MTN Group Limited

Financial results for the year ended 31 December 2016

Contents

RESULTS OVERVIEW

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

1. *The financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability) and the MTN Zakhele Futhi impact (consisting of the share-based payment expense, net of the deferred tax impact recognised by MTN Zakhele Futhi arising on the capital gain on the investment in MTN) and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited financial statements for the year ended 31 December 2016. This pro forma financial information has been presented to eliminate the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) from the financial results in order to achieve a comparable analysis year on year. Hyperinflation adjustments and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) have been calculated in terms of the Group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2016.*
2. *Constant currency ("organic") information has been presented to illustrate the impact of changes in currency rates on the Group's results. In determining the change in constant currency terms, the current financial reporting year's results have been adjusted to the prior year's average exchange rates determined as the average of the monthly exchange rates which can be found on www.mtn.com/investors. The measurement has been performed for each of the Group's currencies, materially being that of the US dollar and Nigerian naira. The organic growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. In 2015, the Iranian economy was assessed to no longer be a hyperinflationary environment. MTN therefore discontinued hyperinflation accounting in that operation effective 1 July 2015. In addition, during 2016, Sudan was no longer considered to be a hyperinflationary economy from 1 July 2016 and hyperinflation accounting was discontinued from this date onwards. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting was applied for the year ended 31 December 2016.*

* *Constant currency ("organic") information.*

** *Reported-includes hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above).*

*** *The forward-looking financial information disclosed in this results announcement has not been reviewed or audited or otherwise reported on by our external joint auditors.*

The Group's results are presented on a regional basis in line with the Group's new operational structure. This is comprised of South and East Africa (SEA), West and Central Africa (WECA) and Middle East and North Africa (MENA) and their respective underlying operations further outlined below.

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

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

Group subscribers increased by

↑ 3,3%

to 240,4 million

Revenue increased marginally by

↑ 0,4%

(2,9%*) to R146 894 million

Data revenue increased by

↑ 16,7%

(19,7%*) to R39 546 million

Voice traffic decreased by

↓ 1,7%

and data traffic increased by 143%

EBITDA decreased by

↓ 13,2%

(18,5%*) to R51 981 million

EBITDA margin decreased by

↓ 5,5

percentage points to 35,4%

Headline loss per share of

77 cents**

Final dividend of

450 cents

per share

Capex increased by

↑ 19,6

(28,7%*) to R34 920 million

Repatriated R6 308 million (€425 million) from MTN Irancell up to 31 December 2016, being the entire amount due under the loan advanced for the licence fee in 2005

Subsequent to year end, the operational dividends of the last five years presently due to MTN were paid by MTN Irancell totalling €468 million. This brings the total repatriation to €893 million

Results overview

OVERVIEW

MTN Group's financial results for 2016 reflect the most challenging year in the company's 22-year history, precipitated by a number of material regulatory, macro-economic and political challenges experienced across our regions. However, despite these difficulties, the business began to show encouraging first signs of a turnaround.

Following the conclusion of the settlement agreement relating to the Nigerian regulatory fine in June 2016, the infusion of new senior management and the appointment of a new Group Chief Executive Officer (CEO) commencing on 13 March 2017, the MTN board of directors (Board) undertook a deep and fundamental strategic review of the business and its processes to ensure MTN is operating far more optimally in a complex and difficult operating environment. The outcome of this review illuminated areas of the business which required urgent attention. It also highlighted the company's unique position in a fast moving industry. As a result, the company embarked on a transformation initiative, IGNITE, designed to optimise its operations and position the Group most favourably to participate in a rapidly evolving sector.

Much of 2016 was consumed with putting in place corrective measures to ensure the delivery of the company strategy. Towards the end of 2016, our two largest operations and some of the tier two operations began to show signs of a turnaround following an extended period of underperformance.

As previously reported, MTN South Africa delivered a sub-optimal result in the first six months of 2016, with network, systems and customer service challenges. While all these issues were not fully resolved during the second half of 2016, MTN South Africa showed strong improvements in network quality and capacity. The operation significantly increased its net promoter score (NPS) particularly in the fourth quarter where it increased its NPS by 8 percentage points (pp) to 81% when compared to the same period in 2015. MTN South Africa's earnings before interest, tax, depreciation, amortisation, impairment of goodwill, net monetary gains and share of results of joint ventures and associates after tax (EBITDA) in the second half of the year increased by 31,0% (excluding the MTN Zakhele Futhi share-based payment expense) compared to the first six months of the year.

Despite the impact of regulatory challenges and a disadvantaged competitive position in Nigeria, the result of subscriber disconnections and the withdrawal of regulatory services in the first half of the year, Nigeria continued to improve its competitive position throughout the year. While revenue declined 6,3%* in the first quarter of 2016 when compared to the same quarter in 2015, revenue growth improved steadily throughout the year and fourth quarter revenue increased by 4,0%* year-on-year (YoY). This was attributable to improved network quality and attractive value propositions. This trend continued in early 2017, with revenue in January 2017 up by approximately 16%* YoY as the business continued to regain lost market share. We expect YoY growth to be maintained for the month of February 2017***. NPS more than doubled in the fourth quarter of 2016 when compared to the same period in 2015. However, the depreciation of the naira against the US dollar negatively impacted EBITDA margin and drove US dollar-linked costs higher.

MTN Irancell and MTN Ghana reported a strong performance driven by data revenue growth. MTN Irancell benefited from the country's youthful demographics and higher smartphone penetration while MTN Ghana's data revenue growth was attributable to low-cost smartphones sold following the successful launch of its 4G network. Group data revenue increased 19.7%* YoY contributing 27% of total Group revenue. This was supported by the Group's strategic decision to accelerate network investment across our markets, particularly South Africa, Nigeria and Iran. This investment will be critical in supporting the anticipated growth in data revenue.

MTN Uganda, MTN Cameroon and MTN Ivory Coast showed improved momentum towards the fourth quarter of 2016 following a competitive environment and subscriber registration challenges in the first half of the year.

Group revenue was negatively impacted by the depreciation of the rand against the US dollar as well as lower-than-expected top-line growth in Nigeria and South Africa. Revenue increased marginally to R146 894 million while organic revenue increased 2,9%*.

The Group's NPS improved from 24% in December 2015 to 35% in December 2016, closing the gap with its competitors. This was mainly driven by improvement on the network, value offerings and brand image.

The Group reported a number of once-off costs, which negatively impacted Group EBITDA. These costs include the Nigerian regulatory fine of R10 499 million**; professional fees related to the settlement of the Nigerian regulatory fine of R1 324 million**; MTN Zakhele Futhi share-based payment expense of R1 008 million**; the impairment of property, plant and equipment in South Sudan of R295 million (R2 679 million*) and Project Winback, relating to the reconnection of subscribers in Nigeria of R530 million**. As a result of these once-off costs, EBITDA declined by 31,1%** to R40 751 million**. Excluding the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine and the MTN Zakhele Futhi share-based payment expense, EBITDA declined 13,2%.

Reported basic headline earnings per share (HEPS) declined by 110%** to a loss of 77 cents**. This was significantly impacted by the Nigerian regulatory fine, which had a 500 cents negative impact on HEPS. 455 cents was non-recurring and 45 cents related to the interest unwind of the fine. In addition, HEPS was negatively impacted by:

- Foreign exchange losses of 329 cents;
- Losses from MTN's 51% equity interest in Nigeria Tower InterCo B.V., of 122 cents mainly as a result of unrealised foreign exchange losses on US dollar-denominated loans (non-recurring from 1 February 2017 when MTN exchanged its 51% interest in Nigeria Tower InterCo B.V., for an increased stake in IHS Holdings Limited, now at approximately 29%);
- The MTN Zakhele Futhi impact of 88 cents;
- Professional fees related to the settlement of the Nigerian regulatory fine of 73 cents (non-recurring);
- Losses from our investments in Digital Group, mainly including Africa Internet Holdings (AIH), Middle East Internet Holdings (MEIH) and Iran Internet Group (IIG) of 39 cents; and
- Hyperinflation of 37 cents.

MTN repatriated R6 308 million (€425 million) from MTN Irancell up to 31 December 2016, being the entire amount due under the loan advanced for the licence fee in 2005. Subsequent to year end, the operational dividends of the last five years presently due to MTN were paid by MTN Irancell totalling €468 million. This brings the total repatriation to €893 million. In 2015, MTN converted a portion of the dividends due to an interest-bearing loan, totalling €135 million (at the 2016 year end closing exchange rate). This loan is due for settlement on 30 September 2017. This will substantially close the matter on the long outstanding payments due from MTN Irancell.

In addition, to meet our ongoing capex and working capital requirements we successfully refinanced maturing facilities and secured additional long-term financing facilities from local and international sources, including a US$1 billion international debt capital market issuance. This activity aided in diversifying our sources of funding, improving our debt maturity profile and giving us access to sufficient liquidity to speedily respond to the ongoing needs of the business.

OUR OPERATING CONTEXT

In 2016, the Group continued to operate in a challenging environment. Global economic growth slowed, particularly in sub-Saharan Africa where many countries rely on commodity exports. At the end of 2016, the oil price was 50% higher than at the same time a year earlier. Nigeria is yet to reap the full benefit of the stronger price. Iran, however, did benefit from the firmer price and higher crude output and exports, with the economy growing 4,5% in 2016 from 0,8% in 2015. In South Africa, gross domestic product (GDP) was broadly flat at 2015's levels.

Weak economic conditions across our footprint resulted in volatile currencies, precipitating higher foreign-denominated expenses as well as forex losses for the Group in the reporting period. The contraction of the Nigerian economy impacted consumer spending in that country, and had a knock-on effect on the rest of West Africa, notably Cameroon and Benin.

Many governments implemented policy changes in response to lower commodity revenues, and regulatory pressures continued to increase. SIM-card registration requirements, additional taxes in some markets and the obligation to list and/or localise subsidiaries were also features of the year. In South Africa, there were further delays in the awarding of spectrum and in Nigeria, the regulator's 2013 ruling declaring MTN a 'dominant operator' and the consequential restrictions continued to impact our commercial success.

In the quarterly update for the period ended 30 September 2016 published on SENS on 24 October 2017 MTN advised shareholders that the Central Bank of Nigeria instructed various banks in Nigeria to suspend any remittance of dividends by MTN Nigeria Communications Limited, until further notice. MTN is pleased to advise that the Central Bank of Nigeria has now lifted the aforesaid suspension.

The industry continued its rapid evolution in both the traditional connectivity business as well as in non-traditional businesses such as mobile financial services and content-based services. Competition in the price of voice and data services intensified as economies were under pressure and more consumers used over-the-top services. This depressed traditional revenue streams.

IMPLEMENTING MEASURES TO DELIVER ON STRATEGY

With a settlement agreement having been reached with the Nigerian regulatory authority in respect of the fine, MTN spent much of 2016 implementing corrective measures to facilitate the delivery of an effective and efficient strategy. We embarked on a wide-ranging strategic review of our operations and processes to ensure that we execute our strategy far more optimally. The outcome of the review prompted us to focus on four key areas:

- our transformation initiative;
- accelerating the growth of new revenue streams;
- finalising the appointment of senior management; and
- including a more diverse skill set on the Board.

The launch of IGNITE – our transformation initiative

At the end of 2016, we launched IGNITE – our transformation initiative, starting with our two biggest operations, MTN South Africa and MTN Nigeria. IGNITE is about shaping the future of MTN, by proactively introducing special measures to accelerate our business and financial performance. These measures, which have aggressive targets, will make our organisation more agile, and our business more sustainable, efficient, innovative and profitable. IGNITE will be rolled out progressively to all operations. The programme will ensure a well-coordinated approach throughout MTN, enabling operations to execute their mandates effectively and deliver excellence in customer experience and value propositions.

Through IGNITE, we aim to:

- create a path to accelerate our revenue growth;
- translate a greater percentage of our revenue into EBITDA and profit;
- improve the quality and effectiveness of our processes;
- deploy our capital more effectively;
- use more advanced data analytics to better inform our decision making, particularly around customers and network deployment;
- accelerate the diversification of revenue streams;
- focus on customer experience; and
- ensure these changes are sustainable by striking the right balance between performance and the health of our organisation.

Our new Group transformation office is overseeing transformation offices in South Africa, Nigeria and globally, ensuring the implementation of all related initiatives and enablers, and reporting directly to a Group transformation board, chaired by the President and CEO.

Digital

We recorded strong growth of 44,2% in digital services revenue, supported by our lifestyle and mobile financial services offerings. MTN Mobile Money accounts for 20,2% of total digital revenue. MTN Games Club, our premium gaming proposition, grew significantly in the three largest markets and is now active in nine markets with a total of 5,4 million subscribers. We continued to be a leading distributor of digital music in Africa: our music streaming product recorded 4,0 million paying subscribers.

The number of MTN Mobile Money registered customers grew by 18,4% to 41 million, supported by a strong performance from MTN Ghana and MTN Benin. The number of 30-day active customers increased by 55,3% to 15,4 million across 15 countries. MTN Mobile Money revenue increased by 50,7%* to R2 829 million off the 2015 base. Five operations (compared to two in 2015) had over a million active customers each. This is a critical tipping point for the product. We continued to focus on advanced financial services such as remittances (28 corridors have been established), micro-lending and savings offerings. We launched MoKash, an extension to the MTN Mobile Money wallet, in Uganda and Zambia, where there are over 1,5 million registered customers. Loans are financed by our lending partner the Commercial Bank of Africa (CBA) and the role of MTN is to market, originate and disburse the loans and collect the loan repayments using MTN Mobile Money. After launching in Uganda in August 2016, over 140 000 loans were disbursed in the month of December 2016. We are planning further pilots in Rwanda, Ivory Coast and Ghana. At year end, we had approximately 74 000 active MTN Mobile Money financial services agents in Uganda. Monthly airtime sales through the MTN wallet peaked in December 2016, demonstrating a lower cost distribution channel for core products.

Ayo, our joint venture with MMI Holdings Limited, soft launched two mobile micro-lending products in Uganda in the year.

Jumia (the unified brand of our e-commerce joint ventures AIH) and MEIH, experienced slower growth in the Africa business largely on the back of Nigeria's slowing economy. Despite this, by entering new markets like Morocco and Ivory Coast, it was able to deliver nominal growth. MEIH continued to exhibit double-digit monthly percentage growth in revenue and customer numbers across all business lines. Unit economics in both AIH and MEIH continued to improve. In the year, Jumia recorded approximately 3,2 million customers, 5,9 million transactions and 2,8 million leads on its classifieds business, which expanded to eight new countries. MEIH, made up of seven companies in the Middle East, had approximately 600 000 customers and 3,3 million transactions during the period.

Iran Internet Group (IIG), our Iranian e-commerce business that has become the largest business of its kind in Iran, gained strong momentum. It showed very strong growth across its portfolio of e-commerce companies, expanding 40 times in the period under review. Zoodfood, a restaurant delivery service app, grew by 400% in 2016 to achieve 85% market share. Snapp, a taxi hailing app with 85% market share, and an average of approximately 150 000 rides a day. It is the largest e-commerce company in Iran by revenue, in spite of being active only in Tehran. Expansion to other cities is currently under way. Bamilo, Iran's largest online mall and marketplace, grew 60% in the fourth quarter of 2016. It has over 250 000 stock keeping units and hosts 1 500 merchants with online stores.

The TravelStart business, in which MTN acquired a 39,2% indirect interest through Amadeus, recorded 560 000 bookings from 800 000 clients during the period.

MTN continues to bolster its compliance framework associated with our financial services business.

Enterprise Business Unit (EBU)

Operating in a tough economic environment, customers focused on optimising operational efficiencies, which resulted in a consolidation of accounts. However, this presented opportunities for our EBU to explore and generate new revenues. In line with the Group strategy to accelerate growth in this area, we appointed a new executive head of Group EBU, Oliver Fortuin, who joined MTN on 1 March 2017. Oliver will assist to formulate a more competitive business strategy for this area.

Investments in towers

During January 2017, MTN exchanged its 51% share of Nigeria Tower InterCo B.V. (the parent of Nigerian telecoms tower operator INT Towers Limited) for an increased stake in IHS Holdings Limited (IHS). MTN's stake in IHS increased to approximately 29% from approximately 15%. IHS is the largest independent tower operator in Africa and the Middle East with over 23 000 towers. This transaction enables MTN to simplify its tower ownership structure and diversify its exposure to tower infrastructure across the IHS Group. Through this transaction (and with effect from 1 February 2017), MTN will no longer equity account for INT. In addition, this exchange allows MTN to benefit economically from its previously owned passive infrastructure and continued network investment.

Senior management changes

In the year, we appointed a number of new senior executives with the requisite skills to take MTN into a new growth phase. We also reinstated the regional vice president positions to ensure an extra layer of regional, operational and governance oversight. These appointments position the Group to capitalise on its many prospects and reach its full potential in a rapidly transforming and exciting sector. At an opco level, we reviewed structures, introducing the position of chief operating officer in our large opcos to ensure that increased operational oversight and coordination between commercial and technical teams is enhanced, allowing country CEOs to focus on stakeholder matters.

At a Group level, the MTN executive committee is made up of:

- Phuthuma Nhleko, who is executive chairman in an interim capacity and will hand over to the incoming Group President and CEO, Rob Shuter, on 13 March 2017, after which Phuthuma will revert to his role as non-executive chairman for a maximum period of two years (until no later than December 2018) when he plans to step down.
- Rob Shuter, who will assume his position as Group President and CEO on 13 March 2017. Rob brings extensive experience in the telecoms sector in both Africa and Europe as well as in financial services.
- Ralph Mupita, who will commence duty on 3 April 2017 as Group Chief Financial Officer and executive director of the Group Board. Ralph brings 16 years of financial services experience as well as expertise in engineering. Gunter Engling, currently Acting Chief Financial Officer, will assume the position of Deputy Chief Financial Officer, with effect from 3 April 2017, reporting to Ralph.
- Jens Schulte-Bockum, who joined the Group on 16 January 2017 as Group Chief Operating Officer. Jens has extensive operational experience in the telecoms sector and succeeded Jyoti Desai, who is retiring. We would like to thank Jyoti for her extensive contribution to the Group.
- Godfrey Motsa, Vice President for the South and East Africa region. Executive of the region including MTN South Africa since January 2017, Godfrey brings 10 years of emerging markets telecoms experience.
- Mteto Nyati, CEO of MTN South Africa since 2014. Mteto joined the Group as executive for the Enterprise Businesses unit in 2013.
- Ismail Jaroudi, Vice President for the Middle East and North Africa region since 2015. He previously held many other senior roles within the Group and its operations.
- Karl Toriola, Vice President for the West and Central Africa region since 2016. He previously held many other senior roles within the Group and its operations.
- Ferdi Moolman, CEO of MTN Nigeria since 2016. He previously held many other senior roles within the Group and its operations.
- Stephen van Coller, Vice President for Strategy and Mergers and Acquisitions (M&A) since October 2016. Stephen brings substantial commercial and financial services experience.
- Paul Norman, Chief Human Resources and Corporate Affairs Officer since 1997.
- Michael Fleischer, Chief Legal Counsel since 2014. Michael has significant legal experience in the fields of M&A, regulation and compliance and commercial transactions.

Other senior executives who were appointed in 2016 include:

- Babak Fouladi as Chief Technology and Information Officer.
- Bernice Samuels as Executive: Marketing.
- Felleng Sekha as Executive: Regulatory Affairs and Public Policy.
- Oliver Fortuin as Executive: Business Enterprise.
- Riaan Wessels as Executive: Business Risk Management.
- Saim Yaksan as Executive: Group Transformation
- Gunter Engling as Deputy CFO

Board refresh

The Group also refreshed the composition of the Group Board and MTN South Africa Board, providing more in-depth commercial, risk and governance skills and experience.

Specifically, the following individuals were appointed to the Board as independent non-executive directors effective 1 August 2016:

- Stan Miller has global experience in expanding businesses into new markets, exposure to convergence, as well as strong business and operational acumen. His telecoms experience ranges from co-founding subscription television channel M-Net, to leading the growth of the Dutch telecoms company KPN in the Netherlands. He is the executive chairman of AINMT A.B. Sweden and a non-executive member of the board of MTS JSC. Russia, a telecommunications operator in Russia.
- Paul Hanratty brings a wealth of experience in financial services in the UK, US, Africa, Asia and Latin America. He worked at Old Mutual for over 30 years and sat on the boards of various other financial services companies. Paul has extensive M&A experience and has devised and implemented growth strategies for businesses in many countries.
- Nkululeko "Nkunku" Sowazi is the chairman of Kagiso Tiso Holdings, a leading South African investment holding company, with significant interests in the media, financial and industrial sectors. Nkunku was the executive chairman and co-founder of the Tiso Group and is currently a director of Grindrod Limited and a non-executive director of listed and unlisted organisations spanning Ghana, the UK, the US and South Africa. Nkunku has had significant exposure to listed and non-listed boards and has extensive experience in M&A and investment management. He sat on the remunerations, nominations audit and risk committees at Exxaro and Aveng.

Johnson Njeke and Jan Strydom, who both served on the Board for an aggregate period in excess of nine years each, resigned at the Group Annual General Meeting in May 2016. The Board thanks them for their valuable contribution over the years.

PROSPECTS

The MTN Group continues to work towards achieving our vision of "leading the delivery of a bold, new Digital World to our customers". Despite the recent disruptions in the markets in which we operate, Africa is still expected to be a key growth region over the medium to long term. MTN's unique position in Africa and the changes made in 2016 provide a solid platform for the Group to realise its vision.

The management team will continue to execute on IGNITE, focusing mainly on the transformation of MTN's operating model and accelerating growth of new revenue streams. With a strengthened management team in place and new initiatives embarked upon, we are confident and are resolved to enhance our competitive position across our markets and meet the aggressive targets set.

New revenue streams, particularly digital services, are expected to increase their contribution over the next 18 months, supported by a more focused approach and the process initiated to establish an advanced analytics unit. We expect our e-commerce joint ventures with AIH, MEIH and IIG to continue strong growth in customers and revenue, with improving unit economies. While AIH and MEIH are expected to be impacted by a slowing economy and the associated volatility of currencies in Nigeria and Egypt, IIG is expected to benefit from improving GDP growth.

Our extensive capex investments made over the past two years across our operations will enable the business to provide superior customer experience and competitive data network. This will support the increasing demand for data and digital services.

MTN Nigeria continues to make progress with its preparations to list MTN Nigeria shares on the Nigerian Stock Exchange. In addition to setting up a management task team, MTN Nigeria has appointed a lead issuing house, joint transaction advisors, global coordinators and legal advisors. While MTN remains committed to the listing, it is subject to suitable market conditions, macro-economic conditions. The listing is also subject to securing the appropriate approvals and certainty from relevant regulators and other stakeholders.

MTN Ghana is working with relevant regulators on its localisation transaction, which is expected to be completed during the course of 2017.

In **Nigeria**, we expect to further improve our competitive position despite a weaker economic environment. Network quality remains a priority. This improvement in competitive position, improved network quality and capacity, smartphone penetration and increased focus on new revenue streams are expected to support upper single-digit top-line growth***. We will continue to work closely with vendors to alleviate the current challenges with regard to the availability of US dollars. We expect the depreciation of the naira against the US dollar to negatively impact the EBITDA margin in 2017 and 2018***. However, IGNITE initiatives to be implemented over the next two years will partly offset the drag on reported EBITDA by 15 to 20% by 2018***.

We anticipate a positive growth trend in **South Africa**. In 2017, we expect mid-single-digit revenue growth and EBITDA margin expansion of between 50 and 100 basis points (bp) YoY*** supported by a strong focus on customer service, improved billing, significantly improved network quality, capacity and speed. A stronger network will facilitate greater customer retention. Cost optimisation and outsourcing of non-core functions will also support EBITDA growth. Through IGNITE, we expect an improvement in reported EBITDA of the 2016 base of between 15% and 20% by the end of 2018***.

Going forward, the repatriation of monies from MTN Irancell is expected to be normalised. We expect growth in the Iranian economy (following the easing of sanctions) to offer significant opportunities to expand our services, particularly in the digital space, and to benefit further from MTN's strong position and the country's youthful population.

We will continue to review infrastructure investment opportunities, including Iran.

DIVIDENDS

The Board has declared a second half dividend of 450 cents per share, which will bring the total dividend for 2016 to 700 cents per share. At the discretion of the Board and taking into consideration market conditions, the Board anticipates declaring a total dividend of 700 cents per share*** during FY2017. The expected FY2017 dividend takes into consideration the continued uncertainty of the regulatory environments and dollar liquidity situation across many of our markets as well as the interest of the company's shareholders and lenders.

Subscriber Net Additions

('000)	Actual 2016	2017 Guidance
SEA	**1 885**	2 240
South Africa	**175**	630
Uganda	**1 620**	1 110
Other	**90**	500
WECA	**5 325**	4 750
Nigeria	**717**	1 000
Ghana	**3 041**	750
Cameroon	**692**	1 250
Ivory Coast	**1 138**	500
Other	**(263)**	1 250
MENA	**667**	1 300
Iran	**1 483**	850
Syria	**95**	(250)
Sudan	**(972)**	500
Other	**61**	200
Total	**7 877**	8 290

CAPITAL EXPENDITURE

ZAR (million)	Authorised 2016	Capitalised December 2016	Capitalised December 2015
SEA	**13 368**	12 896	13 452
South Africa	**11 526**	11 085	10 948
Uganda	**992**	758	951
Other	**850**	1 053	1 553
WECA	**16 314**	17 325	11 593
Nigeria	**9 543**	8 701	4 993
Ghana	**2 164**	2 435	1 831
Cameroon	**834**	2 166	1 911
Ivory Coast	**1 690**	1 721	833
Other	**2 083**	2 302	2 025
MENA	**2 134**	3 310	2 583
Syria*	**840**	1 049	974
Sudan*	**376**	1 549	819
Other	**918**	712	790
Head office companies and eliminations	**2 937**	1 389	1 571
Total	**34 753**	34 920	29 199
Hyperinflation	**–**	348	412
Total reported	**34 753**	35 268	29 611
Iran (49%)*	**5 396**	5 138	4 180

**Excluding hyperinflation*

FINANCIAL REVIEW

RECONCILIATION OF PRO FORMA FINANCIAL INFORMATION

ZAR (million)	Actual 2016	Hyper-inflation(1)	Tower profit(2)	Zakhele Futhi impact(3)	Nigeria regulatory fine(4)	Actual 2016 adjusted
Revenue	147 920	1 026	–	–	–	146 894
Other income	335	–	31	–	–	304
EBITDA	40 751	246	31	(1 008)	(10 499)	51 981
Depreciation, amortisation and impairment of goodwill◊	26 609	791	–	–	–	25 818
Profit from operations	14 142	(545)	31	(1 008)	(10 499)	26 163
Net finance cost	10 495	(228)	–	–	1 044	9 679
Share of results of joint ventures and associates after tax	(127)	(1 851)	–	–	–	1 724
Monetary gain/(loss)	1 723	1 723	–	–	–	–
Profit/(loss) before tax	5 243	(445)	31	(1 008)	(11 543)	18 208
Income tax expense	8 346	35	–	593	–	7 718
Profit/(loss) after tax	(3 103)	(480)	31	(1 601)	(11 543)	10 490
Non-controlling interests	(489)	195	–	–	(2 444)	1 760
Attributable (loss)/profit	(2 614)	(675)	31	(1 601)	(9 099)	8 730
EBITDA margin	27,5%					35,4%
Effective tax rate	159,2%					42,4%

(1) Represents the exclusion of the impact of hyperinflation and related goodwill impairment for certain of the Group's subsidiaries (MTN Syria, MTN South Sudan and MTN Sudan) and the Group's joint venture in Iran, being accounted for on a hyperinflationary basis in accordance with International Financial Reporting Standards (IFRS) on the respective financial statement line items affected. During 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015.

The economy of Sudan was assessed to no longer be hyperinflationary effective 1 July 2016 and hyperinflation accounting was discontinued from this date onwards.

The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied for the year ended 31 December 2016.

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

- *Tower sale profits for the year related to the Ghana release of deferred profit of R31 million (2015: Nigeria tower profit of R8 233 million and Ghana release of deferred gain of R30 million).*

(3) Represents the IFRS 2 Share based payment impact of MTN Zakhele Futhi. MTN made a public offer of ordinary shares to qualifying BEE investors. The Group recognised an IFRS 2 Share-based payment expense of R1 008 million and a tax expense of R593 million. The deferred tax expense is recognised by MTN Zakhele Futhi mainly in respect of the capital gain on the investment in MTN and is not eliminated on consolidation.

	Actual 2015	Hyper-inflation[1]	Tower profit[2]	Nigeria regulatory fine[4]	Actual 2015 adjusted	Adjusted change %
	147 063	710	–	–	146 353	–
	8 409	1	8 263		145	110
	59 125	231	8 263	(9 287)	59 918	(13)
	23 797	473	–	–	23 324	11
	35 328	(242)	8 263	(9 287)	36 593	(29)
	3 010	5	–	–	3 005	222
	1 226	(1 768)	–	–	2 994	(42)
	1 348	1 348	–	–	–	NM
	34 892	(667)	8 263	(9 287)	36 583	(50)
	11 322	91	(707)		11 938	(35)
	23 570	(758)	8 970	(9 287)	24 645	(57)
	3 366	231	1 854	(1 966)	3 247	(46)
	20 024	(989)	7 116	(7 321)	21 398	(59)
	40,2%				40,9%	(5,5)pp
	32,4%				32,6%	9,8pp

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

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

◊ Additional depreciation from hyperinflation adjustments related to the unwind of Sudan assets historically written up. R223 million of the goodwill impairment recognised in relation to MTN Syria relates to the previously recorded hyperinflation uplift.

REVENUE

Table 1: Group revenue by country

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	Contribution to revenue %
SEA	**52 142**	51 419	1,4	7,9	35,5
South Africa	**41 922**	40 038	4,7	4,7	28,5
Uganda	**5 465**	5 148	6,2	(1,9)	3,7
Other	**4 755**	6 233	(23,7)	36,6	3,3
WECA	**80 655**	81 443	(1,0)	(0,3)	54,9
Nigeria	**47 122**	51 942	(9,3)	(1,4)	32,1
Ghana	**10 291**	7 903	30,2	19,8	7,0
Cameroon	**6 189**	5 806	6,6	(6,7)	4,2
Ivory Coast	**7 176**	6 424	11,7	(2,0)	4,9
Other	**9 877**	9 368	5,4	(6,2)	6,7
MENA	**14 288**	13 766	3,8	3,8	9,7
Syria	**2 123**	2 605	(18,5)	20,3	1,4
Sudan	**4 585**	3 472	32,1	18,8	3,1
Other	**7 580**	7 689	(1,4)	(8,6)	5,2
Head office companies and eliminations	**(191)**	(275)	–	–	–
Total	**146 894**	146 353	0,4	2,9	100,0
Hyperinflation	**1 026**	710	–	–	–
Total reported	**147 920**	147 063	0,6	2,0	100,0

Group revenue increased marginally to R146 894 million. Revenue growth was impacted by the depreciation of the rand and the significant depreciation of the naira against the US dollar, particularly in the second half of 2016 (average exchange rate for the period). The average naira depreciated by 19% against the US dollar and was 36% down against the US dollar at 31 December 2016 when compared to 2015. The average rand weakened by 16% against the US dollar, 6% against the Iranian rial, 10% against the Ghanaian cedi, 14% against the Central African franc, 8% against the Ugandan shilling and 9% against the Sudanese pound. The rand, however, strengthened 17% against the Nigerian naira and 50% against the Syrian pound.

On an organic basis, Group revenue increased by 2,9%*. WECA's revenue decreased by 0,3%* and remained the largest contributor to total Group revenue at 55% at the end of December 2016. SEA grew revenue by 7,9%* and contributed 36% to total Group revenue while MENA increased revenue by 3,8%* to contribute 10% to total Group revenue.

MTN's top line was negatively impacted by a decline in revenue in Nigeria (down 1,4%*), Cameroon (down 6,7%*), Ivory Coast (down 2,0%*) and Uganda (down 1,9%*). This was mainly as a result of regulatory challenges including the disconnection of subscribers as well as aggressive competition in the first half of the year. However, these declines were partly offset by growth of 4,7% and 19,8%* in revenue in South Africa and Ghana respectively. MTN South Africa's increase was driven by higher handset sales and data revenue, which benefited from improved network quality, particularly in the second half. MTN Sudan and MTN Syria also made a contribution to total Group revenue growth, and increased their revenue by 18,8%* and 20,3%* respectively.

Table 2: Group revenue analysis

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	Contribution to revenue %
Outgoing voice	**80 218**	85 027	(5,7)	(3,6)	54,6
Incoming voice	**13 870**	14 690	(5,6)	(2,3)	9,4
Data	**39 546**	33 874	16,7	19,7	26,9
SMS	**3 240**	4 097	(20,9)	(20,0)	2,2
Devices	**8 081**	6 985	15,7	21,5	5,5
Other	**1 939**	1 680	15,4	12,0	1,4
Total	**146 894**	146 353	0,4	2,9	100,0
Hyperinflation	**1 026**	710	–	–	–
Total reported	**147 920**	147 063	0,6	2,0	100,0

Total outgoing voice revenue declined 3,6%* to contribute 55% to total Group revenue and incoming voice revenue declined 2,3%* and contributed 9% to total Group revenue. While average voice traffic decreased 1,7%, the Group US dollar effective voice tariff in constant currency terms declined 14,3%*. This was largely due to price competition across markets and a tough economic environment.

Table 3: Data revenue by country

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change
SEA	**17 762**	15 967	11,2	14,5
South Africa	**14 162**	12 709	11,4	11,4
Uganda	**1 864**	1 455	28,1	18,8
Other	**1 736**	1 803	(3,7)	32,8
WECA	**18 618**	15 521	20,0	22,8
Nigeria	**9 943**	10 113	(1,7)	10,8
Ghana	**4 337**	2 418	79,4	65,7
Cameroon	**1 182**	823	43,6	25,9
Ivory Coast	**1 341**	1 003	33,7	18,4
Other	**1 815**	1 164	55,9	39,7
MENA	**3 280**	2 486	31,9	33,9
Syria	**619**	721	(14,1)	26,9
Sudan	**1 317**	762	72,8	56,6
Other	**1 344**	1 003	34,0	21,8
Head office companies and eliminations	**(114)**	(100)	–	–
Total	**39 546**	33 874	16,7	19,7
Hyperinflation	**249**	183	–	–
Total reported	**39 795**	34 057	16,8	18,9

Data revenue increased by 19,7%* to contribute 27% to total Group revenue. Data revenue growth was supported by strong growth in most markets benefiting from significantly improved 3G and LTE network quality. Data traffic increased 143% while the effective data tariff declined 56,1%* (in constant currency US dollar terms). Digital revenue contributed 36% to total Group data revenue. This was supported by increased smartphone penetration and our expanded digital services offerings in the year.

Device revenue increased 21,5%* and contributed 6% to total Group revenue. The remaining 4% of total Group revenue comprised SMS and other revenue. SMS revenue decreased 20,0%*.

COSTS

Table 4: Cost analysis

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	% of revenue
Handsets and other accessories	**12 245**	10 805	13,3	15,2	8,3
Interconnect	**12 402**	12 294	0,9	4,6	8,4
Roaming	**856**	768	11,5	14,2	0,6
Commissions	**9 659**	9 873	(2,2)	(0,1)	6,6
Government and regulatory costs	**5 026**	5 711	(12,0)	(6,9)	3,4
VAS/digital revenue share	**3 803**	2 966	28,2	35,4	2,6
Service provider disc	**1 934**	1 862	3,9	4,1	1,3
Network	**23 233**	18 714	24,1	34,7	15,8
Marketing	**3 698**	3 662	1,0	2,2	2,5
Staff costs	**9 048**	8 557	5,7	11,8	6,2
Other OPEX	**13 009**	11 223	15,9	41,8	8,9
Total	**94 913**	86 435	9,8	17,7	64,6
Regulatory fine	**10 499**	9 287	–	–	–
MTN Zakhele Futhi impact	**1 008**	–	–	–	–
Hyperinflation	**780**	479	–	–	–
Total reported	**107 200**	96 201	11,4	25,2	72,5

Group operating costs excluding the impact of the Nigerian regulatory fine, hyperinflation, tower profits and the MTN Zakhele Futhi share-based payment expense, increased 9,8% to R94 913 million.

On an organic basis, total Group costs increased by 17,7%*. Once-off costs included in organic EBITDA include professional fees of R1 324 million** incurred, relating to the negotiations that led to the reduction of R34 billion in the Nigerian regulatory fine, Project Winback costs, relating to the reconnection of subscribers in Nigeria of R535 million* and a property, plant and equipment (PPE) impairment charge in South Sudan of R2 679 million*.

WECA increased its costs by 11,4%* and contributed 50% to total Group costs while SEA increased its costs by 23,5%* and contributed 38% to total Group costs. MENA increased costs by 2,1%* and contributed 10% to total Group costs. Head office costs contributed 2% to total Group costs.

The increase in total costs was mainly as a result of foreign-denominated expenses following the depreciation of local currencies against the US dollar, particularly in MTN Nigeria where costs increased 15,1%*. MTN South Africa costs were 5,4% higher as a result of higher subsidies on devices mainly in the first half of the year as well as costs associated with aggressive network rollout and increased staff costs.

Total direct network operating costs increased 34,7%* and contributed 25% to total costs. This was due to the increase in the number of sites rolled out as well as the US dollar-linked tower leasing costs incurred in Nigeria. Device costs increased by 15,2%* and contributed 13% to total costs mainly driven by South Africa's increase in device sales. Interconnect and roaming costs increased 5,2%* and contributed 14% to total costs, while staff costs increased 11,8%* and contributed 10% to total Group costs. Selling, distribution and marketing costs increased by 6,5%* and contributed 20% to total Group costs. This was due to an increase in digital services revenue share agreements entered into with content providers and increased marketing spend in South Africa. Government and regulatory costs declined 6,9%* and contributed 5% to total Group costs, while other operating costs increased 41,8%* and contributed 14% to total Group costs. Other operating expenses include the impairment of PPE in South Sudan of R2 679 million* and professional fees incurred at a headoffice level mainly relating to the negotiation of the settlement of the Nigerian regulatory fine.

We expect to improve cost optimisation through IGNITE initiatives over the next two years.

EBITDA

Table 5: Group EBITDA by country

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change
SEA	**16 368**	16 903	(3,2)	(23,9)
South Africa	**13 811**	13 370	3,3	3,3
Uganda	**1 620**	1 775	(8,7)	(16,3)
Other	**937**	1 758	(46,6)	(238,6)
WECA	**33 045**	38 116	(13,3)	(13,6)
Nigeria	**21 854**	27 504	(20,5)	(16,1)
Ghana	**4 184**	3 197	30,9	21,8
Cameroon	**2 065**	2 101	(1,7)	(16,2)
Ivory Coast	**2 333**	2 195	6,3	(8,3)
Other	**2 609**	3 119	(16,4)	(30,4)
MENA	**4 657**	4 324	7,7	7,5
Syria	**689**	460	49,8	123,2
Sudan	**1 471**	1 216	21,0	9,6
Other	**2 497**	2 648	(5,7)	(13,6)
Head office companies and eliminations	**(2 089)**	575	–	–
Total	**51 981**	59 918	(13,2)	(18,5)
Regulatory fine	**(10 499)**	(9 287)	–	–
Hyperinflation	**246**	231	–	–
Tower profits	**31**	8 263	–	–
MTN Zakhele Futhi impact	**(1 008)**	–	–	–
Total reported	**40 751**	59 125	(31,1)	(31,1)

Group EBITDA decreased 13,2% to R51 981 million while EBITDA on an organic basis declined 18,5%*. WECA EBITDA declined by 13,6%* and contributed 64% to total EBITDA. SEA's EBITDA decreased by 23,9%* and contributed 32% to EBITDA while MENA increased EBITDA by 7,5%* and contributed 9% to total EBITDA. Head office negatively impacted EBITDA by 4,0%.

Organic EBITDA was negatively impacted by once-off costs, foreign-denominated expenses in MTN Nigeria and device costs in MTN South Africa. Total Group EBITDA was supported by MTN Ghana (up 21,8%*), MTN Syria (up more than 100%*) and MTN Sudan (up 9,6%*). This was attributable to positive revenue growth and good cost optimisation.

Excluding the impact of the Nigerian fine, tower profits, MTN Zakhele Futhi share-based expense and hyperinflation, the Group recorded a 5,5 pp decline in its EBITDA margin to 35,4%.

DEPRECIATION, AMORTISATION AND IMPAIRMENT OF GOODWILL

Table 6: Group depreciation and amortisation

	Depreciation				Amortisation			
	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	**Actual (Rm)**	Prior (Rm)	Reported % change	Organic % change
SEA	**6 756**	5 558	21,6	23,2	**1 229**	1 073	14,5	14,2
South Africa	**5 651**	4 307	31,2	31,2	**934**	850	9,9	9,9
Uganda	**587**	519	13,1	4,3	**193**	139	38,8	27,8
Other	**518**	732	(29,2)	(10,3)	**102**	84	21,4	34,8
WECA	**11 223**	11 418	(1,7)	–	**2 314**	1 856	24,7	32,8
Nigeria	**6 949**	7 859	(11,6)	(4,2)	**1 515**	1 170	29,5	50,1
Ghana	**800**	860	(7,0)	(13,8)	**148**	106	39,6	32,5
Cameroon	**996**	758	31,4	15,3	**150**	103	45,6	27,7
Ivory Coast	**922**	646	42,7	28,0	**132**	188	(29,8)	(50,2)
Other	**1 556**	1 295	20,2	(11,7)	**369**	289	27,7	18,7
MENA	**2 111**	1 836	15,0	14,1	**659**	391	68,5	72,5
Syria	**271**	216	25,5	85,0	**73**	106	(31,1)	1,9
Sudan	**906**	688	31,7	19,9	**68**	55	23,6	11,9
Other	**934**	932	0,2	(6,5)	**518**	230	125,2	119,5
Head office companies and eliminations	**393**	334	–	–	**482**	354	–	–
Total	**20 483**	19 146	7,0	8,2	**4 684**	3 674	27,5	31,7
Hyperinflation	**505**	411	–	–	**64**	62	–	–
Total reported	**20 988**	19 557	7,3	8,2	**4 748**	3 736	27,1	31,3

Depreciation increased by 7,0% (8,2%*) to R20 483 million, impacted by the aggressive capex programme in 2015. Amortisation costs increased by 27,5% (31,7%*) to R4 684 million, driven by higher spend on software in previous years. Impairment of goodwill consisted of impairments in Guinea Conakry (R402 million**), Afrihost (R202 million**) and MTN Syria (R269 million**).

NET FINANCE COSTS

Table 7: Net finance cost

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	% of revenue
Net interest paid/ (received)	**3 689**	1 596	131,1	183,5	2,5
Net forex losses/(gains)	**5 990**	1 409	325,1	724,9	4,1
Total	**9 679**	3 005	222,1	437,4	6,6
Nigeria regulatory fine	**1 044**	–	–	–	–
Hyperinflation	**(228)**	5	–	–	–
Total reported	**10 495**	3 010	248,8	263,7	7,1

Net finance costs amounted to R9 679 million compared to R3 005 million in the previous year. This was mainly due to an increase in net foreign exchange losses to R5 990 million from R1 409 million in the prior period and an increase in net interest paid to R3 689 million from R1 596 million paid in the previous period. The increase in the net interest expense is due to the higher net debt of R51 902 million** compared to R31 635 million** reported in the previous period.

Net foreign exchange losses include:

- Forex losses in Mauritius of R2 102 million mainly due to the foreign-denominated Iran receivables;
- Forex losses in Nigeria of R1 786 million incurred on US dollar-denominated third-party borrowings and payables;
- Forex losses of R819 million in Sudan on foreign-denominated third-party funding and payables; and
- Forex losses of R626 million in South Sudan as a result of US dollar-denominated third-party trade payables.

SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES AFTER TAX

Joint ventures and associates reported a loss of R127 million** compared to a gain of R1 226 million** in the previous year. This included a charge of R1 853 million incurred by our operation in Iran, mainly relating to the subsequent depreciation and amortisation of previously hyper-inflated assets that were historically written up under hyperinflation reporting. Losses of R2 227 million from MTN's 51% interest in Nigeria Tower InterCo B.V were mainly a result of the foreign exchange unrealised losses (R2 254 million) incurred on US dollar-denominated loans. Short-term losses from Digital Group, mainly AIH, MEIH and IIG, of R706 million also contributed to the overall loss.

TAXATION

Table 8: Taxation

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change	Contribution to taxation %
Normal tax	**8 414**	10 231	(17,8)	(21,8)	109,0
Deferred tax	**(1 730)**	96	(1 902,1)	(1 466,3)	(22,4)
Foreign income and withholding taxes	**1 034**	1 611	(35,8)	(38,0)	13,4
Total	**7 718**	11 938	(35,3)	(35,7)	100,0
Hyperinflation	**35**	91	–	–	–
MTN Zakhele Futhi impact	**593**	–	–	–	–
Tower profits	**–**	(707)	–	–	–
Total reported	**8 346**	11 322	(26,3)	(27,5)	100,0

The effective tax rate increased to 42,4% from 32,6% in the previous year, impacted by lower profit before tax along with the effects of: Disallowance of deferred tax credits on assessed losses in MTN South Sudan and MTN Guinea Conakry; unproductive interest in MTN Holdings and MTN Mauritius; education tax in MTN Nigeria; additional tax in MTN Ghana, MTN Syria and MTN Yemen; goodwill impairment in MTN Guinea Conakry, MTN Syria and Afrihost as well as the effects of withholding taxes incurred.

The Group's reported taxation charge decreased by 26,3%** (27,5%*) to R8 346 million for the period. This was a result of lower current tax due to lower profit before tax in 2016, lower withholding tax due to lower dividends up-streamed via MTN Mauritius and a higher deferred tax credit as a result of an assessed loss and foreign tax credit in MTN Mauritius.

EARNINGS/LOSSES

The Group reported a basic headline loss per share of 77 cents** largely impacted by the Nigerian regulatory fine. Excluding this impact in both years, HEPS declined 63,2% to 423 cents. The attributable loss per share was 144 cents**, from attributable earnings per share of 1 109 cents in the prior year.

CASH FLOW

Cash inflows from operations decreased by 3,3% to R55 681 million**. This was mainly as a result of the Nigeria payment on the regulatory fine of R5 870 million, which was offset by an increase in working capital movements. Dividend payments of R19 792 million to equity holders, dividend payments of R1 178 million** to minorities and tax payments of R11 704 million** also affected cash flows. Group cash capex amounted to R35 247 million** and included the purchase of a 4G licence and spectrum in Ghana (R973 million), a LTE and fibre licence in Congo-Brazzaville (R266 million) and a Nigeria spectrum licence (R1 396 million).

CAPITAL EXPENDITURE

Table 9: Capital expenditure

	Actual (Rm)	Prior (Rm)	Reported % change	Organic % change
South and East Africa	**12 896**	13 452	(4,1)	(2,3)
South Africa	**11 085**	10 948	1,3	1,3
Uganda	**758**	951	(20,3)	(23,7)
Other	**1 053**	1 553	(32,2)	(14,5)
West and Central Africa	**17 325**	11 593	49,4	66,3
Nigeria	**8 701**	4 993	74,3	130,6
Ghana	**2 435**	1 831	33,0	15,9
Cameroon	**2 166**	1 911	13,3	1,2
Ivory Coast	**1 721**	833	106,6	84,9
Other	**2 302**	2 025	13,7	7,4
Middle East and North Africa	**3 310**	2 583	28,1	46,0
Syria	**1 049**	974	7,7	67,9
Sudan	**1 549**	819	89,1	77,0
Other	**712**	790	(9,9)	(13,2)
Head office companies and eliminations	**1 389**	1 571	–	–
Total	**34 920**	29 199	19,6	28,7
Hyperinflation	**348**	412	–	–
Total reported	**35 268**	29 611	19,1	27,6

Capex increased 19,6% (28,7%*) to R34 920 million, of which R2 654 million was related to foreign currency movements.

FINANCIAL POSITION

Table 10: Net debt analysis (Rm)

	Cash and cash equivalents*	Interest - bearing liabilities	Net debt/ (cash)	Net debt/ (cash) December 2015
SEA	3 245	2 769	**(476)**	(1 652)
South Africa	2 023	-	**(2 023)**	(1 507)
Uganda	152	1 537	**1 385**	(86)
Other	1 070	1 232	**162**	(59)
WECA	17 216	20 314	**3 098**	3 956
Nigeria	13 816	12 709	**(1 107)**	1 695
Ghana	492	516	**24**	15
Cameroon	977	2 234	**1 257**	118
Ivory Coast	455	2 525	**2 070**	2 399
Other	1 476	2 330	**854**	(271)
MENA	3 169	2 421	**(748)**	(585)
Syria	843	–	**(843)**	(1 525)
Sudan	372	1 617	**1 245**	1 889
Other	1 954	804	**(1 150)**	(949)
Head office companies and eliminations	11 422	61 450	**50 028**	29 916
Total reported	35 052	86 954	**51 902**	31 635
Iran (49%)	6 993	957	**(6 036)**	(5 342)

** Includes restricted cash and current investments*

Net debt increased to R51 902 million** compared to net debt of R31 635 million** reported at the end of December 2015. The Group reported a net debt/EBITDA ratio of 1,01 excluding the Nigerian regulatory fine. The net debt position at the end of the year was mainly impacted by the following:

- Nigeria regulatory fine payment of R5 870 million**;
- Dividend paid to minority shareholders of R1 178 million**;
- An increase in cash capital expenditure and licences of R35 247 million**;
- Investments made mainly in Amadeus (TravelStart), the Autopage acquisition, and cash paid to AIH on capital calls of R1 867 million**.

OPERATIONAL REVIEW: SEA

- Subscribers increased by 3,6% to 54,7 million
- Revenue increased by 7,9%*
- Data revenue increased by 14,5%*

South Africa

- Subscribers increased by 0,6% to 30,8 million
- Revenue increased by 4,7%
- Service revenue increased by 1,9%
- Data revenue increased by 11,4%
- EBITDA margin declined by 0,5 pp to 32,9%

MTN South Africa showed a positive turnaround in the second half of the year, benefiting from improved 3G and LTE network quality and aggressive sales of smartphones. The operation's subscriber base increased by 0,6% to 30,8 million, driven by the pre-paid segment, which increased its base by 0,9% to 25,6 million. The number of post-paid subscribers declined by 1,1% to 5,2 million, largely impacted by network quality challenges experienced, systems and customer service issues in the first half of 2016.

Total revenue increased by 4,7% to R41 922 million mainly as a result of device revenue. Service revenue, which excludes device revenue, increased by 1,9% for the period, driven by good growth in data revenue. Data revenue increased by 11,4%, contributing 34% to total revenue. The number of smartphones on the network increased by 15,3% (December 2015: 9,1 million restated to align to the Group definition) to 10,5 million while the number of megabytes per user increased 46,7% for the period.

Digital revenue gained momentum and contributed 16% to data revenue. This was attributable to local and international content.

MTN South Africa's EBITDA margin declined by 0,5 pp to 32,9%. This was impacted by foreign exchange losses on the cost of devices, as well as an increase in the number of smartphones and the change in the device mix from 2G to 3G and LTE. This was further impacted by costs related to the expansion of our 3G and LTE network and increased marketing costs. However, the operation reported a 5,4 pp improvement in EBITDA margin in the second half of 2016 versus the first half.

Capex increased by 1,3% to R11 085 million for the year, and retained a strong focus on 3G and LTE network investment. The operation rolled out 1 134 co-located 3G sites and 1 538 LTE sites. MTN South Africa's net promoter score (NPS) gained significantly in the fourth quarter of the year compared to the first half, increasing by 8 pp, mainly driven by value and service. Fibre to the home connections remain a priority with approximately 13 000 homes passed for the period. In addition, the Smart Village acquisition was completed in December 2016, adding 22 000 homes passed to the network with approximately 7 000 homes connected.

Other SEA – across the rest of the region the number of subscribers increased by 7,7% to 24,0 million, largely the result of a solid recovery in MTN Uganda's subscriber growth in the second half of the year.

MTN Uganda increased its subscriber base by 18,1% to 10,5 million. This was mainly attributable to the reconnection of previously disconnected subscribers, who were disconnected during the subscriber registration process in the second half of 2015. The performance was supported by new acquisitions on the all-net call per second price plan, segmented value propositions and a decline in churn. Market share grew to 53,3% from 51,1%.

Total revenue declined by 1,9%*, led lower by a decrease in outgoing and incoming voice revenue. This was mainly impacted by the disconnection of subscribers in 2015 as well as the East African Community's One Network Area, which means that all calls between member countries are billed as though they were local. Data revenue increased by 18,8%* and contributed 34% to total revenue. This was supported by attractive data bundles with increased data usage, below-the-line campaigns and a LTE SIM swap campaign to drive LTE adoption and penetration.

Digital revenue contributed 71% to data revenue, supported mainly by mobile financial service revenue. E-commerce products, such as mobile advertising, and MTN Class which is a value-added service product in education, also contributed positively to digital revenue. The number of MTN Mobile Money active customers increased 12,4% to 4,1 million, as a result mainly of the introduction of savings and loan products. The launch of MoKash recorded approximately one million customers in under six months.

MTN Uganda's EBITDA margin decreased by 4,9 pp to 29,6%, impacted by once-off subscriber registration costs and an inventory impairment charge as well as higher maintenance and tower leasing costs.

Capex decreased by 23,7%* to R758 million. During the period, 375 co-located 3G and 110 LTE sites were rolled out. These sites were rolled out as upgrades to existing sites, which will provide future cost efficiencies as well as improving the quality and capacity on the network. NPS increased 3,5 pp in the fourth quarter of 2016 from 11,7% in the same quarter of 2015.

WECA

- Subscribers increased by 5,0% to 111,9 million
- Revenue decreased by 0,3%*
- Data revenue increased by 22,8%*

Nigeria

- Subscribers increased by 1,2% to 62,0 million
- Revenue decreased by 1,4%*
- Data revenue increased by 10,8%*
- EBITDA margin declined by 6,6 pp to 46,4% (excluding the impact of the fine)

MTN Nigeria showed a meaningful improvement in the second half following regulatory challenges earlier in the year. The operating environment continued to be difficult with the contraction of the economy impacting consumer spending. However, we increased our subscriber base by 1,2% to 62,0 million, and grew our market share to 48,0% from 44,8%. This was mainly due to the reconnection of previously disconnected subscribers as well as the aggressive drive to secure new connections with the MTN StartPack tariff plan. MTN Nigeria was voted the Most Valued Brand in Nigeria for 2016 in the Top 50 Brands Survey measured on key indicators such as customers' brand awareness, network quality, market category leadership, innovation, spread and corporate social responsibility.

Total revenue declined by 1,4%* impacted by regulatory challenges resulting in lower average subscribers and the impact of delays in competitive offerings during the first half of the year. Data revenue increased by 10,8%* and contributed 21% to total revenue, supported by competitive customised data offerings, the quality of the LTE network and the introduction of new data bundle plans, which allows eligible customers to borrow data on credit and pay it back at their next recharge. The number of smartphones on the network increased by 36,1% to 20,4 million.

Digital revenue contributed 61% to data revenue mainly as a result of MTN Music+ (a converged music streaming and download platform), supported by the youth segment.

MTN Nigeria's active Mobile Money subscribers increased by over 100% to 1,6 million.

The EBITDA margin declined by 6,6 pp to 46,4% excluding the impact of the Nigerian regulatory fine. This was mainly as a result of foreign currency challenges relating to US dollar-denominated expenses such as towers and site leasing.

The operation rolled out 1 799 3G sites and 1 833 LTE sites in the year. Capex increased by more than 100%* to R8 701 million, focused on LTE rollout. MTN Nigeria more than doubled its NPS in the fourth quarter of 2016 versus the fourth quarter of 2015.

Other WECA – the remainder of the region increased its subscriber base by 10,2% to 49,9 million, led by strong growth in Ghana and Ivory Coast.

MTN Ghana grew its subscriber base by 18,7% to 19,3 million, driven by attractive value propositions, which contributed to its market share expanding to 56,4% from 52,2% at 31 December 2015.

Total revenue increased by 19,8%*, largely attributable to solid growth in data, outgoing voice revenue and digital lifestyle-based services. Data revenue grew by 65,7%* and contributed 42% to total revenue, driven by expansion of network quality and coverage, increased distribution and marketing of low-cost smartphones, the introduction of higher spectrum technology and falling tariffs. There has been uptake in data usage supported by lifestyle bundles, specifically for social networks access, as well as new data bundles introduced with the launch of 4G. The number of smartphones on the network increased by 64,4% to 5,3 million.

Digital revenue contributed 48% to data revenue and was supported by mobile financial services, lifestyle-based services, rich video and MTN Music. MTN Mobile Money active subscribers increased by 79,4% to 5,7 million, supported by strong regional innovation and marketing.

The EBITDA margin increased marginally by 0,2 pp to 40,7% despite increased tower leasing costs and utilities, impacted by the depreciation of the cedi and high inflation. The operation continued to successfully implement cost control initiatives.

Capex increased by 15,9%* to R2 435 million prioritising improved quality. The operation added 226 co-located 3G and 475 LTE sites during the period. The increase in the net promoter score was mainly driven by value and products.

MTN Cameroon increased its subscriber base by 7,5% to 9,9 million mainly as a result of aggressive subscriber registration campaigns as well as a reduction in churn following retention campaigns.

Total revenue decreased by 6,7%* because of a decline in outgoing voice revenue, impacted in turn by a decrease in the effective tariff as well as free minutes used in relation to the subscriber registration process and below-the-line activities. This was offset by a 25,9%* increase in data revenue that contributed 19% to total revenue, supported by an increase in data usage due to higher sales of specific data bundles. The expansion of 3G and LTE networks supported data growth. The number of smartphones on the network for the period was 1,3 million.

Digital revenue contributed 21% to data revenue, supported by the lifestyle segment, MTN Play and the ringtone customisation tool MTN Zik. The number of active MTN Mobile Money subscribers increased by over 100% to 367 000.

MTN Cameroon's EBITDA margin decreased by 2,8 pp to 33,4% mainly as a result of costs relating to subscriber registration campaigns. Several cost-reduction initiatives were also implemented during the period.

Capex increased 1,2%* to R2 166 million with a focus on 3G and LTE network coverage and quality. Enhanced data throughput speeds, together with transmission link capacity, improved the customer experience. During the period the operation rolled out 463 co-located 3G sites and 267 LTE sites.

MTN Ivory Coast increased its subscriber base by 13,6% to 9,5 million mainly as a result of strong churn management.

Total revenue decreased by 2,0%* because of lower outgoing voice revenue impacted by a drop in the effective tariff. This was partially offset by an 18,4%* increase in data revenue, which contributed 19% to total revenue. This was mainly as a result of increased data usage supported by WiMax swaps to LTE, residential offerings as well as LTE time division duplex (TDD) devices. The number of smartphones on the network increased by over 100% to 2,1 million. The increase in the net promoter score was largely as a result of the Perfect 10 initiative launched in the operation to boost customer experience.

The operations EBITDA margin declined by 1,7 pp to 32,5% mainly driven by provision for doubtful debts.

Capex over 100%* to R1 721 million with a strong focus on network coverage and densification. During the period the operation rolled out 512 co-located 3G sites and 343 LTE sites.

MENA

- Subscribers increased by 0,9% to 73,7 million
- Revenue increased by 3,8%* (excluding Iran)
- Data revenue increased 33,9%*(excluding Iran)

Other MENA – in the remainder of the region, the subscriber base declined by 3,0% to 26,1 million.

MTN Sudan's subscriber base contracted by 11,5% to 7,5 million as a result of the disconnection of subscribers in compliance with subscriber registration requirements. Total revenue increased by 18,8%* mainly as a result of strong outgoing voice, supported by a tariff increase implemented in June. Data revenue grew by 56,6%* and contributed 29% to total revenue, driven by attractive below-the-line campaigns and improved network quality. The number of data users increased 4,7% to 4,0 million. Digital revenue contributed 19% to data revenue. MTN Mobile Money remains a key opportunity area and a launch in collaboration with the Central Bank is imminent. The EBITDA margin decreased by 2,9 pp to 32,1%. Capex for the period amounted to R1 549 million.

MTN Syria reported a 1,6% increase in its subscriber base to 6,1 million despite a very challenging environment. Total revenue increased by 20,3%* mainly because of outgoing voice and data revenue, supported by below-the-line campaigns and regional offers. Data revenue increased by 26,9%* and contributed 29% to total revenue, supported by an increase in network availability. The EBITDA margin increased by 14,8 pp to 32,5%. Capex for the period amounted to R1 049 million.

IRAN (JOINT VENTURE, EQUITY ACCOUNTED, 49%)

- Subscribers increased by 3,2% to 47,6 million
- Revenue increased by 12,8%*
- Data revenue increased 58,8%*
- EBITDA margin decreased by 2,5 pp to 39,0%

MTN Irancell delivered a strong performance despite regulatory pressure on data tariffs. The number of subscribers increased by 3,2% to 47,6 million mainly as a result of competitive segmented voice and data offerings, including attractive data bundles, and a superior quality 3G and LTE network. Improved customer experience resulted in a higher NPS of 22%.

Total revenue increased by 12,8%*, driven by increased data revenue growth. Outgoing voice revenue declined marginally by 0,7%*, cannibalised by data services. Data revenue increased by 58,8%*, underpinned by optimisation of data bundles, modernisation of 2G and 3G sites and expansion of the LTE network. Smartphone penetration in Iran remains the highest across our footprint with MTN Irancell recording 26,1 million smartphones on the network at the end of the year. Data revenue contributed 42% to total revenue while outgoing voice revenue contributed 37%.

Digital revenue contributed 30% to data revenue, supported by an increase in local content-based usage.

The EBITDA margin decreased by 2,5 pp to 39,0% as a result of increased transmission costs attributable to additional capacity requirements.

Capex for the period increased by 15,0%* to R5 138 million as the operation added 2 717 co-located 3G sites and 2 210 LTE sites.

DECLARATION OF FINAL ORDINARY DIVIDEND

Notice is hereby given that a gross year-end dividend of 450 cents per share for the period 31 December 2016 has been declared payable to MTN shareholders. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 10 206 255 treasury shares held by the MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

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

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

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

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

Declaration date	Thursday, 2 March 2017
Last day to trade cum dividend on the JSE	Monday, 20 March 2017
First trading day ex dividend on the JSE	Wednesday, 22 March 2017
Record date	Friday, 24 March 2017
Payment date	Monday, 27 March 2017

No share certificates may be dematerialised or re-materialised between Wednesday, 22 March 2017 and Friday, 24 March 2017, both days inclusive.

On Monday, 27 March 2017, the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

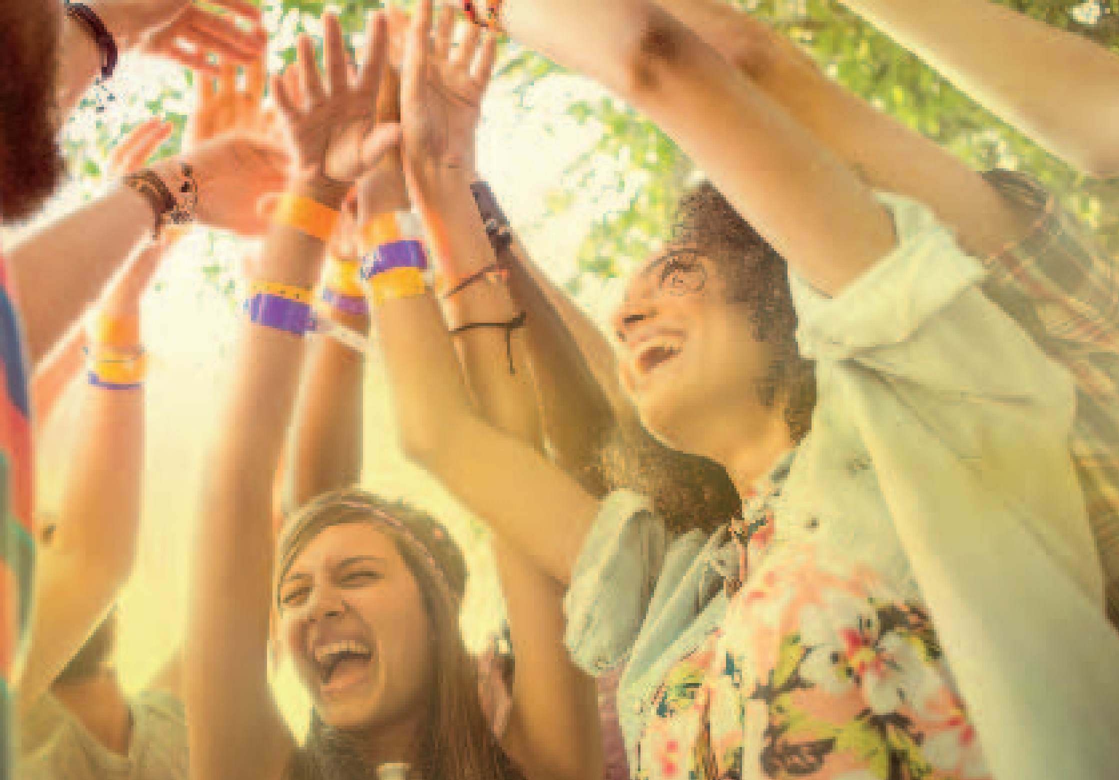
In respect of those who do not use this facility, cheques dated Monday, 27 March 2017 will be posted on or about this date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 27 March 2017.

Any forward-looking information contained in this announcement has not been audited or reviewed and reported on by the company's external auditors.

For and behalf of the Board

PF Nhleko
Executive Chairman

1 March 2017
Fairland



AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Group's audited summary consolidated financial statements have been independently audited by the Group's external auditors. The preparation of the Group's audited summary consolidated financial statements was supervised by the acting Group chief financial officer, G Engling, BCom, BCompt (Hons), CA(SA).

The results were made available on 2 March 2017.

Independent auditors' report on summary consolidated financial statements

To the shareholders of MTN Group Limited

Opinion

The summary consolidated financial statements of MTN Group Limited, set out on pages 33 to 55 of the MTN Group Limited financial results for the year ended 31 December 2016, which comprise the summary consolidated statement of financial position as at 31 December 2016, the summary consolidated income statement and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of MTN Group Limited for the year ended 31 December 2016.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 March 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

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

Auditors' responsibility

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: JR van Huyssteen
Registered Auditor
Sunninghill
1 March 2017

SizweNtsalubaGobodo Inc

SizweNtsalubaGobodo Inc.
Director: SY Lockhat
Registered Auditor
Woodmead
1 March 2017

Summary consolidated income statement

for the year ended 31 December

	Note	2016 Rm	2015 Rm
Revenue		**147 920**	147 063
Other income		**335**	8 409
Direct network and technology operating costs		**(23 520)**	(18 809)
Costs of handsets and other accessories		**(12 304)**	(10 829)
Interconnect and roaming costs		**(13 393)**	(13 102)
Staff costs		**(9 152)**	(8 587)
Selling, distribution and marketing expenses		**(19 172)**	(18 412)
Government and regulatory costs		**(5 191)**	(5 888)
Other operating expenses		**(14 273)**	(11 433)
EBITDA before Nigeria regulatory fine		**51 250**	68 412
Nigeria regulatory fine	15	**(10 499)**	(9 287)
EBITDA		**40 751**	59 125
Depreciation of property, plant and equipment		**(20 988)**	(19 557)
Amortisation of intangible assets		**(4 748)**	(3 736)
Impairment of goodwill	7	**(873)**	(504)
Operating profit		**14 142**	35 328
Net finance costs	8	**(10 495)**	(3 010)
Net monetary gain		**1 723**	1 348
Share of results of joint ventures and associates after tax	9	**(127)**	1 226
Profit before tax		**5 243**	34 892
Income tax expense		**(8 346)**	(11 322)
(Loss)/profit after tax		**(3 103)**	23 570
Attributable to:			
Equity holders of the Company		**(2 614)**	20 204
Non-controlling interests		**(489)**	3 366
		(3 103)	23 570
Basic (loss)/earnings per share (cents)	10	**(144)**	1 109
Diluted (loss)/earnings per share (cents)	10	**(144)**	1 106

Summary consolidated statement of comprehensive income

for the year ended 31 December

	Note	2016 Rm	2015 Rm
(Loss)/profit after tax		(3 103)	23 570
Other comprehensive income after tax			
Items that may be subsequently reclassified to profit or loss			
Net investment hedges	19	(1 887)	–
Foreign exchange movement on hedging instruments		(2 684)	–
Deferred tax		797	–
Available-for-sale financial assets[1]		2 672	–
Gains arising during the year		2 672	–
Exchange differences on translating foreign operations including the effect of hyperinflation[1]		(22 907)	22 203
(Losses)/gains arising during the year		(22 907)	22 203
Other comprehensive income for the year		(22 122)	22 203
Attributable to equity holders of the Company		(21 077)	21 033
Attributable to non-controlling interests		(1 045)	1 170
Total comprehensive income for the year		(25 225)	45 773
Attributable to:			
Equity holders of the Company		(23 691)	41 237
Non-controlling interests		(1 534)	4 536
		(25 225)	45 773

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

Summary consolidated statement of financial position

as at 31 December

	Note	2016 Rm	2015 Rm
Non-current assets		**189 089**	218 435
Property, plant and equipment		**95 633**	106 702
Goodwill and intangible assets		**46 473**	55 887
Investment in joint ventures and associates		**26 669**	35 552
Investments		**11 841**	9 969
Other non-current assets and deferred tax		**8 473**	10 325
Current assets		**79 611**	95 432
Non-current assets held for sale		**—**	10
		79 611	95 422
Other current assets		**13 853**	15 940
Trade and other receivables		**37 363**	43 570
Restricted cash		**1 020**	1 735
Cash and cash equivalents		**27 375**	34 177
Total assets		**268 700**	313 867
Total equity		**105 231**	151 838
Attributable to equity holders of the Company		**102 380**	146 369
Non-controlling interests		**2 851**	5 469
Non-current liabilities		**85 743**	72 510
Interest-bearing liabilities	13, 14	**67 319**	52 661
Deferred tax and other non-current liabilities		**18 424**	19 849
Current liabilities		**77 726**	89 519
Interest-bearing liabilities	13, 14	**19 635**	22 510
Trade and other payables		**45 142**	40 484
Other current and tax liabilities		**12 949**	26 525
Total equity and liabilities		**268 700**	313 867

Summary consolidated statement of changes in equity

for the year ended 31 December

	Note	2016 Rm	2015 Rm
Opening balance at 1 January		**146 369**	128 517
Opening reserve adjustment for impact of hyperinflation	5	**(123)**	–
Restated balance at 1 January		**146 246**	128 517
Total comprehensive income		**(23 691)**	41 237
(Loss)/profit after tax		**(2 614)**	20 204
Other comprehensive income after tax		**(21 077)**	21 033
Transactions with owners of the Company			
Shares issued		**^**	–
Shares cancelled		**(^)**	(^)
Decrease in treasury shares		**–**	69
Share-based payment transactions		**1**	532
Settlement of vested equity rights		**–**	(288)
Shares repurchased from MTN Zakhele	16	**(3 462)**	–
Share-based payment transaction with MTN Zakhele Futhi	16	**2 919**	–
Dividends declared		**(19 816)**	(23 506)
Other movements		**183**	(192)
Attributable to equity holders of the Company		**102 380**	146 369
Non-controlling interests		**2 851**	5 469
Closing balance at 31 December		**105 231**	151 838
Dividends declared during the year (cents per share)		**1 080**	1 280
Dividends declared after the year (cents per share)		**450**	830

^ *Amount less than R1 million.*

Summary consolidated statement of cash flows

for the year ended 31 December

	Note	2016 Rm	2015 Rm
Net cash generated from operating activities		**20 716**	13 122
Cash generated from operations		**55 681**	57 598
Dividends paid to equity holders of the Company		**(19 792)**	(23 506)
Dividends paid to non-controlling interests		**(1 178)**	(5 777)
Dividends received from associates and joint ventures		**692**	577
Other operating activities		**(14 687)**	(15 770)
Net cash used in investing activities		**(40 408)**	(34 290)
Acquisition of property, plant and equipment		**(29 899)**	(21 612)
Acquisition of intangible assets		**(5 348)**	(10 412)
Increase in non-current investments		**(2 199)**	(3 319)
Acquisition of bonds, treasury bills and foreign deposits		**(2 704)**	(542)
Movement in other investing activities		**(258)**	1 595
Net cash from financing activities		**20 951**	8 101
Proceeds from borrowings	14	**59 647**	23 384
Repayment of borrowings	14	**(37 211)**	(14 802)
Buy-back of shares from MTN Zakhele		**(2 645)**	–
Premium received on option issued to MTN Zakhele Futhi		**1 185**	–
Other financing activities		**(25)**	(481)
Net increase/(decrease) in cash and cash equivalents		**1 259**	(13 067)
Cash and cash equivalents at beginning of the year		**34 139**	43 072
Exchange (losses)/gains on cash and cash equivalents		**(8 192)**	3 860
Net monetary gain on cash and cash equivalents		**169**	274
Net cash and cash equivalents at end of the year		**27 375**	34 139

Notes to the summary consolidated financial statements

for the year ended 31 December 2016

1. INDEPENDENT AUDIT

The summary consolidated financial statements have been derived from the audited consolidated financial statements. The directors of the Company take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited consolidated financial statements. The summary consolidated financial statements for the year ended 31 December 2016 have been audited by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Inc., who expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the consolidated financial statements from which these summary consolidated financial statements were derived. A copy of the auditors' report on the consolidated financial statements is available for inspection at the Company's registered office, together with the financial statements identified in the auditors' report.

2. GENERAL INFORMATION

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

3. BASIS OF PREPARATION

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

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

These summary consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS. A copy of the full set of the audited consolidated financial statements is available for inspection from the Company secretary at the registered office of the Company.

4. PRINCIPAL ACCOUNTING POLICIES

The Group has adopted all new, revised or amended accounting pronouncements as issued by the International Accounting Standards Boards (IASB) which were effective for the Group from 1 January 2016, none of which had a material impact on the Group.

5. HYPERINFLATION

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

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

5. HYPERINFLATION continued

The economy of Sudan was assessed to no longer be hyperinflationary effective 1 July 2016 and hyperinflation accounting was discontinued from this date onwards.

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

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. The Group's results from Iran includes expenses resulting from discontinuation of hyperinflation accounting mainly relating to the subsequent depreciation of assets that were historically written up under hyperinflation accounting. The additional income statement charge reduced equity accounted earnings from Iran by R1 853 million (2015: R1 768 million).

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

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

	2015 Rm		
	Revenue	EBITDA	CAPEX
Syria	391	106	344
Sudan	319	125	68
	710	231	412
Iran – major joint venture	287	(215)	1 719

6. SEGMENT ANALYSIS

The Group has identified reportable segments that are used by the Group executive committee (chief operating decision maker (CODM)) to make key operating decisions, allocate resources and assess performance. The reportable segments are grouped according to their geographic locations.

The Group has changed the composition and presentation of its segment analysis following the announcement of a change in its operational structure subsequent to the 2015 year end with a view to strengthen operational oversight, leadership, governance and regulatory compliance across the 22 operations in Africa and the Middle East.

The MTN Group is now clustered into the following three regions and their respective underlying operations based on the decision taken:

- South and East Africa (SEA)
- West and Central Africa (WECA)
- Middle East and North Africa (MENA).

Comparative numbers for the segments have been restated accordingly.

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

EBITDA (earnings before interest, tax, depreciation, amorisation, impairment of goodwill, net monetary gains and share of results of joint ventures and associates after tax) excluding the following items is used as the measure of reporting profit or loss for each segment and represents the basis on which the CODM reviews segment results:

- Hyperinflation (note 5)
- Tower sale profits
- Nigeria regulatory fine (note 15)
- MTN Zakhele Futhi share-based payment expense (note 16).

This measure has remained unchanged apart from MTN Zakhele Futhi share-based payment expense which was also excluded in the current year.

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

Notes to the summary consolidated financial statements continued

for the year ended 31 December

6. SEGMENT ANALYSIS continued

	2016 Rm	2015 Rm
REVENUE		
SEA	**52 142**	51 419
South Africa	**41 922**	40 038
Uganda	**5 465**	5 148
Other SEA	**4 755**	6 233
WECA	**80 655**	81 443
Nigeria	**47 122**	51 942
Ghana	**10 291**	7 903
Cameroon	**6 189**	5 806
Ivory Coast	**7 176**	6 424
Other WECA	**9 877**	9 368
MENA	**14 288**	13 766
Syria	**2 123**	2 605
Sudan	**4 585**	3 472
Other MENA	**7 580**	7 689
Major joint venture – Iran	**16 536**	13 660
Head office companies and eliminations	**(191)**	(275)
Hyperinflation impact	**1 026**	710
Iran revenue exclusion	**(16 536)**	(13 660)
	147 920	147 063

Notes to the summary consolidated financial statements continued

for the year ended 31 December

6. SEGMENT ANALYSIS continued

	2016 Rm	2015 Rm
EBITDA		
SEA	**16 368**	16 903
South Africa	**13 811**	13 370
Uganda	**1 620**	1 775
Other SEA	**937**	1 758
WECA	**33 045**	38 116
Nigeria	**21 854**	27 504
Ghana	**4 184**	3 197
Cameroon	**2 065**	2 101
Ivory Coast	**2 333**	2 195
Other WECA	**2 609**	3 119
MENA	**4 657**	4 324
Syria	**689**	460
Sudan	**1 471**	1 216
Other MENA	**2 497**	2 648
Major joint venture – Iran	**6 455**	5 665
Head office companies and eliminations	**(2 089)**	575
Hyperinflation impact	**246**	231
Nigeria regulatory fine	**(10 499)**	(9 287)
Tower sale profits	**31**	8 263
MTN Zakhele Futhi share-based payment expense	**(1 008)**	–
Iran EBITDA exclusion	**(6 455)**	(5 665)
EBITDA	**40 751**	59 125
Depreciation, amortisation and impairment of goodwill	**(26 609)**	(23 797)
Net finance cost	**(10 495)**	(3 010)
Net monetary gain	**1 723**	1 348
Share of results of joint ventures and associates after tax	**(127)**	1 226
Profit before tax	**5 243**	34 892

Notes to the summary consolidated financial statements continued

for the year ended 31 December

6. SEGMENT ANALYSIS continued

	2016 Rm	2015 Rm
CAPITAL EXPENDITURE INCURRED		
SEA	**12 896**	13 452
South Africa	**11 085**	10 948
Uganda	**758**	951
Other SEA	**1 053**	1 553
WECA	**17 325**	11 593
Nigeria	**8 701**	4 993
Ghana	**2 435**	1 831
Cameroon	**2 166**	1 911
Ivory Coast	**1 721**	833
Other WECA	**2 302**	2 025
MENA	**3 310**	2 583
Syria	**1 049**	974
Sudan	**1 549**	819
Other MENA	**712**	790
Major joint venture – Iran	**5 138**	4 180
Head office companies and eliminations	**1 389**	1 571
Hyperinflation impact	**348**	412
Iran CAPEX exclusion	**(5 138)**	(4 180)
	35 268	29 611

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

7. IMPAIRMENT OF GOODWILL

Areeba Guinea S.A.

Areeba Guinea S.A. (Conakry) experienced a decline in EBITDA and Guinea-Conakry has experienced poor economic performance countrywide. Consequently, a review of the recoverable amount of Conakry was undertaken during 2016 subsequent to which an impairment loss amounting to R402 million (December 2015: R504 million) was recognised. As at 31 December 2016, the goodwill balance relating to Conakry is fully impaired.

Afrihost

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

MTN Syria (JSC)

Syria has been experiencing poor economic performance countrywide due to political instability and on-going conflict in the country. An assessment of the recoverable amount of the goodwill held in MTN Syria (JSC) (MTN Syria) was performed for the year ended 31 December 2016, subsequent to which an impairment loss of R269 million was recognised. As at 31 December 2016, the goodwill balance relating to MTN Syria is fully impaired.

8. NET FINANCE COSTS

	2016 Rm	2015 Rm
Interest income on loans and receivables	**2 462**	2 173
Interest income on bank deposits	**1 962**	3 269
Finance income	**4 424**	5 442
Interest expense on financial liabilities measured at amortised cost	**(9 020)**	(6 981)
Net foreign exchange losses	**(5 899)**	(1 471)
Finance costs	**(14 919)**	(8 452)
Net finance costs recognised in profit or loss	**(10 495)**	(3 010)

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

		2016 Rm	2015 Rm
9.	**SHARE OF RESULTS OF JOINT VENTURES AND ASSOCIATES AFTER TAX**	**(127)**	1 226
	Irancell Telecommunication Company Services (PJSC)	**2 073**	1 903
	Nigeria Tower InterCo.B.V.#	**(2 227)**	(545)
	Others	**27**	(132)

 # Includes forex losses of R2 254 million from the devaluation of the Naira offset by a deferred tax credit of R674 million.

10. EARNINGS PER ORDINARY SHARE

	2016	2015
Number of ordinary shares in issue		
At end of the period (excluding MTN Zakhele, MTN Zakhele Futhi and treasury shares)	**1 797 228 125**	1 822 517 914
Weighted average number of shares		
Shares for earnings per share	**1 819 974 274**	1 822 453 695
Add: Dilutive shares		
– Share options – MTN Zakhele	**–**	3 791 878
– Share options – MTN Zakhele Futhi	**42 508 806**	–
– Share schemes	**1 042 243**	965 612
Shares for dilutive earnings per share	**1 863 525 323**	1 827 211 185

Treasury shares

Treasury shares of 10 206 255 (December 2015: 11 844 233) are held by the Group and 76 835 378 are held by MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi) (December 2015: 11 131 098 shares held by MTN Zakhele).

MTN Zakhele and MTN Zakhele Futhi

The MTN Zakhele broad-based black economic empowerment (BBBEE) transaction unwound during the current year and all options outstanding were exercised. The Group implemented a new BBBEE transaction, structured through MTN Zakhele Futhi (note 16). The shares held by MTN Zakhele Futhi, although legally issued, are not deemed to be issued in terms of IFRS as the MTN Zakhele Futhi transaction has the substance of an option. As at 31 December 2016, 42 508 806 potential ordinary shares held by MTN Zakhele Futhi were not included in the calculation of diluted loss per share as they are antidilutive. In addition, as at 31 December 2016, a total of 1 042 243 potential ordinary shares in the form of share options and share rights issued in terms of the Group's share schemes and performance share plan were excluded from the calculation of diluted loss per share due to being antidilutive. These potential ordinary shares could dilute basic and headline earnings per share in the future.

Notes to the summary consolidated financial statements continued

for the year ended 31 December

10. EARNINGS PER ORDINARY SHARE continued

Headline (loss)/earnings is calculated in accordance with circular 2/2015 Headline Earnings as issued by the South African Institute of Chartered Accountants as required by the JSE Limited.

	2016 Rm	2015 Rm
Basic headline (loss)/earnings per share		
Reconciliation between (loss)/profit attributable to the equity holders of the Company and headline (loss)/earnings		
(Loss)/profit after tax	**(2 614)**	20 204
(Profit)/loss on disposal of property, plant and equipment	**(1)**	(89)
– Subsidiaries (IAS 16)	**4**	(67)
– Joint ventures (IAS 28)	**(5)**	(22)
(Profit)/loss on disposal of intangible assets	**(47)**	87
– Subsidiaries (IAS 38)	**(47)**	97
– Joint ventures (IAS 28)	**–**	(10)
Profit on disposal of subsidiary (IFRS 10)	**(130)**	–
Net loss on dilution of investment in joint venture (IAS 28)	**349**	–
Net impairment loss on property, plant and equipment and intangible assets (IAS 36)	**205**	38
Impairment of goodwill (IAS 36)	**873**	504
Realisation of deferred gain on disposal of non-current assets held for sale (IFRS 5)	**(31)**	(30)
Profit on disposal of non-current assets held for sale (IFRS 5)	**–**	(8 264)
Total tax effect of adjustments	**(10)**	(702)
Total non-controlling interest effect of adjustments	**(3)**	1 852
Basic headline (loss)/earnings	**(1 409)**	13 600
(Loss)/earnings per share (cents)		
– Basic	**(144)**	1 109
– Basic headline	**(77)**	746
Diluted (loss)/earnings per share (cents)		
– Diluted	**(144)**	1 106
– Diluted headline	**(77)**	744

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

11. FINANCIAL INSTRUMENTS

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

Listed long-term borrowings

The Group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R10 354 million (2015: R11 633 million) and a fair value of R9 494 million (2015: R10 268 million) at 31 December 2016. The fair value of these instruments is determined by reference to quoted prices in the Irish bond market. The market for these bonds is not liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

During the year, the Group issued a further USD1 billion of listed long-term fixed interest rate unsecured notes. Notes with a face value of USD500 million are redeemable in 2022 (the 2022 notes), with the remaining USD500 million redeemable in 2026 (the 2026 notes). As at 31 December 2016, the carrying amount of the 2022 notes is R6 849 million and the fair value is R6 958 million and the carrying amount of the 2026 notes is R6 856 million and the fair value is R6 727 million. The fair values of these bonds are determined by reference to quoted prices in the Irish bond market. The market for these instruments is not liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Loan to Nigeria Tower InterCo B.V.

The Group has a loan to Nigeria Tower InterCo B.V. with a carrying amount of R2 863 million (December 2015: R2 704 million) and a fair value of R2 969 million as at 31 December 2016. The fair value of this instrument is determined by using a discounted cash flow analysis using a market-related interest rate. The fair value measurement is categorised within level 3 of the fair value hierarchy.

Financial instruments measured at fair value

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

Treasury bills

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

Fair value measurement of investment in IHS

The Group holds an equity investment in IHS at fair value of R11 240 million (December 2015: R9 250 million). The investment is classified as available for sale. The fair value of the investment at 31 December 2016 was determined with reference to recent transactions between market participants and has consequently been transferred from level 3 to level 2 in the fair value hierarchy in 2016.

At 31 December 2015, the absence of transactions between market participants resulted in the fair value being determined using models considered to be appropriate by management. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs, including average tower industry earnings multiples of between 10 and 14. Consequently, the investment was categorised within level 3 of the fair value hierarchy. An increase of one in the multiple would have resulted in an increase in the fair value of R792 million and a decrease of one in the multiple would have resulted in a decrease in the fair value R792 million as at 31 December 2015.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

		2016 Rm	2015 Rm
12.	**AUTHORISED COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND SOFTWARE**	**34 753**	30 814
	– Contracted	**11 458**	12 501
	– Not contracted	**23 295**	18 313
13.	**INTEREST-BEARING LIABILITIES**		
	Bank overdrafts	**–**	38
	Current borrowings	**19 635**	22 472
	Current liabilities	**19 635**	22 510
	Non-current borrowings	**67 319**	52 661
		86 954	75 171

14. ISSUE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

- MTN Holdings raised R18,1 billion (December 2015: R3 billion) additional debt through syndicated loan facilities, R2 billion (December 2015: R6,5 billion) on general banking facilities and R2,1 billion through the Domestic Medium Term Programme
- MTN Holdings repaid R7,4 billion (December 2015: R500 million) of the syndicated loan facility, R2,9 billion (December 2015: R5,1 billion) of general banking facilities and R154 million (December 2015: R1,3 billion) of the Domestic Medium Term Programme
- MTN (Mauritius) Investments Limited raised R14,2 billion (USD1 billion) debt through long-term fixed interest rate unsecured notes. These notes are listed on the Irish Stock Exchange.
- MTN International (Mauritius) Limited (MTN Mauritius) raised R11,2 billion (December 2015: R10,4 billion) and repaid R12,9 billion on a revolving credit facility
- MTN Nigeria Communications Limited repaid R5,4 billion (December 2015: R4,2 billion) long-term borrowings
- Other borrowings raised and repaid across the Group amounted to R12 billion (2015: R3,5 billion) and R8,4 billion (2015: R3,7 billion), respectively.

15. NIGERIA REGULATORY FINE AND PROFESSIONAL SERVICE FEES

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

In terms of the settlement agreement reached on 10 June 2016, MTN Nigeria agreed to pay a total cash amount of Naira 330 billion over three years (the equivalent of R25,1 billion[1]) to the FGN as a full and final settlement of the matter.

In addition to the monetary settlement set out above:

- MTN Nigeria subscribes to the voluntary observance of the Code of Corporate Governance for the Telecommunications Industry in Nigeria and will ensure compulsory compliance when the said Code is made mandatory for the Telecommunications Industry
- MTN Nigeria undertakes to take immediate steps to ensure the listing of its shares on the Nigeria Stock Exchange as soon as commercially and legally possible after the date of execution of the settlement agreement
- MTN Nigeria shall always ensure full compliance with its licence terms and conditions as issued by the Nigeria Communications Commission (NCC).

The Naira 50 billion (the equivalent of R4 billion[2] at the time) in good faith payment which was paid without prejudice by MTN Nigeria on 24 February 2016 forms part of the monetary component of the settlement.

On 10 June 2016, the nature of the fine changed from a provision under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to that of a financial liability under IAS 39 *Financial Instruments: Recognition and Measurement*. As from this date onwards MTN Nigeria was contractually obliged to settle the fine in cash. Consequently, the outstanding balance ceased to be discounted at a pre-tax risk-free rate (in terms of IAS 37) and is instead discounted at MTN Nigeria's incremental borrowing rate for a liability with similar cash flows (in terms of IAS 39). As at 31 December 2015 an amount of R5,2 billion was recorded in other current liabilities and R4,1 billion in other non-current liabilities relating to the fine. The Group reclassified the previously recognised provision on 10 June 2016 to a financial liability of Naira 212,5 billion, the equivalent of R16,2 billion[1] for the outstanding cash payments using a discount rate of 14,71%. The additional charge to the income statement amounted to R10,5 billion and a discount unwind of R1,0 billion was recognised in finance costs during 2016. The balance of the liability as at 31 December 2016 amounts to R8,7 billion[3] (R7,4 billion recorded in other non-current liabilities and R1,3 billion in trade and other payables), after taking into account the payment of Naira 30 billion (R1,9 billion[4]) on 24 June 2016.

Professional service fees

During the period R1 324 million costs (included in other operating expenses) were incurred on professional services relating to the negotiations that led to a reduction of R34 billion in the Nigeria regulatory fine. The board had exercised its judgement and approved the quantum of the professional fees incurred taking into account global benchmarks and the value delivered, culminating in the final settlement of the Nigeria fine.

[1] *Amount translated at the 10 June 2016 rate R1 = N13,15.*
[2] *Amount translated at the 24 February 2016 rate of R1 = N12,55.*
[3] *Amount translated at the 31 December 2016 closing rate R1 = N22,81.*
[4] *Amount translated at the June 2016 average rate of R1 = N15,90.*

16. MTN ZAKHELE FUTHI AND UNWIND OF MTN ZAKHELE

The Group unwound its BBBEE transaction (MTN Zakhele) during November 2016. On unwind, the Company cancelled and delisted the following shares received from MTN Zakhele:

- 5 882 100 shares delivered to the Company in settlement of the outstanding NVF funding of R662 million;
- 23 479 083 shares repurchased by the Company for cash; and
- 7 253 510 shares to facilitate the reinvestment by existing MTN Zakhele shareholders into the new BBBEE vehicle of the Group, as described below.

As a consequence of the unwind of MTN Zakhele, a new BBBEE transaction was structured through a separate legal entity, MTN Zakhele Futhi. MTN Zakhele Futhi is consolidated by MTN. 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 acquisition of 35 747 139 shares (and transaction costs of R36 million incurred by MTN Zakhele Futhi) was funded using equity raised from the allotment of MTN Zakhele Futhi shares totalling R1 651 million (including R557 million obtained from the Group for the purchase of MTN Zakhele Futhi shares in terms of its underwrite option); re-investment of R817 million from the existing MTN shareholders and third-party preference share funding of R2 161 million. The acquisition of 15 367 075 shares was funded through a donation of shares to the amount of R1 975 million received from the Group. The Company also issued 25 721 164 notional vendor finance shares (NVF shares) at par value to MTN Zakhele Futhi amounting to approximately R3 305 million.

Although the day-to-day activities of MTN Zakhele Futhi are managed by its directors, the Group has decision-making rights over the relevant activities of MTN Zakhele Futhi, including management of MTN Zakhele Futhi's credit-risk and the associated BBBEE credentials. MTN Zakhele Futhi's sole business is holding shares in the Group and administering the associated funding of these shares. Its success is therefore dependent on the success of the Group as well as the ongoing receipt of dividends from the Group to service and repay debt. The Group therefore consolidates MTN Zakhele Futhi, a structured entity, in terms of IFRS 10.

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 re-investment by existing MTN Zakhele shareholders in MTN Zakhele Futhi) are in substance treated as a premium paid for the option to acquire the Company's shares in future.

During the year, and as a result of the option granted as described above, the Group recognised a share-based payment expense of R1 008 million (included in other operating expenses). A further share-based payment expense is expected when the shares of MTN Zakhele Futhi held by the Group resulting from the exercise of the underwrite are issued to the public. Transaction costs amounted to R173 million and have been recognised as an expense during the year.

Notes to the summary consolidated financial statements continued

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16. MTN ZAKHELE FUTHI AND UNWIND OF MTN ZAKHELE continued

Share-based payment expense in respect of MTN Zakhele Futhi

The grant date of the option is 23 November 2016. The fair value of the share-based payment at this date was determined using a Monte Carlo valuation model.

	2016
Price per share (R)	114,1
NVF balance (Rm)	3 305
Preference share liability balance (Rm)	2 161
Shares issued to MTN Zakhele Futhi (number)	76 835 378
Volatility (%)	33,05
Dividend yield (%)[1]	6,04
Expected option life (years)	8,00
Annual risk free rate (%)	8,42
Contribution from equity participants and MTN underwrite (Rm)	2 468

[1] *Calculated based on a risk adjusted MTN share price of R114.10 at the date of valuation and a dividend of 700 cents per share.*

	2016 Rm	2015 Rm
17. CONTINGENT LIABILITIES	8 127	875

Uncertain tax exposures

The Group operates in numerous tax jurisdictions and the Group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the Group and the relevant tax authority. The outcome of such disputes may not be favourable to the Group. At year-end there were a number of tax disputes ongoing in various of the Group's operating entities, the most significant of which relates to a transfer pricing dispute which the Group is contesting. The Group has applied its judgement and has recognised liabilities for anticipated issues based on whether additional amounts will be payable, and has included contingent liabilities where considered possible but not probable.

18. BUSINESS COMBINATIONS, ACQUISITION OF JOINT VENTURES AND OTHER INVESTMENTS

Investment in Africa Internet Holdings GmbH (AIH)

The Group's additional investment of R2 312 million in AIH, made in terms of the right obtained during 2015, became effective during March 2016. This additional investment increased the Group's interest in this joint venture from 33,3% to 41,4%. Subsequently AIH received additional investments from new investors which became effective during April to July 2016. These additional investments diluted the Group's investment in AIH from 41.4% to 31,28%. Following a share swap transaction with a Non-Controlling Interest (NCI) shareholder of Africa eCommerce Holding GmbH (AEH), a subsidiary of AIH, AEH became a wholly owned subsidiary of AIH and the NCI received shares in AIH in exchange. The Group recognised a net loss on dilution of R349 million (comprising a gain of R277 million and a loss of R626 million). The Group retains joint control over AIH.

Altech Autopage subscriber base

In February 2016, the Group concluded the acquisition of its Altech Autopage subscriber base from Altron TMT Proprietary Limited for R678 million. The acquisition of the subscriber base will enable the Group to service and interact directly with its customers and allow the Group to consolidate the Mobile Telephone Networks Proprietary Limited postpaid subscriber base in one entity. The acquisition has been accounted for in accordance with IFRS 3 *Business Combinations*. The purchase price allocation has been finalised and the fair value of net identifiable assets acquired of R479 million resulted in goodwill of R199 million being recognised.

Other acquisitions

In January 2016 the MTN Group obtained joint control of TravelLab Global AB (Travelstart) through an investment of R391 million. In November 2016 the Group acquired 100% of the share capital of Smart Village Proprietary Limited for a cash consideration of R220 million and a deferred consideration of R12 million.

Notes to the summary consolidated financial statements continued

for the year ended 31 December

19. EXCHANGE RATES

		Closing rates		Average rates	
		2016	2015	**2016**	2015
United States dollar	USD	**0,07**	0,06	**0,07**	0,08
Nigerian naira	NGN	**22,81**	12,88	**18,28**	15,63
Iranian rial	IRR	**2 355,36**	1 947,05	**2 119,83**	2 265,98
Ghanaian cedi	GHS	**0,31**	0,25	**0,27**	0,30
Cameroon Communaute Financière Africaine franc	XAF	**45,34**	39,02	**40,23**	46,67
Côte d'Ivoire Communaute Financière Africaine franc	CFA	**45,56**	39,81	**40,55**	47,00
Syrian pound	SYP	**37,71**	21,76	**32,41**	21,64
Sudanese pound	SDG	**0,48**	0,39	**0,43**	0,47

The Group's functional and presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the Group's largest operations contributed significantly to the decrease in assets and liabilities and the resulting foreign currency translation reserve reduction of R22 907 million since 31 December 2015.

Net investment hedges

During 2016, the Group hedged a designated portion of its dollar net assets in MTN (Dubai) Limited (MTN Dubai) for forex exposure arising between the USD and ZAR as part of the Group's risk management objectives. The Group designated external borrowings (Eurobonds) denominated in USD held by MTN (Mauritius) Investment Limited with a value of R23,1 billion and external borrowings denominated in USD held by MTN Nigeria Communications Limited with a value of R4,5 billion as hedging instruments. For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences recognised in other comprehensive income, arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the year.

Notes to the summary consolidated financial statements continued

for the year ended 31 December 2016

20. EVENTS AFTER REPORTING PERIOD

Nigeria Tower Interco B.V./IHS exchange right

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

The exchange, which closed on 23 February 2017, will be accounted for as a disposal of the Group's equity-accounted interest in INT and an acquisition of an additional investment in IHS Group. The net impact on profit before tax is estimated to be R5 579 million, which is determined as the difference between the fair value of the new interest obtained and the carrying value of the equity-accounted interest in INT and after recycling any amount in FCTR to the income statement. The financial effects are estimated based on provisional 31 December 2016 carrying values translated at 31 January 2017 closing rates.

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

The transaction had no tax impact.

Notes to the summary consolidated financial statements continued

for the year ended 31 December

20. EVENTS AFTER REPORTING PERIOD continued

Loan to Uganda Interco

Subsequent to year-end the Group converted its variable interest loan to its associate, Uganda Tower Interco B.V. (Uganda Towerco), a provider of telecommunications towers in Uganda, with a balance of USD80,1 million, into additional equity of USD48,3 million and a replacement note in Uganda shillings for the remaining balance, which will attract fixed interest.

Dividends declared

Dividends declared at the board meeting held on 1 March 2017 amounted to 450 cents per share.

Administration

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

Board of Directors
PF Nhleko*
PB Hanratty##***
A Harper#***
KP Kalyan***
S Kheradpir††***
NP Mageza***
MLD Marole***
AT Mikati†**
SP Miller^***
KC Ramon***
NL Sowazi***
AF van Biljon***
J van Rooyen***

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† Lebanese
# British
Irish
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* Executive
** Non-executive
*** Independent non-executive director

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue, Fairland, 2195

American Depository Receipt (ADR) programme:
Cusip No. 62474M108 ADR to ordinary share 1:1

Depository
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101 Barclay Street, New York NY. 10286, USA

MTN Group sharecare line
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