****	**37 040**	**(22 874)**	**7 324**	**21 490**
Note	8	8			

[1] Share-based payment reserve.
[2] Restated for changes in accounting policies, refer to note 15.2 for details of the restatements.
[3] Refer to note 8.3 of the group financial statements for the dividends per share declared during the current and prior year.
* Amounts less than R1 million.

Company statement of cash flows

for the year ended 31 December 2018

	Note	**2018 Rm**	2017[1] Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	10	**(198)**	(523)
Interest received		**18**	31
Income tax paid	11	**(13)**	(14)
Dividends received		**11 797**	12 500
Net cash generated from operating activities		**11 604**	11 994
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(11 764)**	(13 173)
Premium received on option issued to MTN Zakhele Futhi		**–**	192
Net cash used in financing activities		**(11 764)**	(12 981)
Net decrease in cash and cash equivalents		**(160)**	(987)
Cash and cash equivalents at beginning of the year		**380**	1 367
Cash and cash equivalents at end of the year	7	**220**	380

[1] Restated for changes in accounting policies, refer to note 15.2 for details of the restatements.

Notes to the company financial statements

for the year ended 31 December 2018

1 REVENUE

Revenue comprises dividend income and management fees received. Dividend income is recognised when the right to receive payment is established. Management fees received are recognised as and when the services are rendered.

	2018 Rm	2017 Rm
Dividend income – other revenue	11 797	12 500
Management fees received – revenue from contracts with customers	195	208
	11 992	12 708

2 FINANCE INCOME AND FINANCE COSTS

Finance income

Finance income mainly comprises amortisation of the financial guarantee contracts and the related net foreign exchange gains.

Finance cost

Finance cost comprises of net foreign exchange losses on financial guarantee contracts and remeasurements of financial guarantee contracts.

	2018 Rm	2017 Rm
Finance income		
Interest income on bank deposits	18	31
Amortisation of financial guarantee contracts	612	581
Net foreign exchange gains	–	282
Finance income	630	894
Finance cost		
Losses on remeasurement of financial guarantees	(35)	–
Net foreign exchange losses	(369)	–
Finance costs	(404)	–
Net finance income recognised in profit or loss	226	894

3 OPERATING EXPENSES

The following disclosable items have been included in arriving at profit before tax:

	2018 Rm	2017 Rm
Directors' emoluments (refer to note 10.2 of the group financial statements)	(37)[1]	(19)
Fees paid for services	(198)	(227)
– Professional fees	(21)	(38)
– Management fees paid (note 12)	(177)	(189)
Auditors' remuneration	(11)	(8)
– Audit fees	(11)	(8)

[1] Includes reimbursement of expenses.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

4 INCOME TAX EXPENSE

Refer to note 3.1 of the Group financial statements for the applicable accounting policy.

	2018 Rm	2017 Rm
Normal tax – current year	**(14)**	(10)
Deferred tax – current year	**(1)**	–
Income tax expense	**(15)**	(10)

South African normal taxation is calculated at 28% (2017: 28%) of the estimated taxable income for the year.

	2018 %	2017 %
Tax rate reconciliation		
The charge for the year can be reconciled to the effective rate of taxation in South Africa as follows:		
Tax at statutory tax rate	**28**	28
Income not subject to tax	**(30,1)**[1]	(28,8)[1]
Expenses not allowed	**2,2**	0,9
Effective tax rate	**0,1**	0,1

[1] The majority of the exempt income relates to dividends received.

5 INVESTMENTS IN SUBSIDIARIES

The company accounts for investments in subsidiaries at cost, less accumulated impairment losses.

The group structure and company's subsidiaries are disclosed in note 9.1 of the group financial statements.

	2018 Rm	2017 Rm
Total interest in Mobile Telephone Networks Holdings Limited[1]	**22 310**	22 260
Total interest in MTN Group Management Services Proprietary Limited	**57**	57
Total interest in Mobile Telephone Networks Proprietary Limited[2]	**1 441**	1 441
Total interest in subsidiary companies	**23 808**	23 758

[1] The increase in the investment in Mobile Telephone Networks Holdings Limited relates to the Citibank guarantee granted during 2018 (refer to note 13).

[2] The investment in Mobile Telephone Networks Proprietary Limited arose from the share-based payment transaction undertaken by the group with MTN Zakhele Futhi (note 8).

6 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2018 Rm	2017 Rm
Trade receivables due from related parties	**307**	491
Prepayments and other receivables	**4**	1
Sundry debtors and advances	**17**	17
	328	509

7 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the Group financial statements for the applicable accounting policy.

	2018 Rm	2017 Rm
Cash at bank	**220**	380

Notes to the company financial statements (continued)

for the year ended 31 December 2018

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the Group financial statements for the applicable accounting policy.

	2018 Number of shares	2017 Number of shares
Ordinary share capital (par value of 0,01 cents)		
Authorised	2 500 000 000	2 500 000 000
Issued *(fully paid up)*	1 884 269 758	1 884 269 758
In issue at beginning and end of the year	1 884 269 758	1 884 269 758
Options held by MTN Zakhele Futhi[1]	(76 835 378)	(76 835 378)
In issue at end of the year – excluding MTN Zakhele Futhi	1 807 434 380	1 807 434 380

[1] These shares, although legally issued to MTN Zakhele Futhi, are not deemed to be issued in terms of IFRS and are shown as such in the share capital reconciliation.

	2018 Rm	2017 Rm
Share capital		
Balance at beginning of the year	*	*
Shares cancelled	–	-
Share buy-back	–	-
Balance at end of year	*	*
Share premium		
Balance at beginning of the year	37 040	37 040
Balance at end of the year	37 040	37 040

* Amounts less than R1 million.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM (continued)

Share-based payment transaction

The group structured a BBBEE transaction through a separate legal entity in 2016, MTN Zakhele Futhi (RF) Limited (hereafter referred to as MTN Zakhele Futhi) which replaced the group's previous BEE structure known as MTN Zakhele. The transaction is designed to provide long-term, sustainable benefits to all BBBEE participants and will run for a period of eight years.

MTN Zakhele Futhi acquired 76 835 378 of the company's shares at a price of R128,50 per share. The BBBEE transaction with MTN Zakhele Futhi has the substance of an option for accounting purposes. MTN Zakhele Futhi must repay the preference shares and NVF before the company's shares held by it become unencumbered, while the company's shares are the only security offered by MTN Zakhele Futhi for the debt funding obtained. Until the company's shares held by MTN Zakhele Futhi becomes unencumbered, the ordinary shareholders of MTN Zakhele Futhi are exposed to the gains on the company's shares, while their exposure to downside risk or risk of loss is limited to their equity contributions (i.e. the purchase price paid by them for the MTN Zakhele Futhi shares). Consequently, although legally issued the company does not recognise its shares issued to MTN Zakhele Futhi and does not recognise the NVF as outstanding for accounting purposes. Equity contributions from external parties comprising cash received from new investors (including amounts funded from the preference shares) and the re-investment by existing MTN Zakhele shareholders, are in substance a premium paid for the option to acquire the company's shares in future. The resultant premium recognised by the company in the share-based payment reserve amounted to R4 036 million. Securities transfer tax of R10 million was paid by MTN on the acquisition of shares from MTN Zakhele, which was recognised in the share-based payment reserve.

The transaction with MTN Zakhele Futhi's shareholders is an equity-settled share-based payment transaction among group entities in terms of which the company will issue shares in future to MTN Zakhele Futhi's shareholders in exchange for BBBEE benefits received by Mobile Telephone Networks Proprietary Limited (note 5).

During the 2017 year, an additional 24 388 294 MTN Zakhele Futhi shares were sold to external parties, 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 for a total consideration of R487 million. The total increase in equity resulting from these share-based payment transactions amounted to R921 million of which R434 million was recognised as a share-based payment expense, and R487 million as the option premium on the shares sold.

14 750 000 of the underwrite option shares were sold to PF Nhleko, non-executive chairman of the MTN group. On 29 June 2018, the parties agreed not to proceed with the sale of the shares to PF Nhleko. This is regarded as a cancellation of a share-based payment transaction. The related receivable (R295 million) was derecognised with a corresponding debit in equity. There was no profit or loss impact arising from the cancellation.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

9 TRADE AND OTHER PAYABLES

Refer to note 4.5 of the group financial statements for the applicable accounting policy.

	2018 Rm	2017 Rm
Payables due to related parties	73	99
Accrued expenses and other payables	183	180
	256	279

10 CASH UTILISED IN OPERATIONS

	2018 Rm	2017 Rm
Profit before tax	11 972	13 325
Adjusted for:		
Dividend income (note 1)	(11 797)	(12 500)
Finance income (note 2)	(630)	(894)
Finance costs (note 2)	404	–
	(51)	(69)
Changes in working capital	(147)	(454)
(Increase)/decrease in trade and other receivables	(114)	27
Decrease in trade and other payables	(33)	(481)
	(198)	(523)

11 INCOME TAX PAID

	2018 Rm	2017 Rm
Balance at beginning of the year	(1)	(5)
Amounts recognised in profit or loss (note 4)	(15)	(10)
Deferred tax	(1)	–
Other	1	–
Balance at end of the year	3	1
Total tax paid	(13)	(14)

Notes to the company financial statements (continued)

for the year ended 31 December 2018

12 RELATED PARTY TRANSACTIONS

Refer to note 10.1 of the group financial statements for the applicable accounting policy.

Various transactions were entered into by the company during the period with related parties.

The following is a summary of significant transactions with subsidiaries during the year and significant balances at the reporting date:

	2018 Rm	2017 Rm
Dividends paid		
– Mobile Telephone Networks Holdings Limited	(48)	(70)
– MTN Zakhele Futhi (RF) Limited	(480)	(538)
Dividends received		
– Mobile Telephone Networks Holdings Limited	11 797	12 500
Management fees paid		
– MTN Group Management Services Proprietary Limited	(177)	(189)
Management fees received		
– MTN International Proprietary Limited	195	208
Receivables		
– Mobile Telephone Networks Holdings Limited	93	93
– MTN Group Management Services Proprietary Limited	172	29
– Mobile Telephone Networks Proprietary Limited	7	7
– MTN (Dubai) Limited[1]	*	*
– MTN International Proprietary Limited	35	66
– MTN (Mauritius) Investments Limited[2]	*	*
– MTN International (Mauritius) Limited	*	*
Payables		
– MTN Group Management Services Proprietary Limited	(40)	(68)
– MTN (Dubai) Limited[1]	(33)	(31)
Share dealings		
– Main Street 1561 Proprietary Limited[3]	–	295

[1] The balances result from transactions whereby MTN (Dubai) Limited and the company extinguished liabilities on behalf of each other.
[2] The balance results from transactions whereby the company extinguished liabilities on behalf of MTN (Mauritius) Investment Limited.
[3] During the prior year, Mainstreet 1561 Proprietary Limited, a wholly owned company of PF Nhleko, non-executive chairman of MTN group, acquired 14 750 000 MTN Zakhele Futhi shares from MTN Group Limited for R295 million. On 29 June 2018, the company and Main Street 1561 Proprietary Limited agreed not to proceed with the sale of MTN Zakhele Futhi shares. This is regarded as a cancellation of a share-based payment transaction. The related receivable from Main Street 1561 Proprietary Limited was derecognised with a corresponding debit in equity. There was no profit or loss impact arising from the cancellation.
* Amounts less than R1 million

Financial guarantee contracts
Details of financial guarantee contracts are disclosed in note 13 of the company financial statements.

Directors
Details of directors' remuneration are disclosed in note 3 of the company financial statements and note 10.2 of the group financial statements.

Shareholders
The principal shareholders of the company are disclosed in Annexure 1 which is unaudited.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

13 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the company are initially measured at their fair values and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, debtor or any other party.

Where guarantees in relation to loans to related parties are provided for no compensation, the fair values are accounted for as capital contributions and recognised as part of the cost of the investment.

The company along with other subsidiaries has guaranteed the bonds, revolving credit facilities, long term loans and general banking facilities of Mobile Telephone Networks Holdings Limited and MTN (Mauritius) Investments Limited. Under the terms of the guarantee, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due.

	Face value		Drawn down balance[2]	
	2018 Rm	2017 Rm	**2018 Rm**	2017 Rm
Bond guarantees				
Bonds[1] and commercial paper	**20 000**	20 000	**7 400**	5 957
Syndicated and other loan facilities				
US$ revolving-credit-facility	**17 980**	–	**3 164**	–
ZAR long-term loan	**21 675**	23 738	**21 175**	18 238
US$ long-term loan	**5 034**	24 748	**5 034**	10 518
General banking facilities				
ZAR facilities	**3 000**	2 000	**1 800**	–
	67 689	70 486	**38 573**	34 713

[1] R18 850 million of the bonds are listed on the Bond Exchange of South Africa.
[2] Includes interest accrued.

In addition, the company has provided unrestricted suretyship with regards to the cash management facility of Mobile Telephone Networks Holdings Limited and suretyship to the amount of R5 850 million (2017: R5 850 million) with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, Mobile Telephone Networks Holdings Proprietary Limited and MTN Service Provider Proprietary Limited.

The company together with other subsidiaries in the group guaranteed senior unsecured notes issued by MTN (Mauritius) Investment Limited on the Irish Stock Exchange amounting to US$1 750 million (2017: US$1 750 million). A financial liability was recognised at the fair value of the guarantees issued. A fee was not charged by the company providing the guarantee and therefore the benefit provided by the company to its subsidiaries was recognised as a capital contribution.

The company, together with other subsidiaries in the group guaranteed US$ syndicated loan facilities with Citibank amounting to US$1 billion (2017: US$1 billion). An amount of US$450 million was drawn down by MTN International (Mauritius) Limited during prior years. During the current financial year US$400 million of the facilities were repaid, resulting in US$50 million remaining outstanding at year-end. A financial liability was initially recognised at the fair value of the guarantee issued. A fee was not charged by the company providing the guarantee and therefore the benefit provided by the company to its subsidiaries was recognised as a capital contribution.

The company, together with other subsidiaries in the group guaranteed US$ revolving credit facilities with Citibank amounting to US$1 250 million during the current financial year of which US$220 million was drawn down at year end. A fee was not charged by the company providing the guarantee and therefore the benefit provided by the company to its subsidiary was recognised as a capital contribution.

The company's financial liability relating to financial guarantee contracts amounts to R2 606 million (2017: R2 631 million) as at 31 December 2018 and R612 million (2017: R581 million) was amortised to profit or loss for the year.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

13 FINANCIAL GUARANTEE CONTRACTS (continued)

In addition to the financial guarantees issued over the cash management facility, senior unsecured notes and Citibank facilities, the company has also issued various financial guarantees over the bonds, revolving credit facilities, long-term loans and banking facilities of Mobile Telephone Networks Holdings Limited. Limited value was attached to these financial guarantee contracts which resulted in immaterial fair values being ascribed on initial recognition (limited value guarantees). At 31 December 2018 the limited value guarantees were measured at the ECL amount and an additional R35 million has been recognised in profit or loss.

MTN group's credit rating as determined by Standard and Poor (S&P) have been used to assess whether there has been a significant increase in credit risk. For guarantees issued after September 2016 twelve month ECLs have been calculated whereas for guarantees issued before September 2016 lifetime ECLs have been calculated.

The following formula was used to determine the ECL: Exposure at Default x Probability of Default (PD) x Loss Given Default (LGD) x discount rate. PDs have been determined with reference to S&Ps published historical PD experience by credit rating category. The LGD specific to MTN has been determined by S&P at 51% and the original effective interest rate of the underlying borrowing is used as the discount rate.

Credit losses relating to 12 months ECL amounted to R60 million and credit losses relating to lifetime ECL amounted to R107 million.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 7.1 of the group financial statements for the applicable accounting policy and the adoption of IFRS 9 and consequential amendments to IFRS 7.

14.1 Categories of financial instruments

	Assets	Liabilities		
	Amortised cost Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2018				
Trade and other receivables	324	–	324	#
Cash and cash equivalents	220	–	220	#
	544	–	544	#
Trade and other payables	–	256	256	#
Financial guarantee contracts	–	2 606	2 606	1 364
	–	2 862	2 862	1 364

	Assets[1]	Liabilities[1]		
	Loans and receivables Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2017				
Trade and other receivables	508	–	508	#
Cash and cash equivalents	380	–	380	#
	888	–	888	#
Trade and other payables	–	279	279	#
Financial guarantee contracts	–	2 631	2 631	1 432
	–	2 910	2 910	1 432

[1] Comparatives have not been restated for the adoption of IFRS 9, consequently the categories represent IAS 39 categories as per prior year company financial statements.

The carrying amount of the financial instrument approximates its fair value.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.1 Categories of financial instruments (continued)

14.1.1 Fair value estimation

Refer to note 7.1.3 of the group financial statements for the applicable accounting policy.

The following table presents the fair value measurement hierarchy of the company's liabilities that are materially different from the carrying amount:

	Total carrying amount Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
2018					
Current financial liabilities					
Financial guarantee contracts	**2 606**	**–**	**–**	**1 364**	**1 364**
2017					
Current financial liabilities					
Financial guarantee contracts	2 631	–	–	1 432	1 432

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

The fair value of the financial guarantee contract is determined using the discounted cash flow method. The valuation requires management to make certain assumptions about the model inputs, which include the probability of default and the maximum recovery amount and interest rate curve.

14.2 Credit risk

Refer to note 7.1.4 of the group financial statements for an explanation on credit risk and how it is managed.

The company considers its maximum exposure per class, without taking into account any collateral and financial guarantees, to be as follows:

	2018 Rm	2017 Rm
Cash and cash equivalents	**220**	380
Trade and other receivables	**324**	508
Financial guarantee contracts	**38 573**	34 713
	39 117	35 601

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R307 million (2017: R491 million).

The company holds its cash balances in financial institutions with a rating of AA-. Given this rating, management does not expect the counterparty to fail to meet its obligations.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk (continued)

Trade and other receivables

Ageing and impairment analysis

	2018 Gross Rm	2018 Impaired Rm	2018 Net Rm	2017 Gross Rm	2017 Impaired Rm	2017 Net Rm
Fully performing trade and other receivables	**–**	**–**	**–**	96	–	96
Sundry debtors and advances	**–**	**–**	**–**	–	–	–
Trade receivables due from related parties	**–**	**–**	**–**	96	–	96
Past due trade and other receivables	**324**	**–**	**324**	412	–	412
Sundry debtors and advances	**17**	**–**	**17**	17	–	17
0 to 3 months	**8**	**–**	**8**	8	–	8
3 to 6 months	**–**	**–**	**–**	–	–	–
6 to 9 months	**–**	**–**	**–**	–	–	–
9 to 12 months	**9**	**–**	**9**	9	–	9
Trade receivables due from related parties	**307**	**–**	**307**	395	–	395
0 to 3 months	**207**	**–**	**207**	296	–	296
3 to 6 months	**–**	**–**	**–**	5	–	5
6 to 9 months	**–**	**–**	**–**	1	–	1
9 to 12 months	**100**	**–**	**100**	93	–	93
	324	**–**	**324**	508	–	508

14.3 Liquidity risk

Refer to note 7.1 of the group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2018 Rm	2017 Rm
Cash and cash equivalents	**220**	380
Trade and other receivables	**324**	508
	544	888

The company and other subsidiaries in the group have undrawn borrowing facilities of R14 816 million (2017: R19 730 million) available for use.

The following are the contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm	More than 1 month but not exceeding 3 months Rm	More than 3 months but not exceeding 1 year Rm
2018					
Trade and other payables	**256**	**256**	**256**	**–**	**–**
Financial guarantee contracts	**2 606**	**38 573**	**38 573**	**–**	**–**
	2 862	**38 829**	**38 829**	**–**	**–**
2017					
Trade and other payables	279	279	279	–	–
Financial guarantee contracts	2 631	34 713	34 713	–	–
	2 910	34 992	34 992	–	–

Further details of financial guarantee contracts are provided in note 13 of the company financial statements.

Notes to the company financial statements (continued)
for the year ended 31 December 2018

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk

14.4.1 Interest rate risk

Refer to note 7.1.6.1 of the group financial statements for an explanation on interest rate risk and how it is managed.

At the reporting date, the interest rate profile of the company's interest bearing financial instruments was:

	Variable rate instruments Rm
2018	
Financial assets	
Cash and cash equivalents	**220**
Trade and other receivables	**307**
	527
Financial liabilities	
Trade and other payables	**73**
2017	
Financial assets	
Cash and cash equivalents	380
Trade and other receivables	196
	576
Financial liabilities	
Trade and other payables	99

Sensitivity analysis

The company has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The company is mainly exposed to fluctuations in the following market interest rates: JIBAR, prime and LIBOR rates. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are subsequently measured at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as was used for 2017.

	2018 Increase/(decrease) in profit before tax			2017 Increase/(decrease) in profit before tax		
	Change in interest rate %	**Upward change in interest rate Rm**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	**1**	**2,7**	**(2,7)**	1	1,3	(1,3)
Prime	**1**	**2,2**	**(2,2)**	1	3,8	(3,8)
LIBOR	**1**	**(0,3)**	**0,3**	1	(0,3)	0,3

Notes to the company financial statements (continued)

for the year ended 31 December 2018

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.4 Market risk (continued)

14.4.2 Currency risk

Refer to note 7.1.6.3 of the group financial statements for an explanation on currency risk and how it is managed.

Included in the company statement of financial position are the following amounts denominated in currencies other than the functional currency of the company.

	2018 Rm	2017 Rm
Current assets		
United States dollar	*	*
Current liabilities		
United States dollar	2 471	2 662

* Amount less than R1 million.

Sensitivity analysis

A change in the foreign exchange rates to which the company is exposed at the reporting date would have (decreased)/increased profit before tax by the amounts shown below:

Denominated: functional currency	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
2018			
US$:ZAR	10	(247)	247
2017			
US$:ZAR	10	(266)	266

Notes to the company financial statements (continued)
for the year ended 31 December 2018

15 CHANGE IN ACCOUNTING POLICIES

15.1 Adoption of IFRS 15

The revenue streams of the company include management fees and dividend revenue. Due to dividend revenue not being considered as revenue from contracts with customers and management fees being immaterial, the adoption of IFRS 15 did not have a material impact on the company. Consequently, no adjustments were made to the amounts previously disclosed.

15.2 Adoption of IFRS 9

The adoption of IFRS 9 had the following impact on the company:

- Change the subsequent measurement of financial guarantee liabilities to the higher of the ECL; and the amount initially recognised less accumulated amortisation recognised in accordance with IFRS 15; and
- Change in the measurement categories for financial instruments.

Refer to note 11.2.3 of the group financial statements for the transition to IFRS 9.

15.2.1 Subsequent measurement of financial guarantee liabilities

Before the adoption of IFRS 9 financial guarantees were measured, subsequent to initial recognition at the higher of the amount of the obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation. Under IFRS 9 the company subsequently measures financial guarantee liabilities at the higher of the ECL and the amount initially recognised less accumulated amortisation.

The company has issued various financial guarantees over the bonds, revolving credit facilities, long-term loans and banking facilities of Mobile Telephone Networks Holdings Limited (limited value guarantees). The measurement requirements of IAS 39 resulted in immaterial fair values attributable to these guarantees on initial recognition and no adjustment subsequent to initial recognition. On the adoption of IFRS 9, ECLs relating to these guarantees were calculated and resulted in an adjustment to the carrying value of the limited value guarantees to the ECL (higher value). Consequently, an adjustment was made to retained earnings and financial guarantee liabilities on 1 January 2018 (date of initial application of IFRS 9). The impact on the financial statements as at 1 January 2018 was as follows:

Statement of financial position (extract)	31 December 2017 As previously reported Rm	IFRS 9 Rm	1 January 2018 Restated Rm
Shareholders equity			
Accumulated loss	(22 923)	(132)	(23 055)
Total equity	21 736	(132)	21 604
Current liabilities			
Financial guarantee contracts	2 631	132	2 763
Total equity and liabilities	24 647	132	24 779

Refer to note 13 for methods and assumptions used to determine the ECL of the limited value guarantees on 1 January 2018.

Notes to the company financial statements (continued)

for the year ended 31 December 2018

15 CHANGE IN ACCOUNTING POLICIES (continued)

15.2 Adoption of IFRS 9 (continued)

15.2.2 Classification, initial recognition and subsequent measurement

Refer to note 11.2.2 of the group financial statements for the change in accounting policy.

	Measurement category		Carrying amount	
	IAS 39	IFRS 9	31 December 2017 IAS 39 Rm	1 January 2018 IFRS 9 Rm
Current financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	508	508
Cash and cash equivalents	Loans and receivables	Amortised cost	380	380
Current financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	279	279
Financial guarantee contracts	Amortised cost	Amortised cost	2 631	2 763

15.3 Presentation of cash flows

Refer to note 11.3 of the group financial statements for the change in accounting policy.

	Year ended 31 December 2017		
	As previously reported Rm	Change in accounting policy Rm	Restated Rm
Net cash (utilised in)/generated from operating activities	(1 179)	13 173	11 994
Dividends paid	(13 173)	13 173	–
Net cash (generated from)/used in financing activities	192	(13 173)	(12 981)
Dividends paid	–	(13 173)	(13 173)

Financial definitions

The following financial terms are used in the annual financial statements with the meanings specified:

Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Asset exchange transactions	Transactions where one or more items of property, plant and equipment are acquired in exchange for non-monetary assets, or a combination of monetary and non-monetary assets.
Associates	All entities over which the group has significant influence, but not control, over the financial and operational policies.
Cash-generating unit (CGU)	The smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets.
Carrying amount	Is the amount at which the asset is recognised after deducting any accumulated depreciation/amortisation and accumulated impairment losses there on.
Commercial substance	A transaction has commercial substance if the difference in either of the points below is significant relative to the fair value of the assets exchanged: • the configuration of the cash flows of the asset received differs from the configuration of the cash flows of the asset given up; or • the entity-specific value of the part of the operations affected by the transaction changes as a result of the exchange.
Contingent liabilities	Represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group. Contingent liabilities also represent present obligations that arise from past events but are not recognised because an outflow of resources is not probable or a reliable estimate cannot be made.
Control	Control exists when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group has power over an entity when it has existing rights that gives it the current ability to direct the relevant activities that significantly affect the entity's returns.
Defined contribution plan	A post-employment benefit plan (such as a pension plan) under which the group pays a fixed percentage of employees' remuneration as contributions into a separate entity (a fund), and will have no further legal or constructive obligations to pay additional contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
dti	Department of Trade and Industry.
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 a long-term loan receivable; • Net monetary gain resulting from the application of hyperinflation; and • Share of results of associates and joint ventures after tax.

Financial definitions (continued)

Equity investments at fair value through other comprehensive income (FVOCI)	The asset is not held for trading and the group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Financial assets at fair value through profit or loss (FVTPL)	A financial asset that is held for trading (acquired principally for the purpose of selling the item in the short term) or designated upon initial recognition as at FVTPL.
Finance leases	Leases over property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.
Functional currency	The currency that best reflects the primary economic environment in which the entity operates.
Gain or loss on disposal of an asset	The difference between the proceeds from the disposal and the carrying amount of the asset.
Goodwill	The excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.
ICASA	Independent Communications Authority of South Africa.
Interconnect revenue	Revenue derived from other operators for local and international incoming voice minutes, short messaging (SMS) and multimedia services (MMS).
Joint arrangement	A contractual arrangement whereby the company and other parties undertake an economic activity which is subject to joint control.
Joint operation	Joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.
Joint ventures	Joint arrangements whereby the parties that have joint control of the arrangement by unanimous consent have rights to the net assets of the arrangement.
Measurement period adjustments	Adjustments that arise from additional information obtained during the "measurement period" about facts and circumstances that existed at the acquisition date. The measurement period constitutes the period after the acquisition date during which the acquirer may adjust the provisional amounts recognised for a business combination. This period shall not exceed one year from the acquisition date.
Non-controlling interests	The amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the acquisition date.
Postpaid product	The sale of a handset and a service contract.
Prepaid product	The sale of a subscriber identification module (SIM) card and airtime.
Presentation currency	The currency in which the financial statements are presented.

Financial definitions (continued)

Qualifying asset	An asset which takes more than 12 months to acquire, construct or produce.
Recoverable amount	The greater of an asset's value in use and its fair value less costs to sell.
Revenue	Income arising in the course of an entity's ordinary activities. Income is an increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decrease of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.
Roaming revenue	Revenue generated from subscribers making calls when using other networks, including MTN networks outside the country of operation.
Significant influence	The power to participate in the financial and operating policy decisions of an entity. It is presumed to exist when the group holds between 20% and 50% of the voting power of an entity.
Structured entities (SEs)	Entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.
Subsidiaries	Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.
Termination benefits	Benefits that may be payable when an employee's employment is terminated before the normal retirement date due to death or retrenchment or whenever an employee accepts voluntary redundancy in exchange for these benefits.
Value-in-use	The present value of the future cash flows expected to be derived from an asset or CGU.

Annexure 1 – Shareholders' information

Shareholder spread

	2018 Number of shareholders	%	Number of shares	%
1 – 1 000 shares	101 603	88,50%	21 722 279	1,15%
1 001 – 10 000 shares	10 954	9,54%	28 627 664	1,52%
10 001 – 100 000 shares	1 397	1,22%	47 395 887	2,52%
100 001 – 1 000 000 shares	679	0,59%	210 648 816	11,18%
1 000 001 shares and over	167	0,15%	1 575 875 112	83,63%
Total	114 800	100,00%	1 884 269 758	100,00%

Nominees holding shares in excess of 5% of the issued ordinary capital of the Company

	2018		2017	
	Number of shares	% of Issued share capital	Number of shares	% of Issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	874 182 745	46,39	776 198 061	41,19
First National Nominees Proprietary Limited	164 481 694	8,73	132 429 927	7,03
Nedcor Bank Nominees Limited	164 457 041	8,73	155 482 281	8,25
State Street Bank and Trust Co-client Omnibus account	133 053 068	7,06	184 041 329	9,76
CMB Nominee (RF) (Pty) Ltd	101 422 573	5,38	88 106 150	4,68
Goudstad Nominees	69 581 531	3,69	111 828 812	5,93

Spread of ordinary shareholders

	2018			2017	
	Number of shareholdings	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Public	125 023	1 141 713 447	60,59	1 325 341 372	70,33
Non-public	37	742 556 311	39,41	558 928 386	29,67
Group directors, directors of major subsidiaries and associates of the company holdings	11	279 560	0,02	377 706	0,02
MTN Zakhele Futhi (RF) Limited	1	76 835 378	4,08	76 835 378	4,08
Lombard Odier Darier Hentsch & Cie (M1 Limited)	6	189 330 000	10,05	189 330 000	10,05
Government Employees Pension Fund	18	466 319 534	24,75	282 402 016	14,99
MTN Telephone Networks Holdings Limited and 2016 ESOP Trust	1	9 791 839	0,51	9 983 286	0,53
Total	125 060	1 884 269 758	100,00	1 884 269 758	100,00

Beneficial shareholders holding 5% or more

	2018		2017	
	Number of shares	% of issued share capital	Number of shares	% of issued share capital
Government Employees Pension Fund	466 319 534	24,75	282 402 016	14,99
Lombard Odier Darier Hentsch & Cie (M1 Limited)	189 302 214	10,05	189 330 000	10,05
Dodge & Cox International Stock Fund	63 655 480	3,38	102 215 380	5,42

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