


25 YEAR BIRTHDAY

#GoodTogether


MTN Group Limited

Integrated Report for the year ended 31 December 2019

Report navigation

25 YEAR BIRTHDAY

Celebrating 25 years

In 2019, we marked 25 years in the business: two and half decades of astonishing achievements and sometimes considerable challenges; connecting people, embracing diversity and creating sustainable economic value.

From a single operation in South Africa offering simple voice and SMS in 1994, we have grown to 21 operations across Africa and the Middle East, offering our 251m subscribers a wide range of voice, data, digital, fintech, enterprise and wholesale services.

Inspired to continue to transform lives, in 2020 we are recapturing the pioneering spirit that built MTN all those years ago, determined to be **bolder, faster, together**.

Our online reports/links:

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

Other icons:

- www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx
- **LA** Limited assurance obtained
- **5Y** Five year review

SDG icons used in this report:

Of the 17 Sustainable Development Goals, those on which we have the greatest impact are highlighted below. We view sustainability as an integral part of MTN's value creation journey.

Links to the pillars of our BRIGHT strategy:

- **B**est customer experience
- **R**eturns and efficiency focus
- **I**gnite commercial performance
- **G**rowth through data and digital
- **H**earts and minds
- **T**echnology excellence

Δ Copyright and trademarks are owned by the Institute of Directors Southern Africa NPC and all of its rights are reserved.

Contents

01 All about MTN

01 Who we are
02 A compelling investment case
04 Where we operate and how we performed
06 Our market context
08 What we are doing to address the opportunities
10 25 years of doing good

02 How we create value

12 Creating value – #GoodTogether
14 How we create value using the six capitals
16 How we sustain value using the six capitals
18 Material matters impacting value creation
20 Social and ethics committee chair's review
21 Relationships on which we rely to create value
25 Risk committee chair's review
26 Top risks to value creation

03 Strategic and financial review

34 The view of our chairman
36 Q&A with the CEO
38 Q&A with the CFO
41 Key financial tables
45 Audit committee chair's review
46 Our strategic performance
48 Best customer experience
50 Returns and efficiency focus
52 Ignite commercial performance
54 Growth through data and digital
56 Hearts and minds
58 Technology excellence

04 Governance and remuneration

60 Governance in action
64 Our international advisory board
66 Our board of directors
70 Our executive committee
72 Remuneration report
98 Glossary
105 Administration

Throughout this report we also use the following symbol:

* Constant currency and after taking into account *pro forma* adjustments.

For a detailed explanation of this and other financial definitions, see page 44.

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.

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.**

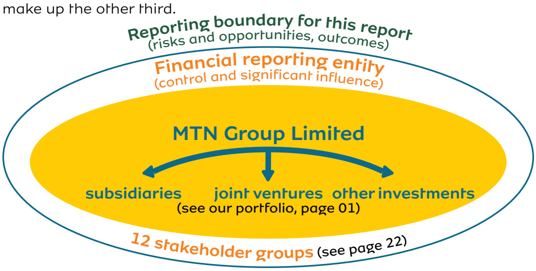
Scope and boundary

Our material matters, as well as our strategy, form the anchor of the report and determine its content. This report reviews MTN's strategy and business model, risks and opportunities and operational and governance performance, covering the period 1 January to 31 December 2019.

Financial and non-financial data from our subsidiaries are fully consolidated. This report gives commentary, performance measures and prospects for the group's two main operations in South Africa and Nigeria which make up two thirds of the business, as well as its three regions: SEAGHA (Southern and East Africa and Ghana), WECA (West and Central Africa) and MENA (Middle East and North Africa), which collectively make up the other third.

In assessing the issues that materially impact value creation we have looked beyond the financial reporting boundary to provide for the material interests of relevant stakeholders, and to address the significant risks, opportunities and impacts associated with our activities over the short term (less than three years), medium term (three to five years) and long term (beyond five years). The structure and layout of this report draw on the International Integrated Reporting Council's (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.



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 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 assured by PricewaterhouseCoopers and is identified by LA. The assurance statement is available online. MTN's definitions of the KPIs assured is included in the glossary section of this report.

Approval by the board

MTN's board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The board has applied its collective mind and, in its opinion, this integrated report addresses all material matters and offers a balanced view of MTN's strategy and how it relates to the organisation's ability to create value in the short, medium and long term. The report adequately addresses the use of, and effects on, the capitals and the manner in which the availability of these capitals is impacting on MTN's strategy and business model. We, as the board, believe that this report has been prepared in accordance with the IIRC's <IR> Framework.

Mcebisi Jonas Chairman	**Shaygan Kheradpir** Independent non-executive director	**Vincent Rague** Independent non-executive director
Khotso Mokhele Lead independent director	**Peter Mageza** Independent non-executive director	**Christine Ramon** Independent non-executive director
Rob Shuter Group president and CEO	**Dawn Marole** Independent non-executive director	**Lamido Sanusi** Independent non-executive director
Ralph Mupita Group chief financial officer	**Azmi Mikati** Non-executive director	**Nkunku Sowazi** Independent non-executive director
Paul Hanratty Independent non-executive director	**Stanley Miller** Independent non-executive director	**Swazi Tshabalala** Independent non-executive director

Administration

MTN GROUP LIMITED
Incorporated in the Republic of South Africa

Company registration number: 1994/009584/06
ISIN: ZAE000042164
Share code: MTN

Board of directors

MH Jonas*
PF Nhleko# (resigned on 15 December 2019)
RA Shuter[1, 3]
RT Mupita[1]
PB Hanratty[2]*
A Harper[3]* (resigned on 15 December 2019)
KP Kalyan* (resigned on 15 December 2019)
S Kheradpir[4]*
NP Mageza*
MLD Marole*
AT Mikati[5]#
SP Miller[6]*
KDK Mokhele*
VM Rague[8]* (appointed 1 July 2019)
KC Ramon*
SLA Sanusi[7]* (appointed 1 July 2019)
NL Sowazi*
BS Tshabalala*
J van Rooyen* (resigned on 15 December 2019)

[1] *Executive*
[2] *Irish*
[3] *British*
[4] *American*
[5] *Lebanese*
[6] *Belgian*
[7] *Nigerian*
[8] *Kenyan*
* *Independent non-executive director*
\# *Non-executive director*

Group secretary

PT Sishuba-Bonoyi (appointed 1 April 2019)
Private Bag X9955, Cresta, 2118

Registered office

216 – 14th Avenue
Fairland
Gauteng, 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.
Waterfall City, 4 Lisbon Lane, Jukskei View
Midrand, 2090

SizweNtsalubaGobodo Grant Thornton Inc.
1 Woodmead Drive, Woodmead Estate
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Lead sponsor

Tamela Holdings Proprietary Limited
Ground Floor, Golden Oak House, 35 Ballyclare Drive,
Bryanston, 2021

Joint sponsor

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

Attorneys

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

Contact details

Telephone: National 083 912 3000
International +27 11 912 3000
Facsimile: National 011 912 4093
International +27 11 912 4093

E-mail: investor.relations@mtn.com
Website: http://www.mtn.com
Date of release: 11 March 2020

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.

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 251m customers. 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, with a market capitalisation of **R155bn** at the end of 2019 – the year in which we celebrated our 25th anniversary. 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 communication infrastructure** and by harnessing **the talent of our diverse team** of more than 19 000 people across 21 operations in Africa and the Middle East.

Our vision

To lead the delivery of a bold, new digital world

Our belief

Everyone deserves the benefits of a modern connected life

Our ambition

300m subscribers, 200m active data users, 100m digital and MoMo users

Our values

- Leadership
- Innovation
- Relationships
- Integrity
- Can do

Our portfolio

MTN Group

MTN South Africa

100%	

MTN Nigeria

78,8% ▲	

SEAGHA

85,5%	MTN Ghana ▲
96%	MTN Uganda ▲
80%	MTN Rwanda
86%	MTN Zambia ▲
30%	MTN eSwatini
53,1%	Mascom Botswana

WECA

70%	MTN Cameroon
58,8%	MTN Ivory Coast
75%	MTN Benin
75%	MTN Guinea-Conakry
100%	MTN Guinea-Bissau
100%	MTN Congo-Brazzaville
60%	LonestarCell MTN Liberia

MENA

75%	MTN Syria
82,8%	MTN Yemen
100%	MTN Afghanistan
85%	MTN Sudan
100%	MTN South Sudan
49%	MTN Irancell

Other associates, joint ventures and other investments

49%	ATC Ghana† ≠
49%	ATC Uganda† ≠
29%	IHS Group ≠
18,9%	Jumia Technologies AG ≠
50%	Middle East Internet Holding ≠
29,5%	Iran Internet Group ≠
20%	BICS ≠
50%	aYo

Equity accounted (excluding IHS)
% Refers to MTN legal ownership
† Concluded agreement to dispose, conditional on regulatory approvals

As part of our asset realisation programme (ARP) we have decided to sell down some of our shareholding in subsidiaries and sell non-strategic assets:
▲ Localisations
≠ Not long-term strategic investments

For more details of our ARP, see page 38.

A compelling investment case

Our **markets** are **growth markets**. Our **company** is a **growth company**. Our **infrastructure** and **investments,** our established and leading **position** as well as the characteristics of our markets, which include their favourable **demographics,** are all **aligned** to **deliver** a very **exciting growth story.**

Guided by our clear **BRIGHT** operational strategy, we are **optimising efficiencies, capex** and **cash flow,** which will all ultimately translate into **attractive returns** for **shareholders**.

Strong position in the right markets

- High growth MEA region
- In three of four largest economies
- Top two position in all markets

go to page 01

Exciting demographic opportunity

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

go to page 06

A clear strategy

B – **Best** customer experience

R – **Returns** and efficiency focus

I – **Ignite** commercial performance

G – **Growth** through data and digital

H – **Hearts** and minds

T – **Technology** excellence

Attractive return profile

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

go to page 38

Well positioned for the long term

- Portfolio optimisation
  - Localisations and selling non-strategic assets
  - Listed MTN Nigeria and Jumia; sold interests in ATC
- Sustainable leverage
- Progressive dividend policy

go to page 38

Our investment case is underpinned by a strong and experienced management team (go to page 70), which is executing on our ambitions following robust governance practices and high standards of business ethics (go to page 60) within an enhanced risk and regulatory framework (go to page 26).

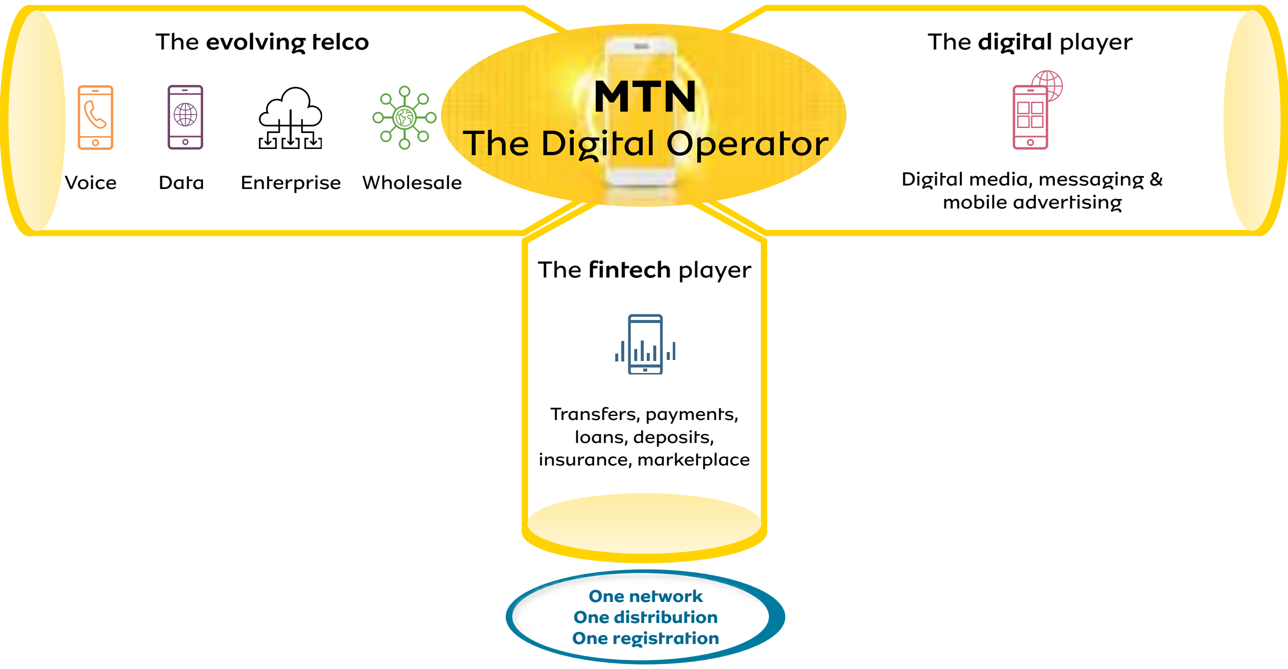
SE KIV

Based on this solid foundation, we are building a **digital operator**, to operate at the intersection of three complementary industry trends – those of the evolving telco, the fintech player and the digital player.

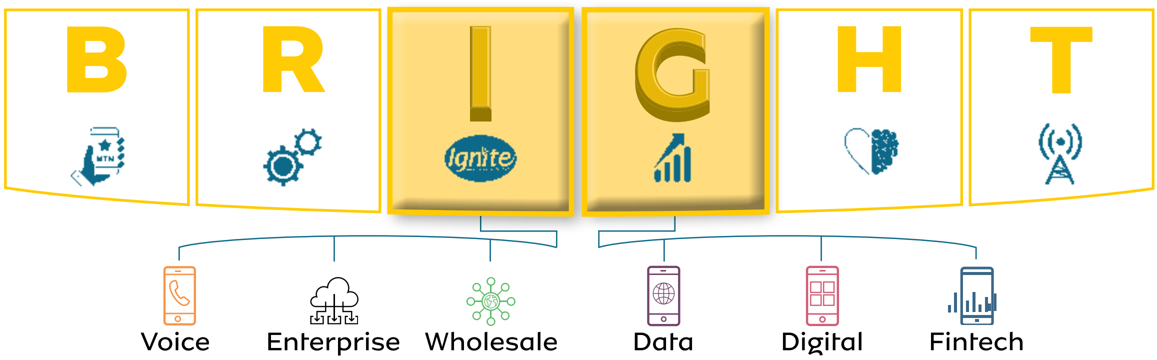
- The **evolving telco** transforms a business built for consumer voice to one which offers mobile internet, becoming a scale player in data and competes in enterprise and wholesale services.
- The **fintech player** leverages the infrastructure built for prepaid voice to offer mobile financial services focusing on the two-thirds of the population who are not formally banked.
- The **digital player** makes the most of rapidly expanding internet adoption to offer a wide range of digital services, including instant messaging, social media, music, gaming and video services.

By building the digital operator, we are able to access six distinct pools of revenue – voice, data, digital, fintech, enterprise and wholesale (page 08) – using a **single network** (built for voice but repurposed for data, enterprise, wholesale, fintech and digital), a **single distribution** (established as an informal agent network but repurposed for agency banking) and a **single registration** (set up for SIM card registration but repurposed to quickly activate mobile financial services).

Building the digital operator



The services and ambitions of the digital operator fit neatly into the centre of our BRIGHT strategy: with our work around voice, enterprise and wholesale the focus of our 'I' pillar to ignite commercial performance, and the activities related to scaling up data, digital and fintech services being central to our 'G' pillar of growth through data and digital.



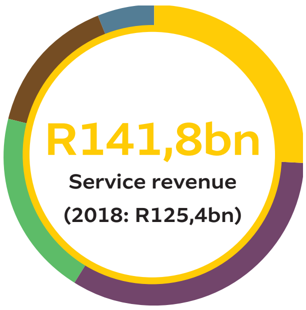
Where we operate and how we performed

Our geographic footprint is wide, stretching over **21 markets** on two continents. As a result, robust operational oversight is critical. We secure this through a **management structure** (see page 70) that reflects almost **equal contributions of around a third** to group earnings of each of our operations in **South Africa and Nigeria** and that of our regions – **SEAGHA, WECA and MENA** – combined.

In 2019, the group reported EBITDA of R64bn (2018: R48bn) and an EBITDA margin of 42,3%^ (2018: 34,3%). Capex totalled R26,3bn (2018: R28,1bn) on an IAS 17 basis.

Service revenue contribution by top opcos and regions

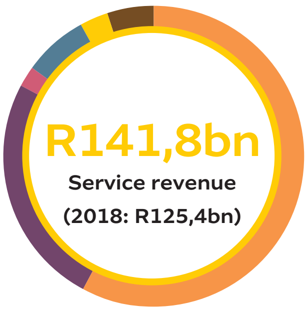
2019



South Africa	Nigeria	SEAGHA	WECA	MENA
26%	33%	20%	15%	6%

Service revenue contribution by services offered

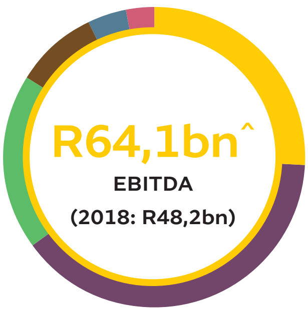
2019



Voice	Data	Digital	Fintech	Wholesale	SMS, ICT and other
58%	25%	2%	7%	3%	5%

EBITDA

2019



South Africa	Nigeria	SEAGHA	WECA	MENA	Head offices
26%	39%	19%	9%	4%	3%

19 288
group employees

Nigeria

64,3m subscribers
25,2m data users

Service revenue	EBITDA margin	Capital expenditure
+12,6%* R46,6bn	44,8% 53,9%^	R8,0bn

WECA

36,2m subscribers
11,2m data users

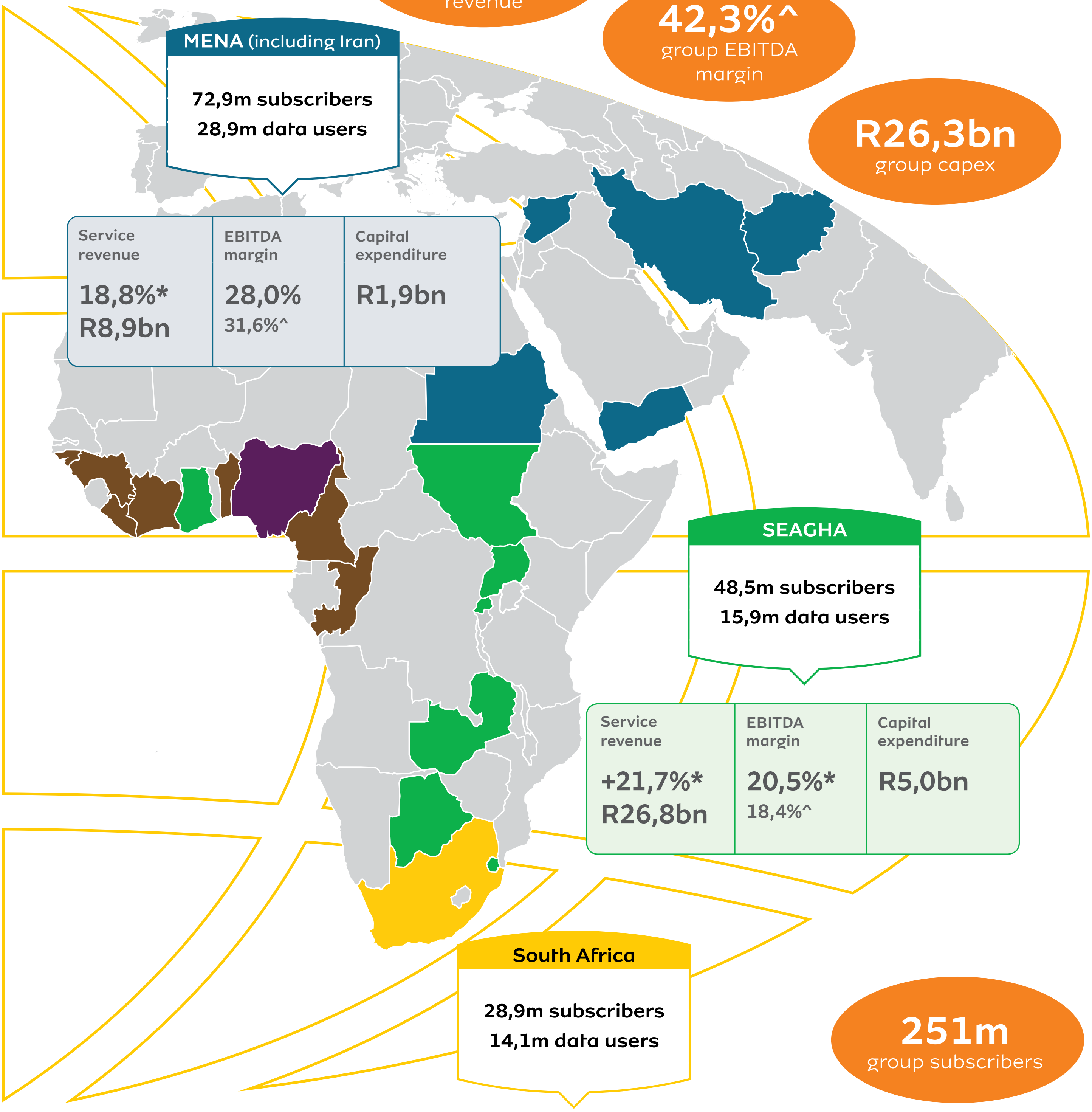
Service revenue	EBITDA margin	Capital expenditure
+2,9%* R21,7bn	23,4% 27,9%^	R2,8bn

^ IFRS reported

+9,8%* group service revenue

42,3%^ group EBITDA margin

R26,3bn group capex



MENA (including Iran)

72,9m subscribers
28,9m data users

Service revenue	EBITDA margin	Capital expenditure
18,8%* R8,9bn	28,0% 31,6%^	R1,9bn

SEAGHA

48,5m subscribers
15,9m data users

Service revenue	EBITDA margin	Capital expenditure
+21,7%* R26,8bn	20,5%* 18,4%^	R5,0bn

South Africa

28,9m subscribers
14,1m data users

Service revenue	EBITDA margin	Capital expenditure
+0,4%* R36,4bn	33,6% 37,1%^	R7,6bn

^ IFRS reported

251m group subscribers

35m group active MoMo users

95m group active data users

Our market context

As an **emerging market operator**, the **environment** in which we work is **complex**, presenting **unique challenges** as well as **exciting** and **valuable opportunities**. By **considering** our **market context**, we are **better** able to **determine** our **material matters**, the **impact** that these have on our **business model** and how best to **respond.**

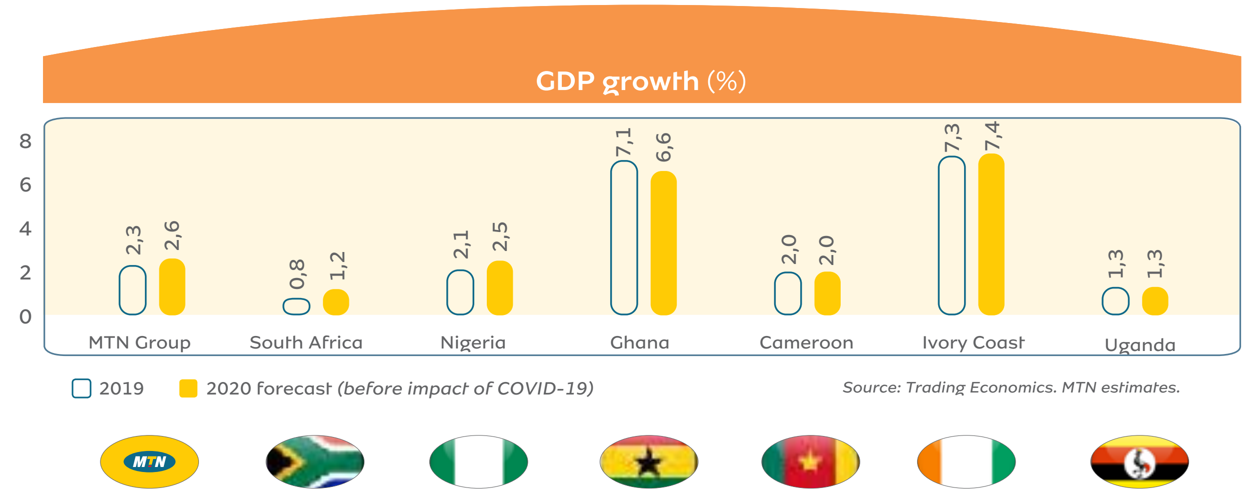
Political, regulatory and economic environment

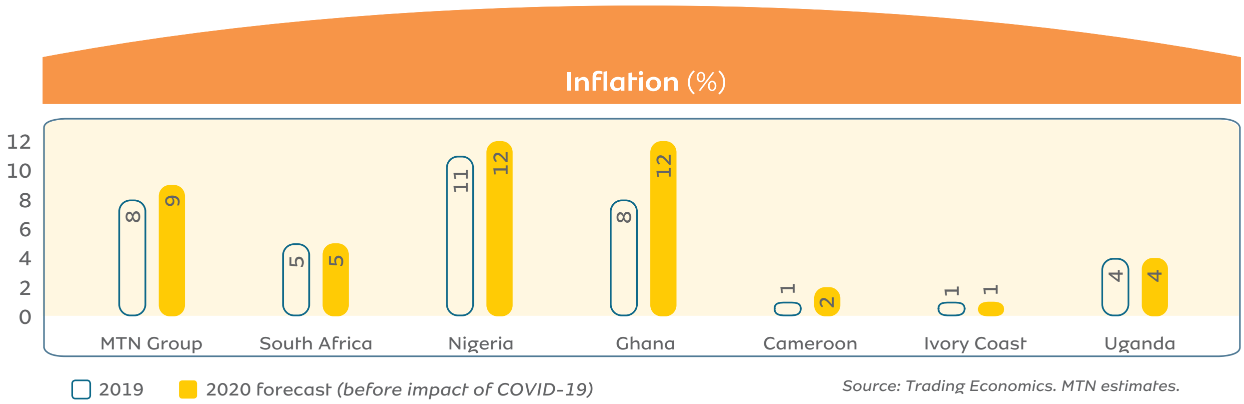
- Prolonged war and conflicts are impacting Syria, Yemen, Afghanistan and South Sudan, making operations in these countries difficult. US-Iran tensions have increased
- Elections are planned for 2020 in many markets, including Ghana, Ivory Coast, Iran and Cameroon
- Despite the start of phase 1 of the US-China trade deal, international trade tensions remain amid a trend towards increasing protectionism
- Across our footprint the regulatory environment is complex and dynamic and governments are focused on ensuring increasing internet connectivity and digitising their societies
- Economic recovery is evident in some markets, but there remains a sharp divergence between countries. Many of our markets report higher-than-average GDP growth and an expanding middle class with growing income and purchasing power, supported by the rapid urbanisation of a young population
- COVID-19 pandemic is disrupting economic activity and markets across the world
- The levels of unemployment and poverty across our footprint remain high. This translates into ARPUs that are low: less than US$5 a month across sub-Saharan Africa. This means that we need to ensure that our services are affordable
- Currency volatility continues to be a feature of many of our markets
- In South Africa, interruptions to the electricity supply continue to disrupt economic activity and mean that we face additional costs related to alternative power solutions
- SIM registration remains an important feature of regulation, but the requirements differ from country to country
- Tax and regulatory pressures continue to mount

Social and technology environment

- Population across our markets is 670m and is forecast to grow to 733m in the next three years, supporting our case for expansion of the subscriber base. This is a youthful population, with two-thirds of people under the age of 24 and 'born digital and mobile', making them fast adopters of digital services
- Society is transitioning into the 'fourth industrial revolution', with increasing levels of financial and communications inclusion as well as greater connectedness to the global economy
- Consumer behaviour is changing, supported by the greater digital connectivity and the increasing adoption of social media
- 80% of the population still does not use formal banking channels and there is a low level of digital payment penetration
- Low levels of television penetration – only one in three households owns a TV, supporting the case for mobile as a device to view video and advertising
- Internet penetration of around 23%, and only one in five people use instant messaging
- The availability of spectrum is linked to changes in policy and the renewal of licences
- Operators remain largely dependent on certain key reputable vendors

We have developed our **BRIGHT strategy** and our **investment case** to ensure that we are **well positioned** to deliver **growth** and **unlock value** from the **opportunities** as well as **mitigate** the **risks**.





Competitive landscape

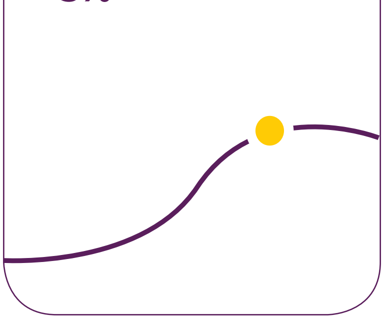
- Mobile network operators compete through aggressive pricing, targeted propositions and segmented offerings
- Non-telco players continue to enter the market: OTT services impact voice and SMS revenue but assist in driving up data revenue
- As we move towards our ambition of becoming a digital operator, there is more competition for customers as well as competition for the talent and skills required to develop the digital products and services we increasingly offer
- MTN has been steadily winning market share, growing this to a group blended rate of 44,2% in 2019 from 40,7% in 2017.

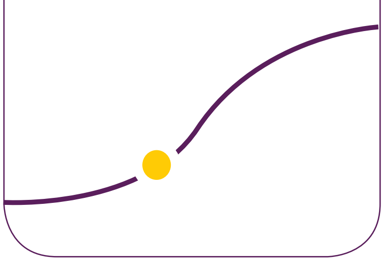
What we are doing to address the opportunities

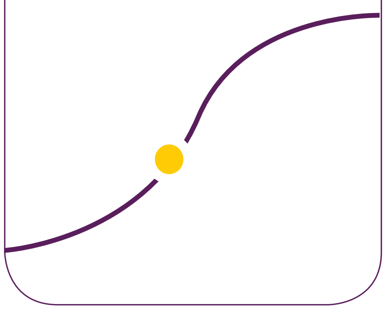
Considering our **market context**, and the **material matters** that this presents, we have identified **six distinct growth opportunities** which we are **pursuing simultaneously**, across the **consumer**, **enterprise** and **wholesale segments**.

Consumer

	Voice	Data	Digital
Where market growth is on the curve	Maturing, large pool ~-3%Δ	Inflection to explosive growth ~20%Δ	Unique emerging market opportunity ~25% Δ
Market size 2022	R225bn	R310bn	R30bn
MTN's 2019 performance	**Revenue** +4,2%* **to R82,1bn**	**Revenue** +22,4%* **to R35,1bn**	**Revenue** -39,6%* **to R2,4bn#**
MTN's future focus	• Ultra-rural site roll out • Personal pricing with AI • Multi-product selling • Distribution transformation	• 3G/4G national coverage • Service bundling • Smartphone acceleration • Price transformation	• Build our own OTT services • Expand platform capabilities • Build on partnerships • Local content







Δ Organic market CAGR (2018 – 2021)

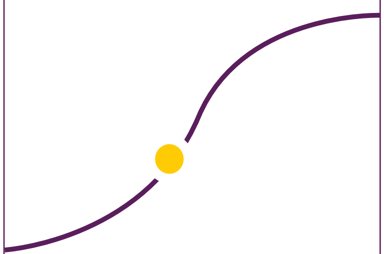
Declined as a result of VAS optimisation which is now fully implemented across our markets

These **growth opportunities** are the **focus** of the **'I'** and the **'G'** of our **BRIGHT strategy** (see page 03). The **curves** are a **view of the current adoption levels**.

Fintech

Transformational opportunity

~25% Δ



R110bn

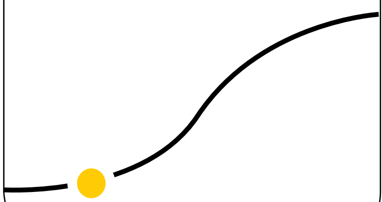
Revenue
+27,0%*
to R10,1bn

- Scale in large markets
- Open API for merchants
- Launch of mobile wallet interoperability
- Advanced services

Enterprise

SME and converged services

~10% Δ



R200bn

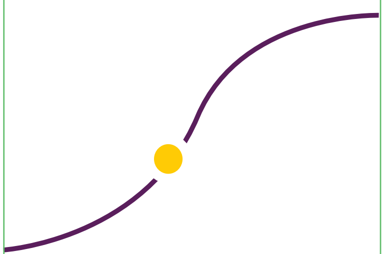
Revenue
+8,4%*
to R13,3bn

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

Wholesale

Explosive traffic growth

~25% Δ



R100bn

Revenue
+63,2%*
to R4,7bn

- Wet and dry build
- Third-party sales engine
- ***Y'ello***Connect platform
- National roaming sales

25 years of doing good

1994
A year after **securing** a **licence**, the **first call** was made on the **MTN network**, the **year Nelson Mandela** became South Africa's first democratically **elected president**

1996
Launched prepaid solution PayAsYouGo

1997
Began our **international** expansion

1998
- **Won licences** in **Uganda, Rwanda** and **Swaziland**
- Became the **first cellular network** in **Africa** to get **ISO 14001** rating for **environmental management**

2000
Acquired **Camtel Mobile** in **Cameroon**

2001
- Acquired two licences in **Nigeria**
- **Launched** MTN South Africa Foundation to manage **CSI fund**

They say if you want to go fast, go alone, but if you want to go far, go together.

2015
MTN Nigeria acquired 4G spectrum

4G

2016
- **MTN Nigeria acquired Visafone,** along with a **4G licence**

2017
- **Launched BRIGHT** strategy
- **Exchanged shares in INT Towers** for **additional shareholding** in **IHS Holding Limited**
- Reached **217m** subscribers

2018
- **Listed MTN Ghana**
- **Developed affordable 3G smart feature phone**
- **Created** ***MusicTime!***
- **Set up Mowali**
- **Established MTN GlobalConnect**

2019
- **Celebrated 25 years** in business
- **Listed MTN Nigeria**
- Launched **Ayoba** instant messaging

2002

Became the **first operator** in South Africa to offer GPRS

2004

- **Listed in UNEP'S Global Top 50** companies for **sustainability reporting**

2005

- Acquired operations in **Ivory Coast, Zambia, Botswana, Liberia** and **Congo**
- Became one of the **first operators** in Africa to bring **3G** to market

2006

- Reached **40m** subscribers
- Took over Investcom in **US$5,5bn** deal, increasing presence to **21 countries from 11**
- Launched employee volunteer programme **'21 days of *Y'ello* Care'**

2007

MTN Nigeria awarded 3G licence

2009

Reached 100m subscribers

25 YEAR BIRTHDAY

#Good together

2009

- **Launched MTN Mobile Money**
- **Sponsored 2010 FIFA World Cup, the only African global sponsor**

2011

Reached 164m subscribers

2012

- **Launched commercial 4G network** in South Africa
- **Launched** the **West Africa Cable System**, increasing **broadband capacity**

2014 and 2015

Voted the **most valuable** and **most admired** African brand in **BrandAfrica 100™ rankings**

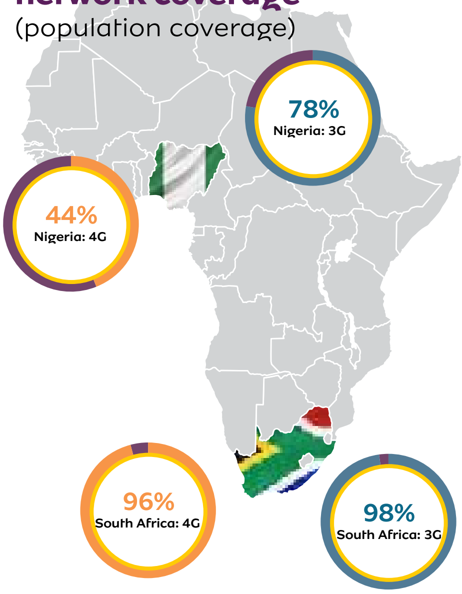
Creating value - #GoodTogether

With **Africa** being a **young** continent, young Africans want to experience a **modern, digital, connected life**. We are doing everything we can to make this **a reality** by **leading** the **delivery** of a **bold**, new **digital world** in ways that are relevant to our customers. MTN is **committed** to **brightening lives** every day by being a **responsive, customer** and **community-focused company**.

Named **most admired brand by Brand Africa 100**

Brightening our customers' lives

Extended our **network coverage** (population coverage)



Added sites:
4G: 10 895
3G: 5 795
2G: 4 699

#1 network NPS in 14 markets

Launched US$20 **MTN smartphone**

Distributed **675 000** affordable low cost smartphones

Over **480m** Africans covered by our high-speed network

Deployed **1 387** ultra rural sites

Reduced the effective price per MB of data by **34%** in 2019

ayoba

Reached **2m monthly active users**, live in **12 markets**

Launched **Mobile Money** in South Africa and Afghanistan

Launched **MTN Homeland**, facilitating money and airtime transfers from Europe to Africa and parts of the Middle East

Through the MTN Foundations we **work together** with **communities** to **create opportunities** to **advance growth and development** by **supporting health** and **education initiatives** and **national development priorities**. We are also working hard to deliver the **best customer experience** in **voice**, **data**, **digital** and **financial services** so that consumers across our footprint continue to choose us as their **most admired** and **preferred brand**.

Across the continent and **beyond** we play a **vital role** in **providing IT services** and **scholarship programmes**.

All of this is a direct result of the work we do each day as well as a number of **innovations** that support **greater digital** and **financial inclusion**. It is the **collective**, **positive impact** we as MTNers have on the countries and communities in which we operate – and this is something we can all be **proud of**.

Brightening our societies

Launched **"We're good together"** initiative

Provided **35m** Africans access to financial services – **enabling financial inclusion** with **9 200** transactions a minute worth **US$96bn** in 2019 through MTN Mobile Money

Listed **MTN Nigeria** and committed capital investment of **US$1,6bn** in Nigeria over the next three years

Investing **R50bn** in South Africa over the next five years to roll out digital infrastructure, networks, connectivity and speed highways

Invested **R26,3bn capex** across our markets

R30bn tax contributions LA

517 000 MoMo agents

MTN Nigeria first mobile network operator in West Africa to **test 5G**

Spent **R189,5m** on corporate social investment

Partnered with **Internet Watch Foundation** to make the internet a safer place for children, **blocking** 2m URLs

Level 2 BEE contributor status in South Africa

Brightening our employees' lives

Trained **3 million people** in **digital literacy**

Improved staff morale, with highest engagement score yet

37% women employees

10 998 ethics **eLearning courses** completed by **staff**

How we create value using the six capitals

Transforming the stocks of capital through our activities

We **create value** by developing and distributing a **range of innovative and reliable communication** products and services. We depend on various resources and relationships, known as the **six capitals**, to do this.

SDGs

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
8 DECENT WORK AND ECONOMIC GROWTH
17 PARTNERSHIPS FOR THE GOALS
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
17 PARTNERSHIPS FOR THE GOALS
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Inputs

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

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

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

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

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

Natural
Spectrum, energy and land

How we do business

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

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

Returns and efficiency focus
- Improve ROIC/ROE
- Report top-quartile TSR
- Stabilise leverage
- Improve EBITDA margin

Ignite commercial performance
- Grow subscribers to 300m
- Grow market share
- Growing voice revenue
- Grow enterprise and wholesale revenue

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

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

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

We ensure our agility by continuously assessing our market context (pages 06 and 07) and our material matters (pages 18 and 19).

VALUE

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

Outputs

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

2,3m tCO_2e of emissions#

Outcomes in 2019

19 288 employment opportunities

Improved **employee culture**

Rolled out **4 699 2G, 5 795 3G** and **10 895 4G sites**

EBITDA of **R64,1bn** (IFRS reported)

Declared **total dividend** of **550** cps

Promoted investment and **economic growth** through **digital** and **financial inclusion**

Spent **R189,5m** in **social investment**

Leading **NPS** in **12** markets

MTN South Africa BEE contributor status improved to **level 2**

Paid **R30,5bn** LA in total **tax contributions** TAX

Enhanced **sustainable societies** by **conducting business ethically** and **responsibly**

Ensured **eco-responsibility** by **using natural resources conservatively**

Avoided 1 855 tonnes of **GHG emissions**

 # Defined as an output by the IIRC.
For more details, see SR

CREATION

How we sustain value using the six capitals

Human capital

Key capital inputs

	2019	2018
Number of employees	**19 288**	18 835
Number of contractors	**2 695**	2 874
Investment in employee training (Rm)	**282**	270
Number of nationalities employed	**58**	64

Gender diversity was little changed, with women making up 37% of the workforce.

Outcomes of our activities

	2019	2018
Staff costs (Rbn)	**10,6**	9,5
Voluntary staff turnover (%)	**4%**	4,5
Employee sustainable engagement score (%) LA	**80**	78
Training courses completed	**715 728**	726 595

Manufactured capital

Key capital inputs

	2019	2018
Value of property, plant and equipment (Rbn)	**98,3**	100
Capital expenditure (Rbn)	**26,3**	26,0
Number of smartphones on our networks (m)	**121**	105

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

Outcomes of our activities

	2019	2018
2G sites rolled out	**4 699**	4 206
3G sites rolled out	**5 795**	8 295
4G sites rolled out	**10 895**	7 257
Depreciation (Rbn)	**27,3**	19,7
Impairment of assets (Rbn)	**0,3**	0,3

Financial capital

Key capital inputs

	2019	2018
Market capitalisation at year-end (Rbn)	**155**	168
Interest received (Rbn)	**1,9**	2,0
Net debt (Rbn)	**67,9**	64,2

Outcomes of our activities

	2019	2018
EBITDA (Rbn)	**64,0**	48,2
Profit after tax (Rbn)	**10,7**	9,6
Cash generated through operations (Rbn)	**36,2**	32,4
Net debt to EBITDA ratio	**1,3**	1,3
Net interest paid (Rbn)	**6,9**	5,6
Headline earnings per share (cents)	**468**	337
Adjusted headline earnings per share (cents)	**597**	552

Intellectual capital

Key capital inputs

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

Outcomes of our activities

	2019	2018
Goodwill and intangible assets (Rbn)	**36,9**	40,3

- MTN South Africa named most valuable brand in the country (Brand South Africa).
- Introduced standardised CVM platforms across 18 opcos.
- Expanded MTN Mobile Money ecosystems to 16 markets.
- Launched customised offers in 11 opcos.

Natural capital

Key capital inputs

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

	2019	2018
Gigajoules of energy used	**22**	19,1

Outcomes of our activities

	2019	2018
Carbon emissions (million tonnes of CO_2 equivalent)	**2,3**	2,1
GHG emissions avoided (tonnes)	**1 855**	2 188
Number of new alternative energy sites	**638**	431
E-waste recycled (tonnes)	**780**	272

Social and relationship capital

Key capital inputs

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

Outcomes of our activities

	2019	2018
Total tax contributions LA (Rbn)	**30,5**	24,1
CSI spend (Rm)	**189,5**	185
BBBEE status in South Africa	**Level 2**	Level 4
Calls to whistle-blower line LA	**132**	94
MoMo active subscribers (m)	**34,6**	27
NPS South Africa (%) LA	**37**	26
NPS Nigeria (%) LA	**62**	60
NPS other key markets (%) LA	**34**	32

How we achieved these	The trade-offs
• Filled 82 critical vacancies in the year, aligning to digital operator ambition. • Invested in targeted training and development. • Encouraged diversity to ensure workforce understands customer needs. • Continuous engagements with employees. As a result flexi working hours implemented in January 2020.	Employees in 18 of our 20 operating companies and Manco received bonuses in 2019. This positively affected human capital even though there is an outflow of financial capital.
• Focused on capital investments, rolling out sites connecting the unconnected and increasing population coverage, covering 481m people. • Population coverage increased 3G: 77% from 68% in 2018 4G: 46% from 33% in 2018 • Launched $20 smart feature phone encouraging digital inclusion. • Maintained capex envelope through smart capex initiatives and re-farming sites.	Network expansion increases the stock of manufactured capital while reducing financial capital in the short term. In the medium term, increased manufactured capital will realise value to shareholders. Infrastructure sharing limits the impact on manufactured capital and natural capital.
• Accessed domestic funding in some of our markets, reducing currency exposures. • Continued to maintain and improve on our group liquidity levels. • Achieved R14bn in asset realisations. Funds will be used to reduce debt and improve debt mix. Debt mix now 50:50 ZAR:USD/Euro. • Repatriated R20,8bn from our operations. • Declared a total dividend of 550 cents per share.	By applying financial capital, we are able to grow our business, positively impacting manufactured, human and intellectual capital, as well as social and relationship capital. However, through our use of financial capital to build new telecoms infrastructure we may negatively impact the stocks of natural capital. AFS SR
• Launched "Good together" campaign for brand awareness • Hired specialist skills in customer value management (CVM) • Partnered with experts in various fields such as technology and management consultancy • Expanded fintech and digital offerings in more markets • Injected significant capex across markets to improve network quality	In the short term, our investment in intellectual capital reduces our stocks of financial capital while boosting in the longer term the stocks of human, financial and social and relationship capital
• Obtained spectrum in markets including Nigeria, Zambia and Rwanda • Unlocked full usage in Nigeria of 800 MHz spectrum obtained through Visafone acquisition • Continued to re-farm spectrum in many markets, including South Africa and Iran • Improved engagements with stakeholders on sustainability matters • Continued driving efficiencies to ensure our technical infrastructure supports service delivery using the least energy • Ran campaigns internally increasing sustainability awareness with the organisation	Payment for spectrum and the capital outlay required to maintain network puts pressure on financial capital in the short term. However, this creates opportunities for employment in communities, thus increasing social capital. Investments in greener economy initiatives might be expensive in the short term but these create a lasting positive effect on our environments
• Enhanced management structures and revised key ethics structures and policies to support regulatory compliance • Monitored staff morale through annual culture survey • Extended MoMo services to more people • Reduced effective data price by 34% and voice rates by 11,3% • Improved engagements with various regulators resolving key matters	Investment in social and relationship capital reduces our financial capital in the short term. However, this helps close the digital divide and transform society through various skills and enterprise development. Driving localisation and preferential procurement ultimately builds stocks of social, human, intellectual and financial capital. SR TAX

Material matters impacting value creation

Material matters have the potential to **substantially affect**, both **positively** and **negatively**, the **group's ability** to **create value** in the **short**, **medium** and **long term**. In so doing, **their role in** the **sustainability** of the **company**, and of its **stakeholders**, cannot be **understated**.

Managing material matters

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

Identify

We **determine** our material matters by considering matters of significant importance to our stakeholders and factors that receive the most management and board attention during the year. These themes take into account:

- The priority interests of our key stakeholders (pages 21 to 24) and the impact of these on our strategy (page 02)
- The group's top risks and opportunities (pages 27 to 33)
- The context in which we operate (pages 06 and 07)

Prioritise

These central themes then form the basis of discussion at workshops at which representatives of key departments participate.
They **prioritise** the group's material matters by considering the scale and nature of their impact on business operations, financial performance and interest of our stakeholders. These are then scrutinised and ultimately endorsed by the executive committee and the board.

Respond

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

Report

Material matter	Implications for value	Looking ahead
Disruptive technologies New technologies are displacing established ones and – facilitated by greater digital connectivity – this is altering the way businesses operate as well as the way consumers behave. The telecommunications industry is facing three trends: that of the evolving telco, the fintech player and the digital player (page 03).	• Opportunities for revenue expansion in fintech and digital in particular, however returns could be impacted given the investment required in new businesses. This investment includes securing sufficient and appropriate spectrum to facilitate greater network rollout to support the wider offering • Erosion of voice revenue and pressure on data-access pricing • Due to technological advances today's skills will not match the jobs of tomorrow and newly acquired skills may quickly become obsolete • Disruptive technologies such as artificial intelligence, automation and robotics pose greater risks to individuals' privacy, security and decision-making ability	• Opportunities to scale up our digital, fintech and wholesale offerings in support of our digital operator ambition, with even greater disruption of financial services forecast ahead • The greater complexity associated with the convergence of telcos, communications and financial services will require companies to commit more resources including appropriate specialist skills and refined internal controls • A strategic approach to spectrum allocation is essential • Greater focus on lifelong learning that enables people to acquire skills and to reskill and upskill • Adopting a "human-in-command" approach to artificial intelligence that ensures that final decisions affecting individuals are taken by people and privacy choice is within the control of all consumers
Complex and dynamic political environments and greater regulatory and compliance requirements We operate in some countries suffering prolonged war and conflicts and others marked by political and policy uncertainty. In all our markets, the regulatory requirements are growing, for example with regards infrastructure sharing.	• Reputational and relationship risks • Requirements may reduce our competitive edge and pressure MTN . revenue and profitability • Greater local participation – including stock exchange listings of local operations, and a further enhancement of in-country hiring and procurement – will support value creation • Greater information security, data sovereignty and privacy requirements as well as more detailed ESG disclosures	• Extend progress on further embedding risk management practices, including refining various controls to comply with all the requirements of a digital operator • Continue to elevate stakeholder engagement, proactively identifying and addressing regulatory and geopolitical issues • Further progress localisations in Nigeria and Ghana with the associated benefits • Continued focus on the application and interpretation of dynamic tax legislation TAX • Explore network-sharing deals
Economic environment Mixed economic growth across our markets, with muted GDP performance in South Africa and Nigeria. Weak operational currencies. Repatriating cash from our diverse markets remains complex and dependent on prevailing legislation as well as sufficient market liquidity.	• Pressure on MTN revenue and profitability • Foreign exchange translation losses on rand-reported results • Increased costs due to some expenses denominated in hard currencies • Inability to repatriate cash from Iran • Received R3,7bn in dividends from MTN Nigeria in 2019	• Although challenging, the economic environment should trend better over the next three years, with slow GDP recovery and stable inflation in most markets. This outlook could be impacted significantly by the COVID-19 pandemic • A weak rand compared to other operating currencies will support the rand value of earnings, while a strong rand would be dilutive • Improving mix of debt to 60%:40% ZAR/USD
Heightened focus on sustainability-related matters Growing stakeholder expectations of companies' contribution to the acceleration of climate action and good corporate governance in a manner that preserves and protects people's basic human rights.	• Countries in which MTN operates are most vulnerable to the effects of climate change; managing MTN's environmental impact is key • Requirement that MTN's capital allocation is well aligned to sound environmental, social and governance (ESG) practices • The value investors place on MTN, as seen in our share price, could be affected by their perception of our ESG performance and disclosures • Risk of human rights incidents in our countries of operations exist • Corruption compromises states' ability to fulfil their obligations to promote, respect and protect the human rights of individuals	• MTN is driving responsible use of environmental resources and alternative energy sources • Protect and create shared value for MTN and our stakeholders through responsible economic, environmental and social practices • Focus on earning the loyalty of our stakeholders through demonstrated ethical behaviour; enhance systems to measure and further progress our ethical culture • Increase our disclosure on our impact on society, human rights and the environments in which we operate
Growth in data volumes in a decreasing price environment The economics of the data business are challenging – increasing volumes mean more capex is required while prices fall. Customers are increasingly using data, with digital and fintech supporting adoption.	• Our effective voice rate per minute declined 11,3% in 2019 • Our effective data rate per megabyte declined 34% in 2019 • Efficient capex deployment is key to making a return – capex intensity improved in 2019. 17,5% on IAS 17 basis.	• Leveraging existing infrastructure for greater efficiencies • In line with our belief that everyone deserves the benefits of a modern connected life, data prices will continue to fall; driving volumes remains a priority

01 All about MTN
02 How we create value
03 Strategic and financial review
04 Governance and remuneration

Social and ethics committee chair's review

▶ Outgoing Chairman
Koosum Kalyan

"In 2019, the committee **encouraged** management to **develop** and **embed ethics practices** that **support greater value creation** for all MTN stakeholders. **MTN recorded good progress** in this regard, with the **sharp improvement** in the BEE score in South Africa a particular **highlight.** To ensure a **solid foundation**, companies' **values**, **culture** and a **sense of belonging** are critical. MTN lives by its business principles to ensure the group's continued success. We continue to develop and sustain a diverse and inclusive culture."

Members	Attendance
Koosum Kalyan#	4/4
Peter Mageza	3/4
Dawn Marole	4/4
Lamido Sanusi^	2/4
Jeff van Rooyen#	4/4

By invitation: Group president and CEO, group chief regulatory and corporate affairs officer, group chief human resources officer, group business risk officer
\# Retired 15 December 2019
^ Appointed 1 July 2019

▶ Incoming Chairman
Nkunku Sowazi

Key features of 2019

- **Updated the committee's terms of reference**, including more international reporting standards
- **Oversaw growing maturity** in the governance and management of ethics, since the implementation of the three-lines of assurance model in 2018. With this came increased leadership support for a culture of ethics
- **Directed the design** and implementation of a rigorous system for measuring ethics governance and management effectiveness, and recorded improvements in ethical culture as measured by the group culture audit
- **Updated MTN's sustainability framework and initiatives**, including a project to protect children online and another offering prepaid solar power solutions. We commenced with programmes to enhance our sustainability performance after a decline in MTN's ranking in the JSE FTSE4Good Index
- **Embedded MTN's stakeholder management framework** and conducted stakeholder reputation index survey across the group
- **Held, for the first time, an opco-wide social and ethics workshop** to provide guidance on initiatives, share best practices, key challenges and opportunities
- **Launched "We're good together" marketing campaign**, showcasing MTN's shared value positioning and initiatives
- **Embedded CSI strategic framework**, with a shift towards youth empowerment
- **Carried out successful visits** by independent non-executive directors to opcos in MENA and WECA to improve understanding of social and ethics issues and assess the strength of the policies and procedures as well as their usefulness
- **Provided oversight on the activities** of the global diversity and inclusion committee, and oversaw progress by MTN South Africa on BEE, improving to level 2 from level 4, driven by skills development and preferential procurement gains

Key focus areas for 2020

- **Focus on earning the loyalty of all stakeholders** through demonstrated ethical behaviour; entrench ethical leadership throughout MTN through tone from the top; and act against transgressions quickly, decisively and fairly while protecting whistle-blowers
- **Approve and embed MTN's CSI policy** across the markets
- **Enhance group-wide stakeholder engagement plans** incorporating feedback from MTN's stakeholder perception index
- **Embed sustainability framework** across MTN's markets, work to improve MTN's ranking in the JSE FTSE4Good Index
- **Review many of the company's policies** for suitability and relevance
- **Oversee further rolling out** across the footprint of the "For Good" campaign
- **Oversee an ethics risk assessment**, to be conducted by an independent contractor
- **Prioritise the achievement** of level 1 BEE contributors status in South Africa

Relationships on which we rely to create value

25 YEAR BIRTHDAY

Driving partnerships for a bright future

Our partnerships have been central to MTN's success in the last 25 years and will continue to determine the success of the group going forward.

"It is in the core DNA of MTN to do good, to be good and to be for good"

#GoodTogether

Embedding our framework

2019 was an important year for stakeholder engagement at MTN, as we embedded the group stakeholder and reputation management framework across our markets. The framework comprises of:

- A stakeholder and reputation management strategy
- A stakeholder management policy
- A blueprint guideline for implementation, monitoring and evaluation

By having a standardised, consistent and well-governed stakeholder engagement framework, the group was able to maintain its socio-political legitimacy in the markets in which we operate. The strategic objectives of the framework are to be:
(1) responsive to issues;
(2) build a robust reputation; and
(3) foster constructive relationships with stakeholders who have a material impact on, or legitimate interest in, the MTN business.

In 2019, we commissioned an MTN reputation index survey, which enabled us to assess our:

- Performance against reputation drivers
- Responsiveness to stakeholder issues
- Quality of engagement
- Relationship capital

At the core of our approach is stakeholder centricity, allowing us to prioritise stakeholder interests as we make business decisions.

Achieving these objectives required a thorough understanding of what drives our reputation among stakeholders. MTN's overall reputation improved across the footprint as a result of our efforts to meet the legitimate expectations of all stakeholders.

Relationships on which we rely to create value continued

Stakeholder categories and reputation drivers

MTN people

- Business performance
- Fair terms, compensation and incentives
- Career growth

Subscribers/customers

- Network performance
- Fair and transparent billing
- Customer service

Regulators and policy makers

- Network performance
- Compliance
- Customer service

Suppliers/vendors

- Business performance
- Reliable partnerships
- Fair terms, compensation and incentives

Trade partners

- Business performance
- Reliable partnerships
- Fair terms, compensation and incentives

Mobile industry

- Leadership and foresight
- Constructive contribution to the industry
- Customer service

Investment community

- Business and ESG performance
- Corporate governance
- Access to accurate information

Equity partners

- Business performance
- Localisation
- Return on investment (ROI)

Organised business

- Leadership and foresight
- Corporate governance
- Localisation

Government

- Shared value/positive impact on socio-economic development
- Localisation
- Revenue contribution

Civil society

- Shared value/positive impact on socio-economic development
- Corporate governance
- Localisation

Media

- Leadership and foresight
- Localisation
- Access to accurate information

Relationships on which we rely to create value continued

Measuring the impact of our efforts

We recognise that the understanding and support of all our stakeholders underpins the success of our BRIGHT strategy.

By aligning our investment case with stakeholders in-country as well as appreciating various cross-border priorities, our collaboration and cooperation with all our stakeholders improved MTN's overall reputation in 2019.

This was evidenced by the results of the survey, which showed a marked improvement in the impact of our stakeholder engagement efforts, but also highlighted areas where there is room for improvement. It clearly showed that our work to standardise our approach to stakeholder engagement led to better relationships and consequently a better reputation.

Key reputation index survey results:

72% Quality of engagement

73% Responsiveness

74% Relationship health

What this means:

Quality of engagement:

This is related to how well we listen to, and consult with, our stakeholders and enable their informed participation in business matters relevant to them.

In the 2019 survey, we achieved an overall score above 72%.

The key take-away in terms of room for improvement is that **MTN could be more inclusive by making greater effort to take stakeholder views into account in its decision-making**.

Issue management and responsiveness:

Our overall responsiveness is how we understand, acknowledge and comprehensively respond to a stakeholders concerns.

In 2019, we scored 73% in this area with wide variations between stakeholders. This is largely due to the expectations that **MTN could make more effort to understand stakeholder realities and priorities from different points of view.**

Relationship health:

Robust and healthy relationships are of great importance to us.

Our overall score for 2019 was 74%, with high levels of trust and long-term commitment identified as the core characteristics of our relationships.

Feedback from our priority stakeholders suggests that there is **room for improvement in the degree to which our stakeholders feel empowered to influence the engagement process and outcomes.**

Looking ahead

We will continue to elevate our stakeholder engagement, using the results from the reputation index survey to develop a proactive plan that addresses the concerns of our material stakeholders. As a result, we will be better able to identify and address regulatory, geopolitical and other threats to the business and its stakeholders.

Risk committee chair's review

Risk management, compliance and corporate governance committee

▶Chairman
Peter Mageza

"As the group's business strategy evolves into new opportunities like fintech, **a new universe of risks emerges**. While we ensured that we matured our adopted risk-management processes in 2019, the committee's focus was also on ensuring that the associated risks of this new universe are sufficiently mitigated through **the adoption of robust policies** as well as operational and governance processes."

Key features of 2019

- **Operationalised the risk appetite framework**, giving management greater understanding of risk preference along with key risk indicators to monitor tolerance levels
- Introduced **country risk monitoring**, using parameters including GDP and currencies, public debt, tax regime, sanctions and policy
- Identified **catastrophic risk scenarios** along with high-level mitigations and conducted deep-dives on a number of countries, strategic drivers, products and processes and big picture scenarios
- **Stress tested the business plan** for a variety of possible scenarios and identified appropriate mitigations
- **Enhanced our risk framework** and methodologies through a revision of our enterprise risk management (ERM) methodology and the development of an ERM maturity model and an insurance framework
- **Conducted quality assurance reviews** during visits to all opcos except to those in three conflict markets for which we performed desktop reviews
- **Implemented our compliance strategy** and operationalised our compliance manual across the group; tracked and monitored compliance maturity levels
- Developed a **fintech compliance framework** and completed fintech risk assessments across our opcos; developed a group anti-money laundering (AML) policy
- **Completed AML compliance reviews** across numerous opcos
- Continued to implement a **business resilience roadmap** and established executive resilience committees in opcos
- Developed **supply chain crisis management plans** to ensure adequate measures are in place to respond to and recover from disruptions

Members attendance	Scheduled meetings	Special meetings
Peter Mageza	3/4	1/1
Mcebisi Jonas	4/4	0/1
Koosum Kalyan^	4/4	1/1
Shaygan Kheradpir	4/4	1/1
Dawn Marole	4/4	1/1
Stanley Miller	4/4	1/1
Lamido Sanusi‡	2/4	0/1
Nkunku Sowazi#	3/4	1/1

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

^ Retired from the board 15 December 2019.

‡ Appointed 1 July 2019.

Withdrawn 23 May 2019.

Key focus areas for 2020

- Configure and implement a best-practice governance, risk management and compliance software system
- 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
- Implement a company-wide e-learning system for policies and ethics standards

Top risks to value creation

Our risk philosophy and framework

Our risk strategy

Our risk strategy takes a risk-based approach towards managing risks, capital and our reputation, as well as our compliance with laws and regulations. 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

Our 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 conservative. 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

Our risk philosophy

Our risk philosophy is to seek risk exposures in markets:

- Where we have the core competence to be a market leader
- Where it meets our risk return aspirations
- Where prudent risk management compensates for adverse market risks.

Our risk preferences

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

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

Key risk indicators

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

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.

Risk methodology

This guides our actions to manage the risks on a day-to-day basis.
As part of continuously enhancing risk management culture across all levels of decision making, risk and compliance teams, guided by the audit committee, and the risk management, compliance and corporate governance committee, we enhanced the risk appetite framework, with refinement of the principle risk universe, key risk indicators and tolerance levels.

Scenario planning

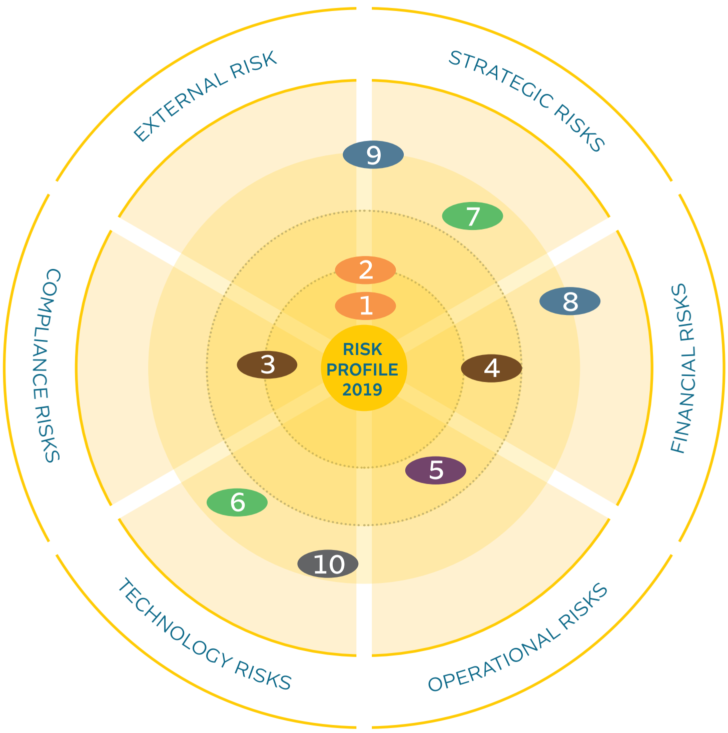
As part of proactive forward-looking risk management, we have incorporated catastrophic scenario planning exercises into the process. Examples of scenarios considered include: a dramatic depreciation of the key market currency; difficulties in renewal of licence in key markets; failure of a major network supplier; cyber-attack crippling large parts of the network; and technology disruption leading to a more rapid move away from voice to data/digital.

Our top risks

In line with our **enterprise risk management** and integrated assurance methodologies, we have **processes** and **practices** in place across MTN for management to **proactively identify** and **manage risks** and **opportunities** that impact our **strategic** and **operational objectives**. Top-down and bottom-up risk management results in a profile of the most material risk issues based on residual risk.

Residual risk considers the likelihood of identified events occurring, the impact should these materialise and the effectiveness of existing mitigation and controls. Top risk profiles are discussed at monthly exco meetings as well as at quarterly meetings of the audit, risk management, compliance and corporate governance committees at the group level. In addition, opco level risks are discussed at opco exco and opco audit and risk committee meetings. At these meetings, changes and new risks are discussed and progress on agreed mitigation actions monitored.

Risk profile 2019



2019 ranking	Risk description
1	Challenging economic and investment environment in Nigeria
2	Political instability and sanctions in MENA region
3	Increased regulatory requirements and tax pressures
4	FX volatility and weakening currencies
5	Operational and compliance challenges from internal control weakness

2019 ranking	Risk description
6	Cyber and information security exposure
7	Supplier concentration and supply chain disruption
8	Pressure on holdco leverage from cash upstreaming challenges and mix of debt
9	Low economic growth and policy uncertainty in South Africa
10	Spectrum cost and availability

Top risks to value creation continued

2019 rank	2018 rank	Risk title and details	Mitigation and opportunities
1	1	**Challenging economic and investment environment in Nigeria** Macroeconomic uncertainty including concerns around currency, rising debt service cost and investor confidence. Internally, the AGF matter was an issue of concern and the pending payment service bank licence may impact mobile financial services objectives	• Continuous stakeholder management and engagement of relevant authorities • Convert supplier contracts into local currency where financially prudent and negotiating forex denominated obligations in local currency payments • Use of available instruments for forex hedging • Strict compliance to laws and regulations
2	2	**Political instability and sanctions in MENA region** Several MENA countries face political instability, armed conflict and geopolitical pressures. Ongoing conflict in Afghanistan, Syria and Yemen cloud prospects for near-term stability. Sudan experienced a significant political change with a new military-civilian governing council taking over. In Iran, the collapse of the JCPOA, deepening sanctions and confrontation with the US increased pressure on the economy and industry	• Continuously monitor developments across politically and economically sensitive markets with scenario and sensitivity analysis to enhance response capabilities • Ensure sufficient levels of committed funding facilities at group to respond to market stress and maintain the group's approach of opco self-funding • Ensure protection of staff and assets and continuity of operations through strong business continuity controls • Strict compliance with international sanctions laws • Continuously engage stakeholders
3	2	**Increasing regulatory and tax pressure** MTN operates in multiple jurisdictions and must comply with applicable laws and regulations. These include licence obligations, regulatory prescriptions; tax compliance; capital importation and repatriation stipulations; data privacy prescriptions; cross border data flow conditions; quality of service performance indicators; SIM registration and know your customer 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	• Continued implementation of our stakeholder management framework with increased oversight from the group • Process in place to secure renewal of legacy licences on the best possible commercial, technical and financial terms • Adherence to localisation and regulation obligations • Concerted regulatory and industry advocacy • Strict compliance with laws and regulations and continuous enhancement of compliance testing programmes
4	4	**Forex volatility and currency weakness** Inherent volatility and long-term weakening trend of currencies in key markets. Large opco contracts denominated in foreign currency create opex and capex pressure impacting opco liquidity and ultimately group profitability	• Stress-testing of business plan against currency volatility to understand impact on revenue, EBITDA, PAT and free cash flow and formulation of response measures including specific mitigation plans for adverse key currency fluctuations • Ensure alignment of hedging policy within risk appetite framework, hedging exposures where feasible and where instruments are available • Optimise levels of local versus foreign currency debt • Conversion of contracts into local currencies where possible and financially prudent

MTN's performance in 2019	Link to strategy
• Implemented enhanced issue and stakeholder management activities • Ongoing efforts to convert foreign currency contracts to local currency • Use of cash-backed letters of credit in place of trade lines to reduce forex exposure and obligations on imported equipment • Withdrawal of AGF case against MTN, which has now been referred to the relevant tax authorities • Completion of the redemption of preference shares with MTN Group receiving US$315m (about R4,4bn) in December 2019	Ignite
• Maintained the principle of self-funding for MENA opcos • Concluded licence renewal negotiations in Yemen and Afghanistan • Enhanced crisis management by strengthening group and opco teams • Expedited timelines for implementation of business resilience controls; excellent progress made by Iran and Syria teams • Ensured consistent use of political and economic scenario analysis as an integral part of the risk management and contingency planning process • Implemented enhanced issue and stakeholder management activities • MENA opco staff performed extremely well in the face of severe challenges	
• Enhanced structures at, and support from, the group on regulatory and tax issues • Further developed support frameworks, including stakeholder management which comprises strategy, policy and blueprint for regulatory management • Completed restructuring of compliance functions • MTN Nigeria successfully complied with new regulatory directives on subscriber registration • MTN Afghanistan was formally commended by the regulator for implementation of SIM registration procedures • MTN Afghanistan's GSM licence was renewed for 15 years effective from 15 October 2019 • MTN Ghana secured the extension of its 2G licence for 15 years from 2 December 2019 • MTN Rwanda successfully resolved long-standing tax disputes	
• Performed stress testing in respect of gearing ratios; and completed stress testing of group business plan for key currency volatility • Use of cash-backed letters of credit in place of trade lines in order to reduce forex exposure and obligations on imported equipment • Continued use of hedging instruments for applicable foreign denominated opex and capex • Achieved 50/50 mix between local and foreign currency denominated debt	

2019 rank	2018 rank	Risk title and details	Mitigation and opportunities
5	5	**Operational and compliance challenges** These risks result from the strategic challenge of having decentralised opcos to enhance commercial agility, ethical conduct and the ongoing efforts to standardise and improve internal control maturity. In addition, increasing regulatory requirements, particularly in respect of subscriber registration, mobile financial services and data sovereignty, increase risks of inadvertent non-compliance leading to strained relationships with regulators, reputational damage, and disruption of services and loss of customers	• Continued focus on reviewing of existing internal policies and procedures as required and the development of new ones • Continuous enhancement and implementation of compliance maturity objectives and internal controls improvement plans • Ongoing monitoring of key compliance risks in opcos • Enhanced control environment in certain business areas, such as MTN Mobile Money • Further enhanced risk management to the next level of the maturity ladder • Further engagement with regulators to ensure clear, concise and unambiguous regulatory requirements by first line assurance functions
6	7	**Cyber and information security 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 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 • Enhance/develop new playbooks for common security incidents
7	8	**Supplier concentration and supply chain disruptions** The telecoms industry depends on certain key suppliers. While we continue to monitor developments relating to Chinese telco suppliers, there is a risk of disruption to operations in the event of a key supplier's failure or its inability to deliver	• Implement enhanced supplier risk management strategy • Enhance business resilience • Enhance crisis management structures • Revise contracts with suppliers and develop contingency plans for high concentration suppliers • Bring forward transfer ownership/title of all critical hardware • Continue to monitor geopolitical events that may impact supply chain
8	3	**Pressure on holdco leverage from cash upstreaming challenges and debt mix** 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 foreign currency shortage and restrictive forex laws and sanctions, impacts our ability to keep adjusted group leverage stable and increase distributions to shareholders. This may also lead to ineffective management of free cash flows due to an imbalance between revenue growth and capex intensity	• Focus on attaining double-digit growth in constant currency service revenue as well as improving EBITDA margins • Continue to implement our smart capex agenda • Ensure management of capex intensity • Implement asset realisation programme (ARP) • Continue to improve foreign to local currency debt mix • Optimise cash balances in opcos and cash upstreaming to the group • Ensure that group leverage remains within the target range

MTN's performance in 2019	Link to strategy

- Implemented a revised second and third-line assurance model, with structures that promote greater independence of third line assurance and increased internal consultancy capabilities of second line risk and compliance function
- The process of periodic review of policies and procedures resulted in enhancement of 25 prioritised policies
- Implemented our treat customers fairly programme vigorously, particularly with regard to value-added services
- Developed and rolled out "The MTN Conduct Passport" which emphasises our commitment to our operations and demonstrates the standard of ethics and conduct to be met by individuals employed by MTN, or entities that are engaged in business with MTN
- Assessed state of organisation in so far as our data privacy obligations are concerned; and provided training to opcos
- With respect to ethics, the 2019 group culture audit showed a continuing upward trend in ethical culture with a corporate integrity index score of 79% (up from 76% in 2018)
- Following in the footsteps of MTN Sudan and MTN South Africa, MTN Irancell received The Ethics Institute's 2019 Ethics Initiative of the Year Award in recognition of its exceptional endeavours to socialise the ethics programme and build an ethical culture in the opco. Organisations from across Africa and the Middle East compete for this award annually

- Met our information security plan targets for 2019, including development of a new information security governance structure
- Launched engagement on basic security skills for MTN workforce as part of a new e-learning platform
- Continued with ongoing security assessments on various MTN systems to proactively identify vulnerabilities requiring remediation

- Developed and implemented contingency plans for Huawei crisis scenarios for all affected opcos, in coordination with Huawei
- Ensured that spare parts are available at any time for a period of six to 12 months
- Developed contingency plans for other key suppliers to ensure minimal disruption
- Developed a supplier risk and concentration strategy framework

Ignite

- Continued to improve service revenue growth and EBITDA margins
- Raised R14bn as part of the ARP, significantly impacting holdco leverage positively and keeping within target range
- Achieved 50/50 mix between local and foreign currency denominated debt
- Maintained capex intensity within target range

Top risks to value creation continued

2019 rank	2018 rank	Risk title and details	Mitigation and opportunities
9	10	**Low economic growth and policy uncertainty in South Africa** Continued debate on various policies creating uncertainty for foreign investment. A volatile rand has a negative impact on MTN Group finance cost, funding headroom and gearing levels, impacting our ability to effectively manage business plans. Policy uncertainty remains an issue as well as continued pressure on the sovereign rating by rating agencies creating pressure on cost of funding	• Ensure appropriate mix of fixed-floating rate funding and levels of gearing and headroom at group level • Hedging forex exposures based on rand movements • Monitor the political landscape and policies of the country and assess their impact on MTN consistently • Continue to perform stress analysis on business plans
10	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. 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 a 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

MTN's performance in 2019	Link to strategy
• Implemented forex hedging strategy • Maintained holdco leverage and headroom within the target range as at year-end • Resolved matters in respect of BEE Commission findings • Conducted ongoing engagement with authorities on matters such as data pricing, spectrum, WOAN, etc	
• Proactively engaged with regulators on the cost and acquisition of spectrum • Updated our spectrum approach to ensure the acquisition and optimum usage of spectrum • Release of additional broadband spectrum in Nigeria in relation to Visafone acquisition, potentially enabling expansion of the network to rural and unconnected areas of the country • MTN Ghana: Renewal of licence to operate and provide 2G mobile services in the 900MHz and 800MHz bands; Acquisition of remainder of 800MHz, as well as 900MHz and 1800MHz that became available post Tigo-Airtel merger. • MTN Guinea-Conakry: Award of spectrum in 800MHz as well as additional spectrum in 900MHz, 1800MHz, 2100MHz as part of licence renewal negotiations	Ignite

The view of our chairman

It was an honour to be **appointed chairman** of MTN Group in the year in which it **celebrated 25 years** in the business. **Established** at the same time as democracy in South Africa, the group's evolution since then has been **remarkable**. Its **ambitions** for the **next 25 years** are equally striking.

From servicing just one market with simple voice and SMS services back in 1994, MTN is now the most valuable African brand, and offers voice, data, digital, fintech, enterprise and wholesale services to more than 250 million subscribers in 21 markets in both Africa and the Middle East.

These markets are expanding fast and their adoption of data, fintech and digital services is still low. The political environment in many of these countries is complex, economic performance is mixed and regulatory complexity is increasing (see page 06). Everywhere, the industry is evolving rapidly; new technologies are disrupting established ones, changing the way businesses operate and consumers behave. Social activism is becoming more widespread, with growing stakeholder expectations of the contribution companies must make to achieve a better and more sustainable future for all.

In this dynamic milieu, MTN is steadfast in its belief that everyone deserves the benefits of a modern connected life. This unites our people across the business, inspiring them to deliver on the group's BRIGHT strategy and work towards greater digital and financial inclusion. In 2019, MTN launched a campaign, "We're good together", to showcase this work and the collective, positive impact MTN and its people are making in the countries and communities in which we operate (see page 13). The sustainability report SR also provides more details of MTN's progress in this regard.

To guide the group in navigating an increasingly complex environment, in the year we established an international advisory board (IAB) (see page 64). I have no doubt that the IAB, which is non-statutory in nature, will assist the group in its work to be a responsible and exemplary corporate citizen as well as an African champion.

Performance

MTN performed well in 2019, with solid operational execution and commercial momentum across most operations, sharply improved financial results and the launch of various innovations, including MTN's own instant messaging platform Ayoba. The group president and CEO and the group CFO unpack these in detail on the pages that follow.

Governance

2019 was a year of governance changes at MTN. The evolution of the board was not limited to the role of chairman, but included the retirement of three other long-serving directors and the appointment of two new directors, as well as the appointment of a new lead independent director. We said farewell to a long-serving company secretary and welcomed her replacement.

On behalf of the board, I would like to thank Phuthuma Nhleko, Alan Harper, Koosum Kalyan, Jeff van Rooyen and Bongi Mtshali for their invaluable contribution over many years. I wish you all the best for the future. I also welcome Vincent Rague and Lamido Sanusi as new independent non-executive directors and Thobeka Sishuba-Bonoyi as the new company secretary.

In the year ahead we will review our governance framework to ensure that it is properly aligned to MTN's digital operator ambition. We will also review the committees of the board to ensure that they are suitably structured to support the group's vision, which is to lead the delivery of a bold, new digital world.

Regulatory and legal update

One of the five MTN material matters identified in the year (see page 19) references the regulatory environment in which it operates. Among key developments in this regard was the listing of MTN Nigeria on the Nigeria Stock Exchange in May 2019, which took the business a step closer to its plans for greater localisation. Its public offering, while dependent on market conditions, is a priority in the year ahead as the group targets a free float of 35% over time from around 21% now. Plans are also afoot for greater localisation of MTN Ghana, following its September 2018 listing on the Ghana Stock Exchange.

The group continues to address a number of other regulatory and legal matters. In January 2020, the attorney general of the Federal Republic of Nigeria (AGF) withdrew a demand for US$2 billion as a claim for back taxes from MTN Nigeria and referred the matter to the tax and customs authorities. Consequently, MTN Nigeria withdrew its legal action against the AGF. The group remains committed to building and maintaining cordial relationships with all regulatory authorities. TAX

In the United States in December 2019, a complaint for violation of the Anti-Terrorism Act was filed on behalf of Americans killed or wounded in Afghanistan between 2009 and 2017. MTN is among the six groups named. The group continues to review the publicly available report and intends to defend its position if necessary, being of the view that MTN conducts its business in a responsible and compliant manner in all territories.

In December 2019, the Competition Commission of South Africa released the results of its two-year data services market inquiry. It made various non-binding recommendations, including reductions in the rates charged for monthly prepaid data bundles and a free "life-line" allocation of data for all customers. MTN continues to engage constructively on the recommendations made by the Commission and remains committed to providing high-quality, affordable data and connectivity to its customers.

Over the last two years, across its footprint, MTN has reduced entry-level data rates by 60%. In 2019 alone, the group reduced the effective price per megabyte by 34%. Radio spectrum is the digital highway upon which mobile operators depend to carry increasing volumes

Chairman
Mcebisi Jonas

of mobile data at more cost-effective prices. This is acutely felt in South Africa, which has among the lowest spectrum allocation of all MTN markets. The release of new spectrum in MTN's home market will greatly assist MTN South Africa's ability to service more customers with more data traffic at attractive prices that are economic for MTN.

We are very aware of the value of proactive stakeholder engagement across the MTN footprint. In 2019, MTN embedded a new stakeholder and reputation management framework and commissioned an MTN reputation index survey. This showed that MTN's work to standardise the approach to stakeholder engagement is leading to better relationships and improvements in our reputation.

The group also recorded growing maturity in the governance and management of ethics, and improvements in ethical culture as measured by the group culture audit among employees. MTN will continue to focus on earning the loyalty of stakeholders through proactive engagement and demonstrated ethical behaviour.

We have announced that group president and CEO Rob Shuter will be stepping down from his role at the end of his contract in March next year. I would like to thank Rob for the contribution he has made, and continues to make, to MTN. The board expects to conclude the succession process during the year, enabling a seamless handover.

They say if you want to go fast, go alone, but if you want to go far, go together. For 25 years MTN has worked side by side with communities across its footprint. In the next 25 years, we see closer collaboration and greater shared value as MTN works to further the UN Sustainable Development Goals. It will do this by promoting investment and economic growth through greater digital and financial inclusion, enhancing sustainable societies by conducting business ethically and responsibly, and ensuring eco-responsibility by using natural resources conservatively.

I look forward to being part of that journey and would like to thank MTN's stakeholders everywhere for their continued support.

Mcebisi Jonas
Chairman

Q & A with the CEO

How do you see the progress of the group over the last few years?

MTN's evolution in the last three years has been very encouraging. In 2017, we launched our BRIGHT strategy, providing a clear compass for all MTN's people. It defines the areas we need to focus on to build our business sustainably and create greater shared value. BRIGHT is an integrated, holistic framework that addresses all the key areas of the business from customer experience and employee engagement to reputation, risk management, commercial strategy and financial returns.

The delivery on BRIGHT has been heartening. We have accelerated our commercial momentum, improved our operations, overcome many challenges and delivered on our key priorities.

In the space of three years, we have added 34 million customers to our network, ramped up the number of active data users by 26 million and brought 13 million more people into our active MoMo base. This has been facilitated by our accelerated network expansion: in the past 36 months, 106 million more people in the MTN footprint have access to our data coverage, bringing the total to 481 million.

Leadership in NPS, which measures customer experience and is a leading indicator of growth, has also accelerated. In 2017, MTN had #1 NPS in three markets and by 2019 that had grown to 12 markets. Most MTN operations have also won market share. Driven to deliver a network that is second to none, we have also sharply improved our network NPS. In 2019, MTN boasted #1 network NPS in 14 markets – up from seven in 2017.

Relationships with stakeholders across our markets have improved. Employee motivation in particular has shown steady increases in sustainable engagement measured in our annual group culture audit to our highest score yet in 2019. We have also had a strong drive to enhance and standardise our stakeholder engagement strategy across our footprint.

As the chairman notes, ours are complex and dynamic markets. Since 2017, we have resolved a number of significant challenges, including the dividend and tax issues in Nigeria and a number of licence issues across the markets.

We also made progress on many strategic projects. These include the initial public offering and listing of MTN Ghana on the Ghana Stock Exchange in 2018, and the listing of MTN Nigeria on the Nigerian Stock Exchange in 2019. More recently, we have also unlocked value from our portfolio, securing R14 billion in asset realisations.

Alongside these achievements, we have reported stronger financial results. In 2019, service revenue grew by 9,8%*, closing in our medium-term target of double-digit growth, from a rate of 7,2%* in 2017. For details of our financial performance in 2019, see the CFO's Q&A overleaf. 5Y

Tell us about MTN's #GoodTogether campaign.

In its 25 years, MTN Group has been a significant contributor to the economies and communities in which we operate. MTN is truly a 'for good company' our core business makes a real difference: connecting people, facilitating economic activity, investing in state-of-the-art infrastructure and creating employment opportunities. We also contribute significantly to the national revenues of the countries within which we work. In 2019 our total tax contribution was R30,5 billion.

These are the outcomes of the work we do each day. It is the collective, positive impact MTN people make and of which we can all be proud. #GoodTogether showcases the good that we do: how we are changing lives by improving digital access, driving financial inclusion, empowering and enabling SMEs, creating jobs and getting involved in broad community development initiatives, among many others.

We are committed to operating a business that is sustainable over the long term. The global telecommunications industry has contributed significantly to the UN's Sustainable Development Goals, and we recognise that still more needs to be done to bridge the digital divide. MTN is committed to playing its part.

You are a member of South Africa's Presidential Commission on the Fourth Industrial Revolution (4IR). What does this mean for MTN and how does it fit with the group's digital operator ambition?

It is a great privilege to be included in this important mandate, which is to ensure that South Africa is ready for the future. Part of the work of the commission is to identify policies, strategies and plans needed to position South Africa as a leader in the evolution and development of 4IR. This is very clearly aligned to MTN's core belief, which is that everyone deserves the benefits of a modern connected life.

We are working to move our customers from a voice-centric world into the world of mobile data, digital services and financial services. Our growth depends on that transition, connecting people to the power of the internet and connecting them to the economy through financial services. So, it is clear to see the synergies between what we at MTN do and what the Presidential Commission is aiming for.

Digital inclusion, financial inclusion, fourth industrial revolution: these are central topics for the countries we call home. It is inspiring for MTN that we have such alignment between what we need to achieve commercially to succeed, what the real needs of the people in our markets are and what governments are setting out as their objectives. All these are aligned to our ambition to become a digital operator.

So how is MTN doing in becoming a digital operator?

We are making good progress, focused on our goal of achieving the magic '300, 200, 100' targets. This means a customer base of 300 million, 200 million of whom are active data users and 100 million of whom are digital and Mobile Money users. In 2019, we had 251 million subscribers, 95 million active data users and 35 million MoMo users, so we are moving towards our goal.

MTN operates at the intersection of three significant trends in the industry – that of the evolving telco, the fintech player and the digital player (see page 03). By building the digital operator, we can access six distinct pools of revenue – voice, data, digital, fintech, enterprise and wholesale – by harnessing the key advantages of our mobile networks, extensive distribution and customer registration processes.

Among the main features of our performance in 2019 in support of our digital operator ambition were:

- The additional 18,2 million subscribers and 16,6 million active data users we serve.
- The 7,5 million new active MoMo users we added.
- The US$96,1 billion worth of transactions we processed, at a rate of 9 200 transactions per minute.
- The launch of MoMo in South Africa and Afghanistan, bringing to 16 the number of markets in which we offer these services.
- The securing of a super-agent licence in Nigeria and the 108 000 registered agents we have in that market.
- The expansion of our MusicTime! music streaming service to six markets.
- The launch of our instant messaging platform, Ayoba in March 2019 and its expansion to 12 markets and 2 million monthly active users.

Group president and chief executive officer
Rob Shuter

What is the outlook for 2020?

As I write, markets across the world are extremely volatile and commodity prices are sliding as panic sets in over the impact of the COVID-19 outbreak on economic activity. While we acknowledge the potential impact of the outbreak on our operations, we continue to monitor developments and are working on contingency plans to mitigate this. The work we have done on strengthening our operations and balance sheet over the last few years will stand us in good stead in a more turbulent operating environment.

Given the progress and momentum we have seen in our commercial, financial and strategic initiatives, we have enhanced our medium-term guidance framework. While we maintain our service revenue, EBITDA margin, capex intensity and ROE targets and capex objectives, we have increased our targets for the next three to five years to secure at least a further R25 billion in asset realisations. We have further revised our medium-term holdco leverage target ratio to 'below 2,0x'.

Inspired to harness the pioneering spirit that has built MTN over the last 25 years, we remain committed to delivering on our strategy in a more agile way in close collaboration with our many partners, with whom we are #GoodTogether.

We are doing it Bolder. Faster. Together. This is our theme for 2020:

Bolder
A rallying call to make the most of the opportunities, with a great company, great people and a leading brand.

Faster
It is all about agility. We have work to do and we need to find further ways to get through it faster and with less effort.

Together
Teamwork, collaboration and partnership. It is about strengthening relationships and harnessing that spirit of togetherness in how we work internally and with our partners and societies across our footprint.

Q & A with the CFO

Q **The group delivered a solid set of results for the year, how do you see MTN's financial performance evolving?**

A In 2019 we delivered growth and unlocked value by continuing to focus on executing on our BRIGHT strategy. We recorded an encouraging increase in group service revenue of 9,8%*, just within reach of our target for the medium term of growth in double digits. We met our guidance of improving EBITDA margins, expanding our EBITDA margin to 42,3%, as well as of reducing our capex intensity, which moderated to 17,5%*.

Service revenue growth was supported by growth in voice (4,2%*), data (22,4%*), fintech (27,0%*) and wholesale revenue (63,2%*), which was delivered despite challenging macroconditions particularly in South Africa and the Middle East.

Intent on ensuring we have a world-class network, we invested capex of R26 billion^ to achieve full planned roll-out, through a lower-than-guided capex envelope. This was enabled by our smart capex approach and unit price reductions, supporting the lower capex intensity. We rolled out a total of 5 795 3G and 10 895 4G sites. We are particularly pleased to see operating cash flows growing by 59% over the period.

We delivered approximately R14 billion of asset realisations within the first 12 months of our three-year asset realisation programme (ARP), comparing favourably with our overall target for the period of R15 billion. Among other notable strategic project achievements in the year were the listings of MTN Nigeria on the Nigerian Stock Exchange and Jumia, our e-commerce venture, on the New York Stock Exchange. In the second half of the year, the ARP was boosted by the finalisation of the necessary processes to redeem MTN Nigeria's preference shares as well as the conclusion of an agreement to dispose of our 49% equity holdings in ATC Ghana and ATC Uganda. As a result of the significant progress towards meeting our ARP target, we have further enhanced our guidance to approximately R25 billion in asset realisations over the medium term. Making progress with the asset realisations will materially transform the balance sheet, increasing the financial flexibility we have while being true to our capital allocation priorities.

Improving our return on equity (ROE) is another important goal. This increased to 14,3% from 11,5% in December 2018 on an IAS 17 basis, supported by the EBITDA improvement. Taking into account the adoption of IFRS 16, ROE was up at 12,8%.

Over the medium term we will continue to drive value creation using our financial framework. We will grow service revenue by leveraging our strong market positions and benefiting from the demographic dividend and low levels of internet adoption in our markets to grow subscribers and voice revenue and expand data, fintech and digital revenue. We will target continued growth in EBITDA at a higher rate than that of service revenue and a further reduction in capex intensity through price unit efficiencies and our smart capex approach.

Asset realisation programme

	E-commerce portfolio	Tower Co investments	Localisation and other
Progress to date	• Travelstart/ Amadeus - R1,2bn • Jumia listing	• ATC loan – R0,9bn • ATC JVs R7,3bn	• Nigeria preference shares - R4,2bn • Nigeria listing
Future focus	• Jumia - R1,0bn	• IHS - R27bn	• Nigeria public offer • Uganda localisation • Zambia localisation • BICS

Further > R25 billion of the "future focus" targeted over the medium term

Q **MTN made good progress on further strengthening the balance sheet, tell us your plans around MTN's leverage metrics?**

A In 2019, gearing on a consolidated basis was at 1,3x, which compares well with that of our emerging market peers. However, the holding company (holdco) leverage is the one on which MTN focuses and guides as its financing costs and redemptions depend on resources from the operating subsidiaries.

We reduced our holdco leverage to 2,2x in 2019 from 2,3x in 2018 and well within our target range of 2,0x to 2,5x. This demonstrates our commitment to derisking the balance sheet and allowing for a more conservative gearing profile at a time when markets and returns are volatile. It also places us in a good position to take advantage of potentially attractive and value-accretive opportunities. Accordingly, we have enhanced our medium-term target for holdco leverage to below 2,0x.

At the end of 2019, our holdco net debt was R55,3 billion, down more than R2 billion to the lowest level since 2016 and positively impacted by the stronger closing rate of the rand. From 8,3% in 2018, our average cost of debt increased to 9,9% on an IFRS 16 basis and 8,7% on an IAS 17 basis.

Progress on the ARP allowed us to delever through a reduction of US dollar-denominated debt, improving our mix of debt. At year-end, 50% of our head office borrowings were denominated in hard currency, compared with 51,6% at the end of 2018.

By continuing to focus on optimising our rand/dollar holdco debt currency mix we will derisk our forex exposure on our holdco debt portfolio. We will also continue to maximise, where possible, non-recourse debt in our operations with a focus on matching the currency of earnings with the currency of liabilities as a way to reduce forex risk.

Proceeds from the enhanced ARP will support further improvements in holdco leverage over the next three years.

Options to reduce holdco debt and optimise debt mix:

- Improving the opcos' EBIT and free cash flow development
- Upstreaming cash from the opcos
- Moderating capex to support operating cash flow growth
- Realising at least a further R25bn from the ARP in the medium term
- Targeting 60% rand holdco debt in the medium term.

Q How are you managing risks and forex exposure?

A 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. In 2019, we implemented a revised second and third-line assurance model, with structures that promote greater independence of third-line assurance and increased internal consultancy capabilities of the second-line risk and compliance function.

As part of our work to continuously enhance our risk management culture across all levels of decision making, in 2019 we improved the risk appetite framework, with the refinement of the principle risk universe, key risk indicators and tolerance levels. We give details of our board-approved group risk preferences on page 26.

Proactive, forward looking risk management is essential, and in 2019 we stepped this up, incorporating catastrophic scenario planning exercises into the process.

Q Please provide an update on the capital allocation priorities over the medium term?

A Our capital allocation remains clear, our first priority is organic growth: we want to invest in our networks and are confident that we can maintain and even improve our second-to-none network ambition with a capex profile that will moderate over time.

Secondly, we are focused on bringing down the leverage to lower than 2,0x. We will do this in part by ensuring the operations gear up where they can.

As a third priority, we focus on distributions to shareholders: we want to make regular distributions that grow at 10% to 20% per annum.

Fourthly, we will consider potential selective mergers and acquisitions, but for these we have very strict risk and financial criteria: if a very attractive opportunity came along we would apply our minds about whether it could change the structure of the portfolio and mitigate and reduce risk.

The final consideration is of share repurchases and special dividends, which would only be considered when all other capital allocation priorities have been met.

Q & A with the CFO continued

Capital allocation priorities:

01 Organic growth

Invest in capex to improve network, drive EBITDA and cash flow generation. Target capital intensity of 20% to 15% (pre-IFRS 16).

02 Stabilise leverage

Target holdco leverage of below 2,0x.

03 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.

04 Selective mergers and acquisitions

Opportunities aligned to the investment case, subject to strict risk and financial criteria.

04 Share repurchases or special dividends

Only considered when other capital allocation priorities have been met.

Q Looking ahead, what are the focus areas for 2020?

A For 2020, we will continue with the momentum that we have gathered over the past three years, executing on our BRIGHT strategy to create greater shared value for all our stakeholders. We will focus on key strategic projects within the ARP, one of them being the initial public offering of MTN Nigeria, which is in line with our commitment to broaden local ownership and increase the free float to 35% over time, market conditions being appropriate.

Our financial framework, informed by our investment case, will result in an improvement in the earnings and cash flow growth profile over time and a growing dividend.

We will further strengthen the balance sheet, reducing gearing through cash upstreaming and acceleration of asset realisations. We will also further improve risk control and compliance.

A big theme for the year ahead is efficiency. We are absolutely committed to running our business in the most efficient way possible. We now have a cost transformation programme running across the markets. We also have a lot of work going into technology, particularly as we modernise our billing and ERP systems as well as our core technology systems, and also focus on digital transformation within the business.

Key financial tables

Selected financial results information

Delivered continued service revenue and EBITDA growth; improved earnings contribution from associates

	2019 IFRS 16 Rm	2019 IAS 17 Rm	2018 IAS 17 Rm	% change reported	% change constant currency*
Revenue	151 460	151 460	134 560	12,6	9,7
Service revenue[1]	141 830	141 830	125 430	13,1	9,8
EBITDA^ before once-off items	62 922	53 688	46 855	14,6	13,6
Once-off items	1 170	1 170	1 391		
EBITDA^	64 092	54 858	48 246	13,7	13,6
Depreciation, amortisation and goodwill impairment	(32 800)	(27 037)	(24 670)	9,6	
Net finance cost[2]	(15 184)	(9 416)	(8 331)	13,0	
Hyperinflationary monetary gain	787	722	290		
Share of results of associates and joint ventures after tax	705	722	(527)		
Profit before tax	17 600	19 849	15 008	32,3	
Income tax expense	(6 908)	(7 580)	(5 430)	39,6	
Profit after tax	10 692	12 269	9 578		
Non-controlling interests	(1 729)	(1 907)	(859)		
Attributable profit	8 963	10 362	8 719	18,8	
EPS (cents)	499	576	485	18,8	
HEPS (cents)	468	545	337	61,7	
Adjusted HEPS (cents)	597	677	552	22,6	
DPS (cents)	550	550	500		

[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 (2019: R189m; 2018: R812m)

* Constant currency view is at 2019 rates and is shown in terms of IAS 17.

^ 2019 is adjusted for hyperinflation, tower profits, interest on Nigeria fine, gain on dilution of Jumia and profit on disposal of Travelstart and Amadeus

^ 2018 is adjusted for hyperinflation, tower profits, interest on Nigeria fine, Cyprus operational results, gain on dilution of IIG and CBN resolution

Commentary

Service revenue
Constant currency growth driven by increases in voice (4,2%), data (22,4%), fintech (27,0%), enterprise (8,4%) and wholesale (63,2%) revenue. Digital declined by 39,6%, with Nigeria and Ghana being the main contributors to this.

EBITDA
Driven by strong operational performance and operating leverage.

Net finance cost
Increase was due to an increase in MTN Nigeria's debt as well as forex losses in South Sudan.

Share of results of associates and joint ventures after tax
Turnaround was the result of higher profit contribution from MTN Irancell, recommencement of equity accounting for Mascom and Jumia no longer equity accounted for.

Income tax expense
Increase in group effective tax rate, driven by higher withholding tax due to increased cash upstreaming, non-deductible expenses in Sudan, deferred tax assets not recognised and a non-taxable gain on dilution when Jumia listed in April 2019.

HEPS
Operational earnings were strong across most markets. Growth shown as a result of the implementation of IFRS 16, as well as adjustments being made to the impairment of the goodwill amount in 2019 and profit on sale of MTN Cyprus in the prior year.

Selected financial position information

Adoption of IFRS 16, uplift in IHS fair value and recognition of MoMo balances

	2019 Rm	2018 Rm	Change %
Property, plant and equipment – Other	98 312	100 581	(2,3)
Right-of-use asset	44 984	–	100,0
Intangible assets and goodwill	36 866	40 331	(8,6)
Other non-current assets	45 867	42 898	6,9
Mobile Money deposits	15 315	12 835	19,3
Other current assets	60 129	57 431	4,7
Non-current assets held for sale	838	2 759	(69,6)
Total assets	302 311	256 835	17,7
Total equity	86 100	88 226	(2,4)
Interest-bearing liabilities	94 280	85 001	10,9
Lease liabilities	46 327	666	100,0
Mobile Money liabilities	15 315	12 835	19,3
Other liabilities	60 289	70 773	(14,8)
Total equity and liabilities	302 331	256 835	17,7
Net debt	67 920	64 153	6,9

Commentary

Right-of-use asset
The result of the adoption of IFRS 16.

Other non-current assets
Includes investment in IHS, fair valued at R27bn at year-end.

Mobile Money balances
Recognised in line with changes in accounting policy adopted in 2019.

Interest-bearing liabilities
Increased mainly as a result of new bank debt in Nigeria.

Other liabilities
Decreased after we made the final R4,4bn payment of the SIM registration fine in Nigeria.

Selected cash flow information

Higher financing activities in flows as a result of draw downs in Nigeria

	2019 Rm	2018 Rm	Change %
Cash generated from operations	55 197	40 345	36,8
Dividends received from associates and joint ventures	550	1 942	(71,7)
Net interest (paid)/received	(11 818)	(4 871)	(142,6)
Tax paid	(7 640)	(5 027)	(52,0)
Cash generated by operating activities	36 289	32 389	12,0
Acquisition of property, plant and equipment and intangible assets	(27 040)	(28 196)	4,1
Movement in investments and other investing activities	2 498	4 977	(49,6)
Cash used in investing activities	(24 542)	(23 219)	(5,7)
Dividends paid to equity holders of the company	(9 352)	(11 236)	16,8
Dividends paid to non-controlling interests	(1 460)	(759)	(92,4)
Other financing activities	6 472	872	NM
Cash used in financing activities	(4 340)	(11 123)	61,0
Cash movement	7 407	(1 953)	NM
Cash and cash equivalents at the beginning of the year	14 967	15 937	(6,1)
Effect of exchange rates and net monetary gain	(1 382)	1 598	NM
Cash classified as held for sale	615	(615)	NM
Cash and cash equivalents at the end of the period	21 607	14 967	44,4

Commentary

Cash generated from operations
Impacted by the final payment of R4,4bn in 2019 of the Nigeria SIM registration fine, and higher cash generation from operations.

Dividends received from associates and joint ventures
In 2018, this had included the repatriation of dividends from Iran amounting to R1,3bn. No dividends were repatriated from Iran in 2019.

Movement in investments and other investing activities
Driven by proceeds from disposal of Travelstart and the sale of the shareholder loan in ATC Ghana joint venture.

Other financing activities
Driven by additional debt raised in Nigeria. Also impacted by capital portion of the leases (R3,4bn) that is now included in financing activities as a result of the implementation of IFRS 16.

Key financial tables continued

How we report our numbers

Certain information presented in our results constitutes *pro forma* financial information. The responsibility for preparing and presenting the *pro forma* financial information and for the completeness and accuracy of the *pro forma* financial information is that of the directors of the company. This 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* IAS 17 and constant currency financial information contained in this integrated report 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 is identified by LA).

Certain financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation and goodwill and asset impairments, tower profits, the Nigerian regulatory fine (consisting of the remeasurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability), gain on dilution of Jumia, impairment of investment in MEIH, gain on Travelstart disposal and impact of the adoption of IFRS 16 ("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 2019.

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 YoY analysis. 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 2019, except for the changes in accounting policies as a result of the adoption of the accounting standards effective 1 January 2019.

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 prior financial reporting period's results have been adjusted to the current period average exchange rates determined as the weighted 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 prior year constant currency results compared to the current 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.

For detailed annual financial statements, please refer to our website AFS

Audit committee chair's review

▶Chairman
Christine Ramon

"The group laid the foundation for an improvement in the three lines of defence model by focusing on improvements in key areas of the control environment, separating and redefining the roles of risk management and compliance from those relating to the internal audit function and forensic services, and finalising its recommendations for mandatory audit firm rotation."

Key features of 2019

- **Considered the activities of the risk committee** in as far as monitoring of regulatory risk and macro matters are concerned, this because of our responsibility with regards the impact of these matters on the control environment.
- **Completed the process** to split and separately define the function of internal audit and forensic services from that of risk management and compliance.
- **Conducted various business process** deep-dive initiatives to analyse people, systems and process design in the financial control environment. This led to initiatives to strengthen internal financial controls and reinforced a culture of compliance.
- **Adopted IFRS 16 and considered the appropriateness** of the disclosure of its impact on the 2019 interim and annual results.
- Considered the appropriateness of the **change in the accounting policy** with respect to the recognition and classification of Mobile Money balances.
- Considered the appropriateness of **accounting treatment and disclosures** with respect to transactions concluded, Cell C recognition of revenue, legal and uncertain tax exposures and impairment assessments.
- **Concluded a tender process for new auditors,** in line with mandatory audit firm rotation regulations. We will recommend for shareholder approval at the AGM that Ernst & Young be appointed as one of the new group joint auditors, replacing SNG Grant Thornton for 2021.

Members attendance	Scheduled meetings	Special meetings
Christine Ramon	4/4	2/2
Paul Hanratty	4/4	2/2
Peter Mageza	4/4	2/2
Jeff van Rooyen^	4/4	2/2
Vincent Rague#	2/4	1/2

By invitation: group president and CEO, group CFO, group business risk officer, group internal audit and forensics officer and joint external auditors

^ Retired from the board on 15 December 2019.

Appointed 1 August 2019.

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

Key focus areas for 2020

- **Evaluate progress and independent assessment** of the implementation of the group's cloud-based enterprise resource planning system that is expected to improve the overall internal financial control environment.
- **Monitor the process to manage the operational risks** and strengthen compliance programmes across the group, with a special focus on fintech, data privacy and subscriber 'know your customer' requirements.
- **Evaluate the rollout of enhanced policies,** systems and processes on areas such as credit and treasury management.
- **Monitor the rollout of projects** to enhance technology controls across the group.
- **Monitor progress and evaluate findings** from deep-dive process reviews in areas such as procurement and supply chain management, consumer and sales and distribution.
- **Review initiatives taken to further enhance the assurance and monitoring capabilities** of internal audit and forensic services in context of group's digital strategy and transformation journey.
- **Ensure appropriate planning and transition processes** are established for the rotation of audit firms due in 2021.
- **Enhance the oversight and evaluation of the external audit function** by reviewing audit quality-related indicators of the group's external auditors against industry benchmarks.

Our strategic performance

Here we show our performance against each element of our BRIGHT strategy in 2019, including the performance against specific KPIs of executives with the primary responsibility for delivering on BRIGHT. The remuneration of all executives is dependent on their delivery, to differing degrees, on BRIGHT. For our future focus of each BRIGHT element, see pages 48 to 59. For remuneration see from page 72.

	How we measure success – Our 2020 aspiration	Performance in 2019	Performance in 2018
B	Lead market NPS	#1 in 12 markets	#1 in 9 markets
	Achieve best brand in markets	#1 in 12 markets	#1 in 7 markets
R	Adjusted ROE	14,3% (12,8% on IAS 17)	11,5%
	Improve EBITDA margin	42,3% (35,5% on IAS 17)	34,3%
	Stabilise leverage	Holdco leverage 2,2x	Holdco leverage 2,3x
I	Grow market share	44,2%	43,4%
	Growing voice revenue	4,2%*	7,3%*
	Grow enterprise and wholesale revenue	Enterprise: 8,4%* Wholesale: 63,2%*	Enterprise: 8,4%* Wholesale: 63,7%*
G	Achieve 200 million data subscribers	95 million active data users	79 million active data users
	Achieve 100 million digital subscriptions, including 60 million for MoMo	35 million MoMo users 2 million Ayoba monthly active users	27 million MoMo users
H	Lead market in employee NPS and improve employee engagement	80% employee sustainable engagement score	78% employee sustainable engagement score
	Enhance reputation	72% quality of engagement, 73% responsiveness, 74% relationship health	Was not measured
	Ensure effective risk and compliance practices	100% BRM index	80% BRM index
		Implemented a revised second and third-line assurance model structures to promote greater independence	Separated second- and third- lines of defence
T	Lead market in network NPS	#1 in 14 markets	#1 in 9 markets
	Increase population coverage	3G: 77% and 4G: 46%	3G: 68% and 4G: 33%

Good progress made
We are working on it

Main executive KPIs in 2019	Executives with primary responsibility	Performance against main KPIs[1]
• High volume journey implementation	Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman and Godfrey Motsa	118%
• Brand health index	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi	72%
• Pro-customer positioning	Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman and Godfrey Motsa	120%
• Cash upstreaming	Ralph Mupita, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	96%
• Raising opco debt	Ralph Mupita	120%
• Improve adjusted ROE **/** ROIC	Rob Shuter, Ralph Mupita **/** Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	120% / 88%
• Subscriber growth	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	103%
• Enterprise programme	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	99%
• Wholesale programme	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	111%
• Active data subscribers	Rob Shuter, Ralph Mupita, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Paul Norman, Lele Modise, Felleng Sekha, Ferdi Moolman, Godfrey Motsa	69%
• Rich-media subscriptions	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	95%
• Active MoMo subscribers	Rob Shuter, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	65%
• Smartphone growth	Jens Schulte-Bockum, Ferdi Moolman, Godfrey Motsa	107%
• Employee sustainable engagement	Rob Shuter, Ralph Mupita, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Paul Norman, Lele Modise, Felleng Sekha, Godfrey Motsa	83%
• Employee diversity	Rob Shuter, Ralph Mupita, Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Paul Norman, Lele Modise, Felleng Sekha, Ferdi Moolman, Godfrey Motsa	104%
• Regulatory risk management	Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Felleng Sekha	111%
• Reputational risk management	Rob Shuter, Felleng Sekha	110%
• Stakeholder management	Rob Shuter, Ralph Mupita, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Felleng Sekha	120%
• Effective risk and compliance practices	Ralph Mupita, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	107%
• Improve control environment	Rob Shuter, Ralph Mupita, Jens Schulte-Bockum, Paul Norman, Lele Modise, Felleng Sekha	108%
• Legal counsel	Lele Modise	115%
• Network NPS	Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	114%
• Population coverage	Jens Schulte-Bockum, Ebenezer Asante, Karl Toriola, Ismail Jaroudi, Ferdi Moolman, Godfrey Motsa	110%

[1] An average of the scores achieved by the executives responsible for delivering on these KPIs

Best customer experience

Improving brand awareness and customer service

At MTN, understanding customer perception is critical to profiling the best customer journey. A happy customer translates into a profitable business. We attain the best customer brand and market leader position by providing quality services and being customer centric in all our endeavours.

2019 main KPIs

- High volume journey implementation
- Brand health index
- Pro customer positioning

2019 performance

We achieved NPS leader position in 12 markets (from nine in 2018) and #1 brand health tracker position also in 12 markets.

This was the result of numerous initiatives, including the redesign of our five most frequent customer journeys across our markets to make them more customer friendly based on the principles of EPIC **(easy, personal, in-control and connected)**.

We also adopted a customer-driven approach of self-service, leveraging digitisation in MTN South Africa and MTN Nigeria. Our increased investments in infrastructure and other capabilities were also aimed at further improving customer service and we made good progress on our work to select customer-facing technology partners for bot and AI assistants.

We launched our **#GoodTogether campaign**, aimed at changing the narrative about MTN by outlining the contribution we make together in creating brighter lives across our markets. We partner with the people we serve and we are so much more than a business that does good, we are intrinsically a 'good business', meaning that everything we do, whether it be our network rollout, our value proposition design, our customer experience focus, our product and services innovation, everything is done to enhance and uplift the lives of the communities and markets we serve.

#1 NPS in:

Afghanistan	Cameroon
Congo-Brazzaville	Ivory Coast
Guinea-Bissau	Iran
Nigeria	Rwanda
South Sudan	Sudan
Uganda	Zambia

MTN EPIC
Branded customer experience

- **E** I find it **easy** to get things done with MTN
- **P** My service offer perfectly fits **my personal** needs
- **I** I stay **in-control** and get **great value for money**
- **C** My **connection** is second to none

Number 1
brand health tracker
in **12** markets

NPS
leader in
12
markets

Launched
#GoodTogether campaign

Future focus

- Continue to improve our analytical and digital approach to customer experience, enhancing our data-driven understanding of customers. This involves rolling out our 'voice of the customer' platform as well as various programmes to gain greater customer insights. By doing this, we will enable MTN to provide the **right services to the right customers via the right channels**.
- Empower our customers using digitisation and technology by providing **standardised self-service options** using customer-facing technology like automation, bots and predictive models (AI assistants).
- Improve our **brand preference** by planning effective campaigns, enhancing digital marketing capabilities and clarifying brand architecture.

Returns and efficiency focus

Translating improved operational performance into returns

We are clear on what we are asked to deliver returns to shareholders while remaining a responsible corporate citizen. When it comes to efficiency, we need to make sure that we extract the benefits of scale in each of our operations, but also leverage the power of MTN Group.

2019 main KPIs

- Cash upstreaming
- Raising opco debt
- Improve adjusted ROE/ROIC

2019 performance

Solid operational execution and commercial momentum across most of our operations resulted in a **9,8% increase in service revenue**, closing in on our medium-term target of double-digit growth, and a 13,6% increase in EBITDA, despite challenging trading conditions. The group's **EBITDA margin improved** by 1,2pp and we reduced capex intensity to 17,5%.

Return on equity increased to 14,3% from 11,5% in December for 2018, supported by the improvement in our service revenue performance and operational leverages.

We delivered a pleasing **R14bn in our ARP**, ahead of our medium-term guidance of R15bn over three years. This was boosted by the finalisation of the necessary processes to redeem MTN Nigeria's preference shares as well as concluding an agreement to dispose of our 49% equity holdings in ATC Ghana and ATC Uganda. **MTN Nigeria listed** on the Nigerian Stock Exchange in the year.

Our holding company **leverage improved** slightly to 2,2x from 2,3x in 2018 and supported by the proceeds of the ARP. If we include the proceeds from the ATC disposals, received in early 2020, the holdco leverage reduces to 1,9x.

We made **progress on reducing our holdco net debt**, improving the mix of debt, and continued to work to optimise the debt capacity of operations, securing facilities in markets including Nigeria and Ivory Coast.

Enhanced medium-term guidance

	Group	South Africa	Nigeria
Service revenue	Double-digit growth	Mid-single-digit growth	Double-digit growth
EBITDA margins	**Improving margins**		
Group capex intensity	**Reducing intensity**		
Asset realisation	**> R25 billion**		
Holdco leverage	**≤ 2,0x**		
Adjusted ROE	**Improving to > 20% from 11,5% in 2018**		
Dividend	**Growing 10% to 20% per year**		

- Service revenue **9,8%***
- EBITDA **13,6%***
- Capex intensity **17,5%**

Achieved **R14bn** of asset realisations

Improved holdco leverage to **2,2x** and declared dividend of 550 cps up **10%**

Future focus

- Delivering more than R25bn from our ARP, which aims to simplify our portfolio, reduce risk and improve returns.
- Realise our enhanced medium-term guidance of:
  – double-digit growth in group service revenue
  – improving EBITDA margins
  – reduced capex intensity measured on an IFRS 16 basis
  – holdco leverage to below 2,0x
  – dividend growth of 10% to 20% per year
  – improved adjusted ROE to more than 20%
- Extend our localisation programmes, including a public offering of MTN Nigeria.

Ignite commercial performance

Sustaining voice growth, indexing up in enterprise and leveraging our wholesale business

For MTN, this encompasses creating and optimising natural business opportunities in voice, enterprise and wholesale to grow group revenue and enhance our commercial performance.

2019 main KPIs
- Subscriber growth
- Enterprise programme
- Wholesale programme

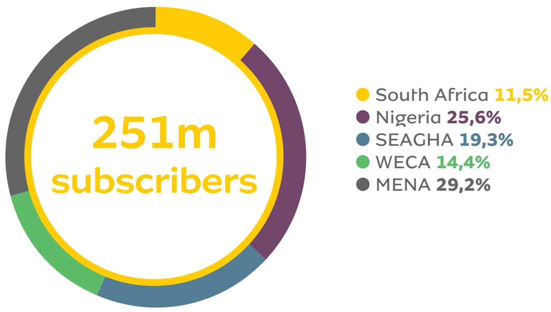
2019 performance

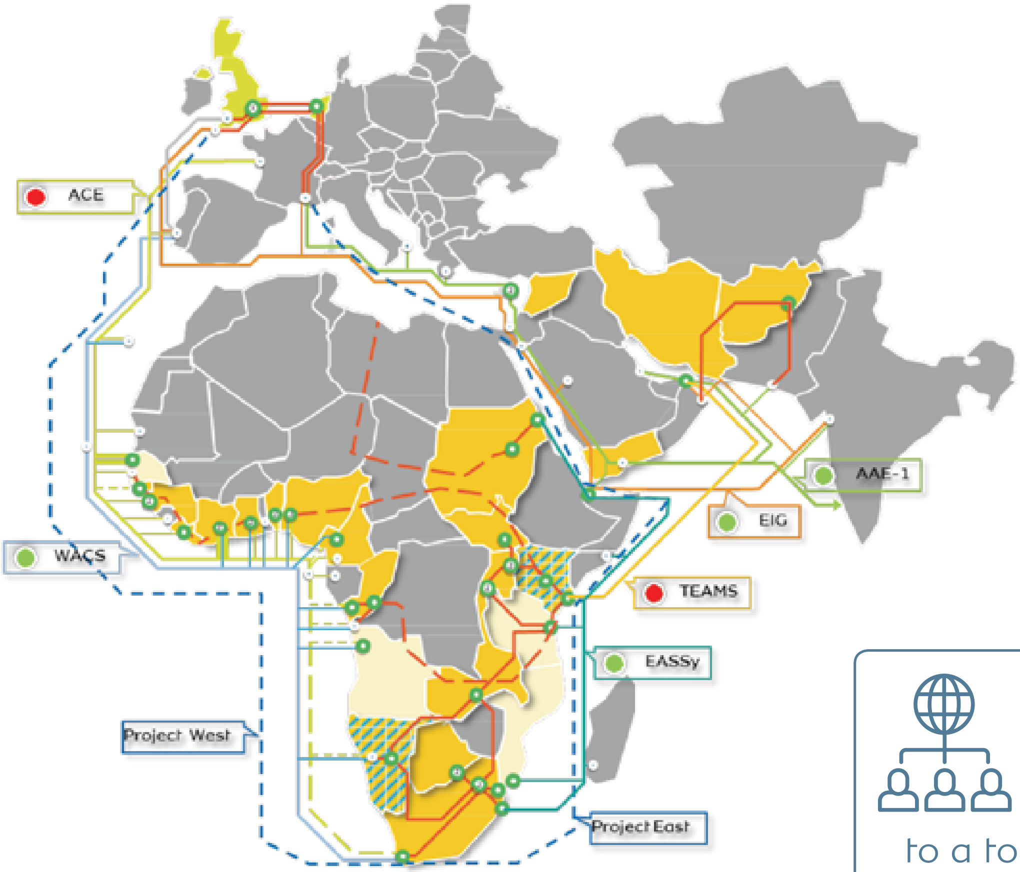
We added **18,2m subscribers to a total of 251m** subscribers and increased voice revenue by 4,2%* to R82,1bn, recording a 5% increase in minutes of use per subscriber. Our **customer value management** initiatives contributed 3,1% in Nigeria to voice revenue. We removed legacy tariff plans and used regional pricing to increase adoption and usage.

Enterprise revenue increased by 8,4%* to R13,3bn, supported by **growth of 22%* by MTN Nigeria** and a stabilisation in the performance of the enterprise business in MTN South Africa. We built solid partnerships with key software players and implemented a customised 'MTN way of selling'. Another highlight in the year was the establishment of a minimum viable enterprise product portfolio.

Wholesale revenue accelerated by 63,2%* to R4,7bn, driven by national roaming contracts for MTN South Africa, and **solid growth in MTN GlobalConnect** where we signed up more key customer accounts and grew our application-to-person messaging services through the ***Y'ello***Connect platform. GlobalConnect won the **'Best African Wholesale Operator'** award at the Telecom Review Summit.

Subscribers by country and region:





Increased subscribers by **18,2m** to a total of **251m** across our markets

Increased voice revenue by **4,2%*** , recording **5%** increase in minutes in use per sub.

Increased enterprise revenue by **8,4%*** supported by MTN Nigeria and stabilisation at MTN South Africa

Future focus

- Further segment our voice value propositions, focused especially on the home segment
- Build and drive the adoption of direct and digital channels
- Expand enterprise product portfolio and channels, especially direct sales capability, while strengthening enterprise teams
- Expand MTN GlobalConnect by increasing fibre footprint between and within countries, and ensuring a lean operating model and agile organisation.

Growth through data and digital

Driving consumer data, accelerating digital to grow revenue, rapidly scaling fintech and building a fintech ecosystem

Driven to deliver on our ambition, we are extending digital and financial inclusion across our markets. Higher data adoption is a critical enabler of success as we connect the unconnected, making the most of this rapid internet adoption to offer a wide range of digital services, including instant messaging, social media, music, gaming and video. Success in digital hinges on a strong fintech proposition.

2019 main KPIs

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

2019 performance

We **added 16,6m active data users in the year** to a total of 95m and grew data revenue by 22,4%* to R35,1bn. This was supported by greater data affordability, with a **reduction on 34% in the group effective rate per megabyte**, as well as a 46% increase in average usage to 2,8GB per month across our markets. 3G and 4G population coverage increased sharply (see page 58).

Smartphone penetration continued to rise, with the launch of our own US$20 smartphone supporting the rise to 121m smartphones on our network from 105m in 2018.

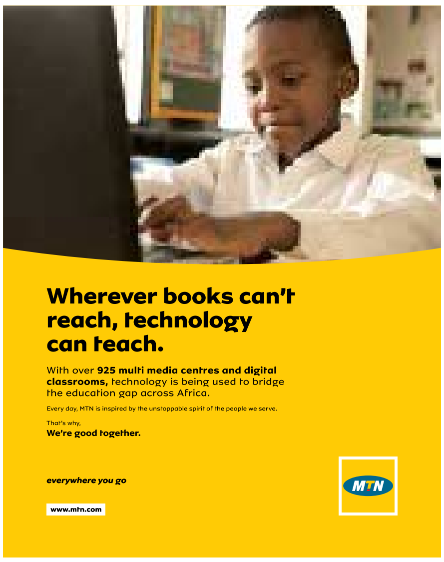
The number of active MoMo users increased by 7,5m to 35m, increasing fintech revenue by 27,0%* to R10,1bn. Usage rose to **9,200 transactions a minute**, bringing the total transaction value for the year to US$96,1bn.

We recorded good progress in our work to develop the fintech ecosystem, launching **agent banking** in **Nigeria and MoMo in South Africa and Afghanistan**. In the year we facilitated US$787m in loans through bank partners, recorded 200 000 active merchants on MoMoPay and had 6,2m insurance policyholders.

Despite a **decline of 39,6%* to R2,4bn in digital revenue**, we made progress on growing digital uptake. We have now fully implemented VAS optimisations across our markets.

The world's first time-based music streaming service **MusicTime! is now live in six markets**, and is also available as an OTT offering.

To make sure that Africa does not miss out on the instant messaging revolution, **we launched our own instant messaging platform** in March 2019. It is now live in 12 markets, has 2m monthly active users and is also available as an OTT offering.



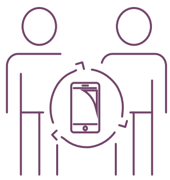
MusicTime

ayoba

CHASE

Fulfilling the connectivity and communication needs of our customers

COVERAGE	HANDSETS	AFFORDABILITY	SERVICE BUNDLING	EDUCATION AND EASE OF ACCESS
Ensure sufficient and affordable data coverage in rural and low-income areas	Increase affordability and access to data-enabled devices	Increase data service affordability	Creating service offerings that are relevant, simple and meaningful to customers	Enhance digital literacy and ease with which data can be accessed



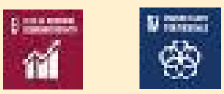
Increased active data subscribers by **16,6m** to **95m** and active MoMo users by **7,5m** to **35m**

Smartphone penetration continued to rise to **121m** across our markets

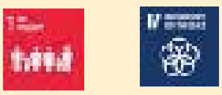
MoMo usage rose to **9 200** transactions a minute, bringing total transaction value to **US$96,1bn**

Future focus

- Continue to focus on our CHASE framework to bridge the digital divide in our markets by making data available and affordable to more customers, and in so doing extend SDGs 8 and 17



- Drive the scaling up of Ayoba, targeting 16m monthly active users
- Continue to drive a range of entertainment offerings by building on MusicTime! to expand offerings to different segments
- Rapidly expand our fintech offering by building MoMo in Nigeria and Sudan, supporting greater financial inclusion



- Accelerate fintech ecosystem growth and innovation through Open API, merchant payments and insurance roll out. Continue to develop platforms that will leverage our connectivity and payment capabilities and foster an ecosystem to help drive local innovation.

Hearts and minds

Building a strong team that is healthy and engaged; maturing our risk and regulatory management and compliance

People are the engine that drive change in every organisation. Highly-motivated employees generate greater productivity, offer better customer service and develop innovative offerings. We work to attract and develop the skills we need to deliver on our digital operator ambition, all the while ensuring the highest standards of ethical behaviour. This strategic pillar also focuses on effective management of risk, compliance and regulatory issues.

2019 main KPIs

• Employee sustainable engagement • Employee diversity • Regulatory risk management • Stakeholder management • Effective risk and compliance practices • Improved control environment • Reputational risk management • Legal counsel

2019 performance

Our **employee NPS increased by 6%** and in our annual group culture survey, we recorded an employee sustainable engagement score of 80%, our highest yet. Both these tell us that MTNers are happy, motivated, have a sense of purpose and feel empowered and supported. **Gender diversity was little changed,** with women making up 37% of total workforce and 28% of management positions.

MTN is an **employer of choice**. In Careers in Africa's 2019 survey, we ranked #1 among telcos and #2 across all industries in 2019. The Forbes 2019 Global World's Best Employers ranked MTN Group as one of the best 500 global employers.

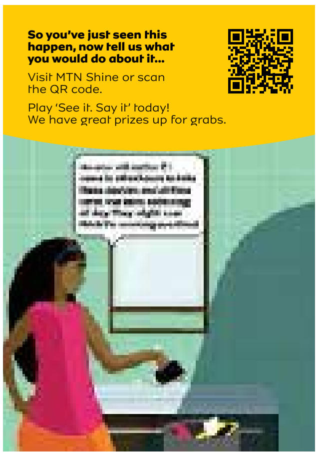
We **embedded the group stakeholder and reputation management framework** across our markets. We also commissioned an **MTN reputation index** survey.

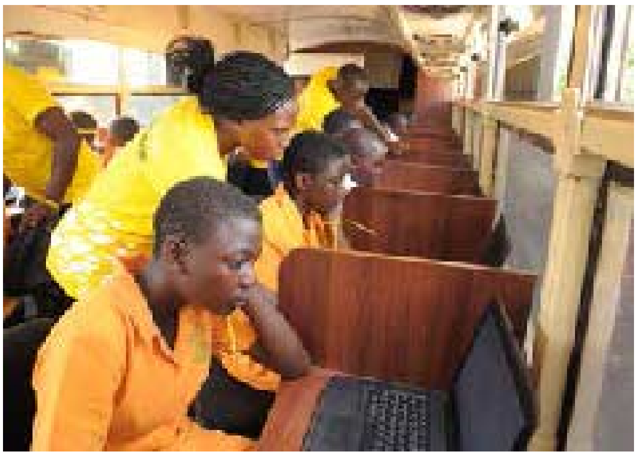
Over **1,9m beneficiaries benefited** from MTN's corporate social investment (CSI) initiatives

We enhanced our risk framework and methodologies in the year and **operationalised the risk appetite framework**, giving management greater understanding of risk preference along with key risk indicators to monitor risk tolerance levels. We introduced country risk monitoring and identified catastrophic risk scenarios along with high-level mitigations.

The **governance and management of ethics matured** across the group, benefiting from our enhanced three lines of defence assurance model. It was supported by greater focus on communicating ethical standards, in particular through the launch of the **MTN Group conduct passport** and the holding of the MTN fraud and ethics awareness week.

Launched child online protection programme through partnership with Internet Watch Foundation (IWF) and blocked over two million child sexual abuse material based URLs.





Future focus

- **Roll out initiatives** to help to identify and grow talent and skills as well as advance the workforce. One area for improvement will be around span of control – where we aim to flatten the MTN hierarchy to improve our ability to effect change and execution.
- **Increase the number of women** in management and ensure greater gender diversity, with at least 1% more women in the workforce and 1,5% more in management in the next two years.
- **Maintain our employee of choice status** across our markets and step up work to digitise our HR processes.
- **Focus continuously on talent management** and succession planning.
- **Embed CSI concept** to enable digital skills development for underserved communities, leaving no one behind.
- **Continue to roll out compliance training** and awareness across our markets and strengthen the centre of excellence for all assurance providers in line with revised structures and roles.
- **Resolve outstanding legal and regulatory issues.**
- Configure and implement a **best-practice governance, risk management and compliance software system**, while continuing to embed our risk appetite and tolerance methodology.
- Consider the results of an **ethics risk assessment,** to be conducted by an independent contractor, and implement appropriate recommendations.
- Embed **child online protection programme** across our markets and encourage users to report using IWF portal.

Employee
80%
sustainable
score

37%
women

Embedded
group stakeholder
and reputation
management
framework

Technology excellence

Creating a quality technology platform to enable growth

As we realise our ambition of becoming a digital operator, network strength and IT infrastructure are critical differentiators in gaining and maintaining competitive advantage and effectively connecting the unconnected. We are driven to create a network performance that is second to none as well as IT capabilities that serve the needs of our customers and the business in an agile fashion.

2019 main KPIs

- Network NPS
- Population coverage

2019 performance

We improved our leadership position in network, recording **#1 network NPS in 14 markets**, up from 10 markets in 2018. This was achieved by rolling out all the capex planned for the year at **R26,3bn**. Through our smart capex approach, we delivered more with the same amount, recording a capex intensity drop to 17,5% from 19,3%.

A broader population coverage is part of work to achieve **greater digital human rights** and is in line with our focus on delivering on a number of UN SDGs, in particular **SDGs 10, 11, 16 and 17**. In the year, we made good progress in this regard, increasing 3G coverage by 45m people and 4G by 69m people. In Nigeria alone, 4G population coverage increased to 44%, and was available in 123 cities.

The group carried **46% more data traffic in the year** and 13% more voice billable minutes. The total number of minutes of use for voice increased by 5%.

MTN Nigeria was the first mobile operator in West Africa to trial 5G.

Voice

17 markets improved 2G dropped call rate and **10** markets improved 2G network availability
15 markets improved 3G dropped call rate and seven markets improved 3G network **availability**
Seven markets improved 4G network availability

Data

15 markets improved 3G download speed;
four improved 4G download speed
Radio access networks have **software features** for **energy efficiency** in most opcos
Swapping of base stations from **indoor** to **outdoor units**, **reducing energy consumption**, **rental opex** and **capex**

Digital **Fintech**

We are building capabilities to support our **digital and fintech** platforms. We strengthened our analytics and data management capabilities across our markets. MTN South Africa recognised as having the best mobile network quality by **MyBroadband**

OXyGEN

agile Operations | digital eXperience | enabling Growth | Enterprise and connected workplace | second to none Network

Future focus

- Continue to expand **3G and 4G** coverage
- Acquire and secure **spectrum**
- **Expand** opex **optimisation** projects to drive down costs
- Continue network **energy efficiency** drive and pilot more renewable energy solutions
- Drive **5G** readiness
- Continue to **build** on **enterprise value** analytics
- **Modernisation** of our networks
- Continue to build a **world-class network**
- Drive **smartphone penetration**
- **Deliver on OXyGEN programme** which will carry the evolution of MTN to a digital operator

3G population coverage of **77%**
(from 68%)

3G

4G population coverage of **46%**
(from 33%)

481 million
people covered

Governance in action

Value creation through robust governance

The board and group executives continue to provide oversight using a **combined assurance model** which considers the **role of management, control functions, internal and external audit and board committees** of the subsidiaries using a **simplified governance approach** in a complex environment as they strive to create maximum shared value.

They do this by delivering on our purpose and ensuring relevance and sustainability of the business model by monitoring the macro environment, the availability and quantity of capital inputs, and stakeholder needs, all of which inform the group's strategy. This strategy enables MTN to maintain focus in conducting operations underpinned by good governance and at the same time delivering our financial targets. In 2019, the board sought to implement a more agile decision-making mechanism as it progresses in achieving the vision of becoming a global digital operator.

Our governance philosophy and framework

The board remains committed to good governance and international standards of best practice.

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.

We believe that good governance can contribute to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

MTN is committed to the highest standards of governance, business integrity, ethics and professionalism.

Corporate governance is the cornerstone of our business and ensures that we work responsibly.

GR

Governance structure

Governance at MTN is structured in line with best practice and is substantially cascaded down to subsidiaries across the group. Below we map out the committees of the board and of the exco and their respective chairs.

Group board
Mcebisi Jonas

Board committees	
Social and ethics	Koosum Kalyan (Outgoing) Nkululeko Sowazi (Incoming)
Audit	Christine Ramon
Risk management, compliance and corporate governance	Peter Mageza
Nominations	Mcebisi Jonas
Remuneration and human resources	Alan Harper (Outgoing) Khotso Mokhele (Incoming)
Finance (*ad hoc*)	Paul Hanratty

Executive committee
Rob Shuter

- Group executive
- Group sourcing^
- Group operations
- Talent review, diversity and inclusion
- Group treasury

^ Chaired by an independent non-executive director.

Board committees

The board has delegated its authority to well structured committees with the mandate to deal with governance issues and report back 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. In 2019, the terms of reference of all the board committees were enhanced. The efficiency of their terms was considered; relating to the governance trends; international benchmarks and best practices. The board is satisfied that in 2019 the committees effectively discharged their responsibilities (See the reports of the committee chairmen on pages 20, 25, 45 and 72).

In so doing, the board has committed to fulfilling the following responsibilities:

- **Delegating** the management of MTN to a **competent** executive management team
- Ensuring that management define and execute a **robust strategy** process
- Ensuring MTN's **compliance** with appropriate laws and rules and appropriate best practices
- Governing disclosures so that **stakeholders** can assess the **performance** of the group
- **Protecting** the interests of MTN's stakeholders and ensuring fair, responsible and transparent people practices
- Overseeing the **combined assurance and control** function and ensuring that it informs management's development and implementation of the strategy
- Ensuring that **innovation** remains at the heart of MTN

Board charter – collective responsibilities of the board and delegation of authority

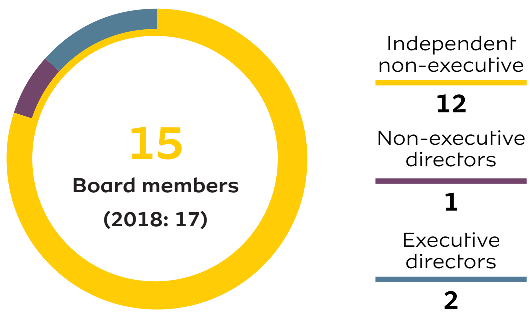
In 2019, we enhanced the board charter, clarifying the role of subsidiaries' boards and their subcommittees, and setting out more clearly the role of the group chairman as well as the group president and CEO. We revised the delegation of authority to promote greater agility in the decision making process of subsidiaries. We see room for further improvements in the levels of authority within the delegation framework to allow for faster and bolder business activity. We are also redesigning the materiality framework to promote better decision making. These changes will align with clear levels of work and a segregation of powers within management, safeguarding accountability and responsibility.

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.

Independence of directors

The majority of MTN board members are independent directors, which is in line with King IV™ requirements. Our lead independent director (LID), is in place to consider, review, evaluate and provide oversight over related-party transactions to ensure transactions are fair and in the best interests of MTN. The LID is appointed to guide the board should a situation arise where the chairman may have a conflict of interest.

Executive and non-executive directors



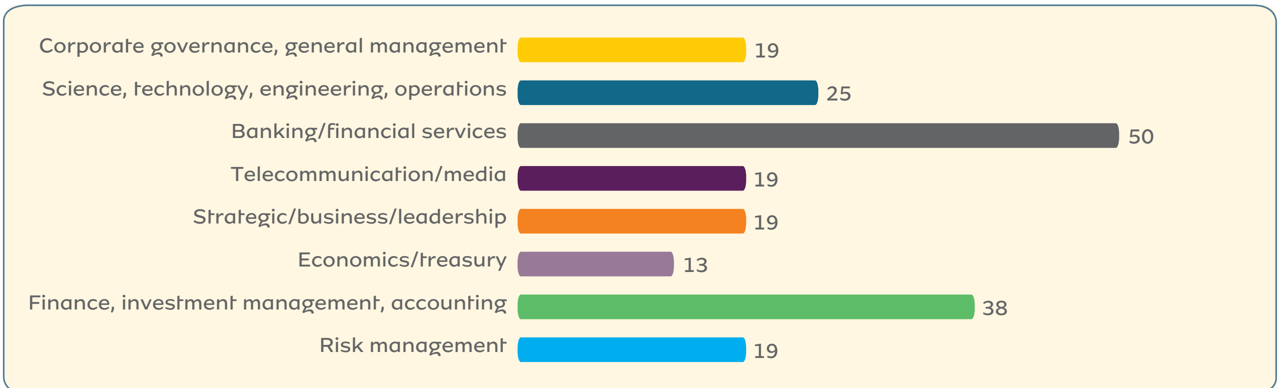
The majority of MTN board members are independent directors, which is in line with King IV™ requirements

Board skills

In the past 12 months, we have evolved the company structure by establishing a non-statutory independent advisory board (page 64) and with the appointment of two additional directors with more African as well as international exposure and specific skills and competitive competencies. After a high-level skills assessment and given the understanding of the skills required to deliver on the strategy, the board is clear that it needs to strengthen its digital and fintech competencies as well as sustainability experience. To address this we have contracted a global player to drive the in-depth analysis of the skills required to deliver on our strategy not only in the medium term, but also long term. All board appointments are conducted through a formal and transparent process in consultation with the Nominations committee.

MTN has a unitary board of 15 directors with skills and experience attributed as follows:

Skills and experience (%)



Governance in action continued

Board diversity and experience

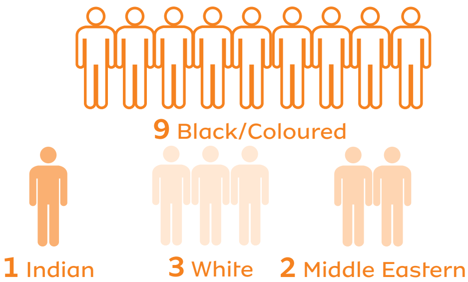
The group has a unitary board, consisting of executive and non-executive directors who represent a broad spectrum of demographic attributes and characteristics. The diverse perspectives of directors allow for proper strategic oversight as well as robust deliberation during board meetings. The board is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

Gender

Promote an appropriate balance in the views of the board and to improve the representation of women at MTN. The target is to maintain a minimum of four female board directors.

Race

Maintain a mix of race and cultures representing the stakeholders in the various communities who interact with the company. MTN target is to maintain >50% of historically disadvantaged members.



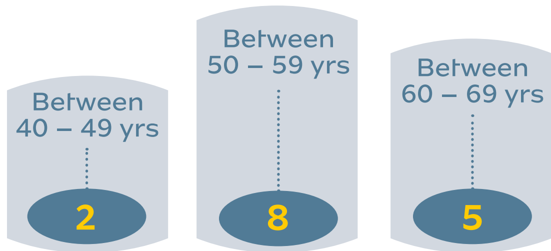
Nationality

Solicit ideas from various parts of the world and provide the board with a contemporary and global perspective and MTN maintains an appropriate mix of nationalities.

5
Non-South Africans

Age

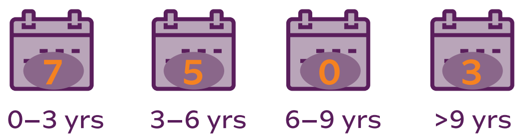
Ensure that there is a young and dynamic leadership to complement the experience and institutional knowledge of the seasoned directors. MTN maintains an appropriate mix of ages.



Tenure

Ensure that there is an appropriate mix of institutional knowledge and experience and fresh new perspectives. If >nine years on the board, MTN reviews every year and presents to the shareholders at the AGM for re-election.

Tenure of non-executives



Board evaluation and director development

The board has embarked on a journey of a board evaluation with a difference. This does not only assess the competencies of each individual director, but also evaluates the board as a whole (a unitary board assessment) on a range of elements, including ethical and effective leadership, culture in 2020. We have stepped up the process by having individual interviews with the board chairman-elect, the LID and LID-elect, as well as the chairmen of the board subcommittees. These interviews were conducted by an independent service provider with international experience in dealing with board dynamics. Subsequently, we will develop a questionnaire that will be unique to MTN, considering the risks and complexity of our markets and the environment in which we operate.

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. In 2020, we plan to host a comprehensive workshop for independent non-executive directors.

Board commitment to ESG

The board has acknowledged the decline in MTN Group's position on the JSE FTSE4Good Index from a position in the top 30 to one in the top 100. Reversing this decline is a focus for the social and ethics committee in 2020 and management has already identified areas of improvement that will be afforded priority in 2020.

Engaging with the business on strategic matters

Although the board maintains its independence, it is important for it to have a deep understanding of the business by investigating, monitoring and engaging with management on multiple levels:

- In addition to the two executive board members, the other group exco members, with the board, attend various board committees and engage in strategy sessions.
- The board holds two strategy sessions a year – in April and July. During these sessions, the board debates, reviews and approves the strategy framework, group business plan and relevant risk appetites.
- Management prepares a monthly standardised report for the board. This provides directors with comprehensive information on the performance of the business across the BRIGHT KPIs.
- In recent years, we have increased the level of interaction between the board and our stakeholders. We invite board members to select events and the chairman and the LID hold an annual governance roadshow with investors.

AGM

At our last AGM, the board valued the interaction it had with shareholders looking to see a sustainable company rooted in its strategic intent, including that of being a transformative and responsible corporate citizen. The board continues to listen to its stakeholders and strives to engage appropriately.

Directors' dealings

The company continued to enforce closed periods prohibiting trading in shares by directors, prescribed officers, 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.

Board and company secretary changes

Resignation and appointment of company secretary

In February 2019, the company announced that Bongi Mtshali had reached the group's mandatory retirement age and would retire as company secretary for MTN Group and its subsidiaries, with effect from 31 March 2019. Thobeka Sishuba-Bonoyi was appointed as company secretary of MTN Group and its subsidiaries with effect from 1 April 2019. The board expressed its appreciation for Bongi's invaluable contribution during her tenure at MTN Group and wished her well.

Appointment and retirement of directors

On 1 July 2019, the board welcomed Lamido Sanusi and Vincent Rague as independent non-executive directors. Since their appointment, the board has benefited immensely from their wealth of experience, diversity of skills and wide regional experience.

On 15 December 2019, Phuthuma Nhleko stepped down from his position as a director and chairman. This, after overseeing an orderly transition of the board, including the establishment of the international advisory board. Mcebisi Jonas was appointed chairman of the board with effect from 15 December 2019.

Khotso Mokhele assumed the responsibilities of LID with effect from 15 December 2019, following the retirement of LID Alan Harper. Jeff van Rooyen and Koosum Kalyan stepped down from the board on 15 December 2019 after an orderly transition and handover.

Peter Mageza and Dawn Marole will step down from the board effective 30 April 2020.

The company wishes the retiring directors well and expresses its appreciation for their invaluable contribution and dedication to MTN over the years. In the year ahead, the board will continue to focus on deepening the skills and experience of the board.

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. Following the assessment of the group company secretary, the board has applied its collective mind and is satisfied with the competence, suitability and experience of the group company secretary and believes she is duly qualified for the role. While the role of company secretary has matured in several of our markets, this role needs to be redefined with a blueprint that is relevant to our markets, taking into account the environment in which we operate and our complex market segments. The company secretariat plays a key and gatekeeping role to safeguard the assets of MTN. In 2020 the operating model of the company secretarial functions throughout the group will be presented to the Nominations committee to assess and determine whether the function is adequately resourced and equipped.

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.

Our international advisory board

In the year we established an **international advisory board** (IAB) of **eminent persons** to counsel, **guide** and **support** the MTN Group. **Non-statutory in nature** and **without** any **fiduciary responsibility**, the IAB meets **twice a year**, assisting the group in further **developing telecommunications**, **connectivity** and **digital inclusion across Africa** and the **Middle East**.

It shares its **perspectives** on **geopolitical matters** which **impact** on Africa's and the Middle East's **continued development** and **assists** the group in its **work** of being a **responsible** and **exemplary corporate citizen**, sensitising it to the **dynamics** of the **markets** in which it operates.

1. **His Excellency President Thabo Mbeki,** former President of the Republic of South Africa (chair)
2. **His Excellency President John Kufuor,** former President of Ghana
3. **Dr Aisha Abdullahi,** former African Union Commissioner for Political Affairs
4. **Dr Mohammed ElBaradei,** former Director General of the International Atomic Energy Agency
5. **Dr Momar Nguer,** President of Marketing & Services Total S.A. (France)
6. **Phuthuma Nhleko,** former Chairman of MTN Group

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.


12
9
16
4
8
15
6
13
3
11
10
5
19
17
7
18
2
1
14

Our board of directors

1. **Mcebisi Jonas**[1] (Born 1960)
Bachelor of Arts
Chairman and independent non-executive director

Appointed: 1 June 2018

Appointed chairman: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 2/4

Board committee membership and attendance:
2/4 2/4 4/4

Special: 0/3 1/2 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: Risk management, finance, investment management, economics and strategic leadership.

2. **Phuthuma Nhleko** (Born 1960)
Chairman and non-executive director until 15 December 2019
BSc (Civil Eng), MBA

Appointed: 28 May 2013

Retired: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4

Special: 3/3 2/2

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.

3. **Rob Shuter**[4] (Born 1967)
Executive director
Group president and CEO
BCom (Econ and Acc), PG Dip Acc CA(SA)

Appointed: 13 March 2017

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4 4/4 4/4 4/4

Special: 3/3 2/2 2/2 1/1

(Permanent invitee of all committees)

Other directorships: Director of various companies in MTN Group.

Skills, expertise and experience: Telecommunications and banking.

4. **Ralph Mupita**[4] (Born 1972)
Executive director
Group chief financial officer
BScEng (Hons), MBA, GMP

Appointed: 3 April 2017

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4 4/4 4/4 4/4

Special: 3/3 2/2 2/2 1/1

(Permanent invitee of all committees)

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.

5. **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: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4

Special: 2/2

Other directorships: Director of various companies in MTN Group, Sanlam Limited, Atlanta Insurance Sanlam Wealth UK, Sanlam Life (UK) and IDM (SA).

Skills, expertise and experience: Financial services.

6. **Alan Harper** (British) (Born 1956)
Independent non-executive director
BA (Hons)

Appointed: 1 January 2010

Retired: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4

Special: 3/3 2/2

Other directorships: Director of various companies in MTN Group, Chairman of Avanti Communications Group plc, Director/Chairman of Palé Hall Limited (UK) and chairman of Azuri Technologies Limited.

Skills, expertise and experience: Telecommunications.

7. **Koosum Kalyan** (Born 1955)
Independent non-executive director
BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)

Appointed: 13 June 2006

Retired: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4

Special: 1/1

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, Cornell University

Appointed: 8 July 2015

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4

Special: 1/1

Other directorships: Director of various companies in MTN Group. Former CTIO Verizon, COO Barclays, CEOs Juniper and Coriant.

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: 5/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 3/4 3/4

Special: 2/2 1/1

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 of 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: 6/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4

Special: 1/1

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 and a Member of The Advisory Council of Anglo American South 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: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4

Special: 3/3 2/2

Other directorships: Director of various companies in MTN Group, CEO of M1 Group Limited (an international investment group focusing on telecoms).

Skills, expertise and experience: Telecommunications.

12. **Stanley Miller** (Belgian) (Born 1958)
Independent non-executive director.

Appointed: 1 August 2016.

Scheduled board attendance: 7/7

Special board attendance: 3/4

Board committee membership and attendance:
4/4

Special: 1/1

He has over 30 years' experience in the start-up, running and turnaround of companies in both media and telecommunication sectors, internationally.
He is also an experienced INED in listed companies.

Among other executive roles, he served on the board of KPN (Netherlands) and was CEO of KPN Mobile & International 1998 to 2010.
He served as INED on the board and committees of MTS OJC (Russia – Moscow and NYSE listed) 2010 to 2019 Retired June 2019.

Other directorships: Director various companies MTN Group. CEO Leaderman NV (Belgium). Executive Director AIH SA (Luxemburg).

Skills and experience: Telecom and media internationally. INED listed companies and their committees.

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

Appointed: 1 July 2018

Appointed LID: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 3/4

Board committee membership and attendance:
4/4 4/4

Special: 3/3 2/2

Other directorships: Director of various companies in the MTN Group. Chancellor of the University of the Free State, chairman of Tiger Brands and AECI, 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: 6/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4

Special: 2/2

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
BA, MA (UCLA)

Appointed: 1 August 2016

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4 3/4

Special: 3/3 2/2 1/1

Other directorships: Director of various companies in the MTN Group. Chairman of Tiso Investment Holdings, Kagiso Tiso Holdings, Botswana Soda Ash Holdings and Bud Chemicals and Minerals. Non-executive director of Grindrod Limited, Bud Group 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 and operations, 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: 5/7

Special board attendance: 1/4

Board committee membership and attendance:
2/4 3/4

Special: 0/3 1/2

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

Retired: 15 December 2019

Scheduled board attendance: 7/7

Special board attendance: 4/4

Board committee membership and attendance:
4/4 4/4 4/4

Special: 2/2 2/2

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.

18. **HH Lamido Sanusi***[3] (Born 1961)
Independent non-executive director
Bachelor's degree in Economics and Master's degree in Economics, Islamic law degree, National Youth Service Corps (NYSC) service

Appointed: 1 July 2019

Scheduled board attendance: 4/7

Special board attendance: 1/4

Board committee membership and attendance:
2/4 2/4

Special: 0/1

Other directorships: Director of various companies in the MTN Group. Serves as chairman of the Babbangona and Black Rhino Management Services (Pty).

Skills and expertise: Finance, banking and central banking.

19. **Vincent Rague***[2] (Born 1953)
Independent non-executive director
MBA, BA. (Hons), Econ/Stats, Executive development programmes (Harvard) and IMD.

Appointed: 1 July 2019

Scheduled board attendance: 4/7

Special board attendance: 1/4

Board committee membership and attendance:
2/4 2/4 2/4

Special: 0/3 1/2 2/2

Other directorships: Director of various companies in the MTN Group, City Lodge Hotels Limited, Pan African Infrastructure Fund, UAP/Old Mutual Limited, Jambojet Limited (Independent chairman), Financial Sector Deepening African (Independent chairman), FSD Africa (Investments) Limited, International Advisory Board of Chubb P&C Insurance and as a non-remunerated member on the Global Advisory Council of the Darden Business School, USA.

Experience: International investment and corporate finance experience in banking, insurance and infrastructure. Co-founder at Catalyst Principal Partners, a private equity fund manager in Nairobi, where he sits on the Investment Committee and as a director.

[1] Appointed 1 May 2019 (Remuneration and nominations)
* Appointed 1 July 2019
[2] Appointed 1 August 2019 (Audit, remuneration and nomination committees)
[3] Appointed 1 July 2019 (Risk and social and ethics)
[4] Permanent invitees

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

Rob Shuter
(born 1967)
Group president and chief executive officer

Executive since 2017

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

Ralph Mupita
(born 1972)
Group chief financial officer

Executive since 2017

BScEng (Hons), MBA, GMP

Ebenezer Asante
(born 1968)
Vice-president: SEAGHA

Executive since 2017

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

Ferdi Moolman
(born 1963)
Chief executive officer: MTN Nigeria

Executive since 2015

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

Paul Norman
(born 1965)
Group chief human resources officer

Executive since 1997

MA (Psych), MBA

Jens Schulte-Bockum
(born 1966)
Group chief operations officer

Executive since 2017

MA (SocSci) Volkswirt – Diploma

the board on the **group's policies** and **strategy** and for **monitoring** its **implementation in line with the board's mandate.** It meets at least **monthly**, and **more often as required**.

Yolanda Cuba
(born 1977)
Chief digital and fintech officer
Executive since 2020

BCom (Stats)
BCom Hons (Acc)
MCom
International Executive Programme

Lele Modise
(born 1978)
Group chief legal counsel
Executive since 2019

BProc (LLB)
Master's in Banking Law
Certificate in Securities Law
Certificate in Banking Law and Financial Markets

Ismail Jaroudi
(born 1970)
Vice-president: MENA
Executive since 2015

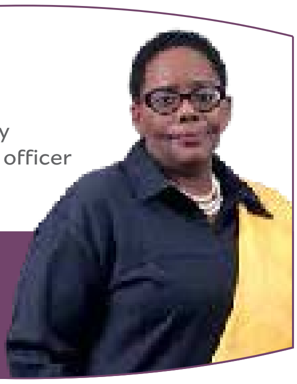
BA, Executive Education Certificate

Godfrey Motsa
(born 1973)
Chief executive officer: MTN South Africa
Executive since 2017

BCom, MBA

Felleng Sekha
(born 1967)
Group chief regulatory and corporate affairs officer
Executive since 2017

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



Karl Toriola
(born 1972)
Vice-president: WECA
Executive since 2015

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

Remuneration report

Overview

▶ Outgoing Chairman **Alan Harper**

Key features of 2019

For the year under review, the committee is satisfied that it fulfilled its obligations in terms of its mandate. It met six times, including at two special meetings. In discharging its responsibilities as set out in the committee's terms of reference, some of the key decisions and actions taken by the committee were:

- **Resolution and terms of reference:** passed the **written resolution** appointing the acting CFO for MTN South Africa on 28 October 2019 to the board of this opco for consideration in accordance with the memorandum of incorporation of the company and the Companies Act.
- Approved the share allocation of the **performance share plans (PSP)** for 2019 and resolved that the allocation of **employee share option plans (ESOP)** was approved as per the conditions defined. The **short-term incentive (STI)** payments for 2018 were supported by a report from PricewaterhouseCoopers (PwC).
- Considered the final proposals for the **2019/2020 annual salary increases** and agreed to the recommended increases and additional percentages for high performers with effect from 1 April 2019 for consideration and board approval.
- Supported the proposal for **non-executive directors' fee** increases and recommended these to the board for consideration and final approval, which was granted by the shareholders at the AGM.
- Reviewed an update on the development of MTN's **succession planning** and noted that a robust process was in place to ensure that potential candidates are well prepared for leadership roles. This was with specific reference to the group president and CEO, opco CEOs and key leadership positions across all operations. The committee noted and resolved the appointment of the new group chief legal counsel and head of digital and fintech.
- Reports of the **retirement fund and medical aid** were noted, reviewing and confirming their compliance with the revised pension fund regulatory requirements.
- The proposed **2020 performance scorecard** of the CEO and opco scorecards was resolved and approved.
- Reviewed the adoption of **minimum shareholding requirements** (MSR) for the MTN group executive committee. This to be resolved in 2020.
- Considered adoption of a **single, total figure of remuneration** received and receivable in respect of the financial period, and all the remuneration elements that it comprises, each disclosed at fair value.
- Accepted the extension of **malus and clawback** for STIs effective 2020.
- Approved the **settlement of a three-year service, cash-based incentive** in accordance with the applicable addendums to the employment agreements concluded between MTN and Rob Shuter to be settled in March 2020 and Jens Schulte-Bockum in January 2020.
- Approved **an exceptional PSP award** for a newly appointed executive for retention purposes.
- The committee noted and resolved the appointment of the **new group chief legal counsel, group chief digital and fintech officer** and the **group executive investor relations**, all of which were approved

Members attendance	Scheduled meetings	Special meetings
Alan Harper	4/4	2/2
Mcebisi Jonas[1]	2/4	1/2
Azmi Mikati	4/4	2/2
Khotso Mokehele	4/4	2/2
Phuthuma Nhleko[2]	4/4	2/2
Vincent Rague[3]	2/4	1/2
Nkunko Sowazi	4/4	2/2
Swazi Tshabalala	3/4	1/2

[1] Appointed 1 July 2019
[2] Retired from the board 15 December 2019
[3] Appointed 1 August 2019

▶ Incoming Chairman **Khotso Mokhele**

Key focus areas for 2020

MTN is making certain material changes to the reward framework for executives with the implementation of minimum shareholding requirements, malus and clawback for both long and short-term incentive programmes and agile performance and rewards programmes.

We will continue our journey of digitalised reward processes and improved electronic access to policies and processes. We continually review our pay practices to align with shareholders and we aim to interact transparently with them to achieve this.

We are committed to building and maintaining a strong relationship with our shareholders, based on trust and mutual understanding.

The remuneration committee at a glance

The remuneration committee (remco) has been mandated by the board to independently oversee and approve the remuneration policies and human resource approach for MTN in order to ensure these are fair, consistent and compliant.

In ensuring fair and responsible remuneration by the group, the committee focuses on responsible remuneration practices, ensuring that MTN employs and retains the best human capital possible for its business needs and maximises the potential of its employees.

Committee composition, skills and experience

The committee is chaired by an independent non-executive director with a proven track record and 23 years' senior leadership experience. The committee comprises independent non-executive directors. The collective skills and experience profile of the group remuneration committee members includes telecommunications, finance, managing businesses in Africa, human capital, remuneration and risk management.

Part 1

Background statement from the chairman of the remuneration committee

This remuneration report focuses on the fixed and variable elements of the prescribed officers' remuneration and fees paid to non-executive directors. This is in keeping with the commitment to fair, responsible, and transparent remuneration and remuneration disclosure in terms of the Companies Act and JSE Listing Requirements, as prescribed by King IV™, principle 14.

After engaging the board and various stakeholders, in 2019 we continued reviewing our remuneration policy and practices, incentive schemes, performance metrics and measures. This review was necessary to maintain our competitiveness; appropriately reward performance; motivate value-creating behaviours; and to contribute towards attracting and retaining quality staff. The incentive scheme review was aimed at encouraging and supporting business practices consistent with the group's vision, purpose and strategy, based on company, team and individual performance outcomes.

MTN strives to remunerate employees competitively within the relevant occupational ranges and we benchmark the philosophy applicable for executive management, non-executive directors and other employees against the national and telecommunications industry standards (peer group). This assists us in establishing market-related salary benchmarks while maintaining our attractiveness to ensure a competitive value proposition in remuneration and benefits.

Supported by the market survey data and internal pay ranges through our annual human resource budget reviews, we consider employee performance, knowledge, skills, experience and business affordability to reach an appropriate remuneration figure. We review salaries annually to meet the expectations of our many stakeholders.

Our key focus areas for 2019

We reviewed staff costs-to-revenue ratios and alignment of each subsidiary to approved budgeted ratios. For those markets with hyperinflationary economies this proved challenging and remains an area of focus in 2020.

We continued measuring the extent to which internal pay differentials are equitable, particularly with respect to gender and race, and implementing corrective measures to correct identified anomalies.

In 2018 the committee mandated the internal policy and governance committee, made up of senior executive employees, to ensure that all policies are aligned to the broader organisational goals and properly documented and shared with employees. This committee addressed seven group HR policies in 2019, including reviewing and approving the revised workplace flexibility policy to foster diversity and inclusivity. This policy acts as a critical tool to maintaining employee job satisfaction and quality of life. It enables employees, with the approval of their line manager, to adjust to changing circumstances and assist in balancing work and personal commitments while meeting the business's performance requirements.

Remuneration report continued

The following table reflects the total spend on employee remuneration and benefits in 2019 and 2018 compared to headline earnings.

Distribution statement	2019	2018
Adjusted headline earnings per share (cents) (IAS 17 basis)	667	552
Payroll costs for all employees (Rbn)	10,6	9,5
Employee numbers	19 288	18 835

In line with King IV™ and the Listings Requirements, we table the remuneration policy (Part 2) and implementation report (Part 3) for separate non-binding advisory votes by the shareholders at the group's AGM. This enables shareholders to express their views on the remuneration policies we adopt and the implementation of such policies.

In 2019, more than 75% of shareholders voted in favour of the implementation report. However, we continued our drive to reach out to some of our shareholders in order to understand any concerns regarding our reporting standards. Going forward, where it is necessary, we will extend our invitation in engaging with shareholders through the various mediums so as to address any remuneration governance concerns.

Results of remuneration-related votes at our AGMs:

	2019 %	2018 %
Approval of the remuneration policy	82,19	93,8
Implementation of the remuneration policy	78,52	68,17

We remain committed to building and maintaining a strong relationship with our shareholders based on trust and mutual understanding. We continually review our pay practices to align with shareholders and we aim to interact transparently with them to achieve this.

Part 2

Overview of the remuneration philosophy and policy

The remuneration philosophy and policy are key components of the HR strategy and govern the remuneration of executive management (executive directors and prescribed officers), non-executive directors and other employees and fully support the overall business strategy. They establish fair and equitable reward levels that attract, motivate, retain and engage the desired talent to execute business strategy in a sustainable manner over the long term.

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 prescribed officers and non-executive directors as defined by the Companies Act. In terms of the Act, a prescribed officer is a person, who:

(a) **exercises general executive control** over and management of the whole, or a significant portion, of the business and activities of the company; or

(b) **regularly participates** to a material degree **in the exercise of general executive control** over and management of the whole, or a significant portion, of the business and activities of a company.

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 60.

Remuneration policy and governance

MTN's remuneration philosophy is part of an interlinked, holistic and people-oriented talent approach, aiming to support current and evolving business priorities. The competitive talent landscape demands a **differentiated reward system**, capable of competitively matching pay to performance, delivering fairly without bias, and is flexible yet compliant across all markets.

Our various remuneration policies approved by executive leadership 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 strategic objectives of the company. Assessed against King IV™ and the amended Listing Requirements, the remuneration policy is based on the following principles:

Fair and responsible remuneration
MTN aims to ensure that remuneration provided to all employees is internally equitable and externally competitive. All elements of pay are influenced by market survey data and internal pay comparisons. Ensuring fair pay is based on the value of the job relative to other jobs of similar worth, this is aligned to the principle of responsible, fair and equal pay. We regularly review and benchmark our reward components using performance and level of work as a basis for differentiation and the basis for employee reward.

An enabler of business strategic objectives
MTN's strategic objectives and our performance-based system through our short and long-term incentives are linked to achieving defined performance measures consistent with shareholder interest over the short and long term. Both short and long-term incentive plans provide motivation for the achievement of positive outcomes measured using a balanced approach combining both financial and non-financial metrics measured across company, team and individual performance.

Transparent, consistent remuneration
We promote transparent and simplified communication across all levels including external stakeholders and consistency across all operating units; acknowledging differentiation and customisation.

Strengthen the culture and core values
We are a values-based and output-driven organisation. Recognising actions aligned to our vital behaviours is critical to our success.

Attract, motivate, reward and retain our human capital
Our optimal pay structure comprises fixed and variable remuneration to drive the right focus both in the short and long term. We remain competitive on both elements and create a balanced fixed and variable remuneration providing a fair composition for each position. The ratio of fixed to variable differs, with the weighting of variable pay for executive employees being greater. Our pay mix ensures we deliver an effective performance-based reward system where the achievement of stretch targets is remunerated.

Our remuneration policy

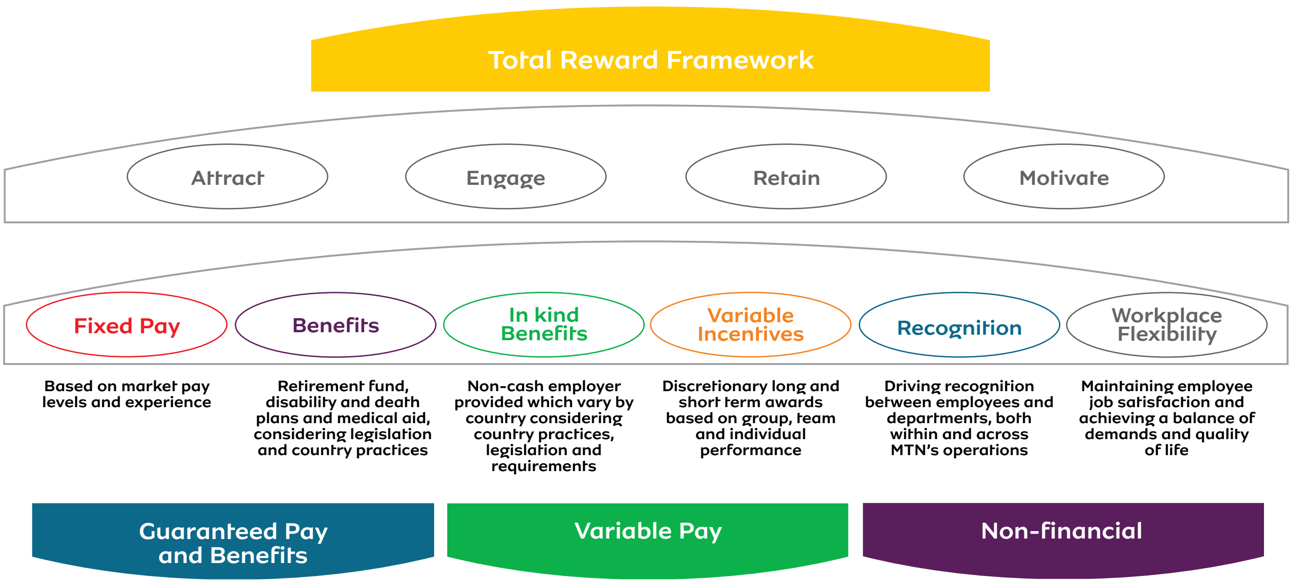
MTN's priority is to align with King IV™. Against this backdrop, MTN's remuneration policies aim to ensure that we remain relevant, and that we are benchmarked appropriately against best practice to maintain market competitiveness and alignment to our corporate goals.

Our remuneration structure

Our total reward policies and structures are designed to attract, engage, retain and motivate our workforce. MTN considers total rewards and strives to achieve an appropriate mix for our employees. The following diagram illustrates our total reward framework. Aligning to the BRIGHT strategy, MTN has implemented a remuneration structure with three key elements:

- **Annual fixed package** which is benchmarked with the general market and industry comparatives (peer group).
- **Variable pay** which consists of **short and long-term incentives** based on the company's success in implementing its one-year to three-year objectives.
- Qualitative programmes, comprising **recognition and workplace flexibility**.

Remuneration report continued



Components of our total rewards framework

Although the head office applies a fixed remuneration package approach, the company accepts variations to the 'guaranteed pay plus benefits' approach due to local market conditions in many of the geographies in which we operate. The fixed remuneration approach includes cash and benefits, benefits in kind which, when combined with incentive payments and other non-quantifiable elements such as recognition and workplace flexibility, make up what we term 'total rewards'.

	Guaranteed pay and benefits	Variable pay	
Element	**Fixed pay**	**Performance bonus**	**Long-term incentive**
Purpose	Remunerate employees for work performed	Reward employees for the delivery of strategic objectives balancing short-term performance and risk-taking with sustainable value creation	• Through our PSPs and ESOPs, to incentivise employees to take a longer-term outlook of the company performance and in their decision making • Alignment to group performance with long-term value creation for shareholders and employees • Attract and retain high-performing talent, critical and scarce skills • Create a 'share ownership culture' PSPs, NSOs and ESOPs
Determination	• Reflects the general worth of skills compared against the job worth • Based on the premise of an equal level of work for a similar range of pay • Set with reference to the market 50th percentile and 75th percentile for critical jobs against the general market and our peer groups	• Reflects performance during the year, measures outcomes within management control and rewards high performance • Linked to corporate financial performance, delivery of strategic priorities and individual performance	• Payable in respect of sustained corporate performance over three years • Measured against pre-set financial and strategic targets
Eligibility	All employees	All employees excluding commission earners	• PSP – executives, senior leadership and management level in RSA • NSO – Management level in non-RSA opcos • ESOP – all non-management employees

Element	Guaranteed pay and benefits: Fixed pay	Variable pay: Performance bonus	Variable pay: Long-term incentive
Component	• Basic salary • Defined contribution to retirement fund plans • Medical aid benefits • Risk benefits, lifestyle, cell phone • Benefits in kind (where applicable)	• Company performance • Team performance • Individual performance (where applicable)	• Company performance
Changes and awards in 2019		• Aligned with the financial and strategic key business performance metrics as described in our BRIGHT strategy	• Top-up ESOP awards were made to non-management employees during 2019
How the pay is set	• Benchmarked against independent survey data from the national market and defined peer group • Reflects the scope and depth of role, experience required, level of responsibility and individual performance, business affordability, inflation, staff cost and market movement	• Set as a percentage of annual fixed pay • Employees are rewarded for achieving threshold (90%), at target (100%) and above-target performances • Below threshold is regarded as poor performance and therefore not incentivised • Performance measures are weighted by employee category grade	• Set as a percentage of annual fixed pay • LTI are annual awards of ordinary shares, linked to corporate performance measured and 25% linked to tenure over three years • The allocation participant's annual salary is linked to continued employment and performance

Performance		Fully discretionary based on assessment of corporate performance, achievement of defined company, team and individual measures	• Achievement of corporate performance targets up to a maximum of:
			  • CEO: 200%
			  • CFO and COO: 175%
			  • Other prescribed officers: 140%
			  • Ordinary executives: 80% – 120%
			  • Senior management: 20% to 45%
			• Continued employment

Deferral	• Not applicable	• No deferral, discretionary bonus cash awards	• Performance shares vest over three years • Retention shares vest over three years
Pay for performance	• Annual increases linked to team and individual performance	• Deliver on the financial, operational and strategic targets as set out in BRIGHT and corporate scorecard • Targets are weighted	• Return on average capital employed (ROACE) • Cash flow • Retention • Relative total shareholder return (TSR) against a peer group • Strategic metrics

Non-financial rewards

Recognise and celebrate high performance by giving special attention to employee actions, efforts and behaviours in support of our business strategy by reinforcing behaviours that contribute to organisational success.

Our flexible workplace policies enable a diverse and inclusive organisation, which actively supports employees to achieve success professionally and personally.

Variable incentives

Our variable incentive payments are based on short and long-term performance. Our short-term incentive framework consists of three elements, with weightings against each element assigned as per the grade level of the employee. Company, team and individual performance are taken into consideration. For our executive leadership, performance is weighted towards company and team performance.

Description	Company performance %	Team performance %	Target value on threshold %	Maximum %
Group president and CEO	70	30	100	200
CFO	70	30	100	175
COO	50	50	100	175
Tier 1 CEOs and VPs	60	40	70	140
Functional executives	50	50	70	140

Company performance (CP)

The **company performance** looks at five key categories for executives. These are extracted from the board-approved business plan. They carry equal weighting and are **revenue; EBITDA; operating free cash flow; group attributable earnings and competitive performance**.

Description of objective and link to business strategy		CP measurement				Weighting	
		Below threshold %	Threshold %	At target %	Above target %	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	

Competitive performance

Competitive performance looks mainly at **NPS progress, reducing churn and market share gains**. The performance score on company performance is determined for the year as a percentage of the actuals achieved relative to the targets set.

Description of objective and link to business strategy		CP measurement Below threshold %	Thres-hold %	At target %	Above target %	Weighting Head office %	Subsi-diary %
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	Represents the percentage of an industry, or market's total sales that are earned over a specified time.	<90	90	100	Varies		
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)	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	20	Varies between 8,33 and 25

Team performance (TP)

Team performance is adjudicated against a collection of key performance indicators (KPIs) that look at broader aspects of delivery on the strategy, including **cash upstreaming, subscriber growth, active data users, regulatory risk management, network quality** etc. Similarly, the performance score for team performance is generated based on the actual performance versus the targets.

Description of objective and link to business strategy		CP measurement Below threshold %	Thres-hold %	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

The threshold refers to the minimum performance per objective and not the consolidated achievements of objectives.

Refer to page 46 for details.

Long-term incentives 2019

Long-term incentives in the form of share allocations are awarded to eligible senior leadership. This drives long-term sustainability and performance of the group. Annual allocations are made based on a multiple of the fixed package which would generally vest after three years.

Performance would be adjudicated three years after the allocation based on four equal elements:
1. Total shareholder return of MTN viewed against the MSCI Emerging Market Index.
2. Cumulative operating free cash flows over three years against the approved budget for each year.
3. Retention element.
4. Combination of return on capital measures, black economic empowerment (BEE) and compliance with South African transformation legislation.

The following table sets out the performance metrics, weightings and targets for awards that vested in 2019 and unvested allocations.

Performance measure	Description	Weightings for allocations made before 2017		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%

Performance measure	Description	Weightings for allocations made before 2017		Weightings for allocations made in 2017 onwards	
		General	Executives	General	Executives
Compliance to DTI and 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 ICASA.				8,33%
Black economic empowerment (BEE)[3]	Achievement of the BEE 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 in 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.

Share and STI awards are subject to **malus and clawback** provisions based on material failure or error that was caused by or ought reasonably to have been prevented by management and negatively impacted the company, gross negligence or fraudulent behaviour.

- **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.

Pay mix and potential remuneration

Executives are remunerated in line with short and long-term business objectives using an optimal mix of fixed pay, benefits, 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.

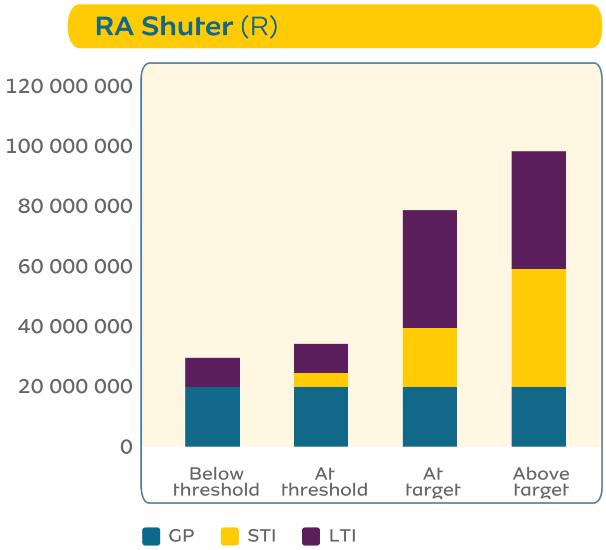
This pay mix varies with seniority, with an increasing element of variable pay at senior levels. The group president and CEO and exco members have the largest proportion of total annual package being subject to performance conditions. This is intended to create a significant degree of alignment with shareholder interests, with the aim of driving sustainable value creation over a longer-term period.

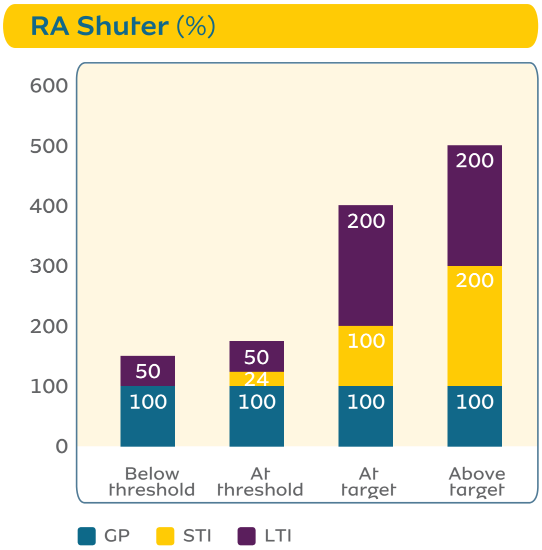
King IV™ recommends the disclosure of remuneration elements offered in the organisation and the mix of these. The following graphs illustrate the actual payments made to the group president and CEO and the group CFO for 2019. These values are expressed as a percentage of total cost of employment. No long-term share awards vested over the same period. There was a contracted lump sum payment due to the group CFO payable in October 2019.

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.

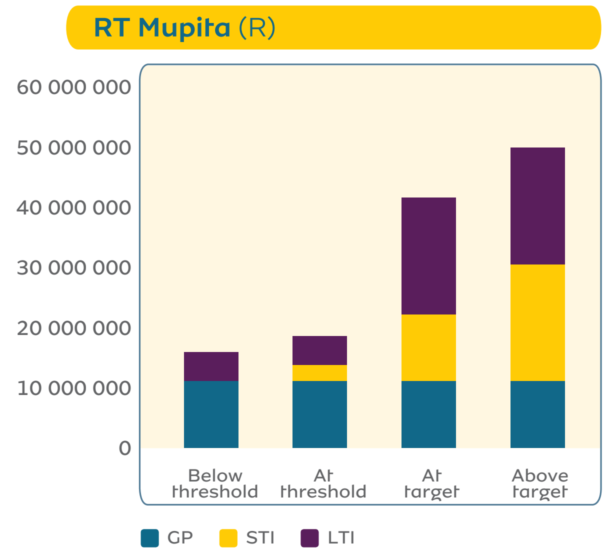
The following graphs illustrate the mix of minimum, on-target and potential maximum compensation for the group president and CEO and the group CFO aligned with the 2019 remuneration policy. All illustrations are expressed as a percentage of annual guaranteed package (GP) based on four performance scenarios being below threshold, at threshold, at target and above target.

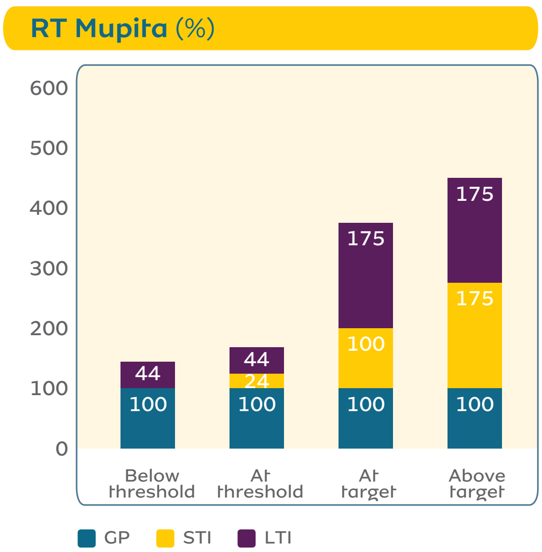
Group president and CEO pay mix





Group chief financial officer pay mix





Note: the 25% LTI minimum is the non-performance-based service element payable once the vesting period is completed
The 24% threshold is the minimum % on the assumption that all the team performance objectives, weighted accordingly, are met at the minimum 80% achievement. If any of the KPIs is below 80%, the calculated minimum bonus % reduces to below 24%. The 24% also assumes that the 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

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 implementation	Performance conditions	Last vesting date	Expiry date
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.

Purpose	Detail
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 the operations are also not eligible to participate as they participate in the PSP scheme. • Performance is measured using the group share price and the 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 the 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.

Remuneration report continued

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 the last working date.	Any board approved incentive, e.g. 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, e.g. 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	Formal and informal platform designed to drive recognition between employees and departments, both within and across MTN's operations.	Other benefits are typically excluded from the fixed package. Including 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.

Changes recommended in 2019

As approved by the board, MTN will continue to implement the following changes to share incentives in 2020:

Minimum shareholding requirement

Adopt this requirement in accordance with King IV™ Principle 14 on corporate governance. Group president and CEO must hold shares with a value equivalent to 250% of annual package, CFO must hold shares representing 175% of annual package and other group exco members must hold shares representing 150% of annual package at the end of a five-year period.

Malus and clawback

The implementation of malus provisions in relation to the short-term incentive scheme.

Our service contracts

Members of executive management are employed on standard employment contracts, except for the group president and CEO and group chief operating officer, who are both on limited-duration contracts. These employment agreements provide for a notice period of six months by either party or payment by the company *in lieu* of notice and 12 months restraint of trade. Executives are entitled to standard benefits and participation in the short and long-term incentive schemes, subject to the rules of these schemes.

Employees are required to retire at age 60 and where their service is terminated as no fault terminations (retirement, retrenchment, disability or death) or at the end of the limited-duration contract, any shares awarded will be pro-rated and will vest under normal vesting conditions according to the pre-set vesting dates (subject to company performance over that future period). In the case of resignations and terminations, these will be forfeited.

C Molapisi was appointed to the group exco from 1 April 2020. This was approved by the group remco in March 2020.

Group	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. The group board intends to conclude the succession process during 2020 to allow a seamless handover	6 months	12 months
RT Mupita: Group chief financial officer	Employed 3 April 2017 on a permanent employment 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. Extended to 31 March 2022	6 months	12 months
PD Norman: Group chief HR officer	Employed 1 April 1997 on a permanent employment contract	6 months	6 months
MD Fleischer: Group chief legal counsel	Employed 1 February 2014 on a permanent employment contract. Elected early retirement effective 31 July 2019	6 months	6 months
FL Sekha: Group chief regulatory and corporate affairs officer	Employed 10 October 2016 on a permanent employment contract	6 months	6 months
KO Toriola: Vice-president for WECA	Employed 1 November 2006 on a permanent employment contract	6 months	6 months
I Jaroudi: Vice-president for MENA	Employed 1 January 1992 on a permanent employment contract	6 months	6 months
ET Asante: Vice-president for SEAGHA	Employed 2 January 2008 on a permanent employment contract	6 months	6 months
FJ Moolman: CEO: MTN Nigeria	Employed 25 June 2014 on a permanent employment contract	6 months	6 months
GN Motsa: CEO: MTN South Africa	Employed 1 January 2017 on a permanent employment contract	6 months	6 months
L Modise: Group chief legal counsel	Employed 12 August 2019 on a permanent employment contract	6 months	6 months

External appointments

The group observes sound governance protocols in allowing external directorships to the executive directors and executives across its footprints as the group considers such participation a prudent approach to upskilling executives.

Non-executive directors' remuneration

Non-executive director appointments are made in terms of the company's memorandum of incorporation (MoI) and confirmed at the first AGM of shareholders after their appointment and then at three-year intervals. Fees reflect the directors' role and committee membership. A fee applies for any additional special meetings over and above board and committee meetings. In addition to the fees, a single annual retainer, reflective of the role and responsibilities being discharged by a non-executive director, forms part of annual earnings.

Non-executive directors do not participate in any of the company's short or long-term incentive plans, and they are not employees of the company. MTN provides them with communication devices such as a mobile phone to conduct their duties. The company reimburses them for out-of-pocket expenses, such as travel and accommodation costs, incurred in the execution of their responsibilities.

The committee reviews fees annually, requiring approval from shareholders at the AGM. Recommendations regarding non-executive director emoluments are informed by independent market data considering market practice with reference to the size of the company, time, commitment and responsibilities associated with the roles. As required by King IV™, in the last quarter of 2019, management commissioned DG Capital to benchmark the board, chairpersons and sub-committee fees against selected companies listed on the Johannesburg Stock Exchange (JSE).

The remuneration committee is satisfied that the fee structure for the non-executive directors remains appropriate. Non-executive director emoluments for 2019 are tabulated in Part 3 of this report.

Non-executive director 2020 increases awarded

The total fees which include the annual retainer and meeting attendance for the chairman of the main board were aligned with the comparator group median hence there was no special adjustment required except an where the current fees are below the market median.

Board 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 where below the market median.

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 comparator group. All South African rand-based fees and all non-rand-based fees were recommended to be increased only if below median.

Thus, the proposed fees structure for 2020 is as follows:

	2019			2020		
	Annual retainer fee	Meeting attendance fee	Total fees	Annual retainer fee	Meeting attendance fee	Total fees
MTN Group board						
Chairman	R3 000 000	R173 500	R3 694 000	R3 000 000	R173 500	R3 694 000
International chairman				€265 787	€15 371	€327 273
Member	R235 900	R58 950	R471 700	R235 900	R58 950	R471 700
International member	€78 863	€7 886	€110 407	€78 863	€7 886	€110 407
Lead independent director				R303 419	R113 724	R758 317
Special assignments or projects (per day)						
Local non-executive director		R25 100	R100 400		R25 100	R100 400
International non-executive director		€3 500	€14 000		€3 500	€14 000
Ad hoc work performed by non-executive directors for special projects (hourly rate)		R4 400	R17 600		R4 400	R17 600
Remuneration & human resources committee						
Local chairman	R93 829	R35 168	R234 501	R125 567	R47 064	R313 822
International chairman	€5 766	€3 680	€20 486	€11 415	€4 279	€28 529
Local member	R54 983	R25 804	R158 199	R54 983	R25 804	R158 199
International member	€3 379	€3 379	€16 895	€5 199	€2 924	€16 895
Social and ethics committee						
Chairman	R93 829	R35 168	R234 501	R93 829	R35 168	R234 501
International chairman				€8 405	€3 150	€21 007
Member	R54 983	R25 804	R158 199	R54 983	R25 804	R158 199
International member				€4 016	€1 885	€11 555
MTN Group Share Trust (Trustees)						
Chairman	R83 396	R31 276	R208 500	R83 396	R31 276	R208 500
International chairman				€7 581	€2 843	€18 955
Member	R36 666	R17 209	R105 502	R36 666	R17 209	R105 502
International member				€3 333	€1 564	€9 591
Sourcing committee						
Chairman	R83 396	R31 276	R208 500	R83 396	R31 276	R208 500
International chairman				€7 581	€2 843	€18 955
Member	R48 731	R22 867	R140 199	R48 731	R22 867	R140 199
International member				€4 430	€2 079	€12 745
Audit committee						
Chairman	R160 226	R49 427	R357 934	R172 453	R64 637	R431 000
International chairman				€15 678	€5 876	€39 182
Member	R75 903	R29 530	R194 023	R72 653	R34 097	R209 041
International member				€6 605	€3 100	€19 004
Risk management, compliance committee & corporate governance committee						
Chairman	R142 725	R53 764	R357 781	R142 725	R53 764	R357 781
International chairman				€12 360	€4 656	€30 984
Member	R67 119	R31 641	R193 683	R67 119	R31 641	R193 683
International member	€3 379	€3 379	€16 895	€5 199	€2 924	€16 895
Nominations committee						
Chairman				R80 000	R30 000	R200 000
International chairman				€7 273	€2 727	€18 182
Member				R40 629	R19 068	R116 900
International member				€3 694	€1 733	€10 627

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on Part 2 of this remuneration report.

Part 3
Implementation report

Prescribed officer remuneration

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. On average, executive management and general staff received a 5,5% increase budget.

Special payments

In lieu of extended notice and general restraint of trade

Previously, the company entered into agreements with executive management to align their current employment contracts with the company's extended notice and restraint of trade policies. Where gaps existed, this resulted in remco approving additional special payments in lieu. The following special payments were made in lieu of a six month extended notice period and a six month general restraint of trade.

Prescribed officer	Approved value in respect of notice and restraint	Percentage of benefit payable in 2019	Benefit amount paid in 2019
FJ Moolman[1]	US$179 106	25% paid in January 25% paid in July 2019	US$91 106
I Jaroudi[1]	US$522 315	25% paid in April 2019 25% paid in October 2019	US$263 745

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

Sign-on bonus

L Modise received a sign-on bonus as compensation for forfeiture of her shares from the 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 2019	Benefit amount paid in 2019
L Modise	R13 000 000	25% paid in August 2019	R3 250 000

Special cash-settled onboarding incentive

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 2019.

	Incentive grant price R	Incentive maturity date	Number of units granted^	Value of incentive at grant date R	Paid in 2019 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	42 051 426
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 paid was determined based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive was fully 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 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.

Short-term incentive outcomes for 2019

Company performance actual achievement for 2019

MTN Group Limited

Prescribed officer	Designation	Company performance^ (Group) Multiplier range %	Company performance^ (Group) Actual multiplier achieved %	Company performance^ (Subsidiaries) Multiplier range %	Company performance^ (Subsidiaries) Actual multiplier achieved %	Team performance* Multiplier range %	Team performance* Actual multiplier achieved %
RA Shuter	Group president and CEO	0 – 200	134,86			0 – 200	139,25
RT Mupita	Group chief financial officer	0 – 175	124,35			0 – 175	138,40
J Schulte-Bockum	Group chief operating officer	0 – 175	124,35			0 – 175	111,85
FJ Moolman	CEO – Tier 1 subsidiary	0 – 200	134,86	0 – 200	105,07	0 – 200	153,20
GN Motsa	CEO – Tier 1 subsidiary	0 – 200	134,86	0 – 200	125,98	0 – 200	96,13
PD Norman	Group chief human resources officer	0 – 200	134,86			0 – 200	147,95
L Modise	Group chief legal counsel	0 – 200	134,86			0 – 200	139,95
F Sekha	Group chief regulatory and corporate affairs officer	0 – 200	152,04			0 – 200	164,95
I Jaroudi	VP MENA	0 – 200	134,86	0 – 200	125,18	0 – 200	89,93
ET Asante	VP SEAGHA	0 – 200	134,86	0 – 200	139,62	0 – 200	93,92
KO Toriola	VP WECA	0 – 200	134,86	0 – 200	104,86	0 – 200	98,95

^Company performance bonus multiplier is a translation of the actual achieved company performance objectives against budgets.

* Team performance bonus multiplier is a translation of the actual achieved functional objectives against set targets.

Table of performance bonus paid in 2019

Prescribed officer details				Company performance bonus			Team performance bonus			
Prescribed officer	Bonus salary^ R000	At target %	At target bonus amount R000	Company performance weighting	Company performance multiplier %	Company performance bonus amount R000	Team performance weighting	Team performance multiplier %	Team performance bonus amount R000	Total bonus R000
RA Shuter	20 257	100	20 257	70	134,86	19 122	30	139,25	8 462	27 584
RT Mupita	10 449	100	10 449	70	124,35	9 095	30	138,4	4 338	13 434
J Schulte-Bockum	11 024	100	11 024	50	124,35	6 854	50	111,85	6 165	13 019
FJ Moolman	8 688	70	6 082	60	134,86	4 377	40	153,2	3 727	8 104
GN Motsa	8 353	70	5 847	60	134,86	4 575	40	96,13	2 248	6 823
PD Norman	6 921	70	4 844	50	134,86	3 266	50	147,95	3 584	6 850
L Modise	2 554	70	1 788	50	134,86	1 205	50	139,95	1 251	2 456
FL Sekha	4 843	70	3 390	50	134,86	2 286	50	164,95	2 796	5 082
I Jaroudi	10 060	70	7 042	60	134,86	5 494	40	89,93	2 533	8 027
ET Asante	10 554	70	7 388	60	134,86	6 083	40	93,92	2 775	8 858
KO Toriola	8 949	70	6 264	60	134,86	4 505	40	98,95	2 479	6 984

^ For comparison purposes, all foreign currency denominated salaries have been converted to ZAR common currency using forex rate as at remco approval date.

Long-term incentives – performance share plan (PSP)

Long-term incentives awarded during 2019

2019 PSP grant performance conditions

Incentive	Performance conditions and weighting	Detail of performance conditions	Vesting profile
PSP shares issued in 2019 and vesting in 2022	• 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 2019 are shown below.

Director	Number of awards	LTI as a % of annual fixed package
Group president and CEO: RA Shuter	457 100	200%
Group chief financial officer: RT Mupita	223 300	175%

Prescribed officer	Number of awards	LTI as a % of annual fixed package
Group chief operating officer: J Schulte-Bockum	216 400	175%
Group chief HR officer: PD Norman	100 900	125%
Group chief regulatory and corporate affairs: FL Sekha	70 600	125%
Vice-president for WECA: KO Toriola	120 800	125%
Vice-president for MENA: I Jaroudi	135 900	125%
Vice-president for SEAGHA: ET Asante	143 200	125%
CEO: MTN Nigeria: FJ Moolman	117 300	125%
CEO: MTN South Africa: GN Motsa	121 800	125%
CFO: MTN South Africa: S Perumal	56 200	100%
Group chief legal counsel: L Modise	93 500	125%

Long-term incentives vesting in 2019

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

					Award condition vesting %		Weighting		Number of shares vested	
	Performance indicator	Threshold performance	Target performance	Actual achievement	Executives	General staff	Executives	General staff	Executives	General staff
Sep – 2017 As applicable to Group president and CEO	Total shareholder return MSCI EM	Ranking #20	Ranking #11	Ranking #34	0%	–	25%	–	–	–
	Operating free cash flow	90% of target	110% of target	111%	100%	–	25%	–	53 400	–
	Return on average capital employed	90% of target	100% of target	110%	100%	–	8%	–	17 800	–
	Black Economic Empowerment	As per contract	As per contract	100%	100%	–	8%	–	17 800	–
	Compliance	As per contract	As per contract	100%	100%	–	8%	–	17 800	–
	Retention	Employment	Employment	–	100%	–	25%	–	53 400	–
Dec – 2016 As applicable to other employees	Total shareholder return JSE IND	Ranking #13	Ranking #7	Ranking #17	0%	0%	50%	37,5%	–	–
	Adjusted free cash flow+	6% growth	10% growth	-5.6% growth	0%	0%	50%	37,5%	–	–
	Retention	Employment	Employment	N/A	100%	100%	0%	25%	–	493 976
									160 200	493 976

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.

For the Group president and CEO (RA Shuter), there was a 75% performance achievement. Rob was the first recipient of the share awards under revised performance conditions introduced in December 2017 for all other employees. These changes were approved by the Remco.

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%
28/06/2016	28/12/2018	3 793 700	361 199	10%
28/12/2016	28/12/2019	5 619 800	493 976	9%
29/09/2017	29/12/2019	213 600	160 200	75%

Including the 2019 vesting of December 2016 grant (but excluding the September 2017 grant under new conditions), the average vesting of the previous eight grants is 12%. The total vested shares includes the service element which is not linked to company performance.

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 31/12/2019)	Number of shares outstanding (as at 31/12/2019)
ESOP 2010	01/12/2010	3 461				
ESOP 2016	01/12/2017	3 893	2 022 720	01/12/2022	3 612	1 816 320
	01/06/2018	361	203 965	01/06/2023	–	177 410
	28/12/2018	24	152 440	28/12/2023	–	139 256
	28/12/2018	185	13 560	28/12/2023	–	12 995
	03/06/2019	172	125 904	03/06/2024	–	118 584
	02/12/2019	188	151 716	02/12/2014	–	149 295
			2 670 305	–	3 612	2 413 860

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

For the 2016 ESOP, no shares had vested as at 31 December 2019.

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 2019 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# R000	Bonuses^ R000	Sub-total R000	LTI reflected† R000	Total single figure remuneration R000
Executive directors							
2019							
RA Shuter	17 305	1 822	1 118	27 584	47 829	10 405	58 234
RT Mupita	9 152	1 059	42 658	13 433	66 302		66 302
Total	26 457	2 881	43 776	41 017	114 131	10 405	124 536
2018							
RA Shuter	15 279	1 621	746	25 277	42 923	–	42 923
RA Mupita	8 243	955	559	12 782	22 539	–	22 539
Total	23 522	2 576	1 305	38 059	65 462	–	65 462

For the purposes of aligning with the recommendations of King IV™ Corporate Governance Single Figure of remuneration, the below notes refer.

* Retirement contributions paid during the year.

\# Includes medical aid, death and disability insurance, executive lifestyle benefits, applicable statutory company contributions and any other special payments made as detailed on page 87.

^ Performance based short-term incentive payments in respect of the applicable financial periods generally payable within three months after year-end.

† LTI reflected is the market value of the contractual share award made in September 2017 and vested in December 2019. The performance achievement of the vested award was approved by the remco on 9 March 2020.
The market value is calculated using MTN's closing share price at the date of approval by remco of R64,95 and is only reflected for the purposes of single figure of remuneration.
The actual settlement of the vested shares will be finalised in 2020. Refer to page 90 for details of applicable performance conditions achievement thereof.

Prescribed officers' emoluments and related payments

2019	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	LTI reflected R000	Total single figure remuneration R000
Prescribed officers							
ET Asante	9 039	723	4 400	8 858	23 020	–	23 020
MD Fleischer[1]	4 271	493	2 351	–	7 115	–	7 115
I Jaroudi	10 080	–	6 892@	8 027	24 999	–	24 999
L Modise[2]	2 240	246	3 318+	2 456	8 260	–	8 260
FJ Moolman	9 615	496	2 878@	8 104	21 093	–	21 093
GN Motsa	7 323	805	703	6 823	15 654	–	15 654
PD Norman	6 057	699	532	6 850	14 138	–	14 138
J Schulte-Bockum	9 398	986	497	13 019	23 900	–	23 900
FL Sekha	4 254	468	591	5 082	10 395	–	10 395
KO Toriola	8 151	815	3 160	6 984	19 110	–	19 110
Total	70 428	5 731	25 322	66 203	167 684	–	167 684

[1] Early retirement on 31 July 2019.
\+ Other benefits includes an amount paid in lieu of forfeited benefits from previous employer.
[2] Appointed on 12 August 2019.
\# Includes medical aid and unemployment insurance fund.
@ Compensation for loss of office comprises severance, restraint of trade and gratuity pay.

2018	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	LTI reflected R000	Total single figure remuneration R000
Prescribed officers							
ET Asante	9 956	703	5 225	8 145	24 029	–	24 029
MD Fleischer	7 011	818	384	7 070	15 283	–	15 283
I Jaroudi	10 215	–	5 285[@]	7 182	22 682	–	22 682
FJ Moolman	9 740	477	3 319[@]	7 696	21 232	23	21 255
GN Motsa	6 898	770	10 168[##]	5 654	23 490	–	23 490
PD 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
FL Sekha	4 008	447	122	4 421	8 998	–	8 998
KO 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 October 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.

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

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Settled[2]	Forfeited[1]	Settlement date	Exercise price R	Number outstanding as at 31 December 2019	Fair value share price on 31 December 2019	Value of settlements during 2019	Estimated closing fair value on 31 December 2019 R000
RA Shuter+											
29/09/2017	31/12/2019	213 600	–	–	–	–	–	213 600	R64,95	–	R10 405[3]
18/12/2017	18/12/2020	200 200	–	–	–	–	–	200 200	R89,12	–	R8 413[4]
28/12/2018	29/12/2021	436 600	–	–	–	–	–	436 600	R89,12	–	R22 053[5]
20/12/2019	20/12/2022	–	457 100	–	–	–	–	457 100	R89,12	–	R27 159[6]
Total		850 400	457 100	–	–	–	–	1 307 500			
RT Mupita											
18/12/2017	18/12/2020	118 300	–	–	–	–	–	118 300	R89,12	–	R4 972[4]
28/12/2018	29/12/2021	190 200	–	–	–	–	–	190 200	R89,12	–	R9 607[5]
20/12/2019	20/12/2022		223 300	–	–	–	–	223 300	R89,12	–	R13 268[6]
Total		308 500	223 300	–	–	–	–	531 800			
PD Norman											
29/06/2016	29/12/2018	46 100	–	–	(46 100)	–	–	–			
28/12/2016	28/12/2019	56 300	–	–	–	–	–	56 300[3]	–	–	–
18/12/2017	18/12/2020	57 700	–	–	–	–	–	57 700	R89,12	–	R2 132[4]
28/12/2018	29/12/2021	94 600	–	–	–	–	–	94 600	R89,12	–	R4 298[5]
20/12/2019	20/12/2022	–	100 900	–	–	–	–	100 900	R89,12	–	R9 951[6]
Total		254 700	100 900	–	(46 100)	–	–	309 500			
GN Motsa											
09/03/2017	28/12/2019	66 500	–	–	–	–	–	66 500[3]	R89,12	–	–
18/12/2017	18/12/2020	69 700	–	–	–	–	–	69 700	R89,12	–	R2 575[4]
28/12/2018	29/12/2021	114 100	–	–	–	–	–	114 100	R89,12	–	R5 184[5]
20/12/2019	20/12/2022	–	121 800	–	–	–	–	121 800	R89,12	–	R5 428[6]
Total		250 300	121 800	–	–	–	–	372 100			
J Schulte-Bockum											
18/12/2017	18/12/2020	125 500	–	–	–	–	–	125 500	R89,12	–	R5 274[4]
28/12/2018	29/12/2021	205 500	–	–	–	–	–	205 500	R89,12	–	R10 380[5]
20/12/2019	20/12/2022	–	216 400	–	–	–	–	216 400	R89,12	–	R12 858[6]
Total		331 000	216 400	–	–	–	–	547 400			

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)

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Settled[2]	Forfeited[1]	Settle-ment date	Exercise price R	Number outstanding as at 31 December 2019	Fair value share price on 31 December 2019	Value of settlements during 2019	Estimated closing fair value on 31 December 2019 R000
FL Sekha											
28/12/2016	28/12/2019	27 200	–	–	–	–	–	27 200[3]	–	–	–
18/12/2017	18/12/2020	40 400	–	–	–	–	–	40 400	R89,12	–	R1 493[4]
28/12/2018	29/12/2021	66 200	–	–	–	–	–	66 200	R89,12	–	R3 008[5]
20/12/2019	20/12/2022	–	70 600	–	–	–	–	70 600	R89,12	–	R3 146[6]
Total		133 800	70 600	–	–	–	–	204 400			
L Modise											
20/12/2019	20/12/2022	–	93 500	–	–	–	–	93 500	R89,12	–	R4 167[4]
Total		–	93 500	–	–	–	–	93 500			
MD Fleischer											
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)	–	–	–	R89,12	–	–
28/12/2018	29/12/2021	115 200	–	–	(115 200)	–	–	–	R89,12	–	–
Total		315 300	–	–	(315 300)	–	–	–			
FJ Moolman											
29/06/2016	29/12/2018	44 700	–	–	(44 700)	–	–	–	–	–	–
28/12/2016	28/12/2019	66 400	–	–	–	–	–	66 400[3]	–	–	–
18/12/2017	18/12/2020	66 100	–	–	–	–	–	66 100	R89,12	–	R5 130[5]
28/12/2018	29/12/2021	112 900	–	–	–	–	–	112 900	R89,12	–	R5 227[6]
20/12/2019	20/12/2022	–	117 300	–	–	–	–	117 300	R89,12	–	
Total		290 100	117 300	–	(44 700)	–	–	362 700			
SB Mtshali											
29/06/2016	29/12/2018	10 100	–	(2 525)	(7 575)	03/04/2019	77,26	–	–	–	–
28/12/2016	28/12/2019	12 800	–	–	(3 177)	–	–	9 623[3]	–	–	–
18/12/2017	18/12/2020	12 600	–	–	(7 214)	–	–	5 386	R89,12	–	R466[4]
Total		35 500	–	(2 525)	(17 966)	–	–	15 009			
PT Sishuba-Bonoyi											
20/12/2019	20/12/2022	–	36 800	–	–		–	36 800	R89,12	–	R1 640[4]
Total		–	36 800	–	–	–	–	36 800			

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)

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Settled[2]	Forfeited[1]	Settle-ment date	Exercise price R	Number outstanding as at 31 December 2019	Fair value share price on 31 December 2019	Value of settlements during 2019	Estimated closing fair value on 31 December 2019 R000
I Jaroudi											
29/06/2016	29/12/2018	60 000	–	–	(60 000)	–	–	–	–	–	–
28/12/2016	28/12/2019	89 000	–	–	–	–	–	89 000[3]	–	–	–
18/12/2017	18/12/2020	77 600	–	–	–	–	–	77 600	R89,12	–	R2 867[4]
28/12/2018	29/12/2021	133 700	–	–	–	–	–	133 700	R89,12	–	R6 075[5]
20/12/2019	20/12/2022	–	135 900	–	–	–	–	135 900	R89,12	–	R6 056[6]
Total		360 300	135 900	–	(60 000)	–	–	436 200			
ET Asante											
29/06/2016	29/12/2018	45 800	–	–	(45 800)	–	–	–	–	–	–
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900[3]	–	–	–
18/12/2017	18/12/2020	78 000	–	–	–	–	–	78 000	R89,12	–	R2 882[4]
28/12/2018	29/12/2021	137 500	–	–	–	–	–	137 500	R89,12	–	R6 248[5]
20/12/2019	20/12/2022	–	143 200	–	–	–	–	143 200	R89,12	–	R6 381[6]
Total		317 200	143 200	–	(45 800)	–	–	414 600			
S Ntsele[7]											
29/06/2016	29/12/2018	25 500	–	–	(25 500)	–	–	–	–	–	–
28/12/2016	28/12/2019	31 400	–	–	–	–	–	31 400[3]	–	–	–
18/12/2017	18/12/2020	30 700	–	–	–	–	–	30 700	R89,12	–	R1 134[4]
28/12/2018	29/12/2021	57 000	–	–	–	–	–	57 000	R89,12	–	R2 590[5]
Total		144 600	–	–	(25 500)	–	–	119 100			
KO Toriola											
29/06/2016	29/12/2018	54 700	–	–	(54 700)	–	–	–	–	–	–
28/12/2016	28/12/2019	55 900	–	–	–	–	–	55 900[3]	–	–	–
18/12/2017	18/12/2020	69 100	–	–	–	–	–	69 100	R89,12	–	R2 553[4]
28/12/2018	29/12/2021	114 000	–	–	–	–	–	114 000	R89,12	–	R5 180[5]
20/12/2019	20/12/2022	–	120 800					120 800	R89,12	–	R5 383[6]
Total		293 700	120 800	–	(54 700)	–	–	359 800			
S Perumal[8]											
20/12/2019	20/12/2022	–	56 200	–	–	–	–	56 200	R89,12	–	R2 504[4]
Total		–	56 200	–	–	–	–	56 200			

1 Refers to the units forfeited under the long term incentive scheme, Performance Share Plan (PSP) based on the achievement of the award performance conditions. This includes any units forfeited as a result of termination of employment before vesting dates.

2 This is the number of PSP units where performance conditions were achieved and equivalent units settled. Exercising generally occurs within three months from end of year under review. 2015 and 2016 PSP awards vested in December 2018 and 2019 respectively.

3 The fair value relates to the PSP units granted in September 2017 which vested in December 2019. Performance for this settlement was measured from January 2017 to December 2019. The share price of ZAR 64.95 quoted on the date of approval of the performance conditions has been used. For all other participants, vested PSP units were lapsed effective December 2019 subsequent to remco approval in March 2020.

4, 5, 6 The estimated 2019 year-end fair values have been disclosed on the basis of actuals, forecasts and budgets for the respective reporting periods. To calculate the fair value, a 30 day VWAP fixed closing share price of 2019 financial year has been applied without adjustment for other years. Actual details have not been published as they are commercially sensitive.

7 Ceased to be a director of a major subsidiary on 1 November 2019.

8 Appointed as a director of a major subsidiary on 1 November 2019.

Schedule of unvested/outstanding awards and cash flow on settlement

Award date	Incentive maturity date	Number outstanding at 31 December 2018	Accrued/ settled during 2019	Number outstanding at 31 December 2019	Settlement date during 2019	Settlement price during 2019	Value of settlements during 2019 R000	Estimated closing fair value on 31 December 2019 R000
RA Shuter								
Cash-settled incentive								
13/03/2017	12/03/2020	327 214		327 214		R89,12		R29 162[7]
		327 214		327 214				
RT Mupita								
Cash-settled incentive								
03/04/2017	28/10/2019	446 027	446 027	–	28/10/2019	R94,28	R42 051	–
		446 027		–				
J Schulte-Bockum								
Cash-settled incentive								
16/01/2017	15/01/2020	64 432		64 432		R89,12		R5 742[7]
		64 432		64 432				

7 This settlement was not a share previous award but a cash-settled onboarding incentive awarded at appointment date. Fair value is calculated only for 2019 period. There are no performance conditions for the award. The payment is reflected under the single figure of remuneration as full and final settlement of the incentive.

Non-executive directors' fees

	Date appointed	Retainer# R000	Atten-dance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
2019							
Non-executive directors							
M Jonas ***	01/06/2018	441	498	25	203	115	1 282
PF Nhleko+ ^^^ **	28/05/2013	3 480	1 110	35	599	115	5 339
PB Hanratty	01/08/2016	1 323	806	30	376	34	2 569
A Harper **	01/01/2010	1 343	868	21	376	231	2 839
KP Kalyan **	13/06/2006	437	695	35	203	–	1 370
S Kheradpir	08/07/2015	1 328	911	30	376	–	2 645
NP Mageza	01/01/2010	564	631	35	203	20	1 453
MLD Marole	01/01/2010	498	923	35	203	–	1 659
AT Mikati	18/07/2006	1 472	744	31	389	27	2 663
SP Miller	01/08/2016	1 347	892	26	376	–	2 641
KD Mokhele	01/07/2018	331	463	25	203	–	1 022
V Rague	01/07/2019	691	614	9	251	17	1 582
KC Ramon@	01/06/2014	441	553	35	203	40	1 272
HRH M Sanusi II	01/07/2019	681	590	9	251	9	1 540
NL Sowazi	01/08/2016	404	578	35	203	–	1 220
BS Tshabalala	01/06/2018	331	361	15	136	–	843
J van Rooyen **	18/07/2006	462	774	35	203	76	1 550
Total		15 574	12 011	466	4 754	684	33 489

*** Appointed as Chairman on 15 December 2019.
+ Received fees of R873 799 for services rendered on the International Advisory Board.
# Retainer and attendance fees include fees for board and committee representation and meetings.
@ Fees paid to AngloGold Ashanti Limited.
** Resigned on 15 December 2019.
^^^ Fees paid to Captrust Investments Proprietary Limited.

Non-binding advisory vote on the implementation report

This report is subject to a non-binding advisory vote by shareholders at the 21 May 2020 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
ARP	Asset realisation programme
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
CEX	Customer experience
CFO	Chief financial officer
Churn	Average number of disconnections in a period divided by average monthly customers during the period
CRM	Crisis risk management
CSI	Corporate social investment

COO	Chief operating officer
CP	Company performance
CVM	Customer value management
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
JCPOA	Joint Comprehensive Plan of Action
JSE	Johannesburg Stock Exchange

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
OTT	Over the top services
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

Definitions for non-financial data

KPI	Criteria
Group employee culture survey result: sustainable engagement percentage	The MTN Group employee culture survey is conducted annually across each of the MTN Group's operating countries (referred to as opcos), and within the MTN Group head office (management company referred to as manco). The survey reviews Sustainable Engagement across three major components: • **Engagement:** measuring the rational connection, emotional attachment and motivational aspect of Engagement • **Enablement:** measuring if employees have an appropriate level of support in their work environment to ensure they are capable of doing their jobs well • **Energy:** measuring employees' wellbeing to ensure people have capacity to perform at their best
Group whistle-blower hotline data: number of fraud incidents reported and reviewed	The anonymous tip-offs line is managed by a third party, who collects the tip-offs and reports to MTN. MTN is responsible for the investigation of the tip-off. The tip-off items received include fraudulent tip-offs and other administrative matters. An incident is regarded as received when the call is logged on the anonymous tip-offs line, evaluated by the contracted third party to eliminate dropped calls, prank calls and other non-events. Formal whistle-blowing reports are issued to MTN through the Deloitte Tip-offs Anonymous website.
Net promoter score percentage for MTN South Africa, MTN Nigeria, and other key markets	Net promoter score (NPS) measures customers' experience with a brand through a simple question: "On a scale of 0 to 10, how likely would you be to recommend MTN to a friend or family member?" Responses of nine or 10 are considered 'promoters' while responses of seven or eight are considered 'passives'. Any score of six or below is considered to be a 'detractor'. Each country's NPS is calculated by subtracting the percentage of 'detractors' from the percentage of 'promoters'. Combined scores of multiple operations are calculated by weighting responses according to subscriber base within each operation.
Group total tax contribution: ZAR	Tax-related payments made during the 1 January 2019 to 31 December 2019 period which relate to: 1. Taxes borne through the operation of the company, including: • Corporate income tax. • Product and indirect taxes such as: – Custom duties. – Excise duties. – Value added tax (borne). – Other indirect taxes (e.g. but not limited to, country-specific taxes on services). • People and payroll taxes such as: – Unemployment insurance fund levy. – Occupational injuries and diseases levy. – Skills development levy. – Pay-as-you-earn settlements. • Withholding taxes. • Property taxes. • Stamp duty. • Operating licence fees. • Other government-specific levies (e.g. but not limited to local government permits, motor vehicle permits, property and municipal levies, registration fees and other government levies). 2. Taxes collected on behalf, and paid over, to the tax authorities, including: • Product and indirect taxes such as: – Value added tax (net of VAT collected by, and VAT refunded to, MTN). • People and payroll taxes such as: – Pay-as-you-earn. – Other employee taxes. – Unemployment insurance fund levy. • Withholding taxes such as: – Dividends tax.

MTN Group Limited

Annual financial statements

for the year ended 31 December 2019

Contents

01 Statutory reports

1 Statement of directors' responsibility
2 Certificate by the company secretary
3 Report of the audit committee
10 Directors' report
14 Independent auditors' report to the shareholders of MTN Group Limited

02 Group financial statements

23 Group income statement
24 Group statement of comprehensive income
25 Group statement of financial position
26 Group statement of changes in equity
27 Group statement of cash flows
28 Index to the notes to the group financial statements
29 Notes to the group financial statements

03 Company financial statements

143 Company statement of comprehensive income
143 Company statement of financial position
144 Company statement of changes in equity
144 Company statement of cash flows
145 Notes to the company financial statements
157 Financial definitions

04 Annexure

160 Annexure 1 – Shareholders' information
161 Annexure 2 – Administration

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 acting group finance operations executive, BG Samwell, BCom (Hons), MCom, CA(SA) and were supervised by the group chief financial officer, RT Mupita, BSc.Eng (Hons), MBA, GMP.

These annual financial statements were authorised on 10 March 2020 by the board of directors.

Statement of directors' responsibility

for the year ended 31 December 2019

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 South African Institute of Chartered Accountants (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 as amended (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 taken 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 2020. 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. (PwC) and SizweNtsalubaGobodo Grant Thornton Inc. (SNG Grant Thornton), jointly audited the group and the company annual financial statements and their unqualified audit report is presented on pages 14 to 21.

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 160 were approved for issue by the board of directors on 10 March 2020 and are signed on its behalf by:

RA Shuter
Group president and chief executive officer (CEO)

Fairland

RT Mupita
Group chief financial officer (CFO)

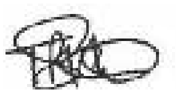
Fairland

* Copyright and trademarks are owned by the Institute of Directors South Africa NPC and all of its rights are reserved.

Certificate by the company secretary

for the year ended 31 December 2019

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 2019, 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.



PT Sishuba-Bonoyi
Group secretary

Fairland
10 March 2020

Report of the audit committee

for the year ended 31 December 2019

The MTN Group audit committee is pleased to present its report for the 2019 financial year.

The report has been prepared based on the requirements of the Companies Act, King IV, the JSE Listing Requirements and other applicable regulatory requirements.

TERMS OF REFERENCE

The audit committee assists the board in discharging its duties by independently 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.

FEEDBACK ON KEY FOCUS AREAS FOR THE YEAR UNDER REVIEW

Key focus areas	Developments in key focus areas
Consider the group's approach and responsiveness to manage the impact of regulatory, legal and other macro environmental developments on the control environment.	The group audit committee considered the activities of the group risk committee as far as monitoring of regulatory and legal risk and macro environmental matters are concerned. The chairman of the group risk committee is a member of the group audit committee and the chairman of the group audit committee is an invitee to the risk committee meetings where these matters are regularly discussed and monitored.
Strengthening and refining the three lines of defence model and ensuring appropriate planning, execution and reporting in terms of the combined assurance framework.	The group completed the process to split and separately define the function of internal audit and forensic services (IAFS) from that of risk management and compliance (R&C). The Combined Assurance model and related reporting content and format also received attention in order to highlight the different roles and responsibilities of the three lines of defence and the quality and basis of assurance arising from each one. This work will continue in 2020.
Evaluate the group's initiatives to further strengthen the effectiveness of its internal financial controls.	The group conducted various business process deep-dive initiatives to analyse people, systems and processes within the financial control environment. These insights have led to control environment improvement initiatives aimed at strengthening internal financial controls and reinforcing a culture of compliance. Targeted audit testing has been performed by the group's internal audit function to provide independent assurance on the operating effectiveness of those controls, especially where design changes were warranted. Management were assigned targeted key performance indicators (KPIs), which supported initiatives meant to drive efforts to strengthen and improve internal financial controls. Positive improvements continued to be observed in the year under review. The group's internal financial controls were assessed by the internal audit function in 2019 and received an effective rating.
Evaluate the implementation of the new accounting standard on leases (IFRS 16) and appropriate disclosure of its impact on the results of 2019.	The group adopted IFRS 16 *Leases* and the group audit committee considered the appropriateness of the disclosure of the impact of the new standard on the group's interim results and annual financial statements (refer to note 6.5).
Consider the group's approach to mandatory audit firm rotation.	The group is required to rotate one of its auditors, either PwC or SNG Grant Thornton, by 2024 in accordance with mandatory audit firm rotation regulations issued by the Independent Regulatory Board for Auditors (IRBA). In addition, MTN Nigeria Communications Plc (MTN Nigeria) was required to rotate auditors following the introduction of the Nigerian Code of Corporate Governance (NCCG) from the effective date of 15 January 2019. As a result of these regulations to strengthen the independence of the external audit function, and in recognition of this emerging best practice governance trend, the group audit committee concluded a comprehensive tender process and the board will be recommending Ernst and Young Inc. (EY) as the new joint group audit firm for approval by shareholders at the AGM in May 2020. The group will maintain its joint audit approach during the transition period, which will be determined by the audit committee following the assessment and monitoring of a detailed transition plan. Subsequent to shareholder approval in May 2020, EY will replace SNG Grant Thornton for the 2021 financial year as the joint group audit firm. The group will evaluate the continuation of a joint audit approach following the transition period.

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 for the period January to December 2019 are set out below. The number of meetings was necessitated by a range of matters that needed consideration.

Members	26 February 2019	21 May 2019	1 August 2019	19 August 2019	7 November 2019	26 November 2019
KC Ramon (Chairman)	√	√	√	√	√	√
NP Mageza	√	√	√	√	√	√
J van Rooyen (Resigned 15 December 2019)	√	√	√	√	√	√
P Hanratty	√	√	√	√	√	√
V Rague (Appointed as a director 1 July 2019)*			√	√	√	√

* Part of audit, remuneration and nomination committees from 1 August 2019

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. Two committee meetings relating to mandatory audit firm rotation were held which included screening of audit firms, evaluation and approval of the tender criteria and process as well as the evaluation of tender documents and audit firm presentations in concluding the final recommendation.

The group president and CEO, the group CFO, the group business risk officer, the executive: internal audit and forensics, 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.

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 6% of audit fees. Non-audit services provided by the group auditors during the year comprised assurance related (14%), advisory (55%), tax (29%) and other services (2%). 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. Other than for the approved services, no other benefits were provided to the auditors. Larger projects during 2019 included transfer pricing services rendered to MTN International (Mauritius) Limited.
- Determined the joint external auditors' terms of engagement and fees for 2019. 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.
- The group's joint external auditors are PwC and SNG Grant Thornton. PwC is a global auditing firm and SNG Grant Thornton is a local auditing firm. Both firms are level 1 BBBEE contributors.

EXTERNAL AUDITORS (continued)

- PwC and SNG Grant Thornton have been auditing the group for 26 years and 17 years, respectively. The joint group engagement partner representing PwC is Ms SN Madikane whose tenure commenced in 2018. Mr DH Manana from SNG Grant Thornton was appointed as the group engagement partner since the 2017 financial period.
- The committee assessed the respective audit firms as well as the related 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 IRBA and statements relating to independence as well as the representations made by the external auditors to the audit committee including those under ISQC 1 *International Standard on Quality Control 1*. The committee recommends the reappointment of the joint external auditors for the 2020 financial period at the annual general meeting.
- The audit committee assessed the impact of new regulatory requirements relating to audit-firm rotation as a measure to strengthen external audit independence. In recognition of this emerging best practice governance trend, the group audit committee concluded a comprehensive tender process and the board will recommend EY as the new joint group audit firm with PwC for approval by shareholders at the AGM in May 2020. The appointment will be with effect from the 2021 financial year which is in advance of the requirement for mandatory audit firm rotation in South Africa.

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 2019, and based on the information provided to it, the committee considered 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 as well as content from the JSE's annual proactive monitoring report.
- 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 judgements, estimates made and the accounting treatment of significant transactions.
- Reviewed the integrated report for consistency with operational and financial information known to the audit committee members as well as with these financial statements.

Significant matters that the audit committee has considered in relation to the annual financial statements were:

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.
Classification and measurement of the investment in a telecommunication infrastructure provider, IHS Holding Limited (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 R27 000 million is based on earnings multiples applied to estimated earnings (note 1.5.2 and note 7.2).	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 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.

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

Significant matter considered	Actions and conclusions
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 (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.
Recognition and Classification of the Mobile Money (MoMo) balances The MoMo balances and related regulations in the jurisdictions are evolving. The group has changed its accounting policy relating to the accounting treatment of balances placed in escrow at banks and the related liability to MoMo customers (note 1.5.8, 4.6 and 11.3).	The audit committee reviewed the appropriateness of the change in the group's accounting policy with respect to the recognition and classification of Mobile Money balances. The committee was satisfied that the change in accounting policy was in accordance with IFRS and that management applied and disclosed the revised accounting policy appropriately.
Recognition of the revenue earned from Cell C Cell C Limited (Cell C) and Mobile Telephone Networks Proprietary Limited (MTN SA) entered into a network roaming agreement in 2018. Following delayed payments by Cell C during the first half of 2019, MTN SA did not recognise all revenue accrued on satisfied performance obligations. Revenue was only recognised on completed services based on the non-refundable consideration received (note 1.5.9).	The audit committee reviewed the appropriateness of the accounting treatment and reviewed the payments received that were recognised as revenue and considered the impact of the amount not recognised as revenue. The audit committee was satisfied that the accounting treatment 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 (note 1.5.7, note 3 and note 6.6). Legal matters considered include a transfer pricing dispute, a complaint for violation of an anti-terrorism act in Afghanistan as well as 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, legal and regulatory matters. The committee was satisfied that the recognition, measurement and disclosure of uncertain tax, legal and regulatory matters by management was appropriate and that the claims relating to complaints in respect of the violation of an anti-terrorism act and the Turkcell matter were appropriately assessed by management to be remote.

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

Significant matter considered	Actions and conclusions
Significant transactions for 2019 included: • the sale of Amadeus IV Digital Prosperity LP, Amadeus TI LP (Amadeus) and TravelLab Global AB (Travelstart) (note 2.3); • the dilution of the group's interests in Jumia Technologies AG (Jumia) from 29,69% to 18,90% following the issue of shares by Jumia as part of the initial public offering which resulted in the discontinuation of equity accounting (note 2.3); • the classification of the group's 49% shareholdings in Uganda Tower InterCo B.V. (Uganda InterCo) and Ghana Tower InterCo B.V. (Ghana InterCo), from associates to non-current assets held for sale (note 9.2); • the reclassification of the group's 53,1% shareholding in Mascom Wireless Botswana (Pty) Ltd, from a non-current asset held for sale to a joint venture of the group (note 9.2); and • the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria (note 9.4).	The committee considered the accounting treatment and the disclosure of the transactions proposed by management. The committee was satisfied that these transactions were appropriately accounted for and disclosed by management.
Adoption of new accounting standards The group adopted IFRS 16 *Leases* (IFRS 16) retrospectively from 1 January 2019 but did not restate comparative numbers. The group made significant judgements and estimates in applying IFRS 16 relating to the determination of the lease term and the allocation of the consideration between lease and non-lease components (note 1.5.10 and note 6.5).	The committee evaluated and approved the transition approach and revised accounting policies following the adoption of the new standard. The committee further considered the judgements and estimates applied in determining the lease term and allocation of the consideration to lease vs non-lease components. The committee considered the disclosure provided by management in the annual financial statements on the adoption of IFRS 16. The committee was satisfied that management applied and disclosed the adoption of the new standard appropriately.

INTERNAL FINANCIAL CONTROLS

- Reviewed the assessment, prepared by internal audit, on the effectiveness of the group's risk management, governance and 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 13.
- Reviewed the report from the group's forensic services function on the result of forensic investigations conducted in the period under review and their financial impact as they pertain to financial reporting.
- Considered the reports from management on fraud and information technology risks as they pertain to financial reporting.
- Reviewed the reports of the external auditors detailing the findings 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 11 of the directors' report.

INTERNAL AUDIT

- Considered the effectiveness and independence of the internal audit function and monitored adherence to the annual internal audit plan.
- Reviewed the embedment of the third line of defence as a central reporting function.
- Appointed the executive internal audit and forensics, Motselisi Molapo, to oversee the Internal Audit and Forensics (IAFS) function across the group, as well as the successful delivery of the group's combined assurance plan for 2019.
- Considered the appropriateness of IAFS' KPIs for alignment to the mandate of an independent third line assurance function.
- Reviewed the performance of the executive internal audit and forensics and confirmed that she had the requisite skill, experience, human resources and budgetary support from the organisation in order to successfully execute on her mandate in the year under review. The group audit committee obtained appropriate evidence to satisfy themselves that the group's IAFS function fulfilled its mandate appropriately.
- Reviewed the reported results of internal audit work and forensic investigations in order to be satisfied that they appropriately supported the final annual assessment of governance, risk management and system of internal controls of the group.
- Reviewed the critical matters raised by the IAFS function, obtained and evaluated management's action plans to address those matters and assessed the adequacy of those actions to appropriately resolve those critical matters.
- Considered the effectiveness of the combined assurances provided by all the lines of assurance, through a review of management's representations and attestations, reports from the risk and compliance function and other similar second lines of assurance, together with an evaluation of the assurance of third lines, namely external and internal audit functions.

RISK MANAGEMENT

- Reviewed the performance of the group business risk and compliance officer to which the risk and compliance function reported to during the year, Riaan 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.
- Reviewed the group policies on risk assessment and risk management for financial reporting and the going concern assessment.
- Reviewed the matters related to financial reporting presented on the risk registers, its impact and likelihood of occurrence.

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 2019.
- 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.

Report of the audit committee (continued)

for the year ended 31 December 2019

KEY FOCUS AREAS FOR 2020

The committee has set the following key areas of focus for 2020:

- Evaluate progress and independent assessment of the implementation of the group's enterprise resource planning cloud process that is expected to improve the overall internal financial control environment.
- Monitor the process to manage the operational risks and strengthen compliance programmes across the group with specific focus on aspects such as fintech, data privacy and subscriber know your customer (KYC).
- Evaluate the rollout of enhanced policies, systems and processes on areas of focus across the group, including areas such as credit and treasury management.
- Monitor the rollout of projects to enhance technology controls across the group.
- Monitor progress and evaluate findings and action steps from deep-dive process reviews in areas such as procurement and supply chain management; consumer and sales and distribution environments.
- Review initiatives taken to further enhance the assurance and monitoring capabilities of the IAFS function in the context of the group's digital strategy and transformation journey.
- Ensure appropriate planning and transition processes are established for the rotation of audit firms, commencing in 2021, following the approval of the appointment of EY at the AGM on 21 May 2020.
- Enhance the oversights and evaluation of the external audit function by reviewing audit quality related indicators of the group's external auditors against benchmarks in the market.

KC Ramon
Audit committee chairman

10 March 2020

Directors' report

for the year ended 31 December 2019

NATURE OF BUSINESS

The company was incorporated in the Republic of South Africa on 23 November 1994 (company registration: 1994/009584/06) and 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 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 2019 of R10 692 million (2018: R9 578 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 2019.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 December 2019 amounted to R32 868 million (2018: R26 018 million) which comprise the following:

	2019 Rm	2018 Rm
Property, plant and equipment	22 504	23 601
Land and buildings	183	206
Leasehold improvements	120	135
Network infrastructure	9 993	12 377
Information systems, furniture and office equipment	1 357	1 225
Capital work in progress/other[1]	10 764	9 534
Vehicles	87	124
Intangible assets	3 777	2 417
Software	2 224	1 915
Capital work in progress	1 553	502
Leased assets	6 587	–
Right-of-use assets[2]	6 587	–
	32 868	26 018

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

[2] Right-of-use assets are recognised as part of IFRS 16 which has been applied retrospectively with no prior year restatements.

Licences and spectrum acquired during the year:

	2019 Rm	2018 Rm
MTN Yemen Limited (MTN Yemen)	–	323
Spacetel Benin S.A (MTN Benin)	51	1 370
MTN Zambia Limited (MTN Zambia)	31	26
Scancom PLC (MTN Ghana)	104	285
MTN Nigeria	249	–
Other	2	92
	437	2 096

MTN Uganda Limited (MTN Uganda) licence renewal

Following the expiration of its 20-year licence on 21 October 2018, MTN Uganda has been engaged in renewal negotiations with the Uganda Communications Commission (UCC). Interim extensions of the licence to operate have been granted several times during 2019, with the current extension due to expire on 30 June 2020. The expired licence entitled MTN Uganda to an extension of 10 years, or five years with an option to extend for another five years thereafter. During December 2019, the UCC communicated to all telecom operators that all existing licences would continue to be in force until 30 June 2020, at which time a new framework will take effect. MTN Uganda expressed to the UCC its interest to apply for a National Telecommunications Operator Licence under the new framework. Negotiations regarding the quantum of the licence fee are still ongoing.

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 annual financial statements.

LITIGATION

AG assessment of foreign tax compliance

On 8 January 2020 the Attorney General of the Federation of Nigeria (AGF) had withdrawn his tax demand for approximately US$2 billion from MTN Nigeria and referred the matter to the Federal Inland Revenue Service (FIRS) and Nigeria Customs Service (NCS) for review. MTN Nigeria consequently withdrew its legal action against the AGF with leave of the Court, bringing the suit to an end. With no current claims by the FIRS or NCS in respect of the period in question in the AGF matter; the FIRS having issued MTN Nigeria with a current and valid tax clearance certificate as well as previous awards on tax compliance, and with the NCS' clearance, MTN Nigeria continues to maintain that its tax matters are up to date and no additional payment is due from it. Consequently no provision or contingent liability has been necessary nor raised in the accounts of MTN Nigeria.

LITIGATION (continued)

MTN Afghanistan Limited (MTN Afghanistan) Anti-Terrorism complaint

On 27 December 2019 a complaint for violation of the anti-terrorism act was filed in the United States District Court for the District of Columbia (the Complaint). The Complaint was filed on behalf of American service members and civilians, and their families, who were killed or wounded in Afghanistan between 2009 and 2017. The Complaint alleges that several Western businesses supported the Taliban by, inter alia, making payments to ensure the protection of their infrastructure. The defendants named in the Complaint are six different groups one of which is MTN and certain of its subsidiary companies including MTN Afghanistan.

MTN is reviewing the details of the Complaint and is consulting its advisers but remains of the view that it conducts its business in a responsible and compliant manner in all its territories and so intends to defend its position where necessary. No provision or contingent liability has been raised.

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 Irancell Telecommunication Company Services (PJSC) (Irancell) 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.

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 2020. On the basis of this review, 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, 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 355 cents per share for the period to 31 December 2019 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 7 023 616 treasury shares held by Mobile Telephone Networks Holdings Limited (MTN Holdings), the 2 403 018 shares held by the 2016 MTN ESOP trust and 76 835 378 shares held by MTN Zakhele Futhi (RF) Limited (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 284 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 71 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, 31 March 2020
First trading day ex dividend on the JSE	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

No share certificates may be dematerialised or rematerialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive. On Monday, 6 April 2020, 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, 6 April 2020 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, 6 April 2020.

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 195 cents per share (2018: 175 cents per share) amounting to R3 513 million (2018: R3 150 million) in respect of the half-year period ended 30 June 2019 was declared on 8 August 2019 and paid to shareholders on 2 September 2019.

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.

DISTRIBUTION TO SHAREHOLDERS (continued)

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

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 (2018: R188 427) comprising 1 884 269 758 (2018: 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 annual general meeting (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 23 May 2019, 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, 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.

RETIREMENT BY ROTATION OF DIRECTORS

In accordance with the company's MOI, Lamido Sanusi and Vincent Rague 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, Azmi Mikati who has served on the board for an aggregate period in excess of nine years, will retire at the forthcoming AGM and is eligible and offers himself for re-election following an evaluation by the nominations committee.

Peter Mageza and Dawn Marole will retire and cease to be directors effective 30 April 2020.

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

Lamido Sanusi and Vincent Rague were appointed as independent non-executive directors with effect from 1 July 2019.

Phuthuma Nhleko (chairman), Jeff van Rooyen, Alan Harper, Koosum Kalyan resigned from being independent non-executive directors on 15 December 2019.

Mcebisi Jonas was appointed as chairperson of the board from 15 December 2019.

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, 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-Bonoyi was appointed as Company Secretary of MTN Group and its subsidiaries, with effect from 1 April 2019.

DIRECTORS AND PRESCRIBED OFFICERS' INTERESTS, SHAREHOLDINGS AND DEALINGS

Details of the interests 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

Disposal of Amadeus

During the current period the group disposed of its investment subsidiaries Amadeus IV Digital Prosperity LP and Amadeus TI LP (Amadeus). The companies held various unlisted equity investments and a 43,67% interest in the joint venture Travelstart. The disposal of the investments was concluded on 26 June 2019 for disposal consideration of R1 237 million.

CHANGES IN SHAREHOLDING (continued)

Redemption of MTN Nigeria preference shares

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria. The proceeds received from the redemption amounts to US$314 million for the group's 78,59% interest in MTN Nigeria's preference shares. MTN Nigeria redeemed the preference shares on 30 December 2019. The group has recognised a cash outflow of R1,2 billion representing the rand equivalent of the minority interest share of the preference shares of US$85.5 million.

Jumia change in shareholding and subsequent measurement

Africa Internet Holding GmbH (AIH) changed its name to Jumia in January 2019. At 31 December 2018, the group equity accounted the investment held in Jumia. On 12 April 2019, Jumia listed on the New York Stock Exchange and issued shares as part of the initial public offering (IPO) diluting MTN's interest from 29,69% to 18,90%. The shareholder agreement that gave the group the right to appoint a director and joint control over Jumia was terminated on listing. The group applied judgement in concluding that it did not have significant influence subsequent to the listing and consequently discontinued equity accounting on the date of listing and recognised the retained interest at its fair value.

EVENTS AFTER THE REPORTING PERIOD

On 31 December 2019 the group concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC). The Uganda Interco transactions closed in February 2020 for cash proceeds of US$140 million (R2,2 billion) and realised a profit of approximately R1,2 billion. The group awaits the finalisation of regulatory approvals relating to the Ghana InterCo transaction.

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

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, 21 May 2020. Refer to the notice of the 25th 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 SNG Grant Thornton 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.

Following the introduction of mandatory audit firm rotation, the board will be recommending EY as the new joint audit firm for approval at the AGM on 21 May 2020. Subsequent to shareholder approval, EY will replace SNG Grant Thornton for the 2021 financial year as the joint group audit firm.

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 2019, 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 (IFRS) 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 23 to 159 comprise:

- The group and company statements of financial position as at 31 December 2019;
- The group income statement for the year then ended;
- The group and company statements of comprehensive income for the year then ended;
- The group and company statements of changes in equity for the year then ended;
- The group and company statements of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

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 sections 290 and 291 of the Independent Regulatory Board for Auditor's *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditor's *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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 with regard to the audit of the separate financial statements of the Company for the current period to communicate in our report.

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

Key audit matter	How our audit addressed the key audit matter

First-time adoption of IFRS 16 Leases (IFRS 16)
 	
The first-time adoption of IFRS 16 resulted in the recognition of right-of-use assets of R45,6 billion, and lease liabilities of R45,3 billion at 1 January 2019 (the opening balance impact).
 	
In determining the opening balance impact, management applied judgement to conclude on certain key inputs into the calculations, namely:
– determining the lease term where there are multiple renewal options; and
– determining non-lease components included in the total lease payments where these are not clearly identified in the lease contract.
 	
The above judgements were more prevalent in relation to the Group's network infrastructure. A number of these lease contracts include renewal options for an unlimited number of renewal periods and did not specify non-lease components.
 	
We considered the first-time adoption of IFRS 16 to be a matter of most significance to the current year's audit due to the significance of the impact of the judgement applied by management and the material impact on the consolidated financial statements.
 	
Refer to the following notes to the consolidated financial statements:
• Note 1.5.10: Critical accounting judgements, estimates and assumptions – Leases; Significant judgement – Renewal and termination options; Significant judgement – Lease and non-lease components;
• Note 6.5: Leases; and
• Note 11.1: Changes in accounting policies – IFRS 16.
	Making use of our internal IFRS expertise, we assessed the appropriateness of the judgement applied by management in determining the lease term where there are multiple renewal options and in determining non-lease components included in the total lease payment.
	
	In assessing the appropriateness of the judgements applied to the lease term, we considered factors such as the Group's business planning cycle, past history of terminating or not renewing a lease, how far into the future the renewal option is exercisable and the likelihood of that option being exercised. Based on the work that we performed, we accepted the lease terms determined by the Group.
	
	We obtained management's calculation for allocating lease payments between lease and non-lease components and assessed the appropriateness of the assumptions applied in this allocation with reference to factors such as the relative standalone selling prices. Based on our work performed, we accepted management's assumptions in this regard.
	
	We further performed the following procedures on a sample basis:
	– tested the mathematical accuracy of the in-country lease computations;
	– evaluated the appropriateness of the incremental borrowing rate with reference to borrowing rates prevalent in-country;
	– agreed lease payments to the underlying lease contracts after taking into account any allocation between lease and non-lease components as detailed above; and
	– tested the completeness of the computations by:
	  – comparing lease commitments as at 31 December 2018 to the lease payments reflected in the IFRS 16 lease calculations;
	  – obtaining counterparty confirmations for tower sites arrangements;
	  – inspecting minutes of board meetings to identify new lease agreements; and
	  – assessing the residual lease expenses not included in the measurement of the lease liability, for example, lease payments in relation to low value assets and short-term leases.
	
	In performing these procedures, we did not note material differences.

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

Key audit matter	How our audit addressed the key audit matter
Recognition of Mobile Money (MoMo) deposits and payables Since the introduction of MTN Mobile Money (MoMo) across the group there has been a steady growth in the group's MoMo revenue stream and the MoMo deposits housed on MTN's MoMo platforms. The recognition of MoMo deposits as a current asset on the group statement of financial position is dependent on an assessment of risks and rewards associated with the MoMo deposits. Management applied judgement and considered a number of factors in performing this assessment, with credit risk considered a key indicator. The MoMo legal and regulatory environments in most markets where the Group operates are uncertain and continue to evolve. As a result, this assessment has become increasingly complex and dependent on legal interpretations that are largely untested. The Group has, however, noticed in its larger MoMo markets that, as the MoMo products mature and regulatory and legal positions are codified, the underlying exposure to its MoMo customers is clarified ultimately resulting in MoMo balances being recorded on the statement of financial position. The Group therefore applied judgement in reaching its conclusion to change its accounting policy and recognise all MoMo deposits as a financial asset with a corresponding financial liability representing the obligation to deliver cash to MoMo customers. We considered the recognition of MoMo deposits to be a matter of most significance to the current year's audit due to the significant judgement applied by management in concluding on the current accounting treatment of the MoMo balances and in applying this treatment retrospectively as a change in accounting policy. Refer to the following notes to the consolidated financial statements: • Note 1.5.8: Critical accounting judgements, estimates and assumptions – Accounting for MoMo deposits and payables; Significant judgement; • Note 4.5: Trade and other payables; • Note 4.6: MoMo deposits and payables; and • Note 11.3: Changes in accounting policies – MoMo deposits and payables.	*Assessment of risks and rewards associated with MoMo deposits* Making use of our IFRS expertise, we considered whether the criteria initially applied by management in recognising Mobile Money customer deposits as a current asset and corresponding current liability on the group statement of financial position were in accordance with the principles of IFRS. We assessed the reasonability of the in-country facts and circumstances which informed local and group management's conclusions regarding whether or not the Group bears the ultimate credit risk in the event of insolvency or default by the respective banks in whose accounts MTN has placed their MoMo customers' deposits. For this purpose, we requested component auditors to perform certain procedures on these in-country facts and circumstances, such as evaluation of relevant legislation and regulations, and inspection of contracts and other documentation. In instances where management sought external legal opinion where there was uncertainty in the interpretation of the respective local regulations, we obtained and inspected the legal opinions in order to evaluate management's considerations. *Assessment of change in accounting policy* Utilising our IFRS expertise, we assessed the reasonability of management's judgement applied in reaching their conclusion to recognise all the MoMo customer deposits as a current asset and a corresponding liability, as well as in applying this treatment as a change in accounting policy. In addition, we requested component audit teams to confirm the balances disclosed as Mobile deposits and MoMo payables in the consolidated financial statements and noted no material differences. Based on the audit work we performed, and our understanding of the regulatory and legal positions and the uncertainties involved in the respective jurisdictions in which the Group operates, we accepted management's change in accounting policy.

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

Key audit matter	How our audit addressed the key audit matter
Measurement of the equity investment in IHS Group (IHS) The confidentiality restrictions written into the shareholders' agreement with IHS Group do not allow for the Group to be granted access to the IHS Group business plans or actual 2019 financial information. For the purposes of deriving the fair value of the equity investment, 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. At 31 December 2019, the fair value of the equity investment held in IHS was calculated using an industry earnings multiple technique based on unobservable market inputs which were applied to management's estimated earnings, less estimated net debt and by also applying a liquidity discount. We considered the measurement of the equity investment in IHS to be a matter of most significance to the current year's audit due to the significant judgements and estimates made by management, the complexity in respect of the valuation of the investment, and the magnitude of the fair value movement recorded through other comprehensive income for the year. Refer to the following notes to the consolidated financial statements: • Note 1.5.2: Critical accounting judgements, estimates and assumptions – IHS Group fair value through other comprehensive income; Source of estimation uncertainty – investment measurement; • 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 differences. Utilising our valuation expertise, 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 did not note inconsistencies. We assessed the reasonability of management's estimates of earnings and the estimated net debt by inspecting information published by a publicly listed investor in IHS and performing look-back procedures, comparing management's estimates to the published actual results of a publicly listed investor. Based on the work that we performed, we accepted management's estimates. We utilised our valuations expertise to assess the reasonability of the earnings multiples used by management. In doing so, we compared these to earnings multiples and the liquidity discount of comparable entities in the same industry, taking into account recent market transactions. We did not note any aspect requiring further consideration. We performed stress testing and sensitivity analyses on the inputs used by management in their valuation model to evaluate the minimum changes in the earnings multiple range, estimates of earnings and liquidity discount that would result in a material change to the fair value calculation for both disclosure and measurement purposes

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

Key audit matter	How our audit addressed the 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 conflict, worsening economic conditions, hyperinflation and various sanctions. There is a potential 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 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 2019 related to its operations in Guinea-Bissau, Liberia and Yemen. Such indicators prevailed at year end in respect of Liberia and Guinea-Bissau. We considered the goodwill impairment assessment to be a matter of most significance to the current year audit due to the significant judgement and assumptions made by management in performing the impairment assessments, and in estimating discount rates, terminal growth rates and cash flow forecasts specifically for conflict markets where reliable economic data is not available. Refer to 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.	We tested the mathematical accuracy of the valuation models used by management and found no material differences. We also assessed the appropriateness of the valuation model applied by management, with reference to market practice and the requirements of International Accounting Standard (IAS) 36 *Impairment of Assets*. We assessed the impact of the implementation of IFRS 16 *Leases* on the valuation models used by management and noted that management's recoverable amounts calculated through application of the "fair value less costs to disposal" model fell within a reasonable range of our independent calculations. 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, and noted no material differences. We also agreed revenue and EBITDA used to calculate cash flow forecasts to approved budgets and noted no material differences. We enquired from management regarding the adjustments made to the in-country approved budgets by the Group and evaluated management's explanations in order to assess the reasonability of these adjustments. We utilised our valuations expertise to independently source data such as the terminal growth rates, cost of debt, risk free rates in the applicable market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies. We independently calculated a discount rate for each cash generating unit using our independently sourced data. We applied these independently sourced and calculated inputs to management's forecasts and compared management's recoverable amount of each cash-generating unit to the results of our calculations. No material differences were noted. 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 cash generating units considered sensitive to a change in assumptions for disclosure purposes.

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, assessments and sanctions by tax and regulatory authorities in developing markets, the Group recognised a significant amount of tax and/or regulatory provisions, liabilities and contingencies at the reporting date. Management applies judgement to estimate: – the potential exposure where the interpretation of the applicable tax laws and regulations could be subjective; and – the likelihood that a pending claim will succeed, or a liability will arise, and the quantification of the ranges of potential financial settlement. We considered the accounting treatment for uncertain tax exposures, regulatory and pending litigation exposures in the various markets that the Group operates in 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. Refer to the following notes to the consolidated financial statements: • Note 1.5.4: Critical accounting judgements, estimates and assumptions – Income taxes; Source of estimation uncertainty; • Note 3.3: Income tax paid; • Note 4.5: Trade and other payables; • Note 6.3: Provisions; and • Note 6.6: Contingent liabilities.	*Uncertain tax exposures* We utilised our tax expertise to evaluate management's assessment of the probability of tax exposures relating to income tax (including transfer pricing and controlled foreign company legislation), withholding tax, VAT and other taxes. We held discussions with Group management, as well as their in-country internal tax experts, regarding the significant exposures in order to evaluate the reasonableness of management's conclusions. In-country management's tax assessment reports were also considered to independently assess the conclusions reached by management. Where exposures were deemed to be probable, through inspection of the underlying accounting records, we tested whether management had appropriately recognised these tax exposures. No material differences were noted. We further inspected correspondence received by management from the tax authorities and the Group's external tax advisers to evaluate the adequacy of the exposures accounted for and disclosures made, and to evaluate the consistency of the responses received. *Legal and regulatory exposures* We evaluated management's assessment of regulatory exposures relating to applicable legislation, related regulations and the requirements prevalent in each of the jurisdictions in which the Group operates. We held discussions with the Group's internal and external legal and regulatory experts and management to discuss the significant exposures and to evaluate the reasonableness of management's conclusions. We considered the in-country management's assessments at a Group level through evaluation of reports provided and assessments performed by internal compliance and legal counsel at a Group level. In order to consider management's assessment against the requirements of IFRS, we inspected correspondence received by management from the respective regulatory authorities and external legal counsel (where applicable), to evaluate the adequacy of exposures accounted for and disclosures made.

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 document titled "MTN Group Limited Annual financial statements for the year ended 31 December 2019", 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 documents titled "MTN Group Limited integrated report for the year ended 31 December 2019", "MTN Group Limited governance report 2019", "MTN Group Limited tax report for the year ended 31 December 2019", "MTN Group Limited social and ethics 2019", "MTN Group Limited King IV assessment report for the year ended 31 December 2019" and "MTN Group Limited sustainability report for the year ended 31 December 2019", which are expected to be made available to us after that date. The other information does not include the consolidated or the 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.
- 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.

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

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

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 26 years and 17 years, respectively.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor

Johannesburg
10 March 2020

SizweNtsalubaGobodo Grant Thornton Inc.

SizweNtsalubaGobodo Grant Thornton Inc.
Director: DH Manana
Registered Auditor

Johannesburg
10 March 2020

Group financial statements

Group income statement

for the year ended 31 December 2019

	Note	2019 Rm	2018 Rm
Revenue	2.1; 2.2	**151 460**	134 560
Other income	2.3	**1 373**	3 186
Direct network and technology operating costs		**(22 121)**	(25 370)
Costs of handsets and other accessories		**(11 929)**	(11 638)
Interconnect and roaming costs		**(9 897)**	(10 731)
Staff costs	2.4	**(10 597)**	(9 510)
Selling, distribution and marketing expenses		**(18 574)**	(16 798)
Government and regulatory costs		**(5 695)**	(4 889)
Impairment and write-down of trade receivables and contract assets	2.4	**(729)**	(810)
CBN resolution	2.4	**–**	(744)
Other operating expenses		**(9 199)**	(9 010)
Depreciation of property, plant and equipment	5.1	**(21 492)**	(19 709)
Depreciation of right-of-use assets	6.5.4	**(5 828)**	–
Amortisation of intangible assets	5.2	**(5 138)**	(4 649)
Impairment of goodwill and investments in joint ventures	5.2; 9.2	**(342)**	(312)
Operating profit	2.4	**31 292**	23 576
Finance income	2.5	**1 873**	1 992
Finance costs	2.5	**(17 057)**	(10 323)
Net monetary gain		**787**	290
Share of results of associates and joint ventures after tax	9.2	**705**	(527)
Profit before tax		**17 600**	15 008
Income tax expense	3.1	**(6 908)**	(5 430)
Profit after tax		**10 692**	9 578
Attributable to:			
Equity holders of the company		**8 963**	8 719
Non-controlling interests		**1 729**	859
		10 692	9 578
Basic earnings per share (cents)	2.6	**499**	485
Diluted earnings per share (cents)	2.6	**491**	478

Group statement of comprehensive income

for the year ended 31 December 2019

	2019 Rm	2018 Rm
Profit after tax	10 692	9 578
Other comprehensive income after tax:		
Items that may be and/or have been reclassified to profit or loss:	(3 725)	(611)
Net investment hedges	515	(2 517)
Foreign exchange movement on hedging instruments	715	(3 497)
Deferred and current tax	(200)	980
Exchange differences on translating foreign operations including the effect of hyperinflation[1]	(4 240)	1 906
(Losses)/gains arising during the year	(4 415)	1 943
Reclassification of foreign currency translation differences on loss of control and joint control[1]	175	(37)
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income[1,2]	2 759	(8 030)
Gains/(losses) arising during the year	2 759	(8 030)
Other comprehensive income for the year	(966)	(8 641)
Attributable to:		
Equity holders of the company	(741)	(8 847)
Non-controlling interests	(225)	206
Total comprehensive income for the year	9 726	937
Attributable to:		
Equity holders of the company	8 222	(128)
Non-controlling interests	1 504	1 065
	9 726	937

[1] This component of other comprehensive income (OCI) does not attract any tax.
[2] Equity investments at fair value through other comprehensive income mainly relates to the group's investment in IHS Group and Jumia (note 7.2).

Group statement of financial position

at 31 December 2019

	Note	2019 Rm	31 December 2018 Restated[1] Rm	1 January 2018 Restated[1] Rm
ASSETS				
Non-current assets		226 029	183 810	183 120
Property, plant and equipment	5.1	98 312	100 581	91 786
Intangible assets and goodwill	5.2	36 866	40 331	38 330
Right-of-use assets	6.5	44 984	–	–
Investments	7.2	28 555	24 025	27 686
Investment in associates and joint ventures	9.2	8 764	11 884	19 573
Loans and other non-current receivables	7.3	1 179	1 516	2 901
Capitalised contract costs	2.2	1 192	998	708
Contract assets	2.2	1 107	773	546
Deferred tax assets	3.2	5 070	3 702	1 590
Current assets		75 444	70 266	69 714
Inventories	4.1	1 717	2 995	3 000
Trade and other receivables	4.2	24 495	26 669	28 502
Contract assets	2.2	2 761	2 698	2 425
Taxation assets	3.3	2 909	2 974	2 632
Current investments	7.4	4 391	4 455	5 552
Derivative assets	7.5	75	265	205
Restricted cash	4.3	2 042	2 153	1 719
Mobile Money deposits	4.6	15 315	12 835	9 670
Cash and cash equivalents	4.4	21 739	15 222	16 009
Non-current assets held for sale	9.2	838	2 759	–
Total assets		302 311	256 835	252 834
EQUITY				
Ordinary share capital and share premium	8.1	36 929	36 929	36 786
Retained earnings		55 578	56 300	58 024
Other reserves	8.2	(8 610)	(8 430)	(1 006)
Attributable to equity holders of the company		83 897	84 799	93 804
Non-controlling interests	9.5	2 203	3 427	1 532
Total equity		86 100	88 226	95 336
LIABILITIES				
Non-current liabilities		132 372	83 811	83 405
Borrowings	6.1	78 457	72 563	70 567
Lease liabilities	6.5	42 271	–	–
Deferred tax liabilities	3.2	10 403	9 497	7 926
Other non-current liabilities	6.2	865	1 316	4 503
Provisions	6.3	376	435	409
Current liabilities		83 839	84 798	74 093
Trade and other payables	4.5	36 630	47 747	45 199
Mobile Money payables	4.6	15 315	12 835	9 670
Contract liabilities	2.2	6 211	5 862	5 606
Provisions	6.3	2 364	2 237	1 560
Taxation liabilities	3.3	3 419	3 471	2 787
Borrowings	6.1	15 691	12 183	9 081
Lease liabilities	6.5	4 056	–	–
Derivative liabilities	7.5	21	208	118
Bank overdrafts	4.4	132	255	72
Total liabilities		216 211	168 609	157 498
Total equity and liabilities		302 311	256 835	252 834

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

Group statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital Rm	Share premium Rm	Retained earnings Rm	Other reserves Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
		Attributable to equity holders of the company						
Opening 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 after tax		–	–	–	(8 847)	(8 847)	206	(8 641)
Opening reserve adjustment for impact of hyperinflation		–	–	531	–	531	94	625
Transactions with owners of the company:								
Transactions with non-controlling interests	9.4	–	–	–	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	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 1 January 2019		*****	**36 929**	**56 300**	**(8 430)**	**84 799**	**3 427**	**88 226**
Total comprehensive income		**–**	**–**	**8 963**	**(741)**	**8 222**	**1 504**	**9 726**
Profit after tax		**–**	**–**	**8 963**	**–**	**8 963**	**1 729**	**10 692**
Other comprehensive income after tax		**–**	**–**	**–**	**(741)**	**(741)**	**(225)**	**(966)**
Transactions with owners of the company:								
Redemption of MTN Nigeria preference shares	9.4	**–**	**–**	**–**	**–**	**–**	**(1 243)**	**(1 243)**
Reclassification of reserves on sale of Amadeus		**–**	**–**	**(268)**	**268**	**–**	**–**	**–**
Shared-based payment transactions	8.4	**–**	**–**	**–**	**331**	**331**	**–**	**331**
Share of other reserves of joint ventures		**–**	**–**	**–**	**(81)**	**(81)**	**–**	**(81)**
Dividends declared	8.3	**–**	**–**	**(9 362)**	**–**	**(9 362)**	**(1 477)**	**(10 839)**
Other movements		**–**	**–**	**(55)**	**43**	**(12)**	**(8)**	**(20)**
Balance at 31 December 2019		*****	**36 929**	**55 578**	**(8 610)**	**83 897**	**2 203**	**86 100**
Note		8.1	8.1		8.2			

* Amount less than R1 million.

Group statement of cash flows

for the year ended 31 December 2019

	Note	2019 Rm	2018 Rm
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	2.7	55 197	40 345
Interest received		1 196	2 130
Interest paid[1]		(13 014)	(7 001)
Income tax paid	3.3	(7 640)	(5 027)
Dividends received from associates		227	204
Dividends received from joint ventures		323	1 738
Net cash generated from operating activities		36 289	32 389
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(23 416)	(24 224)
Acquisition of intangible assets		(3 624)	(3 972)
Proceeds from sale of property, plant and equipment and intangible assets		62	44
Increase in non-current investments and joint venture		(71)	(802)
Proceeds on sale of subsidiaries, net of cash disposed	2.3	1 152	3 986
Decrease in loan receivables		942	–
Realisation of bonds, treasury bills and foreign deposits		396	1 727
Increase in restricted cash		(191)	(641)
Decrease in restricted cash		179	647
Other investing activities		29	16
Net cash used in investing activities		(24 542)	(23 219)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Proceeds from borrowings	2.8	35 013	25 219
Repayment of borrowings	2.8	(23 662)	(27 359)
Repayment of lease liabilities	2.9	(3 417)	–
Dividends paid to equity holders of the company		(9 352)	(11 236)
Dividends paid to non-controlling interests		(1 460)	(759)
Proceeds from the MTN Ghana initial public offering	9.4	–	3 057
Redemption of MTN Nigeria preference shares	9.4	(1 243)	–
Other financing activities		(219)	(45)
Net cash used in financing activities		(4 340)	(11 123)
Net increase/(decrease) in cash and cash equivalents		7 407	(1 953)
Net cash and cash equivalents at beginning of the year		14 967	15 937
Exchange (losses)/gains on cash and cash equivalents		(1 300)	1 564
Net monetary (loss)/gain on cash and cash equivalents		(82)	34
Decrease/(increase) in cash classified as held for sale	4.4	615	(615)
Net cash and cash equivalents at end of the year	4.4	21 607	14 967

[1] Interest paid increased in 2019 as a result of adopting IFRS 16, refer to notes 6.5 and 11.1.

Index to the notes to the group financial statements

	Page
1 Accounting framework and critical judgements	29
1.1 Basis of preparation	29
1.2 Going concern	29
1.3 Principal accounting policies	29
1.4 New accounting pronouncements	32
1.5 Critical accounting judgements, estimates and assumptions	33
2 Results of operations	37
2.1 Operating segments	37
2.2 Revenue from contracts with customers	43
2.3 Other income	45
2.4 Operating profit	47
2.5 Finance income and finance costs	48
2.6 Earnings per ordinary share	49
2.7 Cash generated from operations	51
2.8 Reconciliation of cash flows arising from financing activities related to borrowings	52
2.9 Reconciliation of cash flows arising from financing activities related to lease liabilities	52
3 Taxation	53
3.1 Income tax expense	53
3.2 Deferred taxes	56
3.3 Income tax paid	56
4 Working capital	58
4.1 Inventories	58
4.2 Trade and other receivables	58
4.3 Restricted cash	59
4.4 Cash and cash equivalents	59
4.5 Trade and other payables	60
4.6 MoMo deposits and payables	60
5 Infrastructure investments	62
5.1 Property, plant and equipment	62
5.2 Intangible assets and goodwill	66
6 Financing structure and commitments	73
6.1 Borrowings	73
6.2 Other non-current liabilities	77
6.3 Provisions	78
6.4 Capital commitments	79
6.5 Leases	80
6.6 Contingent liabilities	83
7 Financial risk	84
7.1 Financial risk management and financial instruments	84
7.2 Investments	102
7.3 Loans and other non-current receivables	102
7.4 Current investments	103
7.5 Derivatives and hedges	103
7.6 Exchange rates to South African rand	105
8 Equity structure	106
8.1 Ordinary share capital and share premium	106
8.2 Other reserves	108
8.3 Dividends	109
8.4 Share-based payments	109
9 Group composition	114
9.1 Interests in subsidiaries and joint ventures	114
9.2 Investment in associates and joint ventures	116
9.3 Joint operations	126
9.4 Changes in shareholding	127
9.5 Interest in subsidiaries	127
10 Related parties	130
10.1 Related party transactions	130
10.2 Emoluments, equity compensation and dealings in ordinary shares	131
11 Changes in accounting policies	138
11.1 IFRS 16	138
11.2 IFRIC 23 and related IFRIC agenda decision	140
11.3 MoMo deposits and payables	141

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 and interpretations that became effective in the current reporting period.

The group has adopted IFRS 16 *Leases* (IFRS 16) and IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23) with effect from 1 January 2019. A number of other new standards and/or interpretations are effective from 1 January 2019, with no material effect on the group's or company's financial statements. In addition, the group changed its accounting treatment with regards to Mobile Money deposits and payables as well as the classification of uncertain income tax liabilities during the current financial year.

Refer to note 11 for details of the changes 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 are 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 2.6), 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 page and in the related notes to the group financial statements and should be read in conjunction with the financial definitions disclosed on pages 157 to 159 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.

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 2019 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 if 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.

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 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.

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 accumulated exchange differences are 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 please 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 1.5.5.

1.4 New accounting pronouncements

The standards and amendments listed below will be effective in future reporting periods. The group is assessing the impact of the new standards and amendments. It is expected that the group will adopt the standards on their respective effective dates.

Standard	Effective date
Definition of Material (Amendments to IAS 1 and IAS 8)	**1 January 2020**
IFRS 17 *Insurance Contracts* (IFRS 17)	**1 January 2021**

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 fair value less costs of disposal calculations, being the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. There was no goodwill impairment in the current year (2018: R312 million), refer to note 5.2.

1.5.2 IHS Group fair value through other comprehensive income

Significant judgement – investment classification

The group has an economic interest in 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 (note 7.2).

Source of estimation uncertainty – investment measurement

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, the group does not have access to the IHS Group business plans or 2019 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on the group's 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* (IFRS 13) (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.

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 was 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. Since the introduction of the SANA rate, the group has equity accounted the results and translated any receivables from Irancell at the SANA rate. However, the group continues to translate any receivables that have previously been approved by the Iranian government under the Foreign Investment Promotion and Protection Act (FIPPA) at the CBI rate based on confirmation from FIPPA that the CBI rate will continue to apply to these receivables. All receivables that arose after the introduction of the SANA rate are translated at the SANA rate.

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

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

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 6.6.

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 R5 070 million (2018: R3 702 million). Refer to note 3.2.

1.5.5 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%.

The analysis of the cumulative inflation rate over three years resulted in the group considering whether economies such as Yemen and Iran were hyperinflationary. Based on the available information, the group concluded that these economies are currently not hyperinflationary.

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 during 2018, and hyperinflation accounting has been applied since. Hyperinflationary accounting was applied previously in Sudan, up until 30 June 2016. Upon first application of hyperinflation, net prior period gains of R625 million were recognised directly in equity during 2018. 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 to the recoverable amount. If the initial uplift had not been capped the related increase in opening equity would have been R1,2 billion.

In 2018, the full impairment relating to the historical increase in the asset value as a result of hyperinflation accounting up until 30 June 2016 was reversed. The reversal of R306 million was translated at a significantly weaker exchange rate than that originally applied on impairment.

1 **ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)**

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.5 Hyperinflation (continued)

MTN Sudan (continued)

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 2019	2007	2337	57

The cumulative inflation rate over three years as at 31 December 2019 is 240%. The average adjustment factor used for 2019 was 1,31.

MTN South Sudan

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting has been 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 2019	2011	8 571	36

The cumulative inflation rate over three years as at 31 December 2019 is 314%. The average adjustment factor used for 2019 was 1,2.

MTN Syria

The economy of Syria was assessed to be hyperinflationary effective 1 January 2014, and hyperinflation accounting has been applied since.

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 to 2019 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 reliable inflation data. Therefore, a hyperinflation adjustment factor of one was applied from 1 July 2017. The group's proxy indicator for inflation in Syria remained stable during the year and accordingly a hyperinflation adjustment factor of one continued to be applied during the year.

Date	Base year	General price index	Inflation rate (%)
31 December 2019	2 014	220	0

The cumulative deflation rate over three years as at 31 December 2019 is 15%. The average adjustment factor used for 2019 was 1,0.

Irancell

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. The group's results from Irancell 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 Irancell by R466 million (2018: R873 million).

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

	2019 Rm	2018 Rm
Income statement		
Increase in revenue	**905**	174
(Decrease)/increase in operating profit	**(316)**	10
Net monetary gain	**787**	290
Decrease in share of results of associates and joint ventures after tax	**(466)**	(873)
Decrease in profit after tax	**(251)**	(538)

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.6 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.

1.5.7 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.

1.5.8 Accounting for MoMo deposits and payables

Significant judgement

Limited accounting guidance exists in IFRS relating to MoMo customers' balances held with banks. The group previously recognised MoMo balances based on its assessment of the risks and rewards relating to the underlying financial asset. The group's exposure to credit risk on the financial assets held with the various banks was considered a key factor in the overall evaluation as any credit risk assumed potentially exposed the group to refund MoMo customers in the event of any bank failure.

As a result of the uncertain and evolving legal and regulatory environment, this assessment has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the group operates. The group has however noticed in its larger MoMo markets that, as the MoMo products mature and the regulatory and legal positions are codified, the underlying exposure to its MoMo customers is clarified ultimately resulting in the MoMo balances being recorded on the statement of financial position.

As the group operates in a number of markets where the legal and regulatory position relating to MoMo has not been clarified, the judgement was made to recognise all MoMo liabilities, representing the obligation which exists in the ordinary course to refund the customer for deposits made, and the related MoMo balances held with the banks on the statement of financial position. For further details of the group's MoMo policy refer to note 4.6.

1.5.9 MTN SA revenue recognition

Significant judgement

Cell C and MTN SA entered into a network roaming agreement in 2018. Following delayed payments by Cell C during the first half of 2019, the group concluded that a significant change in facts and circumstances occurred as defined in terms of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), and the network roaming agreement with Cell C no longer met the definition of a contract for revenue recognition purposes in terms of IFRS 15. As a result, MTN SA did not recognise all revenue accrued on satisfied performance obligations. Revenue was only recognised on completed services based on the non-refundable consideration received. MTN SA collected R2 513 million from Cell C during 2019. As at 31 December 2019, R283 million of revenue for satisfied performance obligations remains unrecognised.

On 18 November 2019, the group announced that MTN SA had signed a new long-form roaming agreement with Cell C, subject to certain conditions precedent. Cell C continues to work on its recapitalisation and liquidity challenges, which if adequately resolved, would result in a change in the group's accounting treatment of Cell C roaming revenues back to an accounting methodology of recognising revenue as performance obligations are satisfied.

1.5.10 Leases

Significant judgement – Renewal and termination options

The group applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the group's business planning cycle and past history of terminating/not renewing leases. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The average lease term for recognised leases is seven to eight years. Refer to note 6.5 for further details.

1 ACCOUNTING FRAMEWORK AND CRITICAL JUDGEMENTS (continued)

1.5 Critical accounting judgements, estimates and assumptions (continued)

1.5.10 Leases (continued)

Significant judgement – Lease and non-lease components

A number of lease contracts include both lease and non-lease components (e.g. maintenance, security, etc.). The group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred. The group applies judgement in allocating the consideration in the contract to each lease and non-lease component based on their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices.

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 reporting profit for the group is CODM EBITDA. CODM EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions and a loss on revision of cash flows from a joint venture), tax, depreciation and amortisation, and is also presented before recognising the following items:
- Impairment of joint venture and goodwill;
- Net monetary gain resulting from the application of hyperinflation;
- Share of results of associates and joint ventures after tax;
- Hyperinflation (note 1.5.5);
- Tower sale profits (note 2.3);
- CBN resolution (note 2.4);
- Gain on dilution of investment in associate and joint venture (note 2.3); and
- Gain on disposal of subsidiary (note 2.3).

These exclusions have remained unchanged from the prior year, apart from the loss on revision of cash flows from a joint venture and the impairment of joint venture.

Irancell proportionate results are included in the segment analysis as reviewed by the CODM and excluded from reported results for revenue, CODM EBITDA and capex due to equity accounting for joint ventures. The results of Irancell in the segment analysis exclude the impact of hyperinflation accounting.

Notes to the group financial statements (continued)
for the year ended 31 December 2019

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

Revenue 2019	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	27 926	9 017	4 381	2 066	1 635	45 025	422	45 447
Nigeria	39 545	88	4 995	1 584	484	46 696	–	46 696
SEAGHA	18 333	315	1 757	5 983	681	27 069	–	27 069
Ghana	9 275	90	915	3 326	214	13 820	–	13 820
Uganda	4 463	61	409	1 681	86	6 700	–	6 700
Other SEAGHA	4 595	164	433	976	381	6 549	–	6 549
WECA	16 240	171	2 280	2 511	619	21 821	–	21 821
Ivory Coast	4 535	37	899	1 041	405	6 917	–	6 917
Cameroon	4 248	62	457	571	51	5 389	–	5 389
Other WECA	7 457	72	924	899	163	9 515	–	9 515
MENA	7 520	37	1 006	343	71	8 977	–	8 977
Syria	2 745	–	51	167	23	2 986	–	2 986
Sudan	1 335	5	472	69	22	1 903	–	1 903
Other MENA	3 440	32	483	107	26	4 088	–	4 088
Major joint venture – Irancell[1]	6 715	104	526	539	106	7 990	24	8 014
Head office companies and eliminations[2]	215	1	(496)	40	776	536	9	545
Hyperinflation impact	679	1	193	23	9	905	–	905
Iran revenue exclusion	(6 715)	(104)	(526)	(539)	(106)	(7 990)	(24)	(8 014)
Consolidated revenue	110 458	9 630	14 116	12 550	4 275	151 029	431	151 460

[1] Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.
[2] Head office companies and eliminations consist mainly of the group's central financing activities, management fees and dividends received from segments as well as inter-segment eliminations.

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

Revenue 2018	Network services[1] Rm	Mobile devices Rm	Inter–connect and roaming[1] Rm	Digital and fintech[1] Rm	Other[1] Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
South Africa	28 421	8 389	3 720	2 441	1 296	44 267	391	44 658
Nigeria	31 636	78	3 742	1 992	523	37 971	–	37 971
SEAGHA	15 116	279	1 765	5 048	405	22 613	–	22 613
Ghana	7 648	71	997	2 944	200	11 860	–	11 860
Uganda	3 649	52	336	1 329	57	5 423	–	5 423
Other SEAGHA	3 819	156	432	775	148	5 330	–	5 330
WECA	14 716	156	2 831	1 995	525	20 223	–	20 223
Ivory Coast	4 533	43	1 196	1 063	323	7 158	–	7 158
Cameroon	3 915	57	563	377	47	4 959	–	4 959
Other WECA	6 268	56	1 072	555	155	8 106	–	8 106
MENA	6 978	230	1 112	312	213	8 845	–	8 845
Syria	2 142	–	47	90	19	2 298	–	2 298
Sudan	1 125	6	457	89	21	1 698	–	1 698
Other MENA	3 711	224	608	133	173	4 849	–	4 849
Major joint venture – Irancell	9 328	168	843	1 101	194	11 634	33	11 667
Head office companies and eliminations	17	(2)	(414)	1	474	76	–	76
Hyperinflation impact	151	–	25	(16)	14	174	–	174
Iran revenue exclusion	(9 328)	(168)	(843)	(1 101)	(194)	(11 634)	(33)	(11 667)
Consolidated revenue	97 035	9 130	12 781	11 773	3 450	134 169	391	134 560

[1] Subsequent to the publication of the December 2018 full year results, the group has reviewed and aligned its revenue streams relating to its consumer, enterprise and wholesale business units with its current operating structure. The redefined segmentation has resulted in the reallocation of certain revenue streams and comparative numbers have been restated accordingly. The most significant changes resulted from the reallocation of revenue from ICT internet services and bulk SMS services, that previously formed part of other revenue, to network services.

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

External vs inter-segment revenue	2019 External revenue Rm	2019 Inter-segment revenue Rm	2019 Total revenue Rm	2018 External revenue Rm	2018 Inter-segment revenue Rm	2018 Total revenue Rm
South Africa	45 237	210	45 447	44 539	119	44 658
Nigeria	46 265	431	46 696	37 817	154	37 971
SEAGHA	26 259	810	27 069	22 369	244	22 613
Ghana	13 397	423	13 820	11 797	63	11 860
Uganda	6 471	229	6 700	5 319	104	5 423
Other SEAGHA	6 391	158	6 549	5 253	77	5 330
WECA	21 202	619	21 821	20 074	149	20 223
Ivory Coast	6 835	82	6 917	7 136	22	7 158
Cameroon	5 239	150	5 389	4 945	14	4 959
Other WECA	9 128	387	9 515	7 993	113	8 106
MENA	8 651	326	8 977	8 827	18	8 845
Syria	2 986	–	2 986	2 298	–	2 298
Sudan	1 634	269	1 903	1 680	18	1 698
Other MENA	4 031	57	4 088	4 849	–	4 849
Major joint venture – Irancell	8 014	–	8 014	11 667	–	11 667
Head office companies and eliminations[1]	2 938	(2 393)	545	773	(697)	76
Hyperinflation impact	908	(3)	905	161	13	174
Irancell revenue exclusion	(8 014)	–	(8 014)	(11 667)	–	(11 667)
Consolidated revenue	151 460	–	151 460	134 560	–	134 560

[1] Head office companies and eliminations consist mainly of revenue from GlobalConnect Solutions Limited, the group's central financing activities, management fees and dividends received from segments as well as related inter-segment eliminations.

The disclosure of revenue between segments has been reconciled to total revenue disclosed. This disclosure has been re-presented for the 2018 financial year to show the disaggregated amounts.

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

CODM EBITDA	2019 Rm	2018 Rm
South Africa	16 972	15 660
Nigeria	25 149	16 574
SEAGHA	12 136	7 865
Ghana	7 014	4 452
Uganda	3 150	1 980
Other SEAGHA	1 972	1 433
WECA	6 081	4 133
Ivory Coast	1 814	1 593
Cameroon	1 635	455
Other WECA	2 632	2 085
MENA	2 836	2 510
Syria	1 173	909
Sudan	677	590
Other MENA	986	1 011
Head office companies and eliminations	(534)	(727)
CODM EBITDA	62 640	46 015
Major joint venture – Irancell[1]	3 041	4 231
Hyperinflation impact	282	271
Tower sale profits	19	23
Gain on dilution of investment in associates and joint ventures	1 039	569
Gain on disposal of subsidiary	112	2 112
CBN resolution	–	(744)
Irancell CODM EBITDA exclusion	(3 041)	(4 231)
CODM EBITDA before impairment of goodwill	64 092	48 246
Depreciation, amortisation and impairment of goodwill and joint venture	(32 800)	(24 670)
Net finance cost[2]	(15 184)	(8 331)
Net monetary gain	787	290
Share of results of joint ventures and associates after tax	705	(527)
Profit before tax	17 600	15 008

[1] The CODM EBITDA relating to the major joint venture, Irancell, has been presented after the group CODM EBITDA as Irancell does not form part of CODM EBITDA as it is a joint venture.
[2] Includes the loss on revision of cash flows from a joint venture (note 2.5).

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

Capital expenditure incurred	2019 Rm	2018 Rm
South Africa	11 295	9 448
Nigeria	9 750	6 888
SEAGHA	5 554	3 801
Ghana	2 850	2 015
Uganda	1 147	793
Other SEAGHA	1 557	993
WECA	3 231	3 281
Ivory Coast	918	1 364
Cameroon	573	694
Other WECA	1 740	1 223
MENA	1 989	2 215
Syria	939	935
Sudan	430	439
Other MENA	620	841
Major joint venture – Irancell	2 568	3 716
Head office companies and eliminations	834	457
Hyperinflation impact	215	(72)
Iran capex exclusion	(2 568)	(3 716)
	32 868	26 018

The impact of implementing IFRS 16 on group capex in 2019 was R6 587 million (refer to note 6.5.3).

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

	2019 Revenue Rm	2019 Operating (loss)/profit Rm	2019 Capex Rm
Syria	–	(250)	–
Sudan	626	(120)	106
South Sudan (included in other SEAGHA)	279	54	109
	905	(316)	215
Major joint venture – Irancell	–	(621)	–

	2018 Revenue Rm	2018 EBITDA Rm	2018 Capex Rm
Syria	9	(74)	–
Sudan	(109)	75	(67)
South Sudan (included in other SEAGHA)	274	9	(5)
	174	10	(72)
Major joint venture – Irancell	–	(1 164)	–

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 data, voice 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, MoMo, insurance, airtime lending, 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 services provided during the reporting period as a proportion of the total units of network services/digital services to be provided. The customer receives and uses the benefits of these services simultaneously. Units of network services/digital services outside of postpaid contracts are recognised as the service is provided.

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.

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 a receivable (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 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.

Contract costs are assessed for impairment in terms of IAS 36 *Impairment of Assets* 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:

	2019 Rm	2018 Rm
Contract assets	4 206	3 859
Contract assets – non-current	1 201	1 055
Contract assets – current	3 005	2 804
Loss allowance	(338)	(388)
Total contract assets	**3 868**	3 471
Capitalised contract costs	**1 192**	998
Contract liabilities	**6 211**	5 862

Significant changes in contract assets and liabilities

Contract assets have increased mainly due to the average cost price of mobile devices increasing as well as an increased uptake in contracts longer than 24 months. The group also recognised a loss allowance for contract assets as per IFRS 9, see note 7.1.4.

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.

	2019 Rm	2018 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	4 852	4 999

2 RESULTS OF OPERATIONS (continued)

2.2 Revenue from contracts with customers (continued)

Unsatisfied performance obligations

	2019 Rm	2018 Rm
Aggregate amount of transaction price allocated to unsatisfied performance obligations	**3 699**	3 536

For postpaid contracts that were effective at 31 December 2019 the above amounts reflect the transaction price for services to be provided over the remainder of the contractual periods.

Management expects that 90% (2018: 93%) of the transaction price allocated to the unsatisfied contracts as of 31 December 2019 will be recognised as revenue amounting to R3 329 million (2018: R3 304 million) during the next reporting period. The remaining 10% amounting to R370 million (2018: 7% amounting to R232 million) will be recognised in the 2021 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.

	2019 Rm	2018 Rm
Realisation of deferred gain on tower sale	**19**	23
ZTE settlement[1]	**–**	344
Gain on disposal of subsidiary	**112**	2 112
Gain on dilution of investment in joint ventures and associates (note 9.2)	**1 039**	569
Other	**203**	138
	1 373	3 186

[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: ZAR14,1224). The group accounted for this transaction as other income measured at the value of the property, plant and equipment received.

2 RESULTS OF OPERATIONS (continued)

2.3 Other income (continued)

Gain on disposal of subsidiary

During 2019 the group sold its investment subsidiaries Amadeus. The companies held various unlisted equity investments and a 43,67% interest in the joint venture Travelstart.

The disposal of the investments was concluded on 26 June 2019. The group equity accounted the investment in Travelstart until the date of concluding the sale agreement on 23 May 2019.

The investments were subsequently accounted for as non-current assets held for sale until the disposal date. The group held the other equity investments in Amadeus at fair value through other comprehensive income. There was no movement in the fair value of the other equity investments in the current year. The total cumulative fair value losses at derecognition date of R268 million have been reclassified to retained earnings at the date of disposal.

The carrying amounts of assets and liabilities that have been reclassified to non-current assets held for sale and subsequently sold on 26 June 2019 were:

	2019 Rm
Investment in joint venture	452
Investments	592
Other current assets	4
Cash and cash equivalents	54
Total assets	1 102
Current liabilities	8
Total liabilities	8
Carrying amount of net assets sold	1 094
Total disposal consideration – cash	1 237
Transaction costs	(31)
Gain on disposal of subsidiary	112
Net cash:	
Cash received	1 237
Less: Cash and cash equivalents in Amadeus	(54)
Less: Transaction costs paid	(31)
Net cash received on disposal	1 152

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. The proceeds on the sale amounted to R3 986 million.

Jumia change in shareholding and subsequent measurement

Africa Internet Holding GmbH (AIH) changed its name to Jumia Technologies AG (Jumia) in January 2019.

At 31 December 2018, the group equity accounted its 29,69% interest in Jumia.

On 12 April 2019, Jumia listed on the New York Stock Exchange and MTN's interest was diluted from 29,69% to 18,90% following the issue of shares by Jumia as part of the initial public offering (IPO). The shareholder agreement that gave the group the right to appoint a director and joint control over Jumia terminated on listing. The group applied judgement in concluding that it did not have significant influence over Jumia subsequent to the listing and consequently discontinued equity accounting on the date of listing and recognised the retained interest at its fair value.

The resulting difference between fair value and the carrying value, net of the foreign currency translation reserve transferred to the income statement, resulted in a gain of R1 039 million recognised in other income on the listing date.

The group made an irrevocable election to designate the investment in Jumia as held at fair value through other comprehensive income in terms of IFRS 9 *Financial Instruments* subsequent to the listing date.

2 RESULTS OF OPERATIONS (continued)
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.

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; or
- when the group recognises costs for a restructuring that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* 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.

	2019 Rm	2018 Rm
Staff costs	**(10 597)**	(9 510)
Salaries and wages	**(8 208)**	(7 053)
Post-employment benefits	**(528)**	(446)
Share options granted to directors and employees (note 8.4)	**(373)**	(399)
Training	**(267)**	(270)
Other	**(1 221)**	(1 342)
The following disclosable items have been included in arriving at operating profit:		
Auditors' remuneration	**(142)**	(158)
Audit fees	**(129)**	(132)
Fees for other services	**(8)**	(23)
Expenses	**(5)**	(3)
Emoluments to directors and prescribed officers (note 10.1 and 10.2)	**(315)**	(271)
Research and development costs	**(19)**	(18)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**64**	(44)
Net impairment (loss)/reversal on property, plant and equipment (note 5.1)	**(330)**	172
Net impairment reversal on intangible assets (note 5.2)	**–**	34
Net (reversal of write-down)/write-down of inventories to net realisable value (note 4.1)	**(4)**	84
Impairment of trade receivables and contract assets[1]	**(729)**	(810)
Amortisation of capitalised contract costs	**(359)**	(58)
Professional and consulting fees	**(2 387)**	(2 681)
CBN resolution	**–**	(744)

[1] The impairment of trade receivables and contract assets includes amounts disclosed in note 4.2 and R137 million relating to impairment of contract assets.

2 RESULTS OF OPERATIONS (continued)

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, lease liability interest expense, unwinding of the discount on provisions, fair value movements, net foreign exchange losses, loss on revision of revision of cash flows 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.

	2019 Rm	2018 Rm
Interest income on loans and receivables	923	1 120
Interest income on bank deposits	950	872
Finance income	**1 873**	1 992
Interest expense on financial liabilities measured at amortised cost[1]	(8 767)	(8 422)
Net foreign exchange losses	(2 364)	(1 901)
Loss on revision of cash flows[2]	(217)	–
Lease liability interest expense	(5 709)	–
Finance costs	**(17 057)**	(10 323)
Net finance costs recognised in profit or loss	**(15 184)**	(8 331)

[1] R189 million (2018: R812 million) relates to the discount unwind on the MTN Nigeria regulatory fine liability.
[2] Refer to note 4.2.

2 RESULTS OF OPERATIONS (continued)
2.6 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 *Headline Earnings* issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time and as required by the JSE Limited.

	2019 '000	2018 '000
Weighted average number of shares (excluding treasury shares) for calculation of basic earnings per share	1 797 928	1 797 603
Adjusted for:		
– Share options – MTN Zakhele Futhi	23 250	22 967
– Performance share plan	3 496	3 713
– Employee share ownership plan	886	157
Weighted average number of shares for calculation of diluted earnings per share	1 825 560	1 824 440

Refer to note 8.1 for a reconciliation of total shares in issue.

2 RESULTS OF OPERATIONS (continued)

2.6 Earnings per ordinary share (continued)

Reconciliation between net profit attributable to the equity holders of the company and headline earnings:

	2019 Gross Rm	2019 Net[1] Rm	2018 Gross Rm	2018 Net[1] Rm
Profit attributable to equity holders of the company		8 963		8 719
Adjusted for:				
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(64)	(42)	20	26
– Subsidiaries (IAS 16)	(64)	(42)	44	44
– Joint ventures (IAS 28)	–	–	(24)	(18)
Profit on disposal of subsidiary (IFRS 10)	(112)	(112)	(2 112)	(2 112)
Impairment of goodwill and investments in joint ventures (IAS 36)	342	342	312	312
Net impairment loss/(reversal) on property, plant and equipment and intangible assets (IAS 36)	330	355	(206)	(164)
Net gain on dilution/sale of investment in associate and joint venture (IAS 28)	(1 076)	(1 076)	(703)	(703)
– Subsidiaries	(1 039)	(1 039)	(569)	(569)
– Joint venture/associate	(37)	(37)	(134)	(134)
Realisation of deferred gain on tower sale	(19)	(19)	(23)	(23)
Headline earnings		8 411		6 055

	2019	2018
Earnings per share (cents)		
– Basic	499	485
– Basic headline	468	337
Diluted earnings per share (cents)		
– Diluted	491	478
– Diluted headline	461	332

[1] Amounts are measured after taking into account non-controlling interests and tax.

2 RESULTS OF OPERATIONS (continued)

2.7 Cash generated from operations

	2019 Rm	2018 Rm
Profit before tax	**17 600**	15 008
Adjusted for:		
Finance costs (note 2.5)	**17 057**	10 323
Finance income (note 2.5)	**(1 873)**	(1 992)
Depreciation of property, plant and equipment and right-of-use assets (notes 5.1 and 6.5)	**27 320**	19 709
Amortisation of intangible assets (note 5.2)	**5 138**	4 649
(Gain)/loss on disposal of property, plant and equipment and intangible asset (note 2.4)	**(64)**	44
Gain on disposal of subsidiary (note 2.3)	**(112)**	(2 112)
Gain on dilution of investment in joint venture (note 2.3)	**(1 039)**	(569)
Amortisation of contract costs (note 2.4)	**359**	58
Share of results of associates and joint ventures after tax (note 9.2)	**(705)**	527
Increase in provisions	**1 823**	1 666
Net write-down/(reversal of write-down) of inventories (note 4.1)	**4**	(84)
Impairment of goodwill and investments in joint ventures (note 5.2 and 9.2)	**342**	312
Net impairment loss/(impairment reversal) on property, plant and equipment (note 5.1)	**330**	(172)
Net impairment reversal on intangible assets (note 5.2)	**–**	(34)
Impairment of trade receivables and contract assets (note 2.4)	**729**	810
Realisation of deferred gain on tower sale (note 2.3)	**(19)**	(23)
Share based-payment transactions (note 8.4)	**373**	399
Net monetary gain	**(787)**	(290)
CBN resolution (note 2.4)	**–**	744
ZTE settlement (note 2.3)	**–**	(344)
Other	**(142)**	(229)
	66 334	48 400
Changes in working capital	**(11 137)**	(8 055)
Decrease in inventories	**1 255**	102
Increase in contract assets and capitalised contract costs	**(976)**	(474)
Increase/(decrease) in contract liabilities	**43**	(344)
Net increase in receivables and prepayments	**(1 841)**	(821)
Net decrease in trade and other payables	**(9 618)**	(6 518)
Cash generated from operations	**55 197**	40 345

Group financial statements

2 RESULTS OF OPERATIONS (continued)

2.8 Reconciliation of cash flows arising from financing activities related to borrowings

	2019 Rm	2018 Rm
Borrowings at the beginning of the year	**84 746**	79 648
Current	**12 183**	9 081
Non-current	**72 563**	70 567
Cash flows	**11 351**	(2 140)
Proceeds from borrowings	**35 013**	25 219
Repayment of borrowings	**(23 662)**	(27 359)
Other movements	**(1 949)**	7 238
Effects of changes in foreign exchange rates and interest accrued	**5 242**	13 771
Interest paid[1]	**(7 191)**	(6 533)
Borrowings at the end of the year	**94 148**	84 746
Comprising:		
– Current	**15 691**	12 183
– Non-current	**78 457**	72 563

[1] Presented as part of cash generated from operating activities.

2.9 Reconciliation of cash flows arising from financing activities related to lease liabilities

	2019 Rm
Leases at the beginning of the year[1]	**45 355**
Current	**3 303**
Non-current	**42 052**
Cash flows	**(3 417)**
Repayment of lease liabilities	**(3 417)**
Other movements	**4 389**
Additions	**6 587**
Interest paid[2]	**(5 271)**
Other[3]	**3 073**
Leases at the end of the year	**46 327**
Comprising:	
– Current	**4 056**
– Non-current	**42 271**

[1] Balances at the beginning of the year arose on adoption of IFRS 16, refer to note 11.1.
[2] Presented as part of cash generated from operating activities.
[3] Other includes foreign exchange movements and interest accrued.

3 TAXATION

3.1 Income tax expense

The income 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 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 liabilities 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.

3 TAXATION (continued)
3.1 Income tax expense (continued)

Analysis of income tax expense for the year	2019 Rm	2018 Rm
Normal tax	(5 983)	(5 568)
Current year	(5 893)	(5 751)
Adjustments in respect of the prior year	(90)	183
Deferred tax (note 3.2)	135	1 009
Current year	58	1 201
Adjustments in respect of the prior year	77	(192)
Withholding taxes on foreign income	(1 060)	(871)
	(6 908)	(5 430)

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 reconciliation of taxation has been performed using the statutory tax rate of MTN Group Limited of 28% (2018: 28%). The impact of different corporate tax rates applied to the various jurisdictions in which the group operates has been incorporated in the "Effect of different tax rates in other countries" line below.

The group's effective tax rate is reconciled to the South African statutory rate as follows:

Tax rate reconciliation	2019 %	2018 %
Tax at statutory tax rate	28	28
Expenses not allowed	10,12	12,19
Nigeria regulatory fine and related expenses[1]	0,31	2,16
CBN resolution	–	1,38
Sudan non-deductible expenses	2,32	2,55
Assessed loss and other balances on which deferred tax was not recognised	2,93	1,73
Disallowed interest expenses	2,01	2,22
Goodwill impairment	–	0,58
Controlled foreign company legislation imputation	0,46	0,95
Other	2,09	0,62
Effect of different tax rates in other countries	(0,77)	0,78
Income not subject to tax	(2,82)	(5,77)
Exempt income	(1,17)	(1,83)
Non-taxable gains on dilution of investments and disposal of subsidiaries	(1,65)	(3,94)
Share of results of associates and joint ventures	(1,12)	0,98
Foreign income and withholding taxes	6,02	5,80
Other	(0,18)	(5,80)
Effective tax rate	39,25	36,18

[1] This line item includes unwinding interest on the Nigeria fine liability and the amortisation of fees related to the listing of MTN Nigeria (note 2.5).

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	**2019 %**	2018 %
Afghanistan	**20**	20
Benin	**30**	30
Cameroon	**33**	33
Congo-Brazzaville[1]	**22,5**	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	**25**	20
Sudan	**7**	5
Syria	**14**	14
Uganda	**30**	30
Yemen	**50**	50
Zambia	**40**	40

[1] Effective April 2016 the entity was granted a five year 50% reduction on its corporate tax rate as a result of its investment agreement with the government. In the current financial year, following the enactment of new local legislation, the tax incentive granted was reduced to a 25% reduction for the remainder of the agreement.

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 2018 Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm
Provisions and tax losses carried forward[2]	2 317	2 164	–
Arising due to fair value adjustments on business combinations/revaluations	(1 408)	741	–
Working capital allowances	649	(650)	–
Tax allowances in excess of depreciation	(8 077)	(470)	–
Losses on net investment hedges	791	–	4
Other temporary differences	(608)	(776)	–
Net deferred tax liability	(6 336)	1 009	4
Comprising:			
Deferred tax assets	1 590		
Deferred tax liabilities	(7 926)		
	(6 336)		

[1] Including the effect of hyperinflation.
[2] The group has taken note of South Africa's finance minister's announcement in the budget speech on 26 February 2020 relating to the future limitation on the utilisation of assessed losses to 80% of taxable income, with effect from the 2021 financial year, and will evaluate the impact of the Act on the assessed loss balances once it has been finalised.

There were deductible temporary differences and unused tax losses of R5 489 million (2018: R5 625 million) for which no deferred tax asset had been recognised in the statement of financial position at year-end.

2019

Year of expiry	2020	2021	2022	2023	2024	2025	Total
Amount (Rm)	1 561	1 759	656	216	770	408	5 370
No expiry (Rm)	–	–	–	–	–	–	119
Total	1 561	1 759	656	216	770	408	5 489

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

3.3 Income tax paid

	2019 Rm	2018 Restated[1] Rm
At beginning of the year[1]	(497)	(155)
Amount recognised in profit or loss (note 3.1)	(6 908)	(5 430)
Deferred tax charge (note 3.1)	(135)	(1 009)
Effect of movements in exchange rates	(92)	(159)
Current tax recognised in OCI	(197)	974
Withholding tax credits	111	48
Other	(432)	207
At end of the year	510	497
Taxation assets	(2 909)	(2 974)
Taxation liabilities[1]	3 419	3 471
Total tax paid	(7 640)	(5 027)

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

Exchange and other movements[1] Rm	31 December 2018 Rm	Recognised in profit or loss Rm	Recognised in other comprehensive income Rm	Exchange and other movements[1] Rm	31 December 2019 Rm
76	4 557	**1 135**	**–**	**(14)**	**5 678**
(17)	(684)	**–**	**–**	**7**	**(677)**
(49)	(50)	**(610)**		**8**	**(652)**
(657)	(9 204)	**(405)**	**–**	**352**	**(9 257)**
–	795	**–**	**3**	**–**	**798**
175	(1 209)	**15**	**–**	**(29)**	**(1 223)**
(472)	(5 795)	**135**	**3**	**324**	**(5 333)**
	3 702				**5 070**
	(9 497)				**(10 403)**
	(5 795)				**(5 333)**

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.

	2019 Rm	2018 Rm
Finished goods – at cost	2 318	3 741
Handsets	1 652	2 995
SIM cards and accessories	666	746
Consumables	173	107
Less: Write-down to net realisable value[1]	(774)	(853)
	1 717	2 995

[1] The write-down of inventories to net realisable value mainly relates to handsets.

MTN Ghana has secured facilities through the pledge of its inventories amounting to R38 million (2018: R30 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
2019						
Movement in write-down	(853)	(103)	99	83	–	(774)
2018						
Movement in write-down	(901)	(190)	274	13	(49)	(853)

[1] A net write-down on inventories of R4 million (2018: R84 million net reversal) 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.

	2019 Rm	2018 Rm
Trade receivables (note 7.1.4)	16 875	17 664
Less: Allowance for impairment of trade receivables (note 7.1.4)	(2 371)	(3 035)
Net trade receivables	14 504	14 629
Loan to Irancell[1]	1 516	1 730
Loan to Ghana InterCo[2]	–	884
Receivable from Irancell[3]	1 237	1 031
Prepayments and other receivables[4]	1 877	2 809
Sundry debtors and advances[5]	5 361	5 586
	24 495	26 669

[1] This balance relates to a loan receivable from Irancell 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).
[2] The loan to Ghana InterCo was sold in the current year (note 10.1).
[3] R1 296 million of the outstanding balance was received during 2018. R1 058 million of the amount outstanding at year-end was translated at the SANA rate (note 1.5.3 and note 7.6) and R179 million was translated at the CBI rate.
[4] In 2018, prepayments and other receivables included prepayments for base transceiver station (BTS) sites and other property leases.
[5] Sundry debtors and advances include advances to suppliers and receivables from related parties (note 10.1).

4 WORKING CAPITAL (continued)

4.2 Trade and other receivables (continued)

Impairment of trade receivables

An allowance for impairment of R245 million (2018: R549 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, R347 million was written-off directly to profit or loss in 2019.

The group's exposure to credit and currency risk relating to trade and other receivables is disclosed in note 7.1.

Secured facilities and collateral

MTN Ghana has secured facilities through the pledge of its trade and other receivables amounting to R1 044 million (2018: R959 million) (note 6.1).

Irancell loan and receivable

On 20 September 2019, the US Treasury Department's Office of Foreign Assets Control (OFAC) designated the CBI as being subject to sanctions.

Sanctions imposed on the CBI creates a secondary sanctions risk if the CBI allocates foreign currency to an MTN entity for the purpose of repatriating the receivable and/or loan. As a result of the group's current inability to repatriate the receivable and loan, the group has revised its estimates of the timing of the related cash receipts. As at 31 December 2019, prior to the revised timing of cash flows, the Iranian rial denominated receivables amounted to R1 319 million (2018: R1 031 million) and the Iranian rial denominated loan amounted to R1 651 million (2018: R1 730 million).

The revised timing of the cash flows coupled with the original effective interest rates has resulted in the group adjusting the gross carrying amounts of the receivable and loan and recognising a related loss of R217 million in finance costs that will unwind as interest income subsequent to 31 December 2019.

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 R149 million (2018: R145 million) and R1 459 million (2018: R1 469 million) relating to the Syrian and Nigerian operations respectively, which are not available for use by the group.

In respect of Syria, the restricted cash classification 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 was restated for changes in accounting policies, refer to note 11 for details of restatement.

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:

	2019 Rm	2018 Rm
Cash at bank and on hand	**21 739**	15 837
Bank overdrafts	**(132)**	(255)
Cash classified as held for sale	**–**	(615)
Net cash and cash equivalents	**21 607**	14 967

MTN Ghana has secured facilities through the pledge of its cash and cash equivalents amounting to R1 113 million (2018: R1 103 million) (refer to note 6.1).

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.

	2019 Rm	2018 Restated[1] Rm
Trade payables	**10 352**	13 712
Sundry creditors	**2 394**	2 437
Accrued expenses[2]	**18 568**	22 182
Nigeria regulatory fine[3]	**–**	4 150
Other payables[4]	**5 316**	5 266
	36 630	47 747

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Includes accruals for operating expenses, inventories and capital expenditure for which supplier invoices are outstanding at year-end.
[3] The liability has been fully paid following a payment of N110 billion in two final instalments on 28 March 2019 (N55 billion/R2,2 billion) and 24 May 2019 (N55 billion/R2,2 billion).
[4] Includes dealer commissions, withholding taxes and VAT payable.

4.6 MoMo deposits and payables

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. MoMo regulations in most of the group's markets require that these balances with banks are held in a manner to ensure that these balances are not co-mingled with MTN's cash and cash equivalents and that these are ring-fenced to settle MoMo customers' obligations. Regulations in certain jurisdictions specify the types of permissible liquid instruments that these deposits may be invested in. The deposits held are accounted for at amortised cost in accordance with the group's accounting policy disclosed in note 7.1.

Upon recognition of the MoMo financial asset, the group recognises a corresponding current liability, in the ordinary course, to refund MoMo customers for the deposits made.

MTN earns transactional fees and also earns interest on these MoMo balances and recognises the interest and transactional fees as part of revenue. Transactional fees are recognised over time as the transactions occur. MTN accounts for fees paid to agents as a commission expense as part of selling, distribution and marketing expenses and interest paid to customers in other operating expenses.

Cash flows that relate to interest received, transaction fees earned and operating expenses incurred are classified as operational cash flows. Cash flows that relate to the principal MoMo deposit balances and corresponding liabilities are reflective of customer transactions and, consequently, are not recorded on MTN's statement of cash flows.

MoMo involves the issuing of electronic money in return for cash. MoMo enables an active mobile phone subscriber to load a MoMo wallet, with a balance which is recorded electronically for immediate or later use. MTN utilises MoMo agents to facilitate customer activities i.e. depositing cash and loading and storing the MoMo in wallets. MTN also performs the activities of a MoMo agent through MTN branches. Any monetary value stored on a MoMo wallet is supported by an equivalent MoMo deposit held with a bank or multiple banks.

MTN provides (under licence) the platform to administer the MoMo wallet and the MoMo service generally. MTN opens bank accounts in which the MoMo deposits and interest earned on the cash balances is held.

4 WORKING CAPITAL (continued)

4.6 MoMo deposits and payables (continued)

MoMo is a regulated service offering. These regulations govern the manner in which MoMo services are conducted as well as the rights and obligations of all parties to the MoMo service offering. These regulations and rights and obligations differ from market to market.

The treatment of MoMo in the financial statements is not, and should not be construed as a waiver by members of the group of any legal, contractual or statutory rights, remedies and defences they may have, or as an admission of liability enforceable against any of them in law or otherwise. The legal, contractual and statutory rights, remedies and defences of members of the group are reserved.

	2019 Rm	2018 Restated[1] Rm
South Africa	6	–
Nigeria	31	31
SEAGHA	10 907	9 455
Ghana	8 266	7 134
Uganda	1 824	1 624
Other SEAGHA	817	697
WECA	4 371	3 349
Ivory Coast	1 863	1 716
Cameroon	1 512	969
Other WECA	996	664
MENA	*	*
Sudan	*	*
	15 315	12 835

* Amounts less than R1 million.
[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.

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.

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.

5 INFRASTRUCTURE INVESTMENTS (continued)
5.1 Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment are as follows:

	2019 Years	2018 Years
Buildings – owned	5 – 50	5 – 50
Network infrastructure	2 – 25	2 – 20
Information systems equipment	1 – 15	1 – 10
Furniture and fittings	3 – 15	3 – 15
Leasehold improvements	2 – 20	2 – 15
Office equipment	2 – 13	2 – 12
Vehicles	3 – 13	3 – 10

Land is not depreciated. In 2018, assets held under finance leases were depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the expected term of the relevant lease. Such assets have been reclassified to right-of-use assets following the adoption of IFRS 16. Refer to note 11.1 for the change in accounting policy.

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 and fair value less costs of disposal, the estimated future cash flows are discounted to their present value using an appropriate 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.

5 INFRASTRUCTURE INVESTMENTS (continued)
5.1 Property, plant and equipment (continued)

	Land and buildings Rm	Leasehold improvements Rm	Network infrastructure Rm	Information systems, furniture and office equipment Rm	Capital work-in-progress/ other Rm	Vehicles Rm	Total Rm
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 reversal/(loss)	11	–	188	5	(32)	–	172
Other movements	–	–	(1)	3	(132)	4	(126)
Effect of movements in exchange rates[1]	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
Carrying amount at 1 January 2019	**6 086**	**1 453**	**80 828**	**4 316**	**7 547**	**351**	**100 581**
Reclassification to right-of-use assets	**(111)**	**–**	**–**	**–**	**–**	**(38)**	**(149)**
Additions	**183**	**120**	**9 993**	**1 357**	**10 764**	**87**	**22 504**
Disposals	**–**	**–**	**(42)**	**(1)**	**–**	**(5)**	**(48)**
Reallocations	**(555)**	**738**	**9 754**	**793**	**(10 818)**	**13**	**(75)**
Depreciation for the year	**(269)**	**(598)**	**(18 302)**	**(1 894)**	**(321)**	**(108)**	**(21 492)**
Impairment reversal/(loss)	**–**	**–**	**120**	**–**	**(450)**	**–**	**(330)**
Other movements	**–**	**–**	**(386)**	**(3)**	**(34)**	**9**	**(414)**
Effect of movements in exchange rates[1]	**(117)**	**(52)**	**(1 745)**	**(198)**	**(133)**	**(20)**	**(2 265)**
Carrying amount at 31 December 2019	**5 217**	**1 661**	**80 220**	**4 370**	**6 555**	**289**	**98 312**
Comprising:							
Cost	**8 643**	**4 760**	**193 270**	**15 572**	**9 520**	**986**	**232 751**
Accumulated depreciation and impairment losses	**(3 426)**	**(3 099)**	**(113 050)**	**(11 202)**	**(2 965)**	**(697)**	**(134 439)**
	5 217	**1 661**	**80 220**	**4 370**	**6 555**	**289**	**98 312**

[1] Includes the effect of hyperinflation.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.1 Impairment reversals/(losses)

The following entities recognised impairment reversals/(losses) in other operating expenses in profit or loss:

	2019 Rm	2018 Rm
MTN Nigeria[1]	120	28
MTN South Sudan[1]	(454)	(52)
MTN Sudan	–	273
Other	4	(77)
	(330)	172

[1] Included in other in 2018.

MTN Sudan, MTN Syria and MTN South Sudan continue to operate in hyperinflationary economies (note 1.5.5). Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. In 2017, the value in use of these assets did not exceed the hyperinflated carrying values resulting in the non-monetary assets being impaired. 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 represented the full impairment recognised during 2017, translated at a significantly weaker exchange rate.

5.1.2 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:

	2019 Rm	2018 Rm
MTN SA	647	311
MTN Ghana	151	100
MTN Sudan	392	152
MTN Nigeria	255	605
Areeba Guinea S.A. (MTN Guinea-Conakry)	61	132
MTN Côte d'Ivoire S.A. (MTN Ivory Coast)	293	232
MTN Benin	157	233
MTN Yemen	479	288
MTN Syria	213	196
MTN Congo S.A. (MTN Congo-Brazzaville)	48	139
MTN Cameroon Limited (MTN Cameroon)	109	357
Spacetel Guinea-Bissau S.A. (MTN Guinea-Bissau)[1]	136	127
GlobalConnect Solutions Limited	401	357
Other	129	94
	3 471	3 323

[1] Included in other in 2018.

5.1.3 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.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.1 Property, plant and equipment (continued)

5.1.4 Encumbrances

Borrowings (note 6.1) are secured by various categories of property, plant and equipment with the following carrying amounts:

	2019 Rm	2018 Rm
MTN Ghana	7 326	7 407
MTN Sudan	–	727
	7 326	8 134

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.

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	2019 Years	2018 Years
Licences	The useful lives are determined primarily with reference to the unexpired licence period.	**2 – 30**	3 – 25
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.	**4 – 6**	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 estimate 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 and fair value less costs of disposal, the estimated future cash flows are discounted to their present value using an appropriate 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.

5 INFRASTRUCTURE INVESTMENTS (continued)
5.2 Intangible assets and goodwill (continued)

	Goodwill Rm	Licences Rm	Customer relation-ships Rm	Software[2] Rm	Other intangible assets Rm	Capital work-in-progress[2] Rm	Total Rm
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	(312)	30	–	4	–	–	(278)
Reclassified to held for sale	–	–	–	–	(302)	–	(302)
Other movements	–	–	–	(10)	75	–	65
Effect of movements in exchange rates[1]	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
Carrying amount at 1 January 2019	**17 236**	**13 582**	**476**	**8 764**	**–**	**273**	**40 331**
Additions	**–**	**437**	**–**	**2 224**	**15**	**1 553**	**4 229**
Reallocations	**–**	**8**	**–**	**(52)**	**–**	**(425)**	**(469)**
Amortisation for the year	**–**	**(1 667)**	**(198)**	**(3 271)**	**(2)**	**–**	**(5 138)**
Reclassified from held for sale	**–**	**–**	**–**	**–**	**302**	**–**	**302**
Other movements	**–**	**1**	**–**	**(6)**	**(17)**	**(4)**	**(26)**
Effect of movements in exchange rates[1]	**(1 684)**	**(515)**	**–**	**(146)**	**(5)**	**(13)**	**(2 363)**
Carrying amount at 31 December 2019	**15 552**	**11 846**	**278**	**7 513**	**293**	**1 384**	**36 866**
Comprising:							
Cost	**21 798**	**24 344**	**1 306**	**22 240**	**5 755**	**1 384**	**76 827**
Accumulated amortisation and impairment losses	**(6 246)**	**(12 498)**	**(1 028)**	**(14 727)**	**(5 462)**	**–**	**(39 961)**
	15 552	**11 846**	**278**	**7 513**	**293**	**1 384**	**36 866**

[1] Includes the effect of hyperinflation.
[2] Included in software and capital work-in-progress are internally generated intangible assets with a carrying value of R1,4 billion (2018: R1,9 billion) and R440 million (2018: R160 million) respectively. During the year additions of R332 million and amortisation of R611 million (2018: R494 million) were recognised.

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:

	2019			2018		
	Growth rate %	Discount rate %	Goodwill carrying amount Rm	Growth rate %	Discount rate %	Goodwill carrying amount Rm
MTN Ivory Coast	**2,0**	**8,3**	**2 920**	2,0	11,1	3 066
MTN Ghana	**8,0**	**17,5**	**3 722**	6,0	19,5	4 643
MTN Yemen	**5,0**	**18,5**	**1 092**	5,0	29,2	1 123
MTN Afghanistan	**5,0**	**15,3**	**497**	5,0	18,6	525
MTN Uganda	**5,0**	**13,2**	**617**	5,0	16,9	627
MTN Congo-Brazzaville	**3,0**	**14,1**	**967**	3,0	19,2	1 013
MTN Benin	**2,0**	**9,9**	**1 314**	1,9	12,1	1 389
MTN SA	**5,3**	**10,5**	**2 584**	5,5	13,0	2 583
Lonestar Communications Corporation (MTN Liberia)[1]	**2,3**	**21,0**	**357**	2,2	22,5	369
MTN Rwandacell Limited (MTN Rwanda)	**5,0**	**13,2**	**320**	5,0	16,9	351
MTN Nigeria	**11,0**	**19,6**	**384**	14,5	27,4	395
MTN Zambia	**8,0**	**19,3**	**163**	8,0	22,5	199
MTN Guinea-Bissau	**2,5**	**11,7**	**355**	2,8	17,2	375
Other			**260**			578
Total			**15 552**			17 236

[1] The 2018 growth and discount rates of MTN Liberia have been disclosed on a local currency basis in 2018. In the current period, these rates have been restated to be comparable to the US$-based rates used in 2019 to align with the functional currency of the entity.

Goodwill is tested annually for impairment. The recoverable amounts of CGUs were determined based on fair value less costs of disposal calculations. The calculations mainly used cash flow projections based on financial budgets approved by management covering a three to five-year (2018: three to four-year) period. Management is confident that projections covering periods longer than three years 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 fair value less costs of disposal 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 2,0% to 74,7% (2018: 1,9% to 61,0%); and
- Discount rates: discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. The group experienced a decline in these specific risks, as a result, the discount rates ranged from 8,3% to 106,1% (2018: 11,1% to 100,7%).

A refinement was made to the discount rates calculation in 2019, whereby the volatility in the equity market was excluded from the cost of debt input. In the 2018 calculation, this change resulted in the discount rates being lower by an average 0,17%. Applying the 2018 assumptions would not have a material impact on the goodwill impairment assessment in 2019.

5 INFRASTRUCTURE INVESTMENTS (continued)

5.2 Intangible assets and goodwill (continued)

5.2.1 Goodwill (continued)

Goodwill impairment

In the prior year, an impairment charge amounting to R312 million was recognised against the goodwill of MTN Yemen. MTN Yemen was plagued by political instability and subdued economic conditions. At 31 December 2018, the carrying value of MTN Yemen exceeded its recoverable amount of R1 892 million, necessitating the impairment charge. The goodwill balance for MTN Yemen at 31 December 2018 amounted to R1 123 million, after recognising cumulative impairment charges of R1 119 million.

The group performed the annual impairment assessment on all goodwill balances as at 31 December 2019 and no impairment was required.

Recoverable amounts are represented by a CGU's fair value less costs of disposal. A specific change in the discount and growth rates would result in the recoverable amount being equal to the carrying amount of the net assets of the following CGUs:

	2019		2018	
	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)
MTN Liberia*	**–**	**–**	–	–
MTN Guinea-Bissau	**0,30**	**(0,25)**	–	–

As at 31 December 2019, the inputs used for the goodwill of MTN Afghanistan is not considered to be sensitive.

* A minimal change in the discount and growth rates as at 31 December 2019 and 2018 would result in the carrying amount exceeding the recoverable amount of the net assets.

5.2.2 Encumbrances

Borrowings are secured by intangible assets of MTN Ghana with a carrying amount of R1 088 million (2018: R1 216 million), refer to note 6.1.

5 INFRASTRUCTURE INVESTMENTS (continued)
5.2 Intangible assets and goodwill (continued)
5.2.3 Licences

Licence agreements	Type	Granted/renewed	Term
MTN SA	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	30/08/2015	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
	1 800MHz	15/04/1998	TBC
MTN Rwanda	GSM	01/07/2008	13 years
	SNO	30/06/2006	15 years
MTN Nigeria	1 800MHz[2]	01/09/2016	5 years
	900MHz[2]	01/09/2016	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]	01/07/2017	10 years
	700MHz Spectrum Licence[3]	16/06/2018	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
	2G (900MHz)	02/12/2019	15 years
	2G (1 800MHz)	02/12/2019	15 years
	International gateway[5]	08/11/2014	5 years
	Fixed access service of united access[5]	06/07/2015	4 years
	3G	23/01/2009	15 years
	4G (LTE) Spectrum	21/06/2016	15 years

[1] Negotiations with the UCC 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 30 June 2020.
[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] Subsequent to year-end, MTN Nigeria decided to cancel the licence. As such, the Nigerian Communications Commission issued MTN Nigeria a credit note for the renewal fees.
[5] Application to renew is under consideration by the National Communications Authority.

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	900MHz	19/10/2007	30 years
	1 800 MHz	19/10/2007	30 years
	Universal licence	19/03/2012	25 years
MTN Guinea-Conakry[1]	900MHz	31/08/2005	13 years
	1800MHz	31/08/2005	13 years
	3G	14/08/2013	6 years
MTN Congo-Brazzaville	900MHz	25/11/2011	15 years
	1 800MHz	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	12/09/2016	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	9 years
MTN Yemen	900MHz	01/01/2020	2 years
	1800MHz	01/01/2020	2 years

[1] The licences have expired. A short-term extension has been granted until 31 March 2020.

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:

	2019 Rm	2018 Rm	Denominated currency	Nominal interest (%)*	Interest payment	Final maturity
Unsecured						
MTN Holdings	**36 777**	34 849				
	252	252	ZAR [2,4]	8,3	Quarterly	June 2021
	604	604	ZAR [2,4]	8,5	Quarterly	June 2023
	906	906	ZAR [2,4]	8,3	Quarterly	June 2025
	1 000	1 000	ZAR [2,6]	9,1	Quarterly	March 2023
	1 002	1 002	ZAR [2,6]	9,1	Quarterly	December 2022
	–	802	ZAR [2,7]	8,0	Monthly	January 2019
	–	1 007	ZAR [2,7]	8,0	Monthly	January 2019
	1 503	1 503	ZAR [2,6]	8,9	Quarterly	December 2020
	5 553	5 543	ZAR [1,2]	8,9	Quarterly	February 2021
	–	3 325	ZAR [1,2]	9,4	Quarterly	August 2021
	4 132	4 223	US$ [1,2]	4,1	Quarterly	August 2021
	1 518	1 518	ZAR [2,6]	9,1	Quarterly	October 2022
	–	192	ZAR [4,5]	10,1	Quarterly	April 2019
	1 320	1 382	ZAR [2,6]	9,4	Quarterly	August 2021
	2 515	3 514	ZAR [2,3]	8,8	Quarterly	February 2021
	2 060	2 510	ZAR [2,3]	8,7	Semi–annual	February 2021
	–	968	ZAR [2,4]	8,9	Quarterly	April 2019
	1 528	1 528	ZAR [2,4]	8,6	Quarterly	July 2020
	1 019	1 019	ZAR [2,4]	8,8	Quarterly	July 2022
	473	473	ZAR [2,4]	8,5	Quarterly	October 2020
	540	540	ZAR [2,4]	8,7	Quarterly	October 2022
	391	–	ZAR [2,4]	8,5	Quarterly	March 2025
	1 200	–	ZAR [2,4]	8,5	Quarterly	September 2026
	303	–	ZAR [2,4]	8,3	Quarterly	May 2022
	506	–	ZAR [2,4]	8,5	Quarterly	May 2024
	186	–	ZAR [2,4]	8,2	Quarterly	May 2022
	514	–	ZAR [2,4]	8,5	Quarterly	May 2024
	585	–	ZAR [2,4]	8,8	Quarterly	May 2026
	208	–	ZAR [2,4]	7,9	Quarterly	May 2020
	401	–	ZAR [2,4]	8,8	Quarterly	September 2020
	2 011	–	ZAR [2,6]	9,1	Quarterly	June 2024
	1 991	–	ZAR [2,6]	9,1	Quarterly	June 2024
	1 518	–	ZAR [2,6]	8,7	Semi–annual	June 2024
	1 038	1 038	ZAR [2,4]	9,0	Quarterly	October 2024

[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 2019.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the group's significant unsecured borrowings are provided below:

	2019 Rm	2018 Rm	Denominated currency		Nominal interest (%)*	Interest payment	Final maturity
MTN Nigeria	**15 815**	6 921					
	–	3 367	NGN	1,2	15,0	Quarterly	November 2019
	–	390	US$	1,2	5,6	Semi-annual	December 2019
	–	352	US$	2,8	3,6	Semi-annual	August 2019
	–	235	US$	5,8	1,7	Semi-annual	August 2019
	–	356	US$	2,8	5,6	Semi-annual	December 2019
	491	1 065	US$	1,2,8	7,0	Semi-annual	June 2022
	551	835	US$	2,8	3,0	Semi–annual	March 2022
	7 636	–	NGN	1,2	15,0	Quarterly	August 2025
	6 879	–	NGN	1,2	15,0	Quarterly	May 2026
	258	–	US$	2,6	8,0	Semi-annual	February 2022
	–	321	US$	2	5,8	Monthly	Repayment on demand
MTN International (Mauritius) Limited	**3 775**	3 883					
	699	719	US$	1,2	4,1	Quarterly	August 2021
	3 076	3 164	US$	2,3	3,4	Quarterly	September 2023
MTN (Mauritius) Investments Limited	**24 706**	25 380					
	10 534	10 832	US$	5,10	4,8	Semi-annual	November 2024
	7 074	7 268	US$	5,10	5,4	Semi-annual	February 2022
	7 098	7 280	US$	5,10	6,5	Semi-annual	October 2026
MTN Zambia	**1 092**	1 309					
	–	96	US$	2,6	6,0	Semi-annual	June 2019
	142	146	US$	1,2	5,5	Semi-annual	September 2023
	362	360	ZAR	1,2	11,1	Semi-annual	September 2023
	588	707	ZMK	1,2	25,3	Semi-annual	September 2023
MTN Uganda	**733**	1 185					
	171	316	UGX	1,2	14,5	Quarterly	February 2021
	180	358	US$	1,2	5,8	Quarterly	February 2021
	–	375	UGX	1,2,3	14,0	Quarterly	February 2021
	197	136	UGX	2,6	13,5	Quarterly	December 2023
	185	–	US$	2,6	5,1	Quarterly	December 2023

[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 2019.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the group's significant unsecured borrowings are provided below:

	2019 Rm	2018 Rm	Deno-minated currency	Nominal interest (%)*	Interest payment	Final maturity
MTN Benin	**1 907**	1 011				
	32	–	CFA [5,9]	2,0	Semi-annual	April 2029
	172	–	CFA [5,11]	7,2	Semi-annual	May 2024
	–	185	CFA [1,5]	6,0	Semi-annual	January 2019
	1 703	826	CFA [1,5]	6,8	Semi-annual	November 2025
MTN Ivory Coast	**3 559**	3 194				
	1 197	–	CFA [1,5]	7,0	Quarterly	January 2026
	2 362	3 194	CFA [1,5]	6,0	Quarterly	June 2023
MTN Cameroon**	**1 987**	2 441				
	90	282	XAF [1,5]	4,3	Semi-annual	June 2020
	359	376	XAF [1,3,5]	4,3	Semi-annual	March 2020
	359	376	XAF [1,3,5]	4,3	Semi-annual	May 2020
	329	517	XAF [1,5]	5,0	Semi-annual	December 2021
	682	715	XAF [1,3,5]	5,0	Semi-annual	December 2021
	96	100	XAF [1,3,5]	5,0	Semi-annual	February 2020
	72	75	XAF [5,11]	4,5	Semi-annual	March 2020
MTN Rwanda	**531**	632	RWF [1,2]	15,0	Semi–annual	November 2025
MTN Congo-Brazzaville	**533**	846				
	449	846	CFA CB [1,5]	4,8	Quarterly	March 2021
	84	–	CFA CB [5,7]	5,0	Quarterly	December 2020
MTN Zakhele Futhi	**1 166**	1 442	ZAR [2,12]	7,5	Semi-annual	November 2021
Other unsecured borrowings	**141**	45				
Total unsecured borrowings	**92 722**	83 138				

[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 2019.
** In 2019, the MTN Cameroon borrowings were disaggregated to individual tranches of the loan facility. The comparative numbers have been updated accordingly.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

Details of the group's significant secured borrowings are provided below:

	2019 Rm	2018 Rm	Denominated currency		Nominal interest (%)*	Interest payment	Final maturity	Security/ collateral
Secured								
MTN Sudan	–	222						
	–	79#	US$	5,9	–	None	–	Pledge of property, plant and equipment (excluding land and buildings)
	–	143	US$	5,9	8,5	Annual	September 2019	Pledge of property, plant and equipment (excluding land and buildings)
MTN Ghana	1 227	1 275						
	826	985	GHS	1,2	20,4	Semi-annual	December 2022	Floating charge on company assets
	401	290	GHS	1,2,3	20,2	Quarterly	December 2022	Floating charge on company assets
Other secured borrowings	199	111						
Total secured borrowings	1 426	1 608						
Total unsecured borrowings	92 722	83 138						
Total borrowings	94 148	84 746						

[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 2019.
#This balance relates to unpaid interest on the loan.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.1 Borrowings (continued)

	2019 Rm	2018 Rm
The classification of the group's borrowings is as follows:		
Current	**15 691**	12 183
Non-current	**78 457**	72 563
	94 148	84 746
The carrying amounts of the group's borrowings are denominated in the following currencies:		
Nigerian naira	**14 515**	3 367
United States dollar	**34 420**	37 862
South African rand	**34 173**	32 428
Benin Communauté Financière Africaine franc	**1 907**	1 011
Côte d'Ivoire Communauté Financière Africaine franc	**3 559**	3 194
Zambian kwacha	**588**	707
Congo-Brazzaville Communauté Financière Africaine franc	**533**	846
Ugandan shilling	**368**	827
Cameroon Communauté Financière Africaine franc	**1 987**	2 441
Ghanaian Cedi	**1 227**	1 275
Other currencies	**871**	788
	94 148	84 746

The group has undrawn variable rate facilities of R33 790 million (2018: R39 938 million).

6.2 Other non-current liabilities

Finance leases were accounted for in 2018 in accordance with the accounting policy disclosed in note 6.5.2, 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.

	2019 Rm	2018 Rm
Finance lease obligations[1]	**–**	615
Deferred income[2]	**319**	291
Other	**546**	410
	865	1 316

[1] Reclassified to lease liabilities following the adoption of IFRS 16. Refer to note 11 for the change in accounting policy.
[2] 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.

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 Restated[1] Rm	Additions Rm	Reversals Rm	Utilised Rm	Exchange and other movements[2] Rm	At end of the year Rm
2019						
Non-current						
Decommissioning provision	276	21	–	(13)	(8)	276
Other provisions	159	13	(16)	(14)	(42)	100
	435	34	(16)	(27)	(50)	376
Current						
Bonus provision	1 037	1 254	(49)	(1 152)	–	1 090
Decommissioning provision	1	–	–	(1)	–	–
Licence obligations	86	–	–	(28)	–	58
Other provisions[1]	1 113	758	(322)	(281)	(52)	1 216
	2 237	2 012	(371)	(1 462)	(52)	2 364

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Includes the effect of hyperinflation.

	At beginning of the year Restated[1] Rm	Additions[1] Rm	Reversals Rm	Utilised Rm	Exchange and other movements[1,2] Rm	At end of the year Restated[2] 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[1]	500	905	(117)	(254)	79	1 113
	1 560	1 831	(144)	(1 112)	102	2 237

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] Includes the effect of hyperinflation.

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 either an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The group also 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 or right-of-use assets 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 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:

	2019 Rm	2018 Rm
Capital expenditure authorised not yet incurred at the reporting date is as follows:		
Contracted	6 548	10 280
– Property, plant and equipment	5 809	9 428
– Software	739	852
Not contracted	24 725	18 510
– Property, plant and equipment	21 406	15 649
– Software	3 319	2 861
Total commitments for property, plant and equipment and software	31 273	28 790

Capital expenditure will be funded from operating cash flows, existing borrowing facilities and, where necessary, by raising additional facilities.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases

6.5.1 The group's leasing activities and significant accounting policies

The group's leases include network infrastructure (including tower space and land), retail stores, vehicles, licences and office equipment. Rental contracts are typically made for fixed periods varying between two to fifteen years but may have renewal periods as described below.

From 1 January 2019, at inception of a contract, the group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US$5 000 or less and is not considered fundamental to its network. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the following lease payments:
- Fixed payments (including in-substance fixed payments), including non-recoverable payments that do not transfer a separate service, less any incentives receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right-of-use assets are initially measured at cost comprising the following:
- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Decommissioning costs.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Refer to note 5.1 for the accounting policy on impairment. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.1 The group's leasing activities and significant accounting policies (continued)

6.5.1.1 Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the group's business planning cycle, significance of related leasehold improvements and past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the group and the lessor to terminate the lease without a termination penalty. In determining whether the group has an economic incentive to not exercise the termination option, the group considers the broader economics of the contract and not only contractual termination payments.

As at 31 December 2019, a number of lease contracts relating to network infrastructure, include renewal options for an unlimited number of renewal periods. Due to the judgement exercised in relation to the determination of the lease term as outlined above, the group is exposed to potential future cash outflows relating to an indefinite period which have not been included in the lease liability because it is not reasonably certain that the leases will be extended beyond the estimated lease term.

6.5.1.2 Lease and non-lease components

A number of lease contracts include both lease and non-lease components (e.g. maintenance, security, etc). The group allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices. The group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

6.5.2 Policy applicable before 1 January 2019

As a lessee, until 31 December 2018, the group classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases were 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, was included in the statement of financial position under other non-current/current liabilities. Each lease payment was allocated between the liability and finance charges. Finance charges, which represented the difference between the total lease commitments and fair value of the assets acquired, were 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.

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.3 Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	31 December 2019 Rm	1 January 2019* Rm
Network infrastructure	32 907	36 113
Land and buildings	10 254	9 456
Licences	1 737	–
Other	86	73
Total right-of-use assets	44 984	45 642
Current	4 056	3 303
Non-current	42 271	42 052
Total lease liabilities	46 327	45 355

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 *Leases* (IAS 17). The assets were presented in property, plant and equipment and the liabilities as part of other non-current liabilities and trade and other payables. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, refer to note 11.

Additions to the right-of-use assets during the 2019 financial year were R6 587 million.

6.5.4 Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2019 Rm
Network infrastructure	4 349
Land and buildings	1 315
Licences	91
Other	73
Depreciation charge of right-of-use assets	5 828
Interest expense (included in finance costs)	5 709
Expense relating to short-term leases (included in other operating expenses)	85

Foreign exchange losses of R80 million were recognised on foreign denominated lease liabilities included in finance costs.

Earnings per share decreased by 77 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16. Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

	2018 Rm
Network sites and property	13 704
Equipment and vehicles	75
Operating lease rentals	13 779

6.5.5 Amounts recognised in the statement of cash flows

The statement of cash flows shows the following amounts relating to leases:

	2019 Rm
Interest paid	5 271
Repayment of lease liabilities	3 417
Total cash outflow	8 688

6 FINANCING STRUCTURE AND COMMITMENTS (continued)

6.5 Leases (continued)

6.5.6 Operating lease commitments

At 31 December 2018, the group had outstanding commitments under non-cancellable operating leases which fall due as follows:

	2018 Rm
Not later than one year	13 155
Later than one year and no later than five years	52 068
Later than five years	64 165
Future aggregate minimum lease payments under non-cancellable operating lease arrangements	129 388

6.5.7 Finance lease commitments

At 31 December 2018, 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	758	(143)	615
Later than one year and no later than five years	326	(84)	242
Later than five years	432	(59)	373
Non-cancellable finance lease commitments	833	(167)	666

6.6 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.

	2019 Rm	2018 Rm
Contingent liabilities	4 239	4 747
Uncertain tax exposures	1 959	2 087
Legal and regulatory matters	2 280	2 660

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 31 December 2019, there were a number of tax disputes ongoing in various of the group's operating entities. The most significant matter relates to a transfer pricing dispute which the group is contesting with the South African Revenue Service that relates to the 2009 to 2012 tax years. Based on internal and external legal and technical advice obtained, the group remains confident that it has a robust legal case to contest the 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.

7. FINANCIAL RISK

7.1 Financial risk management and financial instruments

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 or 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; equity investments that are held for trading; and equity investments designated as at FVTPL.
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 both collect the contractual cash flows and sell 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.

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 handset 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 these are 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.

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 Rm	FVOCI Rm	Amortised cost Rm	Fair value through profit or loss Rm	Total carrying amount Rm
2019						
Non-current financial assets						
Loans and other non-current receivables	471	–	–	–	–	471
Investments	–	–	28 555	–	–	28 555
Current financial assets						
Trade and other receivables	21 947	–	–	–	–	21 947
Current investments	2 221	1 951	219	–	–	4 391
Derivative assets	–	75	–	–	–	75
Restricted cash	2 042	–	–	–	–	2 042
Mobile Money deposits	15 315	–	–	–	–	15 315
Cash and cash equivalents	21 739	–	–	–	–	21 739
	63 735	2 026	28 774	–	–	94 535
Non-current financial liabilities						
Borrowings	–	–	–	78 457	–	78 457
Other non-current liabilities	–	–	–	383	–	383
Lease liabilities[1]	–	–	–	42 271	–	42 271
Current financial liabilities						
Trade and other payables	–	–	–	33 719	–	33 719
Mobile Money payables	–	–	–	15 315	–	15 315
Lease liabilities[1]	–	–	–	4 056	–	4 056
Borrowings	–	–	–	15 691	–	15 691
Derivative liabilities	–	–	–	–	21	21
Bank overdrafts	–	–	–	132	–	132
	–	–	–	190 024	21	190 045

[1] Lease liabilities are measured in accordance with IFRS 16, refer to note 6.5.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.1 Categories of financial instruments (continued)

	Assets			Liabilities		
	Amortised cost Rm	Fair value through profit or loss Rm	FVOCI Rm	Amortised cost Rm	Fair value through profit or loss 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[1]	2 153	–	–	–	–	2 153
Mobile Money deposits[1]	12 835	–	–	–	–	12 835
Cash and cash equivalents[2]	15 837	–	–	–	–	15 837
	57 495	1 862	24 025	–	–	83 382
Non-current financial liabilities						
Borrowings	–	–	–	72 563	–	72 563
Other non-current liabilities	–	–	–	952	–	952
Current financial liabilities						
Trade and other payables[1]	–	–	–	41 256	–	41 256
Mobile Money payables[1]	–	–	–	12 835	–	12 835
Nigeria regulatory fine	–	–	–	4 150	–	4 150
Borrowings	–	–	–	12 183	–	12 183
Derivative liabilities	–	–	–	–	208	208
Bank overdraft	–	–	–	255	–	255
	–	–	–	144 194	208	144 402

[1] Restated for changes in accounting policies, refer to note 11 for the details of restatement.
[2] Includes cash classified as non-current asset held for sale.

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
2019			
Current financial assets			
Trade and other receivables	**2 141**	**(962)**	**1 179**
Current financial liabilities			
Trade and other payables	**1 164**	**(962)**	**202**
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

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).

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
2019				
Financial assets				
Investment in IHS Group	–	–	27 000	27 000
Investment in Jumia	1 397	–	–	1 397
Unlisted equity investments	–	–	158	158
Investment in treasury bills classified as at fair value through profit or loss	139	–	–	139
Investment in treasury bills classified as at fair value through other comprehensive income	219	–	–	219
Investment in cell captives	–	–	1 812	1 812
Forward exchange contracts	–	75	–	75
Total assets	1 755	75	28 970	30 800
Financial liabilities				
Forward exchange contracts	–	21	–	21
Total liabilities	–	21	–	21
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

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 14x (2018: 10x to 15x) applied to MTN management's estimates of earnings, less estimated net debt of R20 217 million (2018: R18 599 million). In addition MTN has applied a 10% (2018: 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 has therefore been classified as level 3 on 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 813 million (2018: 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 813 million (2018: R2 316 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 R3 228 million (2018: 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 R3 228 million (2018: R2 821 million).

An increase of 1% to the liquidity discount, keeping other inputs constant, would have resulted in a decrease in the fair value of R300 million (2018: 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 R300 million (2018: R259 million).

A fair value increase of R4 297 million (2018: R7 770 million decrease) translated at the closing rate has been recognised for the year.

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.

Jumia listed equity investment – The fair value of the investment is determined by reference to published price quotations on the New York Stock Exchange. The American Depository Share (ADS) price of Jumia was US$6,73 on the last trading day of the year. The group has classified the investment in Jumia with a carrying amount of R1 397 million as at FVOCI. The fair value of this investment is categorised within level 1 of the fair value hierarchy.

During 2019, a fair value decrease of R1 651 million has been recognised in OCI. On 9 March 2020, the Jumia ADS price was US$3,15, equating to a reduction in the fair value of R638 million subsequent to 31 December 2019.

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 insurance cell captives is determined based on the net asset value of the insurance 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 534 million (2018: R10 832 million) and a fair value of R10 777 million (2018: R9 850 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 considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

In 2016, 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 2019, the carrying amount of the 2022 notes is R7 074 million (2018: R7 268 million) and the fair value is R7 252 million (2018: R7 019 million); and the carrying amount of the 2026 notes is R7 098 million (2018: R7 280 million) and the fair value is R7 746 million (2018: R7 057 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.

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 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 1 January 2019	**1 597**
Contributions paid to insurance cell captives	**469**
Claims received by insurance cell captives	**(123)**
Loss recognised in profit or loss	**(131)**
Balance at 31 December 2019	**1 812**

	Investments Rm
Balance at 1 January 2018	27 686
Acquisitions	310
Loss on equity investments at FVOCI	(8 030)
Foreign exchange differences	4 059
Balance at 1 January 2019	**24 025**
Disposal of the underlying equity investments of Amadeus	**(592)**
Acquisitions	**75**
Gain on equity investments at FVOCI	**4 401**
Foreign exchange differences	**(751)**
Balance at 31 December 2019	**27 158**

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:

	2019 Rm	2018 Rm
Loans and other non-current receivables	**471**	506
Trade and other receivables	**21 947**	23 306
Trade receivables	**14 504**	14 629
Other receivables	**7 443**	8 677
Contract assets	**3 868**	3 471
Current investments	**4 391**	4 455
Derivative assets	**75**	265
Restricted cash[1]	**2 042**	2 153
Mobile Money deposits[1]	**15 315**	12 835
Cash and cash equivalents[2]	**21 739**	15 837
	69 848	62 828

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] 2018 includes cash classified as non-current asset held for sale.

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.

	Credit ratings of financial institution	Cash and cash equivalent Rm	Restricted cash Rm
2019			
South Africa (including head office entities)	BBB-	7 762	–
MTN Nigeria	B– to B+	4 458	1 459
MTN Dubai	A+ to B–	1 746	119
Other	Various	7 773	464
		21 739	2 042
2018			
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[1]	Various	6 881	558
		15 837	2 153

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

The credit risk rating grade of the treasury bills range from B- to B (2018: ngA to BB+(ng)). In 2018, other receivables amounting to R884 million had a credit rating grade of BBB- representing the credit rating of the ultimate holding company of Ghana InterCo used as a proxy. The loan receivable was disposed of in the current financial year.

Cash and cash equivalents, restricted cash 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.

Mobile Money deposits

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. Regulations in certain jurisdictions specify the types of permissible liquid instruments that these deposits may be invested in. MoMo deposits are spread among approved, reputable financial institutions based on internal risk assessments or guidance provided by regulators, to manage the concentration of credit risk to a single counterparty. As a result of the uncertain and evolving legal and regulatory environment, the assessment of which party in a MoMo arrangement is exposed to a bank credit risk event, has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the group operates. Consequently, the assessment of the group's credit risk exposure with regards to MoMo remains subject to legal and regulatory developments.

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 R6,5 billion (2018: R6,4 billion) has been insured for which the group's risk is limited to R1 billion (2018: R57,5 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 R97 million (2018: 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.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Ageing and impairment analysis

	2019			2018		
	Gross Rm	Impairment Rm	Net Rm	Gross Rm	Impairment Rm	Net Rm
Fully performing trade receivables	9 077	(253)	8 824	9 914	(227)	9 687
Interconnect receivables	675	(72)	603	1 373	(31)	1 342
Contract receivables	987	(64)	923	1 276	(42)	1 234
Retail receivables	5 839	(41)	5 798	5 865	(129)	5 736
EBU[1] receivables	1 049	(45)	1 004	1 074	(20)	1 054
Other receivables	527	(31)	496	326	(5)	321
Past due trade receivables	7 798	(2 118)	5 680	7 750	(2 808)	4 942
Interconnect receivables	2 399	(386)	2 013	2 625	(697)	1 928
0 to 3 months	566	(73)	493	793	(136)	657
3 to 6 months	676	(104)	572	462	(68)	394
6 to 9 months	152	(14)	138	162	(17)	145
9 to 12 months	1 005	(195)	810	1 208	(476)	732
Contract receivables	1 567	(786)	781	1 916	(1 122)	794
0 to 3 months	752	(235)	517	774	(119)	655
3 to 6 months	438	(279)	159	514	(420)	94
6 to 9 months	55	(35)	20	24	(7)	17
9 to 12 months	322	(237)	85	604	(576)	28
Retail receivables	1 187	(362)	825	984	(374)	610
0 to 3 months	412	(4)	408	267	(18)	249
3 to 6 months	485	(164)	321	412	(147)	265
6 to 9 months	34	(11)	23	1	–	1
9 to 12 months	256	(183)	73	304	(209)	95
EBU receivables	1 116	(428)	688	738	(405)	333
0 to 3 months	260	(38)	222	201	(56)	145
3 to 6 months	247	(83)	164	209	(159)	50
6 to 9 months	59	(12)	47	61	(38)	23
9 to 12 months	550	(295)	255	267	(152)	115
Other receivables	1 529	(156)	1 373	1 487	(210)	1 277
0 to 3 months	479	(3)	476	329	(19)	310
3 to 6 months	658	(65)	593	662	(51)	611
6 to 9 months	104	(3)	101	96	(12)	84
9 to 12 months	288	(85)	203	400	(128)	272
Total	16 875	(2 371)	14 504	17 664	(3 035)	14 629

[1] Enterprise Business Unit.

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
2019						
MTN SA	**479**	**669**	**665**	**189**	**74**	**2 076**
MTN Nigeria	**114**	**114**	**–**	**–**	**255**	**483**
MTN Ivory Coast	**56**	**314**	**161**	**–**	**92**	**623**
MTN Yemen	**524**	**86**	**–**	**–**	**66**	**676**
MTN Cameroon	**69**	**43**	**85**	**247**	**29**	**473**
MTN Benin	**142**	**–**	**–**	**–**	**412**	**554**
MTN Guinea-Conakry	**171**	**79**	**87**	**164**	**18**	**519**
MTN Congo-Brazzaville	**175**	**–**	**–**	**323**	**–**	**498**
Other operations	**669**	**262**	**189**	**193**	**583**	**1 896**
	2 399	**1 567**	**1 187**	**1 116**	**1 529**	**7 798**
2018						
MTN SA	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

Expected credit losses
The group has the following financial assets subject to the ECL model:
- Trade and other receivables;
- Contract assets;
- Debt investments carried at amortised cost;
- Cash and cash equivalents;
- Restricted cash; and
- Mobile Money deposits.

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 is limited and consequently the probability of default relating to these balances is 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 historical/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 date to the extent that there is a strong correlation between the forward-looking information and the ECL.

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

The group used 5 to 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 a proxy write-off based on management's best estimate. The group has considered quantitative forward-looking information such as the core inflation rate. Qualitative assessments have also been performed, of which the impact was found to be immaterial.

The loss allowance for trade receivables to which the provision matrix has been applied is determined as follows:

	Gross carrying amount Rm	Impairment Rm	Average ECL/ Impairment ratio %
2019			
Interconnect receivables	3 074	(458)	14,90
Fully performing	675	(72)	10,67
Up to 90 days past due	566	(73)	12,90
120 days and above past due	1 833	(313)	17,08
Contract receivables	1 262	(453)	35,90
Fully performing	364	(16)	4,40
Up to 90 days past due	295	(98)	33,22
120 days and above past due	603	(339)	56,22
Retail receivables	7 026	(403)	5,74
Fully performing	5 839	(41)	0,70
Up to 90 days past due	412	(4)	0,97
120 days and above past due	775	(358)	46,19
EBU receivables	2 165	(473)	21,85
Fully performing	1 049	(45)	4,29
Up to 90 days past due	260	(38)	14,62
120 days and above past due	856	(390)	45,56
Other receivables	2 056	(187)	9,10
Fully performing	527	(31)	5,88
Up to 90 days past due	479	(3)	0,63
120 days and above past due	1 050	(153)	14,57
Total	15 583	(1 974)	12,67
2018			
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

7 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

7.1.4 Credit risk (continued)

Expected credit losses (continued)

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:

	Total	Trade receivables	Contract assets[1]
2019			
Gross balance	**5 498**	**1 292**	**4 206**
Expected credit loss allowance	**(735)**	**(397)**	**(338)**
	4 763	**895**	**3 868**
2018			
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.

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.

Reconciliation of allowance for credit losses	**2019 Trade receivables Rm**	2018 Trade receivables Rm	**2019 Contract assets Rm**	2018 Contract assets Rm
At the beginning of the year	**(3 035)**	(2 753)	**(388)**	–
Amounts restated through opening retained earnings	**–**	–	**–**	(388)
Additions[1]	**(939)**	(957)	**(137)**	–
Reversals[1]	**694**	408	**–**	–
Utilised	**531**	633	**187**	–
Exchange differences and other movements[2]	**378**	(366)	**–**	–
At the end of the year	**(2 371)**	(3 035)	**(338)**	(388)

[1] A net impairment loss of R245 million (2018: R549 million) was recognised during the year. In addition to the R531 million (2018: R633 million) provision utilised, R347 million (2018: 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 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

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:

	2019 Rm	2018 Rm
Trade and other receivables	21 947	23 306
Current investments	4 391	4 455
Cash and cash equivalents[1]	21 739	15 837
	48 077	43 598

[1] 2018 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 Syria 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.

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
2019								
Borrowings	94 148	104 426	8 178	1 301	4 831	27 908	48 601	13 607
Other non-current liabilities	383	383	5	3	4	–	–	371
Lease liabilities	46 327	90 789	786	2 061	7 340	7 802	25 539	47 261
Trade and other payables	33 719	33 994	22 576	6 218	5 200	–	–	–
Mobile Money payables	15 315	15 315	15 315	–	–	–	–	–
Derivative liabilities	21	21	21	–	–	–	–	–
Bank overdrafts	132	132	128	–	4	–	–	–
	190 045	245 060	47 009	9 583	17 379	35 710	74 140	61 239
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[1]	41 256	41 747	30 969	6 355	4 423	–	–	–
Mobile Money payables[1]	12 835	12 835	12 835	–	–	–	–	–
Derivative liabilities	208	208	–	–	208	–	–	–
Bank overdrafts	255	255	–	34	221	–	–	–
	144 402	162 471	46 714	11 146	18 645	11 929	49 330	24 707

[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 FINANCIAL RISK (continued)

7.1 Financial risk management and financial instruments (continued)

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.

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:

	2019		2018	
	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	79	392	506	–
Current financial assets				
Trade and other receivables	50	3 699	925	3 748
Current investments	2 579	–	2 858	–
Restricted cash	170	–	1 621	174
Mobile Money deposits[1]	1 373	10 129	1 118	8 850
Cash and cash equivalents	4 565	11 044	3 827	8 264
	8 816	25 264	10 855	21 036
Non-current financial liabilities				
Borrowings	27 292	51 165	31 589	40 974
Other non-current liabilities	–	373	613	336
Current financial liabilities				
Trade and other payables	210	182	1 045	576
Mobile Money payables[1]	1 373	10 129	1 118	8 850
Borrowings	5 716	9 975	2 698	9 485
Bank overdrafts	75	57	158	97
	34 666	71 881	37 221	60 318

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

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

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.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown in the table to follow.

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 2018.

	2019 (Decrease)/increase in profit before tax			2018 (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**	**(329,8)**	**329,8**	1	(308,9)	308,9
LIBOR	**1**	**19,4**	**(19,4)**	1	(49,7)	49,7
Three-month LIBOR	**1**	**(38,5)**	**38,5**	1	(39,7)	39,7
NIBOR	**1**	**(143,6)**	**143,6**	1	(33,7)	33,7
EURIBOR	**1**	**–**	**–**	1	0,1	(0,1)
Money market	**1**	**75,3**	**(75,3)**	1	(1,6)	1,6
Prime	**1**	**18,5**	**(18,5)**	1	27,2	(27,2)
Other	**1**	**19,8**	**(19,8)**	1	15,4	(15,4)

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 OCI, 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 OCI.

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.

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 OCI		
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
2019							
US$:ZAR[1]	**18 583**	**10**	**1 858,3**	**(1 858,3)**	**10**	**–**	**–**
US$:SYP	**(516)**	**10**	**(31,9)**	**31,9**	**10**	**(19,7)**	**19,7**
US$:SDG	**(1 344)**	**10**	**(40,8)**	**40,8**	**10**	**(93,6)**	**93,6**
US$:SSP	**(5 809)**	**10**	**(45,9)**	**45,9**	**10**	**(535,0)**	**535,0**
US$:NGN	**(8 522)**	**10**	**(852,2)**	**852,2**	**10**	**–**	**–**
EUR:SDG	**(1 668)**	**10**	**(1,1)**	**1,1**	**10**	**(165,7)**	**165,7**
EUR:US$	**2 509**	**10**	**250,9**	**(250,9)**	**10**	**–**	**–**
US$:GNF	**(4 092)**	**10**	**(143,2)**	**143,2**	**10**	**(266,0)**	**266,0**
US$:ZMK	**(104)**	**10**	**(10,4)**	**10,4**	**10**	**–**	**–**
IRR:ZAR	**2 753**	**10**	**275,3**	**(275,3)**	**10**	**–**	**–**
EUR:ZAR	**203**	**10**	**20,3**	**(20,3)**	**10**	**–**	**–**
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	–	–

[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 (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. OCI (before tax) will be affected by the amounts disclosed in respect of these investments in note 7.1.3.

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 covenant ratios. Under the terms of the major borrowing facilities, the group is required to comply with financial covenants. These covenants differ based on the contractual borrowing terms of each facility and incorporate both IFRS and non-IFRS financial measures. With the exception of MTN Ivory Coast, the group has complied with all externally imposed covenants during the current and prior year. For the year ended 31 December 2019, MTN Ivory Coast breached its net debt: capital management EBITDA ratio covenant requirement. As a result, the full related borrowings of R3 559 million have been classified as current as at 31 December 2019 within the group statement of financial position.

The group's net debt: capital management EBITDA, net debt: total equity and net interest: capital management EBITDA 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 investment in insurance cell captives). Total equity is as per the group statement of financial position. Net interest comprises finance costs less finance income and, following the adoption of IFRS 16 in 2019, an add back of lease liability interest expense per notes 2.5 and 6.5. CODM EBITDA[1] as defined in note 2.1, is reduced by an approximation of lease expenses which would have been recognised had the lease liabilities not been capitalised, to arrive at capital management EBITDA. Adjustments made in 2019 aim to make the year-on-year analysis more comparable as 2019 results have been prepared on an IFRS 16 basis.

	2019	2018
Net debt: Capital management EBITDA		
Borrowings and bank overdrafts (Rm)	94 280	85 001
Less: Cash and cash equivalents, restricted cash and current investments[1] (Rm)	(26 360)	(20 848)
Net debt[1] (Rm)	67 920	64 153
CODM EBITDA before impairment of goodwill[2] (Rm)	64 092	48 246
Less: Repayment and interest paid on lease liabilities (Rm) (note 6.5)	(8 688)	–
Capital management EBITDA	55 404	48 246
Net debt/capital management EBITDA ratio[1]	1,2	1,3
Net debt: total equity		
Net debt[1] (Rm)	67 920	64 153
Total equity (Rm)	86 100	88 226
Net debt/total equity[1] (%)	78,9	72,7
Net interest: Capital management EBITDA		
Net finance costs (Rm)	15 184	8 331
Less: Lease liability finance costs (Rm) (note 2.5 and 6.5)	(5 709)	–
Net interest (Rm)	9 475	8 331
Capital management EBITDA (Rm)	55 404	48 246
Net interest/capital management EBITDA (%)	17,1	17,3

[1] Restated for changes in accounting policies, refer to note 11 for details of restatement.
[2] CODM EBITDA is defined in note 2.1.

7 FINANCIAL RISK (continued)

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.

	2019 Rm	2018 Rm
Financial assets at fair value through other comprehensive income		
Investment in IHS Group (note 7.1.3)	27 000	23 353
Investment in Jumia (note 7.1.3)	1 397	–
Unlisted equity investments (note 7.1.3)	158	672
	28 555	24 025

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.

	2019 Rm	2018 Rm
Non-current interconnect receivables	38	60
Other non-current receivables	566	565
Non-current prepayments[1]	575	891
	1 179	1 516

[1] Includes prepayments relating to indefeasible right of use assets of R519 million (2018: R488 million) on Global Carrier Services cables.

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.

	2019 Rm	2018 Rm
Financial assets held at fair value through profit or loss		
Investment in insurance cell captives – (note 7.1.3)	**1 812**	1 597
Treasury bills with fixed interest rates of 11,9% to 12,5% and maturity dates between January and November 2020[2]	**139**	–
	1 951	1 597
Amortised cost		
Foreign currency fixed deposits with fixed interest rates of 1,55% to 2,3%[1]	**201**	43
Treasury bills with a fixed interest rate of 12,5% to 13,9% and maturity dates between February and October 2020[2]	**1 392**	2 283
Foreign currency fixed deposits with fixed interest rates of 3,3% to 5,3%[1]	**336**	302
Foreign currency fixed deposits with a fixed interest rate of 3,25%[4]	**97**	104
Foreign currency fixed deposits with a fixed interest rate of 9%[5]	**3**	–
Foreign currency fixed deposits with a fixed interest rate of 8,4%[3]	**48**	51
Treasury bills and bonds (debt instruments) held with an interest rate of 4,25%[6]	**144**	75
	2 221	2 858
Financial assets held at fair value through other comprehensive income		
Treasury bills with fixed interest rates of 4% to 12,4% and maturity dates between January and October 2020[2]	**219**	–
	219	–
Total current investments	**4 391**	4 455

[1] Denominated in United States dollar.
[2] Denominated in Nigerian naira.
[3] Denominated in Rwandan franc.
[4] Denominated in euro.
[5] Denominated in LBP.
[6] Denominated in CFA franc.

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 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.

	2019 Rm	2018 Rm
Derivatives held for trading		
Current assets		
Forward exchange contracts	**75**	265
	75	265
Current liabilities		
Forward exchange contracts	**(21)**	(208)
	54	57
(Losses)/gains accounted for directly in profit or loss	**(23)**	39
Notional principal amount (US$ forward exchange contracts)	**626**	445

7 FINANCIAL RISK (continued)

7.5 Derivatives and hedges (continued)

Net investment hedges

The group hedges a designated portion of its dollar net assets in MTN Dubai Limited (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. The external borrowings denominated in US$ held by Nigeria matured in the current year. 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 of 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:

	2019 Rm	2018 Rm
US$ denominated bonds held by MTN (Mauritius) Investments Limited	**25 775**	23 926
US$ denominated loans held by MTN Nigeria[1]	**–**	1 333

[1] Loans previously held for hedging purposes matured in the current year.

The determination of fair value of these liabilities is disclosed in note 7.1.3.

The following information also relates to the hedge of the net investment:

	2019 Rm	2018 Rm
Carrying value of US$ denominated bonds held by MTN (Mauritius) Investments Limited	**24 706**	25 380
Carrying value of US$ denominated loans held by MTN Nigeria[2]	**–**	1 333
Nominal value of US$ denominated bonds held by MTN (Mauritius) Investments Limited[1]	**1 750**	1 750
Nominal value of US$ denominated loans held by MTN Nigeria[1,2]	**–**	93
Change in carrying amount of loans as a result of foreign currency movements	**715**	(3 497)
Change in value of the hedged item used to determine hedge effectiveness	**(715)**	3 497
Hedge ratio	**100%**	100%
Foreign currency translation reserve		
Opening balance 1 January	**2 983**	466
Change in fair value of hedging instrument recognised in OCI for the year – after tax	**(515)**	2 517
Closing balance	**2 468**	2 983

[1] Amount presented in United States dollar.
[2] Loans previously held for hedging purposes matured in the current year.

7 FINANCIAL RISK (continued)

7.6 Exchange rates to South African rand

		Closing rates		Average rates	
		2019	2018	**2019**	2018
Foreign currency to South African rand:					
United States dollar	US$	**13,98**	14,38	**14,44**	13,21
Euro	EUR	**15,70**	16,47	**15,96**	15,11
South African rand to foreign currency:					
Ugandan shilling	UGX	**262,14**	257,93	**256,68**	280,55
Rwanda franc	RWF	**66,80**	60,92	**62,59**	64,41
Cameroon Communauté Financière Africaine franc	XAF	**41,78**	39,89	**40,57**	45,07
Nigerian naira	NGN	**26,09**	25,33	**25,05**	27,41
Iranian rial	IRR	**8 120,61**[1]	6 043,73[1]	**7 013,39**[1]	4 020,06[2]
Botswana pula	BWP	**0,76**	0,75	**0,73**	0,78
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**41,78**	39,80	**40,57**	42,73
Congo-Brazzaville Communauté Financière Africaine franc	XAF	**41,78**	39,89	**40,59**	42,18
Zambian kwacha	ZMK	**1,01**	0,83	**0,90**	0,79
Swaziland eSwatini	E	**1,00**	1,00	**1,00**	1,00
Afghanistan afghani	AFN	**5,54**	5,24	**5,35**	5,48
Ghanaian cedi	GHS	**0,41**	0,34	**0,38**	0,36
Benin Communauté Financière Africaine franc	XOF	**41,78**	39,80	**40,58**	42,26
Guinean franc	GNF	**672,40**	631,59	**634,98**	684,03
Sudanese pound[3]	SDG	**3,23**	3,31	**3,14**	2,40
Syrian pound[3]	SYP	**31,33**	30,45	**30,27**	32,79
Guinea-Bissau Communauté Financière Africaine franc	XOF	**41,78**	39,80	**40,58**	42,73
Yemen rial	YER	**27,18**	26,42	**26,36**	29,52
Ethiopian birr	ETB	**2,27**	1,96	**2,01**	2,02
South Sudanese pound[3]	SSP	**11,47**	10,71	**10,91**	10,54

[1] SANA rate.
[2] Weighted average exchange rate used to translate the results of Irancell.
[3] 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

Irancell

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 Irancell 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 2019 the ZAR to IRR exchange rate based on the CBI rate was 1 ZAR = 3 004,06 IRR (2018: 1 ZAR = 2 919,91 IRR).

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)	2019 Number of shares	2018 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]	(9 426 634)	(9 791 839)
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]	1 798 007 746	1 797 642 541

[1] Treasury shares held by MTN Holdings and 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.

	2019 Rm	2018 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	36 929	36 786
Decrease in treasury shares	–	143
Balance at the end of the year	36 929	36 929

* 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 (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.

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.

14 750 000 of the underwrite option shares were sold to PF Nhleko, who was the non-executive chairman of the MTN group at the time. On 29 June 2018, the parties agreed not to proceed with the sale of the shares to PF Nhleko. This was 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:

	2019 Rm	2018 Rm
Class A cumulative redeemable non-participating preference shares		
Balance at the beginning of the year	**1 442**	1 785
Interest accrued at the effective interest rate	**135**	96
Accrued interest paid	**(105)**	(126)
Redemption of preference shares during the year	**(277)**	(313)
Balance at the end of the year	**1 195**	1 442

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.

8 EQUITY STRUCTURE (continued)
8.2 Other reserves

	2019 Rm	2018 Rm
Balance at beginning of the year	**(8 430)**	(1 006)
Transactions with non-controlling interests	**–**	1 666
Transfer to/(from) retained earnings and statutory reserves	**310**	(327)
Share-based payment transactions	**331**	76
Share of other reserves of joint ventures	**(81)**	–
Exchange differences on translating foreign operations[5]	**(4 015)**	1 700
Foreign exchange movement on hedging instruments[5]	**515**	(2 517)
Net change in fair value of debt and equity instruments through other comprehensive income (FVOCI) reserve	**2 759**	(8 030)
Other	**1**	8
Balance at end of the year	**(8 610)**	(8 430)
Consisting of:		
Contingency reserve (as required by insurance regulations)[1]	**4**	4
Statutory reserve (as required by Rwanda, Congo-Brazzaville and other joint venture legislation)[2]	**253**	211
Transactions with non-controlling interests[3]	**(9 730)**	(9 730)
Transfer (to)/from retained earnings[4]	**(59)**	(327)
Share-based payment transactions[5]	**7 531**	7 200
Foreign currency translation reserve[6]	**(8 380)**	(4 880)
Equity instruments at fair value through other comprehensive income[7]	**1 840**	(919)
Share of other reserves of joint ventures	**(81)**	–
Other	**12**	11
	(8 610)	(8 430)

[1] 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.

[2] 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.

[3] 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.

[4] Following the sale of Amadeus, reserves worth R268 million were transferred to retained earnings in 2019. Following the sale of MTN Cyprus, reserves worth R327 million were transferred to retained earnings in 2018.

[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 strengthening of the closing rate of the rand against the functional currencies of the group's largest operations contributed to a decrease in assets and liabilities and the resulting foreign currency translation reserve decrease of R4 015 million (2018: increase of R1 700 million) since 31 December 2018. The amount also comprises foreign currency gains arising on the translation of financial liabilities designated as net investment hedges in a foreign operation of R515 million (2018: R2 517 million losses).

[7] This comprises all fair value adjustments on all equity and debt 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 or loss.

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.

	2019 Cents per share	2019 Rm	2018 Cents per share	2018 Rm
Dividends declared during the year				
Final dividend declared in respect of the prior year	325	5 849[2]	450	8 098[2]
Interim dividend declared in respect of the current year	195	3 513[2]	175	3 150[2]
		9 362		11 248
Dividends declared after year-end				
Approved after the reporting date and not recognised as a liability	355[1]	6 391[2]	325[1]	5 849[2]

[1] Declared at the board meeting on 10 March 2020.
[2] Excluding 7 023 616 (2018: 7 606 434) treasury shares held by MTN Holdings, 76 835 378 (2018: 76 835 378) shares held by MTN Zakhele Futhi but including 2 403 018 (2018: 2 185 405) 2016 MTN ESOP Trust shares which are entitled to dividends.

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.

8 EQUITY STRUCTURE (continued)

8.4 Share-based payments (continued)

Share Rights Scheme

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 rights are as follows:

	Strike price R	Number outstanding at 31 December 2018	Forfeited during 2019	Exercised during 2019	Number outstanding at 31 December 2019
Offer date					
28 June 2010	107,49	209 340	(12 400)	–	196 940
Total		209 340	(12 400)	–	196 940

The share rights outstanding at the end of the year have a weighted average remaining contractual life of six months (2018: one year).

There were no new grants during the current and prior year.

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 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.

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 %	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+J70	–	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 comparator group. 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 and 2019 grants. 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 2018	**Offered**	**Forfeited**	**Exercised during 2019**	**Number outstanding at 31 December 2019**
Offer date					
30 June 2016	3 090 032	**–**	**(2 729 214)**	**(360 818)**	**–**
28 December 2016	4 523 000	**–**	**(577 396)**	**–**	**3 945 604**
09 March 2017	66 500	**–**	**–**	**–**	**66 500**
29 September 2017	213 600	**–**	**–**	**–**	**213 600**
18 December 2017	5 561 800	**–**	**(679 874)**	**–**	**4 881 926**
28 June 2018	65 200	**–**	**–**	**–**	**65 200**
28 December 2018	11 853 062	**–**	**(1 099 278)**	**–**	**10 753 784**
20 December 2019	–	**13 313 800**	**(42 018)**	**–**	**13 271 782**
Total	25 373 194	**13 313 800**	**(5 127 780)**	**(360 818)**	**33 198 396**

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:

	December 2019
Share price (R)	**85,65**
Expected life	**3 years**
Risk-free rate	**7,01% – 7,44%**
Expected volatility	**27,35% – 29,74%**
Dividend yield	**5,60%**

	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%

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 share rights granted from 2017 onwards.

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 share rights granted from 2017 onwards.

Employee share ownership programme

During 2019, 277 620 (2018: 369 965) 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 years, 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 total number of group shares on which the incentives are based is 837 664. The fair value of these incentives was determined as at 31 December 2019 using a Black-Scholes valuation methodology and a cash-settled share-based payment expense of R27 million (2018: R16 million) was accounted for. In 2019, the incentives based on 446 027 shares vested, the remainder of which is expected to vest in 2020. In addition, throughout the group there are various notional share schemes. The total expense recorded for these schemes in the current year is R15 million (2018: R12 million).

	2019 Rm	2018 Rm
Expense arising from equity-settled share-based payment transactions	**331**	371
Expense/(income) arising from cash-settled share-based payment transactions	**42**	28
Total (note 2.4)	**373**	399

9 GROUP COMPOSITION

9.1 Interest in subsidiaries and joint ventures

MTN Group Limited

HOLDING COMPANIES

- Mobile Telephone Networks Holdings Limited, South Africa – 100%
- MTN International Proprietary Limited, South Africa – 100%

MANAGEMENT SERVICES

- MTN Group Management Services Proprietary Limited, South Africa – 100%

TELECOMMUNICATIONS/ISP

- MTN Business Solutions Botswana Proprietary Limited, Botswana – 80%
- WindUpco Proprietary Limited, South Africa – 100%
- MTN Business Kenya Limited, Kenya – 70%
- Satalite Data Networks Mauritius Proprietary Limited, Mauritius – 100%
- MTN Business Solutions Namibia Proprietary Limited, Namibia – 70%
- 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%
- Supersonic FTTX Proprietary Limited[8], South Africa – 100%

PROPERTY

- Aconcagua 11 Investments Proprietary Limited, South Africa – 100%
- MTN Propco Proprietary Limited, South Africa – 100%

ELECTRONIC SERVICES

- Simfy Africa Proprietary Limited[9], South Africa – 100%

TELECOMMUNICATION/ISP

- Swazi MTN Limited[1], eSwatini – 30%

HOLDING COMPANY

- MTN International (Mauritius) Limited, Mauritius – 100%

HOLDING COMPANIES

- Econet Wireless Citizens Limited, Mauritius – 82,8%
- Deci Investments Proprietary Limited[1], Botswana – 33,3%
- Mobile Botswana Limited, Mauritius – 100%

TELECOMMUNICATIONS/ISP

- Mobile Telephone Networks Cameroon Limited[5], Cameroon – 70%
- MTN Network Solutions Limited[5], Cameroon – 70%
- MTN Nigeria Communications Plc, Nigeria – 78,83%
- Mascom Wireless Botswana Proprietary Limited[1], Botswana – 53,1%
- MTN Côte d'Ivoire S.A., Côte d'Ivoire[3] – 58,83%
- MTN (Zambia) Limited[2], Zambia – 86%
- MTN Rwandacell Limited, Rwanda – 80%
- MTN Uganda Limited, Uganda – 96%
- MTN Publicom Limited, Uganda – 96%
- MTN Congo S.A., Republic of the Congo – 100%
- Irancell Telecommunication Company Services (PJSC)[1], Iran – 49%
- Visafone Communications Limited, Nigeria – 78,83%

ELECTRONIC SERVICES

- MTN Mobile Money Limited[2], Zambia – 86%
- Electronic Funds Transfer Operations Nigeria Limited, Nigeria – 50%
- Yello digital Financial Services[7], Nigeria – 78,83%
- Mobile Money Corporation PLC[6], Cameroon – 66,5%

STRUCTURED ENTITY

- 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 2018.
[5] Effective shareholding of 80% for accounting purposes.
[6] Effective shareholding of 76% for accounting purposes.
[7] Incorporated during the year.
[8] Previously known as Smart Village Proprietary Limited.
[9] Acquired in 2018.

9 GROUP COMPOSITION (continued)

9.1 Interest in subsidiaries and joint ventures (continued)

MTN Group Limited

MTN (Dubai) Limited
Dubai
100%

HOLDING COMPANIES

Entity	Country	Interest
Easy Dial International Limited	British Virgin Islands	100%
Investcom Telecommunications Guinea-Conakry Limited	British Virgin Islands	100%
Investcom Consortium Holding S.A.	British Virgin Islands	100%
Investcom Mobile Benin Limited	British Virgin Islands	100%
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	100%
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%
Investcom International Limited	British Virgin Islands	100%
MTN REL Mauritius	Mauritius	100%
Progressive Tech Holdings[9]	Mauritius	100%

PROCUREMENT

Entity	Country	Interest
Global Trading Company Limited	UAE	100%
Global Sourcing Company Limited	UAE	100%
Telecom Sourcing Services FZ-LLC	UAE	100%
MTN Investments Limited	UAE	100%
MTN SEA Shared Services Limited	Uganda	100%

MANAGEMENT SERVICES

Entity	Country	Interest
Inteltec Offshore SAL	Lebanon	99,8%

STRUCTURED ENTITY

Entity	Country	Interest
MTN Ghana Foundation[7]	Ghana	100%

INTERNATIONAL BUSINESS

Entity	Country	Interest
Interserve Overseas Limited	British Virgin Islands	100%

ELECTRONIC SERVICES

Entity	Country	Interest
MTN Mobile Money	Benin	56.25%
Middle East Internet Holding S.A.R.L[1]	Luxembourg	50%
aYo Holdings Limited[1]	Mauritius	50%
Mobile Money Limited	Ghana	85,49%
Mowali Sociate par Actions Simplifiee[7]	Côte d'Ivoire	50%
Lonestar Cell MTN Mobile Money Inc	Liberia	60%
MTN Mobile Money Guinea Limited[7]	Guinea-Conakry	75%

TELECOMMUNICATIONS/ISP

Entity	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%
MTN ICT Services PLC	Ethiopia	99,9%
MTN Yemen	Yemen	82,8%
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	60%
Easynet Search Limited	Ghana	97,8%
Global Connect Solutions Limited[4]	Dubai	100%

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.

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.

	2019 Rm	2018 Rm
Investment in associates	2 234	3 362
Investment in joint ventures	6 530	8 522
Total investment in associates and joint ventures	8 764	11 884
Share of results of associates after tax	142	341
Share of results of joint ventures after tax	563	(868)
Total share of results of associates and joint ventures after tax	705	(527)

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates

Unless otherwise stated, the group's associates' countries of incorporation are also their principal place of operation.

The group has the following effective interests in associates:

Associate	Principal activity	Country of incorporation	Effective % interest in issued ordinary share capital 2019	2018
Belgacom International Carrier Services SA (BICS)	Telecommunications	Belgium	**20**	20
Uganda InterCo[1]	Management of telecommunication infrastructure	Netherlands	**49**	49
Ghana InterCo[1]	Management of telecommunication infrastructure	Netherlands	**49**	49
Number Portability Proprietary Limited	Porting	South Africa	**20**	20
Content Connect Africa Proprietary Limited	Telecommunications	South Africa	**36**	36
International Digital Services Middle East Limited (iME)	Telecommunications	United Arab Emirates	**29,5**	29,5

[1] Held for sale as at 31 December 2019.

Associate 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.

The group's interests in Uganda InterCo and Ghana InterCo were classified as held for sale in the current year as part of the Asset Realisation Programme (ARP). On 31 December 2019 MTN concluded an agreement to dispose of its 49% equity holdings in Ghana Interco and Uganda Interco to ATC.

The Uganda InterCo transaction closed in February 2020 for cash proceeds of US$140 million (R2,2 billion) and realised a profit of approximately R1,2 billion. The group awaits the finalisation of regulatory approvals relating to the Ghana InterCo transaction.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in associates (continued)

	BICS Rm	Uganda InterCo Rm	Ghana InterCo Rm	iME Rm	Other Rm	Total Rm
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
2019						
Balance at beginning of the year	**2 022**	**853**	**–**	**474**	**13**	**3 362**
Other income (note 2.3)	**–**	**–**	**19**	**–**	**–**	**19**
Share of results after tax	**226**	**3**	**78**	**(165)**	**–**	**142**
Dividend income	**(227)**	**–**	**–**	**–**	**–**	**(227)**
Reclassification to assets held for sale[1]	**–**	**(894)**	**–**	**–**	**–**	**(894)**
Effect of movements in exchange rates	**(92)**	**38**	**(97)**	**(17)**	**–**	**(168)**
Balance at end of the year	**1 929**	**–**	**–**	**292**	**13**	**2 234**

[1] Subsequent to classification as a non-current asset held for sale foreign exchange movements of R56 million were recognised up to 31 December 2019.

9 **GROUP COMPOSITION (continued)**

9.2 **Investment in associates and joint ventures (continued)**

Investment in associates (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.

	BICS		iME	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Summarised statement of financial position				
Total assets	**14 522**	16 751	**810**	1 255
Non-current assets	**5 444**	5 698	**58**	54
Current assets	**9 078**	11 053	**752**	1 201
Total liabilities	**10 679**	12 826	**492**	352
Non-current liabilities	**1 991**	2 739	**15**	9
Current liabilities	**8 688**	10 087	**477**	343
Net assets	**3 843**	3 925	**318**	903
% ownership interest held	**20**	20	**29,50**	29,50
Interest in associate	**769**	785	**94**	266
Goodwill	**1 160**	1 237	**198**	208
Balance at end of the year	**1 929**	2 022	**292**	474
Summarised income statement				
Revenue	**20 993**	20 868	**1 997**	1 353
Profit/(loss) before tax	**1 515**	1 471	**(418)**	(503)
Income tax expense	**(383)**	(358)	**(141)**	(5)
Profit/(loss) after tax	**1 132**	1 113	**(559)**	(508)
% ownership interest held	**20**	20	**29,5**	29,5
Share of results after tax	**226**	223	**(165)**	(150)

There are no significant contingent liabilities relating to the group's interests in these associates at the end of the current or prior year.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

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%).

The group has the following effective interests in joint ventures:

			Effective % interest in issued ordinary share capital	
Joint venture	Principal activity	Country of incorporation	**2019**	2018
Irancell	Network operator	Iran	**49**	49
Mascom Wireless Botswana Proprietary Limited (Mascom)	Network operator	Botswana	**53,1**	53,1
Swazi MTN Limited	Network operator	eSwatini	**30**	30
Deci Investments Proprietary Limited (Deci Investments)	Holding company	Botswana	**33,3**	33,3
Middle East Internet Holding S.A.R.L (MEIH)[1]	Telecommunications	Luxembourg	**50**	50
Jumia[2,3]	Telecommunications	Germany	**–**	29,69
aYo Holdings Limited	Mobile insurance	Mauritius	**50**	50
Mowali Soiate par Actions Simplifiee	Telecommunications	Ivory Coast	**50**	–
Travelstart[4]	Online travel services	Sweden	**–**	43,67

[1] The entity operates in various countries across the Middle East.
[2] The entity operates in various countries across Africa.
[3] On 12 April 2019, Jumia listed on the New York Stock Exchange and the group's shareholding was diluted to 18,90%. Following this dilution, the investment in Jumia was reclassified to an investment held at FVOCI. Refer to note 2.3 for details.
[4] Sold in June 2019, refer to note 2.3 for details.

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 Irancell that has a year-end of 21 December, for group reporting purposes.

9 GROUP COMPOSITION (continued)

9.2 Investment in associates and joint ventures (continued)

Investment in joint ventures (continued)

Mascom transfer from held for sale

In December 2018, the group received an unsolicited offer to sell its interest in Mascom and its holding companies to Econet Global Limited (Econet). Accordingly, the investment in joint venture and related assets in holding companies were presented as non-current assets held for sale at 31 December 2018.

As certain conditions to the transaction were not met, a decision was reached during the third quarter to terminate the planned disposal, resulting in Mascom ceasing to be classified as a non-current asset held for sale. Since 15 August 2019, the group resumed applying equity accounting to Mascom.

Once the criteria for classification as a non-current asset held for sale ceases to be met the joint venture must be accounted for using the equity accounting method from the date that it was classified as a non-current asset held for sale. The reclassification out of non-current assets held for sale included a holding company of Mascom that is controlled by the group. The group has elected to account for this change prospectively with a cumulative catch up of the 2018 earnings in the 2019 financial year of R81 million.

MEIH impairment of joint venture

The group tested its investment in its equity accounted e-commerce joint venture, MEIH, for impairment following increasing competitive pressure and its disposal of Wadi, an online shopping portal, during the year. The recoverable amount was determined as the fair value less cost of disposal. The fair value represents a value determined from unobservable inputs and was based on comparable company and transaction average net merchandise value multiples of 1,3x for its transportation and consumer services business and 1,4x for its on-demand cleaning marketplace. The carrying value of the net assets equity accounted exceeded the recoverable amount of R572 million by R342 million and the group recognised the resulting impairment in profit or loss.

	Irancell Rm	Mascom Rm	Jumia Rm	MEIH Rm	Travelstart Rm	Other Rm	Total Rm
2018							
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[1]	(5 892)	(22)	58	72	103	12	(5 669)
Balance at end of the year	4 547	–	2 195	963	581	236	8 522
2019							
Balance at beginning of the year	**4 547**	**–**	**2 195**	**963**	**581**	**236**	**8 522**
Additions	**–**	**–**	**–**	**–**	**–**	**90**	**90**
Transfer from held for sale	**–**	**1 639**	**–**	**–**	**–**	**193**	**1 832**
Share of results after tax	**441**	**401**	**(226)**	**(10)**	**(91)**	**48**	**563**
Dividend income	**(562)**	**(252)**	**–**	**–**	**–**	**(71)**	**(885)**
Loss of joint control on dilution/disposal	**–**	**–**	**(1 790)**	**–**	**(452)**	**–**	**(2 242)**
Impairment of investment	**–**	**–**	**–**	**(342)**	**–**	**–**	**(342)**
Other comprehensive income and effect of movements in exchange rates including the effect of hyperinflation[1]	**(726)**	**(23)**	**(179)**	**(39)**	**(38)**	**(3)**	**(1 008)**
Balance at end of the year	**3 700**	**1 765**	**–**	**572**	**–**	**493**	**6 530**

[1] 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.

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		Mascom	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Summarised statement of financial position				
ASSETS				
Non-current assets	**18 920**	23 872	**1 528**	1 472
Property, plant and equipment	**16 689**	20 389	**1 345**	1 284
Intangible assets	**1 306**	2 192	**168**	188
Investment property	**102**	–	**15**	–
Loans and other non-current receivables	**40**	70	**–**	–
Non-current prepayment	**–**	38	**–**	–
Investment in associate	**123**	298	**–**	–
Investments	**–**	253	**–**	–
Deferred tax assets	**481**	453	**–**	–
Capitalised contract costs	**179**	179	**–**	–
Current assets	**6 843**	6 209	**827**	939
Inventories	**151**	61	**18**	33
Trade and other receivables	**3 332**	4 354	**83**	78
Restricted cash	**546**	435	**–**	–
Cash and cash equivalents	**2 814**	1 359	**685**	828
Contract assets	**–**	–	**41**	–
Total assets	**25 763**	30 081	**2 355**	2 411
LIABILITIES				
Non-current liabilities	**1 091**	1 276	**133**	109
Deferred tax liabilities	**587**	1 152	**121**	105
Provisions	**132**	124	**9**	–
Other non-current liabilities	**2**	–	**–**	–
Lease liability	**370**	–	**3**	4
Current liabilities	**17 174**	19 597	**542**	882
Trade and other payables	**12 725**	14 796	**527**	857
Provisions	**165**	158	**–**	–
Taxation liabilities	**505**	408	**15**	25
Borrowings	**2 724**	2 776	**–**	–
Lease liability	**194**	–	**–**	–
Dividends payable	**861**	1 459	**–**	–
Total liabilities	**18 265**	20 873	**675**	991
Total net assets	**7 498**	9 208	**1 680**	1 420
% ownership interest held	**49**	49	**53,1**	53,1
Interest in joint venture excluding goodwill	**3 674**	4 512	**892**	754
Goodwill	**26**	35	**873**	885
Balance at end of the year	**3 700**	4 547	**1 765**	1 639

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		Mascom	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Summarised income statement				
Revenue	**16 355**	23 811	**2 090**	1 744
Other income	**1**	276	**–**	–
Operating expenses	**(10 150)**	(15 452)	**(1 023)**	(823)
Depreciation of property, plant and equipment	**(4 297)**	(6 375)	**(169)**	(124)
Amortisation of intangible assets	**(523)**	(812)	**(124)**	(107)
Operating profit	**1 386**	1 448	**774**	690
Finance income	**154**	319	**34**	21
Finance costs	**(157)**	(2 453)	**–**	–
Share of results of joint venture after tax	**(148)**	(139)	**–**	–
Profit/(loss) before tax	**1 235**	(825)	**808**	711
Income tax expense	**(335)**	252	**(205)**	(161)
Profit/(loss) after tax	**900**	(573)	**603**	550
% ownership interest held	**49**	49	**53,1**	53,1
Share of results after tax	**441**	(281)	**320**	292
Previously unrecognised share of profit[1]	**–**	–	**81**	–
Total share of results after tax	**441**	(281)	**401**	292

[1] Mascom was classified as held for sale from the end of November 2018. As a result, the 2018 summarised income statement only includes the period up until November 2018. In the current year criteria for classification as a non-current asset held for sale ceased to be met and the investment in joint venture was transferred from held for sale. The recognition of the group's share of Mascom's previously unrecognised December 2018 earnings of R81 million has been included in the 2019 year.

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)

	MEIH	
	2019 Rm	2018 Rm
Summarised statement of financial position		
ASSETS		
Non-current assets	**1**	114
Property, plant and equipment	**1**	8
Loans and other non-current receivables	**–**	106
Current assets	**464**	634
Inventories	**–**	59
Trade and other receivables	**14**	133
Other current receivables	**25**	38
Cash and cash equivalents	**425**	404
Total assets	**465**	748
LIABILITIES		
Non-current liabilities	**16**	15
Borrowings	**11**	12
Other current liabilities	**5**	3
Current liabilities	**116**	429
Trade and other payables	**59**	117
Unearned income	**7**	13
Provisions	**27**	120
Other current liabilities	**23**	179
Total liabilities	**132**	444
Net assets	**333**	304
Non-controlling interest	**54**	170
Total assets	**387**	474
% ownership interest held	**50**	50
Interest in joint venture excluding goodwill	**194**	237
Adjustment up to 31 December[1]	**117**	102
Goodwill	**261**	624
Balance at end of the year	**572**	963
Summarised income statement		
Revenue	**192**	336
Other income	**56**	3
Operating expenses	**(265)**	(509)
Depreciation of property, plant and equipment	**–**	(1)
Operating loss	**(17)**	(171)
Finance costs	**(1)**	(2)
Loss before tax	**(18)**	(173)
Income tax expense	**(2)**	(1)
Loss after tax	**(20)**	(174)
% ownership interest held	**50**	50
Share of results after tax	**(10)**	(87)

[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 2019 (2018: 30 November 2018). Preparation of financial statements at 31 December 2019 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.

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

The investment in Irancell 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 Irancell 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.

	2019 Rm	2018 Rm
Capital commitments		
Share of capital commitments of joint ventures not yet incurred at the reporting date:		
Contracted	954	595
– Property, plant and equipment	903	552
– Software	51	43
Authorised but not contracted	958	1 846
– Property, plant and equipment	862	1 771
– Software	96	75
	1 912	2 441

Contingent liabilities relating to joint ventures

There are no material 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	09/07/2006	15 years
	3G	17/08/2014	7 years
	LTE	23/08/2015	6 years
Mascom Wireless Botswana Proprietary Limited	900MHz	01/09/2018	15 years
	1 800MHz	01/09/2018	15 years
	2 100MHz	01/09/2018	15 years
	2 600MHz	01/09/2018	15 years
Swazi MTN Limited	Electronic Communications Network Licence	28/11/2018	10 years
	Electronic Communications Service Licence	28/11/2018	10 years
	800MHz	01/04/2019	Renewable annually
	900MHz	01/04/2019	Renewable annually
	1800MHz	01/04/2019	Renewable annually
	2100MHz	01/04/2019	Renewable annually

9 GROUP COMPOSITION (continued)

9.3 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	
	2019 **%**	2018 %
Joint operation		
Europe India Gateway Submarine Cable System	**6,84**	6,88
West Africa Cable System	**11,14**	11,19
Eassy Cable System	**16,13**	16,13
Africa Coast to Europe Cable system	**8,86**	8,87

9 GROUP COMPOSITION (continued)

9.4 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.

Prior year changes in shareholding

In the previous 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 GHS1 096 million (R3 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 or loss.

Redemption of MTN Nigeria preference shares

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria. MTN Nigeria redeemed the preference shares on 30 December 2019. The proceeds from the redemption amounted to US$314 million for the group's 78,59% interest in MTN Nigeria's preference shares. The group recognised a cash payment of R1 243 million representing the rand equivalent of the minority interest share of the preference shares of US$85,5 million.

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	**2019 Rm**	2018 Rm
MTN Nigeria	Nigeria	**1 174**	1 833
MTN Ivory Coast	Côte d'Ivoire	**721**	891
MTN Ghana	Ghana	**1 440**	1 617
MTN Sudan	Sudan	**(746)**	(939)
MTN Guinea-Conakry	Guinea-Conakry	**(979)**	(907)
MTN Syria	Syria	**230**	321
Other		**363**	611
		2 203	3 427

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		MTN Ivory Coast		MTN Syria	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
% ownership interest held by non-controlling interests	**21,17**	21,17	**33,17**	33,17[1]	**25**	25
Summarised statement of financial position						
Non-current assets[2]	**48 499**	29 708	**9 810**	9 329	**4 761**	4 727
Current assets	**10 062**	7 748	**1 427**	1 737	**1 255**	1 155
Total assets	**58 561**	37 456	**11 237**	11 066	**6 016**	5 882
Non-current liabilities	**37 698**	5 583	**1 288**	2 818	**2 517**	2 113
Current liabilities	**15 316**	23 214	**7 775**	5 563	**2 580**	2 487
Total liabilities	**53 014**	28 797	**9 063**	8 381	**5 097**	4 600
Summarised income statement						
Revenue	**46 696**	37 971	**6 917**	7 158	**2 994**	2 309
Profit/(loss) before tax	**11 575**	8 097	**(486)**	(1)	**(154)**	70
Income tax expense	**(3 513)**	(2 774)	**103**	30	**19**	(13)
Profit/(loss) after tax	**8 062**	5 323	**(383)**	29	**(135)**	57
Profit/(loss) attributable to non-controlling interests	**1 707**	1 127	**(127)**	(10)	**(34)**	14
Dividends attributable to non-controlling interests	**1 099**	268	**–**	290	**50**	42
Summarised statement of cash flows						
Net cash generated from operating activities	**8 343**	9 327	**578**	1 087	**1 267**	889
Net cash used in investing activities	**(7 821)**	(7 777)	**(640)**	(1 109)	**(1 107)**	(1 111)
Net cash generated from/(used in) financing activities	**2 183**	(2 916)	**521**	(171)	**(56)**	47
Net increase/(decrease) in cash and cash equivalents	**2 705**	(1 366)	**459**	(193)	**104**	(175)
Net cash and cash equivalents at beginning of the year	**2 093**	3 090	**154**	291	**206**	331
Exchange (losses)/gains on cash and cash equivalents	**(341)**	369	**(64)**	56	**(31)**	50
Net cash and cash equivalents at end of the year	**4 457**	2 093	**549**	154	**279**	206

[1] The non-controlling interests hold 41,17% of the issued ordinary share capital of MTN Ivory Coast. 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 Ivory Coast.

[2] In addition to the assets included in the summarised financial information, R2 355 million (2018: R2 473 million) of goodwill is recognised in the group statement of financial position in relation to MTN Ivory Coast.

9 GROUP COMPOSITION (continued)

9.5 Interest in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

	MTN Ghana		MTN Sudan		MTN Guinea–Conakry	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm
% ownership interest held by non-controlling interests	**14,51**	14,51	**15**	15	**25**	25
Summarised statement of financial position						
Non-current assets[1]	**12 532**	8 897	**3 070**	1 779	**1 074**	1 105
Current assets	**11 149**	3 497	**898**	985	**920**	713
Total assets	**23 681**	12 394	**3 968**	2 764	**1 994**	1 818
Non-current liabilities	**5 179**	1 896	**2 654**	2 552	**3 095**	2 830
Current liabilities	**11 695**	3 491	**2 328**	2 396	**2 814**	2 615
Total liabilities	**16 874**	5 387	**4 982**	4 948	**5 909**	5 445
Summarised income statement						
Revenue	**13 820**	11 860	**2 536**	1 577	**1 188**	927
Profit/(loss) before tax	**3 849**	3 018	**368**	214	**(451)**	(591)
Income tax expense	**(1 160)**	(910)	**(145)**	(61)	**(33)**	(9)
Profit/(loss) after tax	**2 689**	2 108	**223**	153	**(484)**	(600)
Profit/(loss) attributable to non-controlling interests	**390**	125	**33**	1	**(121)**	(150)
Dividends attributable to non-controlling interests	**242**	174	**–**	–	**–**	–
Summarised statement of cash flows						
Net cash generated from/(used in) operating activities	**2 613**	(575)	**600**	706	**45**	(5)
Net cash used in investing activities	**(2 225)**	(2 225)	**(375)**	(501)	**(316)**	(178)
Net cash (used in)/from financing activities	**(144)**	3 384	**(256)**	(91)	**285**	139
Net increase/(decrease) in cash and cash equivalents	**244**	584	**(31)**	114	**14**	(44)
Net cash and cash equivalents at beginning of the year	**1 097**	535	**278**	454	**6**	29
Exchange (losses)/gains on cash and cash equivalents	**(228)**	(22)	**130**	(290)	**(1)**	21
Net cash and cash equivalents at end of the year	**1 113**	1 097	**377**	278	**19**	6

[1] In addition to the assets summarised above, R3 722 million (2018: R4 643 million) of goodwill is recognised in the group statement of financial position in relation to MTN Ghana.

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.

	2019 Rm	2018 Rm
Key management compensation		
Salaries and other short-term employee benefits	130	127
Post-employment benefits	9	9
Other benefits	69	32
Bonuses	107	103
Total	315	271

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
In 2018, the group had a material transaction with non-controlling interest relating to MTN Ghana's IPO, refer to note 9.4.

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria, refer to note 9.4.

On 12 April 2019, Jumia listed on the New York Stock Exchange and issued shares as part of the IPO diluting MTN's interest from 29,69% to 18,90%, refer to note 2.3.

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	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Balances outstanding at 31 December				
Trade and other payables owing to joint ventures/associates	273	409	131	240
Loans receivable from joint ventures/associates[1]	2 753	2 761	–	884
Trade and other receivables from joint ventures/associates	1 021	943	361	378
Capital call commitments payable to joint ventures/associates	–	107	–	–
Transactions for the year ended 31 December				
Dividends declared by joint ventures/associates	885	431	227	204
Interest income	119	81	89	212
Capital call notices paid	103	1 100	–	–
Repayment of loan receivable from joint venture	–	1 296	–	–

[1] The loan receivable from Ghana InterCo amounting to R884 million in 2018 was sold to ATC for R900 million in the current year.

10 RELATED PARTIES (continued)

10.1 Related party transactions (continued)

Transactions between members of the group

MTN Ghana entered into lease agreements with Ghana InterCo in prior years. The lease liability recognised under IFRS 16 amounted to R2 896 million as at 31 December 2019. The lease payments for the year ended 31 December 2019 amounted to R826 million and the interest charge recognised under IFRS 16 for the period was R567 million. The operating lease commitments recognised under IAS 17 amounted to R9 468 million at 31 December 2018. The IAS 17 expense recorded amounted to R1 016 million for the year ended 31 December 2018. The rental amounts escalate every year by inflation.

MTN Uganda entered into lease agreements with Uganda InterCo in prior years. The lease liability recognised under IFRS 16 amounted to R1 715 million as at 31 December 2019. The lease payments for the year ended 31 December 2019 amounted to R399 million and the interest charge recognised under IFRS 16 for the period was R290 million. The operating lease commitments recognised under IAS 17 amounted to R1 988 million at 31 December 2018. The IAS 17 expense recorded amounted to R439 million for the year ended 31 December 2018. The rental amounts escalate every year by inflation.

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, who was the non-executive chairman of MTN Group at the time.

On 29 June 2018, the group and Mainstreet 1561 Proprietary Limited, a wholly owned company of PF Nhleko who was the non-executive chairman of MTN Group at the time, 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

2019	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Sub-total R000	Share gains** R000	Total R000
Executive directors								
RA Shuter	13/03/2017	17 305	1 822	1 118	27 584	47 829	–	47 829
RT Mupita***	03/04/2017	9 152	1 059	42 658	13 433	66 302	–	66 302
Total		26 457	2 881	43 776	41 017	114 131	–	114 131

*Includes medical aid, expense allowances and unemployment insurance fund.
**Pre-tax gains on share-based payments.
***Other benefits include payment of cash-settled share-based incentives.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Directors emoluments and related payments (continued)

2019	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	Ad hoc work R000	Total R000
Non-executive directors							
M Jonas ***	01/06/2018	441	498	25	203	115	1 282
PF Nhleko+ ^^^ **	28/05/2013	3 480	1 110	35	599	115	5 339
PB Hanratty	01/08/2016	1 323	806	30	376	34	2 569
A Harper **	01/01/2010	1 343	868	21	376	231	2 839
KP Kalyan **	13/06/2006	437	695	35	203	–	1 370
S Kheradpir	08/07/2015	1 328	911	30	376	–	2 645
NP Mageza	01/01/2010	564	631	35	203	20	1 453
MLD Marole	01/01/2010	498	923	35	203	–	1 659
AT Mikati	18/07/2006	1 472	744	31	389	27	2 663
SP Miller	01/08/2016	1 347	892	26	376	–	2 641
KD Mokhele	01/07/2018	331	463	25	203	–	1 022
V Rague	01/07/2019	691	614	9	251	17	1 582
KC Ramon@	01/06/2014	441	553	35	203	40	1 272
HRH M Sanusi II	01/07/2019	681	590	9	251	9	1 540
NL Sowazi	01/08/2016	404	578	35	203	–	1 220
BS Tshabalala	01/06/2018	331	361	15	136	–	843
J van Rooyen **	18/07/2006	462	774	35	203	76	1 550
Total		15 574	12 011	466	4 754	684	33 489

*** Appointed as Chairman on 15 December 2019.
+ Received fees of R873 799 for services rendered on the International Advisory Board.
# Retainer and attendance fees include fees for board and committee representation and meetings.
@ Fees paid to AngloGold Ashanti Limited.
** Resigned on 15 December 2019.
^^^ Fees paid to Captrust Investments Proprietary Limited.

2018	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits* R000	Bonuses R000	Subtotal R000	Share gains R000	Total
Executive directors								
RA Shuter	13/03/2017	15 279	1 621	746	25 277	42 923	–	42 923
RT 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.

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	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	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	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.

Prescribed officers' emoluments and related payments

2019	Salaries R000	Post-employment benefits R000	Other benefits# R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
Prescribed officers							
E Asante	9 039	723	4 400	8 858	23 020	–	23 020
M Fleischer[1]	4 271	493	2 351	–	7 115	–	7 115
I Jaroudi	10 080	–	6 892@	8 027	24 999	–	24 999
L Modise[2]	2 240	246	3 318+	2 456	8 260	–	8 260
F Moolman	9 615	496	2 878@	8 104	21 093	–	21 093
G Motsa	7 323	805	703	6 823	15 654	–	15 654
P Norman	6 057	699	532	6 850	14 138	–	14 138
J Schulte-Bockum	9 398	986	497	13 019	23 900	–	23 900
F Sekha	4 254	468	591	5 082	10 395	–	10 395
K Toriola	8 151	815	3 160	6 984	19 110	–	19 110
Total	70 428	5 731	25 322	66 203	167 684	–	167 684

[1] Early retirement on 31 July 2019.
\+ Other benefits includes an amount paid in lieu of forfeited benefits from previous employer.
[2] Appointed on 12 August 2019.
\# Includes medical aid and unemployment insurance fund.
@ Compensation for loss of office comprises severance, restraint of trade and gratuity pay.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

Prescribed officers' emoluments and related payments (continued)

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 October 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.

Directors, prescribed officers, company secretary of the MTN Group Limited and of major subsidiaries' shareholding and dealings in ordinary shares

	December 2019	December 2018	Beneficial
RA Shuter	**200 000**	100 000	Indirect
RT Mupita[1]	**93 598**	93 598	Direct
RT Mupita	**680**	680	Indirect
KP Kalyan	**1 373**	1 373	Direct
NP Mageza	**400**	400	Indirect
G Motsa#	**161**	161	Direct
SB Mtshali[2]	**5 867**	3 199	Direct
S Ntsele#[3]	**–**	6 000	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**	1 004	Indirect
PB Hanratty[4]	**–**	–	Direct
J Schutte-Bockum#	**50 000**	50 000	Direct
S Perumal[5]	**457**	–	Direct
J van Rooyen	**32 700**	–	Direct
Total	**409 385**	279 560	

Major subsidiary director.
[1] Holds 63 000 shares in ADR.
[2] Retired on 31 March 2019.
[3] Ceased to be a director of a major subsidiary on 1 November 2019.
[4] Holds 20 000 shares in ADR.
[5] Appointed as a director of a major subsidiary on 1 November 2019.

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Group.

10 RELATED PARTIES (continued)

10.2 Emoluments, equity compensation and dealings in ordinary shares (continued)

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, hold the following number of MTN Zakhele Futhi shares which has a shareholding in MTN Group Limited shares:

Beneficiary	December 2019	December 2018	Beneficial
RT Mupita	33 562	33 562	Indirect
SA Fakie	6 061	6 061	Direct
SA Fakie	13 031	13 031	Indirect
KP Kalyan[2]	83 967	83 967	Direct
NP Mageza	155 870	155 870	Indirect
SB Mtshali[1]	39 703	39 703	Indirect
KC Ramon	23 500	23 500	Direct
J van Rooyen[2]	500	500	Indirect
Total	**356 194**	356 194	

[1] Retired on 31 March 2019.
[2] Resigned effective 15 December 2019.

Subsequent to year-end there were no changes in the directors' beneficial interest in MTN Zakhele Futhi.

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

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2019
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
20/12/2019	20/12/2022	–	457 100	–	–	–	–	457 100
Total		850 400	457 100	–	–	–	–	1 307 500
RT Mupita++								
18/12/2017	18/12/2020	118 300	–	–	–	–	–	118 300
28/12/2018	29/12/2021	190 200	–	–	–	–	–	190 200
20/12/2019	20/12/2022		223 300	–	–	–	–	223 300
Total		308 500	223 300	–	–	–	–	531 800
PD Norman								
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	29/12/2021	94 600	–	–	–	–	–	94 600
20/12/2019	20/12/2022	–	100 900	–	–	–	–	100 900
Total		254 700	100 900	–	(46 100)	–	–	309 500
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
20/12/2019	20/12/2022	–	121 800	–	–	–	–	121 800
Total		250 300	121 800	–	–	–	–	372 100
J Schulte-Bockum+++								
18/12/2017	18/12/2020	125 500	–	–	–	–	–	125 500
28/12/2018	29/12/2021	205 500	–	–	–	–	–	205 500
20/12/2019	20/12/2022	–	216 400	–	–	–	–	216 400
Total		331 000	216 400	–	–	–	–	547 400

\+ 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 was based on the market value of 446 027 ordinary listed shares in MTN Group Limited. The incentive was 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 was paid on 15/01/2020.

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)

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2019
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
20/12/2019	20/12/2022	–	70 600	–	–	–	–	70 600
Total		133 800	70 600	–	–	–	–	204 400
L Modise#								
20/12/2019	20/12/2022	–	93 500	–	–	–	–	93 500
Total		–	93 500	–	–	–	–	93 500
M Fleischer^								
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		315 300	–	–	(315 300)	–	–	–
F Moolman								
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
20/12/2019	20/12/2022	–	117 300	–	–	–	–	117 300
Total		290 100	117 300	–	(44 700)	–	–	362 700
SB Mtshali##								
29/06/2016	29/12/2018	10 100	–	(2 525)	(7 575)	03/04/2019	77,26	–
28/12/2016	28/12/2019	12 800	–	–	(3 177)	–	–	9 623
18/12/2017	18/12/2020	12 600	–	–	(7 214)	–	–	5 386
Total		35 500	–	(2 525)	(17 966)	–	–	15 009
PT Sishuba-Bonoyi###								
20/12/2019	20/12/2022	–	36 800	–	–		–	36 800
Total		–	36 800	–	–	–	–	36 800

Appointed 12 August 2019.
^ Early retirement 31 July 2019.
Retired 31 March 2019.
Appointed 1 April 2019.

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)

Award date	Vesting date	Number outstanding at 31 December 2018	Awarded	Accrued/ settled	Forfeited	Settlement date	Exercise price R	Number outstanding as at 31 December 2019
I Jaroudi								
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
20/12/2019	20/12/2022	–	135 900	–	–	–	–	135 900
Total		360 300	135 900	–	(60 000)	–	–	436 200
E Asante								
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
20/12/2019	20/12/2022	–	143 200	–	–	–	–	143 200
Total		317 200	143 200	–	(45 800)	–	–	414 600
S Ntsele[1]								
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		144 600	–	–	(25 500)	–	–	119 100
K Toriola								
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
20/12/2019	20/12/2022	–	120 800					120 800
Total		293 700	120 800	–	(54 700)	–	–	359 800
S Perumal[2]								
20/12/2019	20/12/2022	–	56 200	–	–	–	–	56 200
Total		–	56 200	–	–	–	–	56 200

[1] Ceased to be a director of a major subsidiary on 1 November 2019.
[2] Appointed as a director of a major subsidiary on 1 November 2019.

11 CHANGE IN ACCOUNTING POLICIES

The group has adopted IFRS 16 *Leases* (IFRS 16) and IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23), as issued by the International Accounting Standards Board (IASB), with effect from 1 January 2019.

In addition, the group changed its accounting treatment with regards to Mobile Money deposits and payables as well as the classification of uncertain income tax liabilities during the current financial year.

11.1 IFRS 16

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019.

11.1.1 Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate, for the remaining lease terms, as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 January 2019.

The group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease* (IFRIC 4).

The group classified a number of leases of vehicles and land and buildings as finance leases under IAS 17. For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.1 IFRS 16 (continued)

11.1.2 Impacts on financial statements

11.1.2.1 Impacts on transition

Statement of financial position

On transition to IFRS 16, the group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 January 2019 Rm
Property, plant and equipment	(149)
Right-of-use assets	45 642
Non-current prepayments[1]	(182)
Prepayments[2]	(622)
Total assets	**44 689**
Lease liabilities – non-current	42 052
Other non-current liabilities	(615)
Lease liabilities – current	3 303
Trade and other payables	(51)
Total liabilities	**44 689**

[1] Included in the "Loans and other non-current receivables" line item on the statement of financial position.
[2] Included in the "Trade and other receivables" line item on the statement of financial position.

The right-of-use assets recognised on 1 January 2019 relate to the following operating segments:

	Rm
South Africa	11 038
Nigeria	20 264
SEAGHA	9 041
WECA	3 920
MENA	1 274
Head office companies	105
	45 642

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11,8%. A reconciliation of the operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at 1 January 2019 to the lease liability recognised on 1 January 2019 is disclosed below:

	1 January 2019 Rm
Operating lease commitments disclosed at 31 December 2018	129 388
Discounted using the incremental borrowing rate at 1 January 2019	68 466
Add: Finance lease liabilities recognised as at 31 December 2018	666
Less: Non-lease components	(40 482)
Add: Extension and termination options reasonably certain to be exercised	17 860
Less: Variable lease payments based on an index or rate	(1 129)
Less: Transition exemption for leases ending within 12 months of date of initial application	(26)
Lease liabilities recognised at 1 January 2019	45 355
Of which are:	
– Current lease liabilities	3 303
– Non-current lease liabilities	42 052
	45 355

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.1 IFRS 16 (continued)

11.1.2 Impacts on financial statements

11.1.2.2 Impacts for the year

Refer to note 6.5 for the impact of IFRS 16 on the profit or loss for the year ended 31 December 2019 and on the statement of financial position as at 31 December 2019.

11.2 IFRIC 23 and related IFRIC agenda decision

IFRIC 23 and the IFRIC agenda decision in relation to the presentation of liabilities or assets related to uncertain tax treatments in September 2019 respectively clarifies the application of the recognition and measurement requirements in IAS 12 *Income Taxes* and the presentation requirements in IAS 1 *Presentation of Financial Statements* when there is uncertainty over income tax treatments. The group previously presented uncertain income tax liabilities as part of provisions based on amounts expected to be paid to the tax authorities.

Following the aforementioned IFRIC agenda decision, the group has reconsidered its accounting treatment. The group has adopted the treatment set out in the IFRIC agenda decision and has reclassified uncertain income tax related liabilities from provisions to current tax liabilities in the group's statement of financial position. This change in accounting policy has been accounted for retrospectively and comparative information has been restated.

No additional current or deferred tax liabilities were recognised as a result of IFRIC 23.

11.2.1 Impacts on financial statements

Statement of financial position

The total impact of the reclassification of liabilities resulting from income tax uncertainties are as follows:

	2018 Rm	2017 Rm
Provisions (note 6.3)	(484)	(369)
Taxation liabilities (note 3.3)	484	369
Current liabilities	–	–

11 CHANGE IN ACCOUNTING POLICIES (continued)

11.3 MoMo deposits and payables

Limited accounting guidance exists in IFRS relating to MoMo customers' balances held with banks. The group previously recognised MoMo balances based on its assessment of the risks and rewards relating to the underlying financial asset. The group's exposure to credit risk on the financial assets held with the various banks was considered a key factor in the overall evaluation as any credit risk assumed potentially exposed the group to refund MoMo customers in the event of any bank failure.

As a result of the uncertain and evolving legal and regulatory environment, this assessment has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the group operates. The group has, however, noticed in its larger MoMo markets that, as the MoMo products mature and the regulatory and legal positions are codified, the underlying exposure to its MoMo customers is clarified ultimately resulting in the MoMo balances being recorded on the statement of financial position. As the group operates in a number of markets where the legal and regulatory position relating to MoMo has not yet been clarified, it has reviewed and changed its current accounting policy.

The group now recognises MoMo balances held by the respective banks and the customers' rights to these balances as an obligation (financial liability) in the ordinary course to repay the balances to the MoMo customers and a right to claim the corresponding amounts from the relevant banks (financial asset).

The group is of the view that the revised policy will provide a more consistent treatment of MoMo across its markets and provide more meaningful information about the MoMo business.

The change in accounting policy has resulted in R5 714 million of MoMo assets and liabilities being brought onto the statement of financial position in 2019 (2018: R12 228 million and 2017: R9 013 million). The change did not have any impact on earnings attributable to ordinary shareholders, earnings per share or cash flows.

11.3.1 Impacts on financial statements

Statement of financial position

	2018 Rm	2017 Rm
Current assets		
Restricted cash (note 4.3)	(607)	(657)
Mobile Money deposits (note 4.6)	12 835	9 670
Current liabilities		
Trade and other payables (note 4.5)	(607)	(657)
Mobile Money payables (note 4.6)	12 835	9 670
	–	–

Company financial statements

Company statement of comprehensive income
for the year ended 31 December 2019

	Note	2019 Rm	2018 Rm
Revenue	1	10 242	11 992
Finance income	2	743	630
Finance costs	2	–	(404)
Other income		4	20
Operating expenses	3	(350)	(266)
Profit before tax		10 639	11 972
Income tax expense	4	(9)	(15)
Profit and total comprehensive income for the year		10 630	11 957

Company statement of financial position
at 31 December 2019

	Note	2019 Rm	2018 Rm
ASSETS			
Non-current assets		23 808	23 808
Investments in subsidiaries	5	23 808	23 808
Current assets		794	548
Trade and other receivables	6	578	328
Cash and cash equivalents	7	216	220
Total assets		24 602	24 356
EQUITY			
Ordinary share capital and share premium	8	37 040	37 040
Accumulated loss		(22 042)	(22 874)
Other reserves		7 324	7 324
Total equity		22 322	21 490
LIABILITIES			
Non-current liabilities		2	1
Deferred tax liability		2	1
Current liabilities		2 278	2 865
Taxation liability	11	4	3
Trade and other payables	9	388	256
Financial guarantee contracts	13	1 886	2 606
Total liabilities		2 280	2 866
Total equity and liabilities		24 602	24 356

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital Rm	Share premium Rm	Accumulated losses Rm	Other reserves[1] Rm	Total Rm
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)[1]	–	–	–	(295)	(295)
Dividends declared[2]	–	–	(11 776)	–	(11 776)
Balance at 1 January 2019	*****	**37 040**	**(22 874)**	**7 324**	**21 490**
Profit and total comprehensive income	**–**	**–**	**10 630**	**–**	**10 630**
Transactions with shareholders					
Dividends declared[2]	**–**	**–**	**(9 798)**	**–**	**(9 798)**
Balance at 31 December 2019	*****	**37 040**	**(22 042)**	**7 324**	**22 322**
Note	8	8			

[1] Share-based payment reserve.
[2] 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 2019

	Note	2019 Rm	2018 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilised in operations	10	**(201)**	(198)
Interest received		**22**	18
Income tax paid	11	**(6)**	(13)
Dividends received		**9 970**	11 797
Net cash generated from operating activities		**9 785**	11 604
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(9 789)**	(11 764)
Net cash used in financing activities		**(9 789)**	(11 764)
Net decrease in cash and cash equivalents		**(4)**	(160)
Cash and cash equivalents at beginning of the year		**220**	380
Cash and cash equivalents at end of the year	7	**216**	220

Notes to the company financial statements
for the year ended 31 December 2019

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.

	2019 Rm	2018 Rm
Dividend income – other revenue	9 970	11 797
Management fees received – revenue from contracts with customers	272	195
	10 242	11 992

2 FINANCE INCOME AND FINANCE COSTS

Finance income

Finance income mainly comprises amortisation of financial guarantee contracts and the related net foreign exchange gains.

Finance cost

Finance cost comprises net foreign exchange losses on financial guarantee contracts and remeasurements of financial guarantee contracts.

	2019 Rm	2018 Rm
Finance income		
Interest income on bank deposits	22	18
Amortisation of financial guarantee contracts	595	612
Gains on remeasurement of financial guarantees	76	–
Net foreign exchange gains	50	–
	743	630
Finance cost		
Losses on remeasurement of financial guarantees	–	(35)
Net foreign exchange losses	–	(369)
	–	(404)
Net finance income recognised in profit or loss	743	226

3 OPERATING EXPENSES

The following disclosable items have been included in arriving at profit before tax:

	2019 Rm	2018 Rm
Directors' emoluments[1]	(39)	(37)
Fees paid for services	(268)	(198)
– Professional fees	(20)	(21)
– Management fees paid (note 12)	(248)	(177)
Auditors' remuneration	(13)	(11)
– Audit fees	(13)	(11)

[1] Includes reimbursement of expenses.

Company financial statements

Notes to the company financial statements (continued)
for the year ended 31 December 2019

4 INCOME TAX EXPENSE

Refer to note 3.1 of the group financial statements for the applicable accounting policy.

	2019 Rm	2018 Rm
Normal tax – current year	(8)	(14)
Deferred tax – current year	(1)	(1)
Income tax expense	**(9)**	**(15)**

South African normal taxation is calculated at 28% (2018: 28%) of the estimated taxable income for the year.

The company's effective tax rate is reconciled to the South African statutory rate as follows:

	2019 %	2018 %
Tax rate reconciliation		
Tax at statutory tax rate	28	28
Income not subject to tax[1]	(28,1)	(30,1)
Expenses not allowed	0,2	2,2
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.

	2019 Rm	2018 Rm
Total interest in MTN Holdings	22 310	22 310
Total interest in MTN Group Management Services Proprietary Limited	57	57
Total interest in MTN SA	1 441	1 441
Total interest in subsidiary companies	**23 808**	**23 808**

6 TRADE AND OTHER RECEIVABLES

Refer to note 4.2 of the Group financial statements for the applicable accounting policy.

	2019 Rm	2018 Rm
Trade receivables due from related parties	554	307
Prepayments and other receivables	7	4
Sundry debtors and advances	17	17
	578	328

7 CASH AND CASH EQUIVALENTS

Refer to note 4.4 of the group financial statements for the applicable accounting policy.

	2019 Rm	2018 Rm
Cash at bank	216	220

8 ORDINARY SHARE CAPITAL AND SHARE PREMIUM

Refer to note 8.1 of the group financial statements for the applicable accounting policy.

	2019 Number of shares	2018 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.

	2019 Rm	2018 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.

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 which replaced the group's previous BEE structure known as MTN Zakhele Futhi. 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 Futhi 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 Futhi, 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 MTN SA.

14 750 000 of the underwrite option shares were sold to PF Nhleko, who was the non-executive chairman of the MTN group at the time. On 29 June 2018, the parties agreed not to proceed with the sale of the shares to PF Nhleko. This was 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.

9 TRADE AND OTHER PAYABLES

Refer to note 4.5 of the group financial statements for the applicable accounting policy.

	2019 Rm	2018 Rm
Payables due to related parties	192	73
Accrued expenses and other payables	196	183
	388	256

10 CASH UTILISED IN OPERATIONS

	2019 Rm	2018 Rm
Profit before tax	10 639	11 972
Adjusted for:		
Dividend income (note 1)	(9 970)	(11 797)
Finance income (note 2)	(743)	(630)
Finance costs (note 2)	–	404
	(74)	(51)
Changes in working capital	(127)	(147)
Increase in trade and other receivables	(288)	(114)
Increase/(decrease) in trade and other payables	161	(33)
	(201)	(198)

11 INCOME TAX PAID

	2019 Rm	2018 Rm
Balance at beginning of the year	(3)	(1)
Amounts recognised in profit or loss (note 4)	(9)	(15)
Deferred tax	1	(1)
Other	1	1
Balance at end of the year	4	3
Total tax paid	(6)	(13)

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:

	2019 Rm	2018 Rm
Dividends paid		
– MTN Holdings	(36)	(48)
– MTN Zakhele Futhi	(400)	(480)
Dividends received		
– MTN Holdings	9 970	11 797
Management fees paid		
– MTN Group Management Services Proprietary Limited	(248)	(177)
Management fees received		
– MTN International Proprietary Limited	272	195
Receivables		
– MTN Holdings	273	93
– MTN Group Management Services Proprietary Limited	206	172
– MTN SA	8	7
– MTN (Dubai) Limited[1]	4	*
– MTN International Proprietary Limited	63	35
– MTN (Mauritius) Investments Limited[2]	*	*
– MTN International (Mauritius) Limited	*	*
Payables		
– MTN Group Management Services Proprietary Limited	(107)	(40)
– MTN (Dubai) Limited[1]	(81)	(33)
– MTN Holdings	(1)	*
– MTN International (Mauritius) Limited	(3)	*
– MTN Zambia Limited	*	*

[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) Investments Limited.
* 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.

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 have guaranteed the bonds, revolving credit facilities, long-term loans and general banking facilities of MTN Holdings 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]	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm
Bond guarantees				
Bonds[1] and commercial paper	**20 000**	20 000	**10 650**	7 400
Syndicated and other loan facilities				
US$ revolving-credit-facility	**17 476**	17 980	**3 081**	3 164
ZAR long-term loan	**26 313**	21 675	**22 003**	21 175
US$ long-term loan	**4 893**	5 034	**4 830**	5 034
General banking facilities				
ZAR facilities	**–**	3 000	**–**	1 800
	68 682	67 689	**40 564**	38 573

[1] R10 650 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 MTN Holdings and suretyship to the amount of R5 850 million (2018: R5 850 million) with regard to the banking facilities of Mobile Telephone Networks Proprietary Limited, MTN International (Mauritius) Limited, MTN International Proprietary Limited, MTN Holdings 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 (2018: 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 (2018: US$1 billion). The drawn down balance remained consistent with that of the prior year at US$50 million. 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 (2018: US$1 250 million) of which US$220 million (2018: 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 R1 886 million (2018: R2 606 million) and R595 million (2018: R612 million) was amortised to profit or loss for the year.

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 MTN Holdings. 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 2019 the limited value guarantees were measured at the ECL amount and gains on remeasurement of R76 million (2018: losses of R35 million) have been recognised in profit or loss.

MTN group's credit rating as determined by Standard and Poor's (S&P) have been used to assess whether there has been a significant increase in credit risk. For guarantees issued after September 2016 12-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&P's published historical PD experience by credit rating category. The LGD specific to MTN has been determined by Moody's Investor Services (Moody's) at 51% (2018: S&P at 51%) and the original effective interest rate of the underlying borrowing is used as the discount rate.

Credit gains relating to 12 months ECL amounted to R20 million (2018: Credit losses of R60 million) and credit gains relating to lifetime ECL amounted to R56 million (2018: Credit losses R107 million).

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Refer to note 7.1 of the group financial statements for the applicable accounting policy.

14.1 Categories of financial instruments

	Assets	Liabilities		
	Amortised cost Rm	Amortised cost Rm	Total carrying amount Rm	Fair value Rm
2019				
Trade and other receivables	571	–	571	#
Cash and cash equivalents	216	–	216	#
	787	–	787	#
Trade and other payables	–	388	388	#
Financial guarantee contracts	–	1 886	1 886	584
	–	2 274	2 274	584
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

The carrying amount of the financial instrument approximates its fair value.

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
2019					
Current financial liabilities					
Financial guarantee contracts	**1 886**	**–**	**–**	**584**	**584**
2018					
Current financial liabilities					
Financial guarantee contracts	2 606	–	–	1 364	1 364

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:
The fair value of the financial guarantee contracts are 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:

	2019 Rm	2018 Rm
Cash and cash equivalents	**216**	220
Trade and other receivables	**571**	324
Financial guarantee contracts	**40 564**	38 573
	41 351	39 117

Credit risk is mitigated to the extent that the majority of trade receivables consist of related party receivables of R342 million (2018: R307 million).

The company holds its cash balances in financial institutions with a rating of BB+ (2018: AA-). Given this rating, management does not expect the counterparty to fail to meet its obligations.

14 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

14.2 Credit risk (continued)

Trade and other receivables

Ageing and impairment analysis

	2019 Gross Rm	2019 Impaired Rm	2019 Net Rm	2018 Gross Rm	2018 Impaired Rm	2018 Net Rm
Fully performing trade and other receivables	–	–	–	–	–	–
Sundry debtors and advances	–	–	–	–	–	–
Trade receivables due from related parties	–	–	–	–	–	–
Past due trade and other receivables	571	–	571	324	–	324
Sundry debtors and advances	17	–	17	17	–	17
0 to 3 months	1	–	1	8	–	8
3 to 6 months	4	–	4	–	–	–
6 to 9 months	2	–	2	–	–	–
9 to 12 months	10	–	10	9	–	9
Trade receivables due from related parties	554	–	554	307	–	307
0 to 3 months	327	–	327	207	–	207
3 to 6 months	45	–	45	–	–	–
6 to 9 months	103	–	103	–	–	–
9 to 12 months	79	–	79	100	–	100
	571	–	571	324	–	324

14.3 Liquidity risk

Refer to note 7.1.5 of the group financial statements for an explanation on liquidity risk and how it is managed.

The following liquid resources are available:

	2019 Rm	2018 Rm
Cash and cash equivalents	216	220
Trade and other receivables	571	324
	787	544

The company and other subsidiaries in the group have undrawn variable rate facilities of R33 790 million (2018: R39 938 million).

The following are the undiscounted contractual maturities of financial liabilities:

	Carrying amount Rm	Total Rm	Payable within 1 month or on demand Rm
2019			
Trade and other payables	388	388	388
Financial guarantee contracts	1 886	40 564	40 564
	2 274	40 952	40 952
2018			
Trade and other payables	256	256	256
Financial guarantee contracts	2 606	38 573	38 573
	2 862	38 829	38 829

Further details of financial guarantee contracts are provided in note 13 of the company financial statements.

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
2019	
Financial assets	
Cash and cash equivalents	**216**
Trade and other receivables	**554**
	770
Financial liabilities	
Trade and other payables	**192**
2018	
Financial assets	
Cash and cash equivalents	220
Trade and other receivables	307
	527
Financial liabilities	
Trade and other payables	73

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 2018.

	2019 Increase/(decrease) in profit before tax			2018 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**	**2,3**	**(2,3)**	1	2,7	(2,7)
Prime	**1**	**4,3**	**(4,3)**	1	2,2	(2,2)
LIBOR	**1**	**(0,8)**	**0,8**	1	(0,3)	0,3

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.

	2019 Rm	2018 Rm
Current assets		
United States dollar	4	*
Current liabilities		
United States dollar	1 881	2 471

* 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
2019			
US$:ZAR	10	(188)	188
2018			
US$:ZAR	10	(247)	247

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.
Capital management EBITDA	CODM EBITDA before impairment of goodwill less repayments and interest paid on lease liabilities.
Carrying amount	Is the amount at which the asset is recognised after deducting any accumulated depreciation/amortisation and accumulated impairment losses thereon.
Cash-generating unit	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.
CODM EBITDA	Earnings before finance income and finance costs (which includes gains and losses on foreign exchange transactions and a loss on revision of cash flows from a joint venture), time value loss from receivables from joint venture tax, depreciation and amortisation and is also presented before recognising the following items: • Impairment of joint ventures and goodwill; • Net monetary gain resulting from the application of hyperinflation; • Share of results of associates and joint ventures after tax; • Hyperinflation; • CBN resolution; • Tower sale profits; • Gain on dilution of investment in associates and joint ventures; and • Gain on disposal of subsidiary.
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	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.

Financial definitions (continued)

dti	Department of Trade and Industry.
Equity investments at fair value through other comprehensive income	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	Debt investments that do not qualify for measurement at amortised cost or FVOCI; equity investments that are held for trading; and equity investments designated as at FVTPL.
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.
Net debt	Borrowings and bank overdrafts less cash and cash equivalents, restricted cash (excluding cash held on behalf of MoMo customers) and current investments (excluding investment in insurance cell captives).
Net debt to capital management EBITDA ratio	Net debt divided by capital management EBITDA.
Net interest	Finance costs less finance income and add back lease liability interest expense.
Net interest to capital management EBITDA	Net interest divided by capital management EBITDA.
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 of disposal.
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.
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 cash-generating unit.

Annexure 1 – Shareholders' information

Shareholder spread

Shareholder spread	2019 Number of shareholders	%	Number of shares	%
1 – 1 000 shares	91 586	89,91	18 077 360	0,96
1 001 – 10 000 shares	8 095	7,95	21 684 990	1,15
10 001 – 100 000 shares	1 289	1,27	44 584 398	2,37
100 001 – 1 000 000 shares	713	0,70	215 245 959	11,42
1 000 001 shares and over	174	0,17	1 584 677 051	84,10
Total	101 857	100,00	1 884 269 758	100,00

Nominees holding shares in excess of 5% of the issued ordinary capital of the company

	2019 Number of shares	2019 % of Issued share capital	2018 Number of shares	2018 % of Issued share capital
Standard Bank Nominees (Tvl) Proprietary Limited	943 663 737	50,08	874 182 745	46,39
First National Nominees Proprietary Limited	167 868 946	8,91	164 481 694	8,73
Nedcor Bank Nominees Limited	157 600 379	8,36	164 457 041	8,73
State Street Bank and Trust Co-client Omnibus account*	68 461 598	3,63	133 053 068	7,06
CMB Nominee (RF) Ltd*	85 053 843	4,51	101 422 573	5,38

* Shares less than 5% of the issued ordinary capital of the company

Spread of ordinary shareholders

	2019 Number of shareholdings	2019 Number of shares	2019 % of issued share capital	2018 Number of shares	2018 % of issued share capital
Public	101 819	1 130 891 370	60,02	1 141 713 447	60,59
Non-public	38	753 378 388	39,98	742 556 311	39,41
Group directors, directors of major subsidiaries and associates of the company holdings	11	409 385	0,02	279 560	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)	5	189 330 000	10,05	189 330 000	10,05
Government Employees Pension Fund	19	477 376 991	25,33	466 319 534	24,75
MTN Telephone Network Holdings Limited and 2016 ESOP Trust	2	9 426 634	0,50	9 791 839	0,51
Total	101 857	1 884 269 758	100,00	1 884 269 758	100,00

Beneficial shareholders holding 5% or more

	2019 Number of shares	2019 % of issued share capital	2018 Number of shares	2018 % of issued share capital
Government Employees Pension Fund	477 376 991	25,33	466 319 534	24,75
Lombard Odier Darier Hentch & Cie (M1 Limited)	189 330 000	10,05	189 302 214	10,05

Annexure 2 – Administration

MTN GROUP LIMITED
Incorporated in the Republic of South Africa

Company registration number: 1994/009584/06
ISIN: ZAE000042164
Share code: MTN

Board of directors

MH Jonas*
PF Nhleko# (resigned on 15 December 2019)
RA Shuter[1, 3]
RT Mupita[1]
PB Hanratty[2*]
A Harper[3*] (resigned on 15 December 2019)
KP Kalyan* (resigned on 15 December 2019)
S Kheradpir[4*]
NP Mageza*
MLD Marole*
AT Mikati[5#]
SP Miller[6*]
KDK Mokhele*
VM Rague[8*] (appointed 1 July 2019)
KC Ramon*
SLA Sanusi[7*] (appointed 1 July 2019)
NL Sowazi*
BS Tshabalala*
J van Rooyen* (resigned on 15 December 2019)

[1] *Executive*
[2] *Irish*
[3] *British*
[4] *American*
[5] *Lebanese*
[6] *Belgian*
[7] *Nigerian*
[8] *Kenyan*
* *Independent non-executive director*
\# *Non-executive director*

Group secretary

PT Sishuba-Bonoyi (appointed 1 April 2019)
Private Bag X9955, Cresta, 2118

Registered office

216 – 14th Avenue
Fairland
Gauteng, 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.
Waterfall City, 4 Lisbon Lane, Jukskei View
Midrand, 2090

SizweNtsalubaGobodo Grant Thornton Inc.
1 Woodmead Drive, Woodmead Estate
Woodmead, 2157
PO Box 2939, Saxonwold, 2132

Lead sponsor

Tamela Holdings Proprietary Limited
Ground Floor, Golden Oak House, 35 Ballyclare Drive,
Bryanston, 2021

Joint sponsor

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

Attorneys

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

Contact details

Telephone:	National 083 912 3000
	International +27 11 912 3000
Facsimile:	National 011 912 4093
	International +27 11 912 4093

E-mail: investor.relations@mtn.com
Website: http://www.mtn.com
Date of release: 11 March 2020

Annexures

Bastion

www.mtn.com

Tel: +27 83 912 3000/+27 83 869 3000/+27 11 912 3000
Innovation Centre
216 14th Avenue
Fairland, 2195
South Africa