MTN Group Limited

Annual financial results for the year ended 31 December 2019

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Results overview

* Constant currency information is on an IAS 17 basis after accounting for the impact of the pro forma adjustments

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

Certain information presented in these results constitutes pro forma financial information. The responsibility for preparing and presenting the pro forma financial information and for the completeness and accuracy of the pro forma financial information is that of the directors of the company. This is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, and results of operations or cash flows. The pro forma IAS 17 and constant currency financial information contained in this announcement has been reviewed by the group's external auditors and their unmodified limited assurance report prepared in terms of ISAE 3420 is available for inspection at the company's registered office on weekdays from 09:00 to 16:00.

1. Certain financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation and goodwill and asset impairments, tower profits, the Nigerian regulatory fine (consisting of the 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), gain on dilution of Jumia, impairment of investment in MEIH, gain on Travelstart disposal and impact of the adoption of IFRS 16 ("the pro forma adjustments") and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited summary group financial statements for the year ended 31 December 2019. This pro forma financial information has been presented to eliminate the impact of the pro forma adjustments from the consolidated financial results to achieve a comparable YoY analysis. The pro forma adjustments have been calculated in terms of the group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2019, except for the changes in accounting policies as a result of the adoption of the accounting standards effective 1 January 2019.
2. Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the prior financial reporting period's results have been adjusted to the current period average exchange rates determined as the weighted average of the monthly exchange rates. The measurement has been performed for each of the group's currencies, materially being that of the US dollar and Nigerian naira. The constant currency growth percentage has been calculated based on the prior year constant currency results compared to the current year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. The economies of Sudan, South Sudan and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied.

The joint independent auditors' audit reports by PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc. do not report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the joint independent auditors' engagement they should obtain a copy of the unqualified joint independent auditors' audit reports on the summary group financial statements and the group annual financial statements together with the accompanying financial information from MTN's registered office. The directors of MTN take full responsibility for the preparation of this abridged report and the financial information has been correctly extracted from the underlying audited financial statements.

The key audit matters (pursuant to ISA 701) can be viewed via the full joint independent auditors' audit report and the annual financial statements at www.mtn.com/investors/financial-reporting/annual-results

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

The SEAGHA region includes Ghana, Uganda, Zambia, Rwanda, South Sudan, Botswana (joint venture-equity accounted), eSwatini (joint venture-equity accounted) and Business Group. The WECA region includes Cameroon, Ivory Coast, Benin, Congo-Brazzaville, Liberia, Guinea Conakry and Guinea Bissau. The MENA region includes Iran (joint venture-equity accounted), Syria, Sudan, Yemen, and Afghanistan. The operation in Cyprus was disposed of and is no longer included in the results effective 4 September 2018.

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

Results overview for the year ended 31 December 2019

MTN

Highlights

Revenue grew
by 9,7%*

Subscribers increased
by 18,2 million
to 251 million

Service revenue grew
by 9,8%*

IFRS reported EBITDA margin improved by
6,4 percentage points (pp) to 42,3%
(up 1,2 pp* to 35,5%*)

IFRS reported EBITDA˜ (before once-off items) increased
by 34,3%
(up 13,6%*)

IFRS reported group HEPS at 468 cps,
up 38,9%
(up 61,7% under IAS 17)

Non-operational impacts (including IFRS 16 adoption)
lowered HEPS by 209 cps

Holding company (holdco) leverage
stable at 2,2 times

Final dividend
355 cps
in line with guidance

Medium-term targets enhanced

Results overview

Group president and CEO, Rob Shuter comments:

"In 2019, the 25-year anniversary of MTN Group, we delivered solid operational execution and commercial momentum across most of our operations as well as a number of innovations that support greater digital and financial inclusion.

In challenging trading conditions, we maintained operating leverage with a 9,8% increase in service revenue and a 13,6%* increase in EBITDA. The group's EBITDA margin improved by 1,2 pp* to 35,5%* on an IAS 17 basis, in line with our medium-term guidance. Our holding company leverage remained stable at 2,2 times and we reduced our capex intensity to 17,5%, from 19,3%, also on an IAS 17 basis.*

The group's results were supported by double-digit growth in service revenue by both MTN Nigeria and MTN Ghana, while economic pressure, new data usage rules and a reassessment of recognition criteria for roaming revenue from Cell C impacted our performance in South Africa.

We advanced our work to build a digital operator, adding 18,2 million subscribers to reach a total base of 251 million, and recording 95 million active data users and 35 million active MoMo users. This growth is central to our belief that everyone deserves the benefits of a modern connected life. In support of this, we launched a US$20 smartphone during the year, following on from our US$20 smart feature phone developed in 2018.

To ensure Africa doesn't miss out on the instant messaging revolution, we launched our own instant messaging platform, Ayoba, in March 2019. Ayoba is now live in 12 markets and has registered two million monthly active users. Broadening our fintech offering remains a priority, and MoMo is now live in South Africa. In Nigeria, we received our super-agent licence and by December 2019 had 108 000 registered agents.

We delivered approximately R14 billion of asset realisations within the first 12 months of our three-year R15 billion asset realisation programme. We moved towards more localisation of operations, most notably with the listing of MTN Nigeria, and recorded progress on various regulatory issues, including the AGF matter on taxes in Nigeria. Relationships with stakeholders across our markets improved, and we reported our highest employee engagement score yet.

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

Given the progress and momentum we are seeing in our commercial, financial and strategic initiatives, we have enhanced our medium-term guidance framework. While we maintain our medium-term service revenue, EBITDA, capex and ROE objectives, we are increasing our medium-term (3 to 5 years) targets for our asset realisation programme to at least a further R25 billion and are reducing our holding company leverage target ratio to below 2,0 times."

Overview

MTN reported improved results and growth for the year ended 31 December 2019. We delivered service revenue growth ahead of inflation, with an acceleration in the year-on-year (YoY) trajectory in the second half of the year. This drove an increase in the margin on earnings before interest, taxation, depreciation and amortisation (EBITDA) and reduced capital expenditure (capex) intensity.

This outcome was delivered against challenging macroeconomic conditions, particularly in South Africa, with muted economic activity and the rand weakening against the US dollar.

Group service revenue increased by 9,8%* in constant currency terms. This was led by growth of 12,6%* in MTN Nigeria, 22,9%* in MTN Ghana and 0,4% in MTN South Africa. The performance of MTN South Africa was impacted by the implementation of ICASA's end-user subscriber regulations and a reassessment of revenue recognition criteria due to delayed payments under the network roaming agreement with Cell C.

As a result of the reassessment, and in compliance with IFRS 15, we have not recognised revenue amounting to R283 million as at 31 December 2019 for network roaming services provided to Cell C during the period. In total, MTN recognised R1,8 billion of revenue from Cell C (R0,9 billion in the second half of the year) and received cash of R2,5 billion during the year.

Voice revenue increased by 4,2%*, supported by customer growth as the group added 18,2 million subscribers to reach 251 million. We continued to benefit from our customer value management (CVM) initiatives and our bundled and subscription offers.

Data revenue grew by 22,4%* as we focused on improving affordability for customers through micro-bundling and reduced out-of-bundle (OOB) tariffs. The strong growth in data revenue was enabled by a 16,6 million increase in active data subscribers to 95 million; the expansion in 3G and 4G coverage to an additional 45 million and 69 million people respectively; as well as improvements in the quality of the data network across our footprint. We reduced the effective rate per megabyte across our markets by 34%, while average usage rose by 46% to 2,8GB per month. As part of our initiatives to accelerate smartphone adoption, we launched our $20 smartphone, following on from the similarly priced smart feature phone developed in 2018. By December 2019 we had a total of 121 million smartphones on our networks.

Digital revenue declined by 39,6%* in the year in which we completed our optimisation of traditional value-added services (VAS). We remain focused on accelerating digital adoption in our markets through our own platforms and via partnerships. Our instant messaging platform, Ayoba, was launched in March 2019 and has scaled to two million monthly active users. Ayoba was integrated into 12 MTN markets and is also available across multiple markets on the Google Play Store and via the Ayoba website as an OTT offering. MusicTime! is now live in six MTN markets.

Fintech revenue increased by 27,0%*, enabled by growth of 7,5 million active Mobile Money (MoMo) users to a total of 35 million, generating a monthly ARPU of $1,15. The value of MoMo transactions in the year was US$96,1 billion, with 9 200 transactions processed per minute (up from 6 800 per minute in 2018). The launch of MoMo in South Africa and Afghanistan brings to 16 the number of markets in which we are currently live. In November we launched MTN Homeland, a mobile remittance application to facilitate money and airtime transfers from Europe to Africa and parts of the Middle East. By year-end, our lending marketplace MoMoKash had facilitated US$787 million in loans on behalf of banking partners. We are focused on building our base of merchants utilising MoMoPay, which is live in 10 markets with 200 000 active merchants. Our aYo joint venture recorded almost six million registered insurance policy holders.

Enterprise revenue increased by 8,4%*, supported by 22%* growth in MTN Nigeria. The trajectory of the enterprise business in MTN South Africa stabilised in the year and is now improving, having delivered positive YoY revenue growth in the fourth quarter.

Wholesale revenue grew by 63,2%*, driven by national roaming revenue in MTN South Africa, and solid growth in MTN GlobalConnect, where we signed up more key accounts and grew our application-to-person messaging services through the ***Y'ello***Connect platform. In addition to the changes in the treatment of Cell C revenues, the wholesale performance in the second half of the year was also impacted by the discontinuation of our roaming agreement with Telkom in South Africa that concluded in June 2019.

We invested capital expenditure (capex) of R32,9 billion on an IFRS reported basis (R26,3 billion under IAS 17), achieving 100% of our planned network rollout within a lower-than-guided capex envelope. This was enabled by our smart capex approach and unit price reductions. We rolled out a total of 5 795 3G and 10 895 4G sites and capex intensity reduced to 17,5% from 19,3% in 2018. We achieved the #1 position in network NPS in 14 of our markets.

The group's EBITDA margin in constant currency terms improved by 1,2 percentage points* (pp), driven by the 1,2 pp* and 4,8 pp* improvements delivered by MTN Nigeria and MTN Ghana respectively. This was tempered by a lower margin at MTN South Africa, impacted by ICASA's end-user regulations, the loss of Telkom roaming revenues in the second half and the changes in the treatment of Cell C revenues.

On an IFRS reported basis, the group's EBITDA margin was 42,3% compared to 35,9% in December 2018. It was impacted by the adoption of IFRS 16, foreign exchange gains on translation and the gain on dilution of our e-commerce venture Jumia upon listing as well as the profit on disposal of Travelstart and Amadeus.

On the back of the improved EBITDA performance, Group operating free cash flow increased by 59,9% on an IFRS reported basis (up 18,0% under IAS 17).

Basic earnings per share increased to 499 cents from 485 cents. These were negatively impacted by 77 cents or 13,4% because of the adoption of IFRS 16.

Reported headline earnings per share (HEPS) were 468 cents from 337 cents in December 2018. HEPS were negatively impacted in aggregate by 209 cents from the following items: 77 cents impact of IFRS 16 adoption; 8 cents relating to the Nigeria fine interest (from 36 cents in 2018); hyperinflation (excluding impairments) of 16 cents (from 45 cents in 2018); the impact of foreign exchange gains and losses of 78 cents (from 114 cents in 2018); impairment of the Iran receivable of 12 cents (2018: 0 cents) and divestments of 18 cents (-13 cents in 2018).

Return on equity (ROE) increased to 14,3% from 11,5% in December 2018, supported by the improvement in our service revenue performance and operational leverage, as well as progress made in optimising our portfolio.

Portfolio optimisation and asset realisation programme

Our asset realisation programme (ARP), launched in March 2019, aims to reduce debt, simplify our portfolio, reduce risk, improve returns and realise capital of at least R15 billion over three years (excluding the investment in IHS).

In the first half of 2019, we realised R2,1 billion through the sale of our shareholder loan in ATC Ghana to American Tower Corporation for R900 million and the sale of our interests in investment fund Amadeus and its associated holding in Travelstart for net proceeds of R1,2 billion. Jumia Technologies AG successfully raised capital and listed on the New York Stock Exchange, resulting in a dilution of our shareholding from 29,7% to 18,9%. At 31 December 2019, this investment was valued at R1,4 billion at an American Depositary Share (ADS) price of $6,73. As of 9 March 2020 the Jumia ADS price was $3,15.

In the year MTN Nigeria redeemed its preference shares as part of a process to simplify its capital structure. This resulted in proceeds, which have been received by MTN Group, of US$314 million (approximately R4,0 billion).

On 2 January 2020, we announced the agreement to dispose of our 49% equity holdings in Ghana Tower Interco B.V. and Uganda Tower Interco B.V. to AT Sher Netherlands Cooperatief U.A. for US$523 million in cash. On closing, MTN will record a profit on disposal of approximately R6,3 billion. The Tower Companies were classified as non-current assets held for sale from October 2019. At 10 March 2020 MTN had received, in cash, approximately R2,2 billion. The Group awaits the finalisation of regulatory approvals relating to the Ghana Tower Interco transaction, for which proceeds of R6,1 billion are expected, subject to those approvals, by the end of the first quarter of 2020, using a rand/US$ exchange rate of R16,08/$ at 9 March 2020.

Following the completion of these transactions, we will have realised approximately R14 billion within the first 12 months of the three-year ARP. MTN will use the proceeds to pay down US dollar debt and for general corporate purposes.

Regulatory and legal considerations

MTN Nigeria AGF matter

In January 2020, the Attorney General of the Federation (AGF) referred the matter of disputed back taxes to the tax and customs authorities and withdrew a demand for US$2 billion from MTN Nigeria. MTN Nigeria consequently withdrew its legal action against the AGF. We remain committed to building and maintaining cordial relationships with all regulatory authorities in Nigeria.

MTN Afghanistan anti-terrorism complaint

On 27 December 2019 a complaint for violation of the anti-terrorism act was filed in the United States District Court for the District of Columbia ("The Complaint"). The Complaint was filed on behalf of American service members and civilians, and their families, who were killed or wounded in Afghanistan between 2009 and 2017. The Complaint alleges that several Western businesses supported the Taliban by, inter alia, making payments to ensure the protection of their infrastructure. The defendants named in the complaint are six different groups one of which is MTN and certain of its subsidiary companies including MTN Afghanistan. MTN is reviewing the details of the complaint and is consulting its advisers and remains of the view that it conducts its business in a responsible and compliant manner in all its territories and will defend its position where necessary.

MTN South Africa Competition Commission inquiry

In December 2019 the Competition Commission of South Africa released the findings of its two-year data services market inquiry. We continue to engage constructively with the Commission on prepaid monthly data bundles of 1GB and below, life-line data connectivity (within parameters) and refreshing our offering for public benefit organisations. We remain committed to providing high quality, affordable data and connectivity to our customers and expect to announce further details shortly.

Radio spectrum is the digital highway upon which we depend to carry increasing mobile data at more cost-effective prices. This is acutely felt in South Africa, which has among the lowest spectrum allocation in all our MTN markets. The release of new spectrum in South Africa is urgently needed and will greatly assist our ability to service increased customer demand in a more cost-effective manner.

Licence renewals

Following the expiry of certain technology licences in 2019 in MTN Ghana, the Ghanaian regulator has renewed the 2G licence for 15 years. We have submitted applications for the renewal of our International Gateway and Fixed Access licences, which are pending approval. We expect these licences to be renewed in the coming months.

MTN Uganda was granted an extension of its existing operating licence to allow for the conclusion of negotiations around the terms for the licence renewal.

Dividends

The board has declared a gross final dividend of 355 cents per share, bringing the total dividend for the year to 550 cents per share up 10% from prior year.

Capex guidance 2020

Rm	Estimated (IFRS 16) 2020	Estimated leases 2020	**Estimated (IAS 17) 2020**	Capitalised (IFRS 16) 2019	Capitalised leases 2019	**Capitalised (IAS 17) 2019**	Capitalised 2018
South Africa	8 614	437	**8 177**	11 295	3 733	**7 562**	9 448
Nigeria	11 368	2 635	**8 733**	9 750	1 739	**8 011**	6 888
SEAGHA	5 279	558	**4 721**	5 554	575	**4 979**	3 801
WECA	3 101	185	**2 916**	3 231	432	**2 799**	3 281
MENA	2 203	324	**1 879**	1 989	48	**1 941**	2 215
Group, digital and GlobalConnect	2 074	–	**2 074**	834	1	**833**	457
Total	32 639	4 139	**28 500**	32 653	6 528	**26 125**	26 090
Hyperinflation	(220)	(220)	**–**	215	59	**156**	(72)
Total reported	32 419	3 919	**28 500**	32 868	6 587	**26 281**	26 018
Iran (49%)	4 021	–	**4 021**	2 568	85	**2 483**	3 716

The difference between IFRS 16 and IAS 17 is operating leases are now capitalised under IFRS 16.

Financial review

Headline earnings reconciliation

Rm	IFRS reported 2019	Impair-ment of goodwill, PPE and associates[1]	Gain on dilution of investment in JV/ Associate[2]	Profit on sale of Cyprus[3]	Other[4]	Headline earnings
2019						
Revenue	151 460	–	–	–	–	151 460
Other income	1 373	–	(1 151)	–	(61)	161
EBITDA	64 092	355	(1 151)	–	(61)	63 235
Depreciation, amortisation and impairment of goodwill	(32 800)	342	–	–	–	(32 458)
Profit from operations	31 292	697	(1 151)	–	(61)	30 777
Net finance cost	(15 184)	–	–	–	–	(15 184)
Hyperinflationary monetary gain	787	–	–	–	–	787
Share of results of associates and joint ventures after tax	705	–	(37)	–	–	668
Profit before tax	17 600	697	(1 188)	–	(61)	17 048
Income tax expense	(6 908)	–	–	–	–	(6 908)
Profit after tax	10 692	697	(1 188)	–	(61)	10 140
Non-controlling interests	(1 729)	–	–	–		(1 729)
Attributable profit	8 963	697	(1 188)	–	(61)	8 411
EBITDA margin	42,3%					41,8%
Effective tax rate	39,3%					40,5%
2018						
Revenue	134 560	–	–		–	134 560
Other income	3 186	–	(569)	(2 112)	(3)	502
EBITDA	48 246	(206)	(569)	(2 112)	(3)	45 356
Depreciation, amortisation and impairment of goodwill	(24 670)	312	–	–	–	(24 358)
Profit from operations	23 576	106	(569)	(2 112)	(3)	20 998
Net finance cost	(8 331)	–	–	–	–	(8 331)
Hyperinflationary monetary gain	290	–	–	–	–	290
Share of results of associates and joint ventures after tax	(527)	–	(134)	–	–	(661)
Profit before tax	15 008	106	(703)	(2 112)	(3)	12 296
Income tax expense	(5 430)	–	–	–	6	(5 424)
Profit after tax	9 578	106	(703)	(2 112)	3	6 872
Non-controlling interests	(859)	42	–	–	–	(817)
Attributable profit	8 719	148	(703)	(2 112)	3	6 055
EBITDA margin	35,9%					33,7%
Effective tax rate	36,2%					44,1%

Nigeria fine interest[5]	Hyper-inflation (excluding impair-ments)[6]	Impact of foreign exchange losses or gains[7]	Impair-ment of Iran receivable[8]	Divest-ments[9]	Impact of IFRS 16 (excluding hyper-inflation)[10]	Nigeria CBN reso-lution[11]	Adjusted 2019	% move-ment
–	**(905)**	**–**	**–**	**–**	**–**	**–**	**150 555**	**12,8%**
–	**(6)**	**–**	**–**	**–**	**–**	**–**	**155**	**(68,8%)**
–	**(271)**	**–**	**–**	**–**	**(9 234)**	**–**	**53 730**	**17,5%**
–	**587**	**–**	**217**	**–**	**5 763**	**–**	**(25 891)**	**8,0%**
–	**316**	**–**	**217**	**–**	**(3 471)**	**–**	**27 839**	**27,8%**
189	**252**	**1 797**	**–**	**–**	**5 768**	**–**	**(7 178)**	**29,5%**
–	**(722)**	**–**	**–**	**–**	**(65)**	**–**	**–**	**–**
–	**466**	**–**	**–**	**–**	**17**	**–**	**1 151**	**(7,6%)**
189	**312**	**1 797**	**217**	**–**	**2 249**	**–**	**21 812**	**24,8%**
–	**1**	**(494)**	**–**	**–**	**(672)**	**–**	**(8 073)**	**30,3%**
189	**313**	**1 303**	**217**	**–**	**1 577**	**–**	**13 739**	**21,7%**
(40)	**(23)**	**93**	**–**	**320**	**(178)**	**–**	**(1 558)**	**14,9%**
149	**290**	**1 396**	**217**	**320**	**1 399**	**–**	**12 181**	**22,6%**
								35,7%
								37,0%
–	174	–	–	(1 269)	–	–	133 465	
–	(4)	–	–	–	–	–	498	
–	35	–	–	(390)	–	744	45 745	
–	261	–	–	131	–	–	(23 966)	
–	296	–	–	(259)	–	744	21 779	
812	3	1 945	–	30	–	–	(5 541)	
–	(290)	–	–	–	–	–	–	
–	873	1 034	–	–	–	–	1 246	
812	882	2 979	–	(229)	–	744	17 484	
–	(38)	(761)	–	27	–	–	(6 196)	
812	844	2 218	–	(202)	–	744	11 288	
(172)	(38)	(172)	–	–	–	(158)	(1 356)	
640	806	2 046	–	(202)	–	586	9 932	
							34,3%	
							35,4%	

Results overview continued

1. Represents the exclusion of the impact of goodwill, PPE and joint venture impairments. 2019: In relation to impairments in MEIH (R342 million) and PPE (R355 million). 2018: In relation to goodwill impairment in MTN Yemen (R312 million) and reversal of the hyperinflation-related asset impairment in MTN Sudan (R306 million).
2. Represents the gain on dilution and disposal of the group's investments. In 2019: R1 188 million (Jumia: R1 039 million, MEIH: R37 million and a gain on disposal of TravelStart R112 million). 2018: Gain on dilution of investment in IIG (R569 million share in group and R134 million in Iran).
3. The profit on sale of MTN Cyprus (R2 112 million).
4. Release of a deferred gain of R19 million (2018: R23 million) in Ghana on the sale of tower assets during the prior period and offset by losses incurred on the disposal of items of property, plant and equipment.
5. Exclusion of finance cost recognised as a result of the unwind of the discounting of the financial liability created on conclusion of the Nigeria regulatory fine.
6. The impact of hyperinflation is excluded for the operations that are currently accounted for on a hyperinflationary basis (MTN Syria, MTN Sudan and MTN South Sudan) as well as those that have previously been accounted for on a hyperinflationary basis. The economy of Sudan was assessed to be hyperinflationary during 2018, and hyperinflation accounting has since been applied. Hyperinflationary accounting was applied previously in MTN Sudan, until 30 June 2016. The economy of Iran was assessed to no longer be hyperinflationary effective 1 July 2015 and hyperinflation accounting was discontinued from this date onwards. For this operation the impact of hyperinflation unwinds over time mainly through depreciation, amortisation or subsequent asset impairments.
7. Adjustment for the net forex losses impacting earnings for the respective periods (2019: R1 396 million; 2018: R2 046 million). This includes the impact of forex gains in Iran.
8. Represents the impairment of receivable due from Iran (R217 million).
9. Divestments in the group. 2019: Dilution of Ghana shareholding from 97,65% to 85,49%. 2018: Excluding impact of Cyprus operations.
10. Removing the impact of IFRS 16 to get to an IAS 17 view.
11. Represents the impact of the Nigeria CBN resolution (R744 million).

IFRS 16 impacts

The following tables show the impact of adjusting the reported numbers for the impact of IFRS 16 to present our income statement, statement of financial position and statement of cash flows as at 31 December 2019 on an IAS 17 basis.

Line items that were not affected by the changes have not been included, as a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided.

Income statement – IFRS 16 impacts

	Group			Adjustments[1]		
Rm	IFRS Reported	Adjustment	IAS 17	South Africa	Nigeria	Ghana
Direct network and technology operating costs and other operating expenses	(31 320)	(9 234)	(40 554)	(1 680)	(4 211)	(1 152)
EBITDA	64 092	(9 234)	54 858	(1 680)	(4 211)	(1 152)
Depreciation of right-of-use assets	(5 828)	5 763	(65)	1 216	2 269	647
Operating profit	31 292	(3 471)	27 821	(464)	(1 942)	(505)
Net finance costs	(15 184)	5 768	(9 416)	1 235	2 718	852
Net monetary gain	787	(65)	722			
Share of results of associates and joint ventures after tax	705	17	722	–	–	–
Profit before tax	17 600	2 249	19 849	771	776	347
Income tax expense	(6 908)	(672)	(7 580)	(216)	(252)	(84)
Profit after tax	10 692	1 577	12 269	555	524	263
Attributable to equity holders of parent	8 963	1 399	10 362			
Non-controlling interest	1 729	178	1 907			

[1] These are the adjustments to the three operations that were most significantly affected by the adoption of IFRS 16.

Statement of financial position – IFRS 16 impacts

Rm	Group			Adjustments[1]		
	IFRS Reported	Adjustment	IAS 17	South Africa	Nigeria	Ghana
Non-current assets	226 029	(44 202)	181 827	(13 248)	(18 907)	(3 822)
Property, plant and equipment	98 312	524	98 836	618		
ROU Asset	44 984	(44 984)	–	(13 866)	(19 170)	(3 822)
Interest in joint ventures	8 764	15	8 779	–	–	–
Deferred tax and other non-current assets	8 548	243	8 791		263	
Non-current prepayments				–		–
Current assets	75 444	4 075	79 519	372	3 456	45
Trade and other receivables	27 256	4 075	31 331	372	3 456	45
Total assets	302 311	(40 127)	262 184	(12 876)	(15 451)	(3 777)
Total equity	86 100	1 538	87 638	555	524	263
Equity	83 897	1 367	85 264	555	524	263
Non-controlling interest	2 203	171	2 374	–	–	–
Non-current liabilities	132 372	(41 314)	91 058	(12 670)	(18 217)	(3 787)
Lease liability – non-current	42 271	(41 828)	443	(12 886)	(18 456)	(3 787)
Deferred tax	11 644	514	12 158	216	239	–
Current liabilities	83 839	(351)	83 488	(761)	2 242	(253)
Lease liability – current	4 056	(4 009)	47	(761)	(1 346)	(361)
Trade and other payables	36 630	3 565	40 195	–	3 588	28
Other current and tax liabilities	12 015	93	12 108	–	–	80
Total equity and liabilities	302 311	(40 127)	262 184	(12 876)	(15 451)	(3 777)

Statement of cash flows – IFRS 16 impacts

Rm	Group			Adjustments[1]		
	IFRS Reported	Adjustment	IAS 17	South Africa	Nigeria	Ghana
Net cash generated from operating activities	36 289	(3 417)	32 872	(662)	(1 328)	(317)
Cash generated from operations	55 197	(8 688)	46 509	(1 919)	(3 838)	(1 093)
Interest paid	(13 014)	5 271	(7 743)	1 257	2 510	776
Net cash used in financing activities	(4 340)	3 417	(923)	662	1 328	317
Repayment of lease liability	(3 417)	3 417	–	662	1 328	317
Net increase in cash and cash equivalents	7 407	–	7 407	–	–	–

[1] These are the adjustments to the three operations that were most significantly affected by the adoption of IFRS 16.

Exchange rates

The weaker average rand and stronger Nigerian naira had a positive translation impact on rand-reported results, while the depreciation of the Iranian rial had a negative impact on rand-reported results. The average and closing naira remained flat against the US dollar YoY. The average rand weakened by 9,3% YoY against the US dollar and closed 2,9% stronger, positively impacting the balance sheet.

Revenue and service revenue

Table 1: Group revenue by country

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to revenue %
South Africa	**45 447**	44 658	1,8	1,8	30,0
Nigeria	**46 696**	37 971	23,0	12,6	30,8
SEAGHA	**27 069**	22 613	19,7	21,6	17,9
Ghana	**13 820**	11 860	16,5	22,9	9,1
Uganda	**6 700**	5 423	23,5	12,5	4,4
Other	**6 549**	5 330	22,9	29,5	4,3
WECA	**21 821**	20 223	7,9	2,9	14,4
Ivory Coast	**6 917**	7 158	(3,4)	(7,4)	4,6
Cameroon	**5 389**	4 959	8,7	3,3	3,6
Other	**9 515**	8 106	17,4	11,7	6,3
MENA	**8 977**	8 845	1,5	18,8	5,9
Syria	**2 986**	2 298	29,9	19,1	2,0
Sudan	**1 903**	1 698	12,1	50,2	1,3
Other	**4 088**	4 849	(15,7)	8,1	2,7
Head office companies and eliminations	**545**	76	–	–	0,4
Total	**150 555**	134 386	12,0	9,7	99,4
Hyperinflation	**905**	174	–	–	0,6
Total reported	**151 460**	134 560	12,6	9,7	100,0

Group revenue increased by 9,7%* and service revenue increased by 9,8%*, supported by growth in MTN Nigeria (up 12,6%*), MTN Ghana (up 22,9%*) and MTN Uganda (up 12,5%*). MTN Cameroon (up 3,3%*) reflected an improvement from previous service revenue declines and MTN South Africa showed marginal growth (up 0,4%). The performance of MTN South Africa was impacted by ICASA's end-user regulations, the loss of Telkom roaming revenues in the second half and the changes in the treatment of Cell C revenues. MTN Ivory Coast's service revenue declined by 7,3%*, with an improved performance in the second half of the year.

Group voice revenue grew by 4,2%* to R82,1 billion, data expanded by 22,4%* to R35,1 billion, fintech grew by 27,0%* to R10,1 billion and digital declined by 39,6%* to R2,4 billion. Enterprise and wholesale revenues grew by 8,4%* and 63,2%* respectively to R13,3 billion and R4,7 billion.

Results overview continued

Table 2: Group service revenue by country

	Actual Rm	Prior Rm	Reported % change	Constant currency %	Contribution to service revenue %
South Africa	**36 430**	36 269	0,4	0,4	25,7
Nigeria	**46 608**	37 893	23,0	12,6	32,9
SEAGHA	**26 754**	22 334	19,8	21,7	18,9
Ghana	**13 730**	11 789	16,5	22,9	9,7
Uganda	**6 639**	5 371	23,6	12,5	4,7
Other	**6 385**	5 174	23,4	30,0	4,5
WECA	**21 650**	20 067	7,9	2,9	15,3
Ivory Coast	**6 880**	7 115	(3,3)	(7,3)	4,9
Cameroon	**5 327**	4 902	8,7	3,3	3,8
Other	**9 443**	8 050	17,3	11,6	6,7
MENA	**8 940**	8 615	3,8	18,8	6,3
Syria	**2 986**	2 298	29,9	19,1	2,1
Sudan	**1 898**	1 692	12,2	50,2	1,3
Other	**4 056**	4 625	(12,3)	8,1	2,9
Head office companies and eliminations	**544**	77	–	–	0,4
Total	**140 926**	125 255	12,5	9,8	99,4
Hyperinflation	**904**	175	–	–	0,6
Total reported	**141 830**	125 430	13,1	9,8	100,0

Table 3: Group revenue analysis[1]

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to revenue %
Outgoing voice[2]	**70 549**	63 764	10,6	4,4	46,6
Incoming voice[3]	**10 905**	10 677	2,1	2,8	7,2
Data[4]	**34 878**	28 450	22,6	22,4	23,0
Digital[5]	**2 402**	3 899	(38,4)	(39,6)	1,6
Fintech[6]	**10 125**	7 834	29,2	27,0	6,7
SMS	**3 853**	2 686	43,4	13,5	2,5
Devices	**9 629**	9 131	5,5	7,7	6,4
Wholesale[7]	**4 714**	2 795	68,7	63,2	3,1
Other	**3 500**	5 150	(32,0)	1,9	2,3
Total	**150 555**	134 386	12,0	9,7	99,4
Hyperinflation	**905**	174	–	–	0,6
Total reported	**151 460**	134 560	12,6	9,7	100,0

[1] Subsequent to the publication of the December 2018 full year results, the group has reviewed and aligned its revenue streams relating to its consumer, enterprise and wholesale business units with its current operating structure. The redefined segmentation has resulted in the reallocation of certain revenue streams and comparative numbers have been restated accordingly.
[2] Excludes international roaming and wholesale.
[3] Includes local and international roaming and excludes wholesale.
[4] Includes mobile and fixed access data and excludes roaming and wholesale.
[5] Includes Rich Media services, content VAS, eCommerce and mobile advertising.
[6] Includes Xtratime and mobile financial services.
[7] Includes domestic wholesale voice, SMS and data, leased lines and BTS rentals.

Results overview continued

Table 4: Group data revenue[1]

	Data revenue			
	Actual Rm	Prior[1] Rm	Reported % change	Constant currency % change
South Africa	12 631	12 902	(2,1)	(2,1)
Nigeria	8 796	5 498	60,0	42,7
SEAGHA	6 143	4 536	35,4	28,2
Ghana	3 899	3 102	25,7	32,5
Uganda	1 035	610	69,7	39,7
Other	1 209	824	46,7	8,9
WECA	4 639	3 220	44,1	25,2
Ivory Coast	1 080	891	21,2	16,5
Cameroon	1 308	880	48,6	18,9
Other	2 251	1 449	55,3	34,1
MENA	2 584	2 329	10,9	41,6
Syria	1 003	682	47,1	35,0
Sudan	575	459	25,3	66,7
Other	1 006	1 188	(15,3)	36,5
Head office companies and eliminations	85	(35)	–	–
Total	34 878	28 450	22,6	22,4
Hyperinflation	233	8	–	–
Total reported	35 111	28 458	23,4	22,4

[1] Includes mobile and fixed excess data and excludes roaming and wholesale.

Table 5: Group fintech revenue[2]

	Fintech revenue			
	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	1 021	918	11,2	11,2
Nigeria	1 407	1 034	36,1	23,2
SEAGHA	5 335	4 280	24,6	25,6
Ghana	2 795	2 283	22,4	30,1
Uganda	1 662	1 323	25,6	13,9
Other	878	674	30,3	37,4
WECA	2 207	1 529	44,3	38,2
Ivory Coast	850	710	19,7	14,6
Cameroon	524	316	65,8	59,3
Other	833	503	65,6	58,4
MENA	129	71	81,7	81,7
Syria	85	45	88,9	70,0
Sudan	–	–	–	–
Other	44	26	69,2	109,5
Head office companies and eliminations	26	2	–	–
Total	10 125	7 834	29,2	27,0
Hyperinflation	1	1	–	–
Total reported	10 126	7 835	29,2	27,0

[2] Includes Xtratime and mobile financial services.

Table 6: Group digital revenue[3]

	Digital revenue			
	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	**1 045**	1 517	(31,1)	(31,1)
Nigeria	**177**	908	(80,5)	(83,2)
SEAGHA	**648**	771	(16,0)	(11,7)
Ghana	**531**	662	(19,8)	(16,4)
Uganda	**19**	10	90,0	111,1
Other	**98**	99	(1,0)	8,9
WECA	**304**	465	(34,6)	(38,5)
Ivory Coast	**191**	353	(45,9)	(48,4)
Cameroon	**47**	60	(21,7)	(30,9)
Other	**66**	52	26,9	17,9
MENA	**214**	237	(9,7)	20,2
Syria	**82**	40	105,0	70,8
Sudan	**69**	89	(22,5)	4,5
Other	**63**	108	(41,7)	(1,6)
Head office companies and eliminations	**14**	1	–	–
Total	**2 402**	3 899	(38,4)	(39,6)
Hyperinflation	**22**	(17)	–	–
Total reported	**2 424**	3 882	(37,6)	(39,6)

[3] Includes Rich Media services, content VAS, eCommerce and mobile advertising.

Costs

Table 7: Operating expenses analysis

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant currency % change	% of revenue
Handsets and other accessories	11 911	11 911	11 642	2,3	4,0	7,9
Interconnect	9 218	9 218	9 906	(6,9)	(9,2)	6,1
Roaming	599	599	761	(21,3)	(22,4)	0,4
Commissions	11 033	11 033	9 615	14,7	12,6	7,3
Government and regulatory costs	4 976	4 976	4 876	2,1	11,9	3,3
VAS/Digital revenue share	3 099	3 099	2 323	33,4	3,5	2,0
Service provider discounts	1 540	1 540	1 584	(2,8)	(2,8)	1,0
Network and IS maintenance	21 915	29 402	25 313	(13,4)	12,0	14,5
Marketing	3 409	3 049	3 252	4,8	3,7	2,3
Staff costs	10 562	10 562	9 505	11,1	9,9	7,0
Other OPEX	9 850	11 586	10 079	(2,3)	15,9	6,5
Total	88 112	97 335	88 856	(0,8)	7,1	58,2
CBN resolution	–	–	744			–
Hyperinflation	629	640	(101)			0.4
Total reported	88 741	97 975	89 499	(0,8)	7,1	58,6

Total costs increased by 7,1%*, mainly impacted by costs associated with the rollout of network sites and higher commission and distribution costs.

EBITDA

Table 8: Group EBITDA by country

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant Currency % change
South Africa	16 972	15 292	15 660	8,4	(2,3)
Nigeria	25 149	20 938	16 574	51,7	20,8
SEAGHA	12 136	10 107	7 865	54,3	30,6
Ghana	7 014	5 862	4 452	57,5	38,6
Uganda	3 150	2 592	1 980	59,1	19,6
Other	1 972	1 653	1 433	37,6	23,2
WECA	6 081	5 106	4 133	47,1	17,2
Ivory Coast	1 814	1 338	1 593	13,9	(20,3)
Cameroon	1 635	1 403	455	259,3	178,4
Other	2 632	2 365	2 085	26,2	8,8
MENA	2 836	2 510	2 510	13,0	20,8
Syria	1 173	1 087	909	29,0	10,2
Sudan	677	661	590	14,7	46,9
Other	986	762	1 011	(2,5)	18,9
Head office companies and eliminations	(534)	(536)	(727)	–	–
CODM EBITDA	62 640	53 417	46 015	36,1	13,6
CBN resolution	–	–	(744)		
Gain on dilution of investment in associates and joint ventures	1 039	1 039	569		
Gain on disposal of subsidiary	112	112	2 112		
Hyperinflation impact	282	271	271		
Tower sale profits	19	19	23		
CODM EBITDA before impairment of goodwill and joint ventures	64 092	54 858	48 246	32,8	13,6

Group EBITDA increased by 34,3% on an IFRS reported basis. Under IAS 17 group EBITDA increased 13,6%*, driven by increases of 15,7%*, 38,6%*, 19,6%* and 178,4%* in MTN Nigeria, MTN Ghana, MTN Uganda and MTN Cameroon respectively. This was diluted by the performance of MTN South Africa as well as a reduced contribution from MTN Ivory Coast. The group EBITDA margin increased by 1,2 pp* to 35,5%*.

Depreciation, amortisation and impairment of goodwill

Table 9: Group depreciation and amortisation

	Depreciation					Amortisation			
	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant currency % change	Actual Rm	Prior[1] Rm	Reported % change	Constant currency % change
South Africa	8 197	6 981	6 570	24,8	6,3	1 123	1 137	(1,2)	(1,2)
Nigeria	8 168	5 899	5 160	58,3	44,9	1 196	975	22,7	12,2
SEAGHA	3 709	2 536	2 234	66,0	68,1	497	427	16,4	20,0
Ghana	1 870	1 223	1 078	73,5	84,2	266	229	16,2	23,7
Uganda	1 049	710	617	70,0	54,5	128	101	26,7	14,3
Other	790	603	539	46,6	54,0	103	97	6,2	18,4
WECA	4 635	3 792	3 841	20,7	15,0	1 118	1 024	9,2	(11,1)
Ivory Coast	1 444	1 025	945	52,8	46,7	499	446	11,9	7,3
Cameroon	1 525	1 322	1 324	15,2	9,9	185	174	6,3	1,6
Other	1 666	1 445	1 572	6,0	0,5	434	404	7,4	1,2
MENA	1 692	1 453	1 297	30,5	37,9	442	452	(2,2)	3,3
Syria	879	819	555	58,4	45,8	121	85	42,4	31,5
Sudan	177	167	189	(6,3)	28,3	25	29	(13,8)	13,6
Other	636	467	553	15,0	30,9	296	338	(12,4)	(5,7)
Head office companies and eliminations	403	391	379	–	–	680	601	–	–
Total	26 804	21 052	19 481	37,6	4,8	5 056	4 616	9,5	6,9
Hyperinflation	516	505	228	–	–	82	33	–	–
Total reported	27 320	21 557	19 709	38,6	4,8	5 138	4 649	10,5	6,9

The group depreciation charge increased by 4,8%* with the trajectory now beginning to normalise following the higher capex of the past few years. Amortisation costs increased by 6,9%*, after higher expenditure on software in the previous period.

Net finance costs

Table 10: Net finance cost

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant currency % change	% of revenue
Net interest paid	**12 495**	**6 809**	5 571	124,3	21,6	8,2
Net forex losses	**2 245**	**2 166**	1 945	15,4	16,0	1,5
Total	**14 740**	**8 975**	7 516	96,1	20,2	9,7
Nigeria regulatory fine interest unwind	**189**	**189**	812			0,1
Hyperinflation	**255**	**252**	3			0,2
Total reported	**15 184**	**9 416**	8 331	82,3	20,2	10,0

Net finance costs increased by 82,3% to R15,2 billion, largely due to the adoption of IFRS 16 (R5,8 billion). Net finance costs increased by 22,7% under IAS 17 on a like-for-like basis (excluding the impact of IFRS 16 and Nigeria regulatory fine interest unwind), due to an increase in MTN Nigeria debt to R15,8 billion from the R6,9 billion reported in December 2018.

Net forex losses increased by 24,4% to R2,4 billion (up 20,1% to R2,3 billion under IAS 17), largely a result of forex losses in South Sudan due to a higher rate on settlement of foreign-denominated creditor balances.

Share of results of associates and joint ventures after tax

We reported a positive contribution of R705 million from associates and joint ventures, compared to the negative of R527 million in December 2018. This is due to a higher profit contribution from MTN Irancell compared to 2018 when it was negatively impacted by the implementation of the Sana rate, as well as the recommencement of equity accounting for Mascom which had previously been held for sale. As of 12 April 2019, Jumia was no longer equity accounted. This contributed to lower losses from the digital group.

Taxation

Table 11: Taxation

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to taxation %
Normal tax	**5 947**	**6 066**	5 573	6,7	4,7	86,1
Deferred tax	**(100)**	**454**	(976)	89,8	146,6	(1,4)
Foreign income and withholding taxes	**1 060**	**1 060**	871	21,7	17,1	15,3
Total	**6 907**	**7 580**	5 468	26,3	32,3	100,0
Hyperinflation	**1**	**–**	(38)	–	–	–
Total reported	**6 908**	**7 580**	5 430	27,2	32,3	100,0

The reported effective tax rate was 39,3%, higher than the prior year's rate of 36,2% mainly due to higher unrecognised deferred tax credits on assessed losses, and other timing differences from MTN Guinea-Conakry, South Sudan, Liberia and Netherlands and higher withholding taxes driven by higher cash upstreamed in the period. For the year ended 31 December 2019, the group's reported taxation charge increased by 27,2% to R6 908 million.

Cash flow

Cash inflows generated from operations increased by 36,8% to R55,2 billion on an IFRS reported basis. Key cash outflows included cash capex of R27,0 billion and dividends paid to equity holders of R9,4 billion. Cash flow was also impacted by the final Nigeria fine payment (R4,4 billion) and the CBN resolution payment (R731 million).

Capital expenditure

Table 12: Capital expenditure

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	11 295	7 562	9 448	19,5	(20,0)
Nigeria	9 750	8 011	6 888	41,6	8,4
SEAGHA	5 554	4 979	3 801	46,1	31,6
Ghana	2 850	2 705	2 015	41,4	39,1
Uganda	1 147	1 042	793	44,6	18,9
Other	1 557	1 232	993	56,8	27,9
WECA	3 231	2 799	3 281	(1,5)	(18,6)
Ivory Coast	918	844	1 364	(32,7)	(40,2)
Cameroon	573	509	694	(17,4)	(28,0)
Other	1 740	1 446	1 223	42,3	9,5
MENA	1 989	1 941	2 215	(10,2)	(3,9)
Syria	939	904	935	0,4	(7,6)
Sudan	430	430	439	(2,1)	17,5
Other	620	607	841	(26,3)	(10,2)
Head office companies and eliminations	834	833	457	–	–
Total	32 653	26 125	26 090	25,2	(1,7)
Hyperinflation	215	156	(72)	–	–
Total reported	32 868	26 281	26 018	26,3	(1,7)

Financial position

Table 13: Net debt analysis

Rm	Cash and cash equivalents†	Interest-bearing liabilities	Inter-company eliminations	Net interest-bearing liabilities	Net debt/ (cash) December 2019	Net debt/ (cash) December 2018
South Africa	1 310	29 626	(29 626)	–	**(1 310)**	(872)
Nigeria	8 019	15 815	–	15 815	**7 796**	774
SEAGHA	2 241	8 973	(5 341)	3 632	**1 391**	2 012
Ghana	1 113	1 227	–	1 227	**114**	172
Uganda	311	734	–	734	**423**	826
Other	817	7 012	(5 341)	1 671	**854**	1 014
WECA	1 613	12 273	(4 003)	8 270	**6 657**	6 151
Ivory Coast	569	3 559	–	3 559	**2 990**	2 922
Cameroon	393	2 361	(375)	1 986	**1 593**	2 080
Other	651	6 353	(3 628)	2 725	**2 074**	1 149
MENA	2 042	4 426	(4 311)	115	**(1 927)**	(1 420)
Syria	534	1 774	(1 684)	90	**(444)**	(290)
Sudan	363	2 652	(2 627)	25	**(338)**	(160)
Other	1 145	–	–	–	**(1 145)**	(970)
Head office companies and eliminations	11 135	104 025	(37 577)	66 448	**55 313**	57 508
Total reported	26 360	175 138	(80 858)	94 280	**67 920**	64 153
Iran	1 647	1 334	–	1 334	**(313)**	473

† Includes restricted cash and current investments.

Group net debt increased to R67,9 billion from R63,5 billion. This was largely impacted by increased borrowings in the operating companies in an effort to optimise their capital structures; more specifically MTN Nigeria, MTN Ivory Coast as well as drawdowns on facilities for financing capex in other markets. The local currency funding raised in MTN Nigeria has provided it with capacity to settle the redemption of preference shares and still be able to manage its ongoing operational requirements.

Holdco borrowings decreased to R55,3 billion from R57,5 billion in December 2018. The decline was mainly due to an increased cash position as a result of the proceeds of the Nigeria preference share redemption received on 31 December 2019. The currency mix of MTN's debt improved slightly in 2019 to 50% US dollar/euro and 50% South African rand (2018: 51,6%, 48,4%). We expect the currency mix to improve over the next few months as we receive and apply the proceeds from the asset realisation programme. The overall holdco debt position is also expected to decline. Leverage ratios at the holdco improved to 2,2x from 2,3x in December 2018.

Operational review

MTN South Africa

- Service revenue increased by 0,4%
- Data revenue increased by 5,2%
- Fintech revenue increased by 11,2%
- Digital revenue decreased by 31,4%
- On an IFRS reported basis EBITDA increased by 8,4% to R17 billion (down 2,3% to R15,3 billion under IAS 17)
- On an IFRS reported basis EBITDA margin increased by 2,2 pp to 37,3% (down 1,5 pp to 33,6% under IAS 17)
- Capex investment of R11 295 million on IFRS reported basis (R7 562 million under IAS 17)

MTN South Africa recorded a stronger performance in the fourth quarter, supporting marginal growth in service revenue for the year despite a difficult operating environment. MTN South Africa continued to cash account for Cell C revenues in line with IFRS 15. MTN South Africa would have recorded service revenue growth of 1,2% if all Cell C roaming revenue had been recognised.

Service revenue growth was supported by growth in national roaming revenue but this was offset by a 4,1% reduction in consumer prepaid service revenue. The prepaid business came under pressure due to ICASA's end user subscriber service charter regulations (which came into effect on 1 March 2019) impacting out-of-bundle (OOB) data revenue.

Encouragingly, the consumer prepaid business showed an improvement in momentum in the second half of the year, with the decline in service revenue reducing to -2,6% compared to -5,5% in the first half to June 2019 due to price elasticity improving data revenue growth.

In order to drive distribution cost efficiencies, MTN South Africa discontinued the loss-generating prepaid 1GB acquisition promotion and similar incentives. This resulted in savings of over R80 million, but contributed to the churn of 2,3 million SIM cards, taking the subscriber base to 28,9 million.

The consumer postpaid business delivered service revenue growth of 3,1%, which slowed due to deteriorating economic conditions and muted additions due to stricter vetting rules aimed at reducing credit risk in the current challenging environment.

The stabilisation and improvement of the enterprise business was evidenced in a strong recovery in the fourth quarter, where the YoY trend in that quarter returned to growth. This helped to drive a reduction in the decline of enterprise service revenue to -3,7% for the year, from -11,3% in 2018, as we stabilised churn, added new corporate customers and continued to grow the ICT business.

On an IFRS reported basis, the EBITDA margin increased 2,2 pp to 37,3% due to a 3,8% reduction in operating expenses. Under IAS 17, the EBITDA margin declined by 1,5 pp, impacted by the reduction of OOB tariffs as well as a 10,8% increase in operating expenses. Operating expenses were driven primarily by increased network costs on the back of network expansion and external factors such as load shedding, battery theft and site vandalisation.

MTN South Africa's continued investment in the network led to its endorsement by MyBroadband as Best Network and Best ISP (Supersonic) of the year.

In January 2020, we launched Mobile Money in South Africa.

On 18 November 2019 MTN announced that MTN South Africa had signed a new long-form roaming and services agreement with Cell C, subject to certain conditions precedent. This is aligned to MTN's strategy to further develop the group's wholesale business and will allow both MTN and Cell C to harness greater efficiencies in providing telecommunications services, while supporting a more sustainable and competitive industry. Cell C remained current with the agreed payment arrangement during 2019.

MTN Nigeria

- Service revenue increased by 12,6%*
- Data revenue increased by 42,7%*
- Fintech revenue increased by 23,2%*
- Digital revenue decreased by 83,2%*
- EBITDA grew by 15,7%* to R20 938 million*
- EBITDA margin increased by 1,2 pp* to 44,8%*
- Capex investment of R9 750 million on an IFRS reported basis (R8 011 million under IAS 17)

MTN Nigeria delivered strong service revenue growth of 12,6%*, largely driven by increases in voice and data revenue. The strong commercial momentum in the second half of the year resulted in a 13,0% increase in service revenue compared to the 12,2% growth achieved in the first half.

The growth in voice revenue in the year was supported by higher unique voice subscribers, relatively stable tariffs and our targeted segment offerings using our customer value management toolkit.

Data revenue grew by 42,7%* in 2019, with an acceleration in the second half of the year to 52,5%* from growth of 31,8%* in the first half. This was achieved through a 34,9% growth in active data users to 25,2 million as well as in the number of smartphones on our network which increased by 5,3 million, bringing smartphone penetration to 41,8%. The strong data performance was also the result of numerous initiatives introduced in the year, including a data price revamp, consumer education, a re-farming of frequencies and accelerated 4G network expansion. We now have 4G coverage in 123 cities, assisting in driving data traffic growth of 85,9%.

We focused on building a sustainable active user base for our digital business, while improving the customer journey and experience on value-added services (VAS). On the back of these, we recorded 23,0%* growth in digital revenue on a sequential QoQ basis in the fourth quarter and we expect to see growth on a YoY basis going in to 2020.

Fintech revenue grew to represent a contribution of 3,0%* of service revenue (2018: 2,8%*). This was supported by increased adoption of the airtime lending service. In line with our strategy, we focused on building the fintech agent network, surpassing the milestone of 100 000 registered agents by the end of 2019.

Our enterprise business segment continued to deliver solid results, with revenue growth of 22,0%*.

IFRS reported EBITDA rose by 51,7% with a margin of 53,9% (under IAS 17: growth of 15,7%* with a 1,2 pp* margin improvement to 44,8%*). During the period, we made significant investment in our network to improve service quality and drive 4G expansion, which resulted in a 0,6 pp decrease in capex intensity to 17,2%.

Southern and East Africa and Ghana (SEAGHA)
- Service revenue increased by 21,7%*
- Data revenue increased by 28,2%*
- Fintech revenue increased by 25,6%*
- Digital revenue declined by 11,7%*

The **SEAGHA** region delivered an outstanding performance under some challenging circumstances.

MTN Ghana was a substantial contributor to the strong performance in SEAGHA, with service revenue up 22,9%*. This was underpinned by solid revenue growth from voice, data and MoMo. MTN Ghana delivered double-digit growth in voice revenue (up 19,4%*), driven by an increase in the number of active subscribers, CVM initiatives and improvements in the network. The strong growth in data revenue (up 32,5%*) was supported by increased active data users and the number of smartphones on the network, which drove higher data usage (traffic grew by 86%).

MoMo revenue in Ghana continued to grow strongly (up 28,2%*) in a year in which we marked its 10th anniversary in the market. MoMo's revenue contribution to service revenue rose to 18,6%, from 17,9%. Ghana's EBITDA margin improvement of 13,3 pp to 50,8% on an IFRS reported basis (up 4,8 pp* to 42,4%* under IAS 17) was supported by distribution efficiencies.

MTN Uganda also made a positive contribution, with service revenue up 12,5%*. Mobile data and MoMo both delivered double-digit revenue growth of 39,7%* and 13,9%* respectively. The phenomenal growth in data can be attributed to a 52,1% increase in active users and a 2,2 pp improvement in smartphone penetration to 21,4%. Likewise, MoMo growth benefited from an 18,8% expansion in its base of active users that was buoyed by focused CVM seeding campaigns. Voice revenue growth of 3,4%* was driven largely by a 12,2% increase in subscribers and higher minutes of use (MOU).

The rest of the SEAGHA portfolio also delivered satisfactory results with an improvement in second half momentum across the portfolio, and service revenue growth outstripping local inflation in most markets. Overall, the SEAGHA portfolio excluding MTN Ghana delivered service revenue growth of 20,4%* in 2019.

West and Central Africa (WECA)
- Service revenue increased by 2,9%*
- Data revenue increased by 25,2%*
- Fintech revenue increased by 38,2%*
- Digital revenue declined by 38,5%*

The WECA region delivered encouraging results, with service revenue growth up by 2,9%* for the year. It recorded an improvement in momentum in the second half of the year, when service revenue growth accelerated to 4,8%* compared with the 0,5%* reported in the first half. Within the portfolio, MTN Cameroon, MTN Benin, MTN Guinea-Conakry and MTN Liberia all delivered an acceleration in growth in the second half. We gained market and value share across our WECA portfolio, with fintech and data the key pillars of growth in this region.

MTN Cameroon delivered service revenue growth of 3,3%* for the year, with data and fintech yielding double-digit revenue growth (18,9%* and 59,3%* respectively). The overall performance was driven by strong increases in the subscriber bases for data (29,8%) and fintech (90,1%) despite the continued challenging environment marked by conflict in the Northwest/Southwest regions and a reduction in mobile termination rates.

We are encouraged by MTN Ivory Coast's high-single-digit growth achieved in the fourth quarter, confirming the ongoing recovery, with the business regaining approximately 1,0 pp and 0,4 pp of market and value share respectively.

Excluding MTN Cameroon and MTN Ivory Coast, the WECA markets grew their revenue by an aggregate 11,6%*.

Middle East and North Africa (MENA) (excluding Iran)

- Service revenue increased by 18,8%*
- Data revenue increased by 41,6%*
- Fintech revenue increased by 81,7%*
- Digital revenue increased by 20,2%*

The MENA region delivered a strong performance despite geopolitical challenges, with an 18,8%* increase in service revenue for the year.

MTN Syria achieved service revenue growth of 19,1%* underpinned by a 35,0%* growth in data revenue. MTN Sudan grew its service revenue by 50,2%*, supported by a 41,7%* increase in voice revenue and 66,7%* growth in data revenue, despite internet disruptions during June and July. MTN Yemen also contributed positively to the MENA portfolio, growing service revenue by 14,2%* on the back of a 28,8%* increase in data revenue against a challenging macroeconomic backdrop and political instability.

Associates, joint ventures and investments

Telecoms operations

MTN Irancell delivered a solid result notwithstanding the challenges facing the business with the re-introduction of US sanctions, the depreciation of the currency and the high rate of inflation. Service revenue grew by 20,1%*, with voice up by 24,2%* and data revenue up by 23,2%*.

MTN Irancell's EBITDA declined by 28,1% on an IFRS reported basis (up 17,7%* under IAS 17). Invested capex was R2 568 million in the year. The 2018 reported results from Iran were negatively impacted on translation following the move to report exchange rates at the Sana rate as of August 2018. The average Sana rate in the reporting period was 95,2% weaker than the prior period. The value of the Irancell loan and receivable as at 31 December 2019 was R3,0 billion.

E-commerce investments

Following the **Jumia** IPO, at 31 December 2019 our 18,9% stake in Jumia was valued at R1,4 billion at an American Depositary Share (ADS) price of $6,73. As at 9 March 2020, the Jumia ADS price was at $3,15.

In the year, **Middle East Internet Holding (MEIH)** disposed of online grocery platform Wadi Grocery. Ride-hailing service Jeeny recorded a 54% YoY increase in ride numbers and cleaning service app Helpling reported an 81% YoY increase in the number of hours booked on its platform. At 31 December 2019, the asset was impaired by R342 million, of which R191 million was recognised at 30 June 2019.

Within IIG, ride-hailing app Snapp hit two million daily orders, to rank within the top ride-hailing apps globally. Food delivery app Snappfood's net merchandise value grew by 200% YoY. It is the market leader in Iran with 85% market share and over 10 000 partner restaurants. Snapptrip's net merchandise value grew by 416% YoY, making it #1 in the local hotel booking market.

These e-commerce holdings, while important investments, are not viewed as long-term strategic holdings for the group as MTN continues to implement its digital operator strategy.

Investments in tower companies
Our associate tower businesses – which include our 49% holdings in both **ATC Ghana and ATC Uganda** – contributed R82 million of associate earnings for 2019. On 31 December 2019 we concluded an agreement to dispose of these holdings. Since 28 October 2019, they have been classified as 'held for sale' in the statement of financial position. At 31 December 2019, the fair value of our 29% investment in IHS was recognised at R27,0 billion.

Prospects and guidance

Well positioned to deliver growth
Our markets are growth markets. Our infrastructure and investments, our established leading position as well as the characteristics of our markets – including significant population growth, low levels of smartphone penetration and data and digital adoption as well as large unbanked populations – ensure that we are well positioned for growth.

Guided by our well-defined BRIGHT strategy, we are optimising efficiencies, capex and cash flow as well as creating sustainable economic value, enhancing sustainable societies and ensuring eco-responsibility as we build a digital operator.

Following data price reductions in South Africa and Nigeria in 2019, we expect price elasticity to improve data revenue growth in 2020. In Nigeria, expansion of our 4G network and migration of incidental to active data users remain key priorities to drive data revenue growth.

We continue to work towards obtaining a payment service banking licence in Nigeria. We will further scale the basic mobile financial services products, deepen advanced services as well as increase our merchant base, as part of our plans to build a fintech ecosystem. Having met our initial milestone in Nigeria, we will sustain this momentum to grow our network of agents to 300 000 in 2020.

We will further strengthen and grow our digital offerings. We plan to continue to roll out Ayoba into our markets. We will also integrate payments into the Ayoba service as part of our broadening of the fintech business, as well as integrating Ayoba into MTN segmented offers. After launching our time-based music streaming service MusicTime! in six of our markets, we will expand market coverage and improve the offerings as well as build our digital marketing business.

In 2020 we will continue to invest in our networks to ensure we are ready for the digital revolution and plan to increase our capex spend by 13% to R28,5 billion.

Medium-term guidance
Given the pleasing progress and momentum we are seeing in our commercial, financial and strategic initiatives, we have reviewed and enhanced our medium-term (3 to 5 years) guidance framework.

We will maintain our target of double-digit growth in group service revenue in constant currency terms, MTN Nigeria's service revenue to grow above inflation with double-digit growth, and mid-single-digit growth in service revenue from MTN South Africa.

Over this period, we expect to continue to improve our group EBITDA margin through our ongoing efficiency programmes and delivering on our ROE target.

By leveraging historical investments, improved procurement processes and an increasing revenue contribution from our digital businesses, we expect the group capex intensity to improve steadily over the medium term on an IFRS reported basis.

Our asset realisation programme (ARP) has performed better than anticipated. We have therefore revised our medium-term target to secure at least a further R25 billion in asset realisations over the medium term. This is within the context of our localisation ambitions, MTN's portfolio of assets that have been identified as not long-term strategic and market conditions being conducive. We have further revised our holdco leverage ratio to 'below 2,0x' and remain focused on delivering on our capital allocation priorities as previously communicated.

The board remains committed to targeting growth of 10% to 20% in the dividend.

We note the developments around the coronavirus outbreak, which has been an unexpected shock for China's economy, as well as the global economy. While we acknowledge its potential impact on our supply chain, we continue to monitor developments and are developing contingency plans to mitigate the impact. Having assessed the impact on our supply chain, and assuming current conditions do not worsen, we do not currently anticipate a material impact on our near-term network rollout plans.

Management succession

The MTN group president and CEO Rob Shuter will step down from his role at the end of his fixed four-year contract in March 2021. Under his leadership significant progress has been made, including establishing and effectively communicating a clear vision and strategy, driving the resolution of a number of complex matters and delivering significant improvements in transformation, operational performance and staff morale.

The MTN board thanks Rob for the contribution he has made, and continues to make, to MTN. The board, led by the chairman, will manage the succession process and expects to conclude this during the year, thus enabling a seamless handover.

In other changes, the group chief technology and IT officer Charles Molapisi has been appointed to the group executive committee, reporting to the group president and CEO and the fixed contract of the group chief operations officer, Jens Schulte-Bockum, has been extended until 31 March 2022.

Board changes

Mcebisi Jonas assumed the position of chairman of MTN Group with effect from 15 December 2019, when Phuthuma Nhleko stepped down from the board. Alan Harper, Jeff van Rooyen and Koosum Kalyan also stepped down from the board on this date and Dr Khotso Mokhele assumed the responsibilities of lead independent director. We thank all departing directors for their valuable contribution over many years.

Declaration of final ordinary dividend

Notice is hereby given that a gross final dividend of 355 cents per share for the period to 31 December 2019 has been declared and will be paid out of reserves. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 9 426 634 treasury shares held by MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

The dividend will be subject to a maximum local dividend tax rate of 20% which will result in a net dividend of 284 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 71 cents per share. The net dividend per share for the respective categories of shareholders for the different dividend tax rates is as follows:

0%	355,00 cents per share
5%	337,25 cents per share
7,5%	328,38 cents per share
10%	319,50 cents per share
12,5%	310,63 cents per share
15%	301,75 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	Wednesday, 11 March 2020
Last day to trade cum dividend on the JSE	Tuesday, 31 March 2020
First trading day ex dividend on the JSE	Wednesday, 1 April 2020
Record date	Friday, 3 April 2020
Payment date	Monday, 6 April 2020

No share certificates may be dematerialised or re-materialised between Wednesday, 1 April 2020 and Friday, 3 April 2020, both days inclusive. On Monday, 6 April 2020 the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Monday, 6 April 2020 will be posted on or about this date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 6 April 2020.

For and on behalf of the board

MH Jonas	**RA Shuter**	**RT Mupita**
Group chairman	*Group president and CEO*	*Group CFO*

10 March 2020

Fairland

Date of Release 11 March 2020

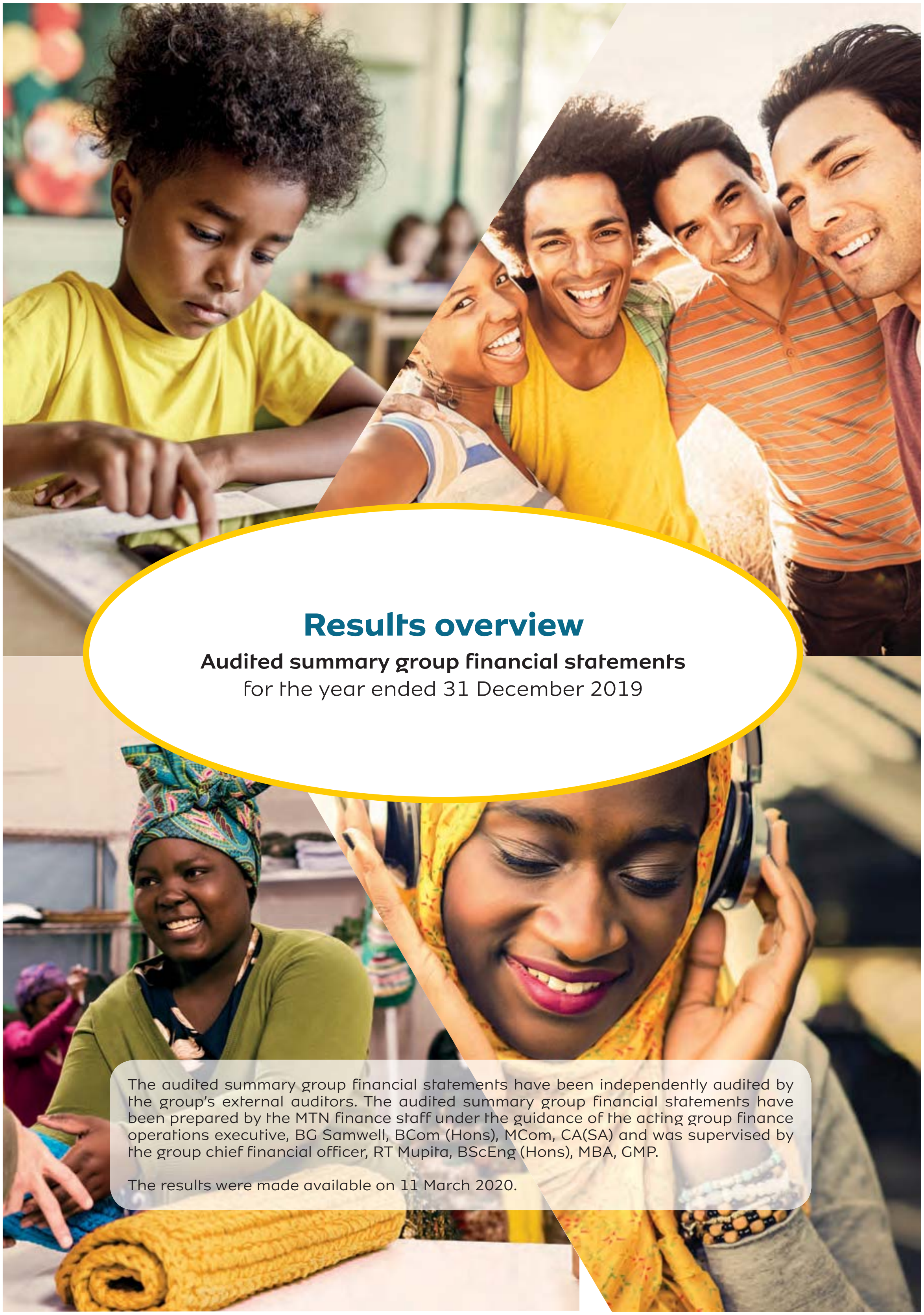
Lead sponsor
Tamela Holdings Proprietary Limited

Joint sponsor
JP Morgan Equities South Africa Proprietary Limited

Appendix

Definitions defined:

- ˜ EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items: Impairment of joint venture and goodwill (MEIH); net monetary gain resulting from the application of hyperinflation; share of results of associates and joint ventures after tax; hyperinflation; tower sale profits; gain on disposal of subsidiary (MTN Cyprus); CBN resolution; and gain on dilution of investment in associates and joint ventures (Travelstart and Jumia). EBITDA after once-off items increased 32,8% on an IFRS reported basis
- Adjusted ROE is calculated based on reported group HEPS of 468 cps plus non-operational impacts of 209 cps
- Service revenue excludes device and SIM card revenue
- Data revenue is mobile and fixed access data and excludes roaming and wholesale
- Fintech includes Mobile Money (MoMo), insurance, airtime lending and ecommerce
- Mobile Money users are 30-day active users
- All financial numbers are year on year (YoY) unless otherwise stated
- All subscriber numbers are compared to the end of December 2018 unless otherwise stated
- All prior period financial and non-financial numbers have been adjusted for the disposal of MTN Cyprus for comparability purposes



Results overview

Audited summary group financial statements
for the year ended 31 December 2019

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

The results were made available on 11 March 2020.

Independent auditors' report on the 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 35 to 67 of the MTN Group Limited audited summary group financial statements for the year ended 31 December 2019, which comprise the summary consolidated statement of financial position as at 31 December 2019, the summary consolidated income statement and the summary 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 2019.

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 10 March 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered auditor
Johannesburg
10 March 2020

SizweNtsalubaGobodo Grant Thornton Inc.
Director: DH Manana
Registered auditor
Johannesburg
10 March 2020

Summary group income statement

for the year ended 31 December

	Note	2019 Rm	2018 Rm
Revenue	7	**151 460**	134 560
Other income		**1 373**	3 186
Direct network and technology operating costs		**(22 121)**	(25 370)
Costs of handsets and other accessories		**(11 929)**	(11 638)
Interconnect and roaming costs		**(9 897)**	(10 731)
Staff costs		**(10 597)**	(9 510)
Selling, distribution and marketing expenses		**(18 574)**	(16 798)
Government and regulatory costs		**(5 695)**	(4 889)
Impairment and write-down of trade receivables and contract assets		**(729)**	(810)
CBN resolution		**–**	(744)
Other operating expenses		**(9 199)**	(9 010)
Depreciation of property, plant and equipment		**(21 492)**	(19 709)
Depreciation of right-of-use assets		**(5 828)**	–
Amortisation of intangible assets		**(5 138)**	(4 649)
Impairment of goodwill and investments in joint venture	8	**(342)**	(312)
Operating profit		**31 292**	23 576
Net finance costs	9	**(15 184)**	(8 331)
Net monetary gain		**787**	290
Share of results of associates and joint ventures after tax	10	**705**	(527)
Profit before tax		**17 600**	15 008
Income tax expense		**(6 908)**	(5 430)
Profit after tax		**10 692**	9 578
Attributable to:			
Equity holders of the company		**8 963**	8 719
Non-controlling interests		**1 729**	859
		10 692	9 578
Basic earnings per share (cents)	11	**499**	485
Diluted earnings per share (cents)	11	**491**	478

Summary group statement of comprehensive income

for the year ended 31 December

	Note	2019 Rm	2018 Rm
Profit after tax		**10 692**	9 578
Other comprehensive income after tax			
Items that may be and/or have been reclassified to profit or loss:		**(3 725)**	(611)
Net investment hedges	17	**515**	(2 517)
Foreign exchange movement on hedging instruments		**715**	(3 497)
Deferred and current tax		**(200)**	980
Exchange differences on translating foreign operations including the effect of hyperinflation[1]		**(4 240)**	1 906
(Losses)/gains arising during the year	17	**(4 415)**	1 943
Reclassification of foreign currency translation differences on loss of control and joint control[1]		**175**	(37)
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income[1,2]		**2 759**	(8 030)
Gains/(losses) arising during the year		**2 759**	(8 030)
Other comprehensive income for the year		**(966)**	(8 641)
Attributable to:			
Equity holders of the company		**(741)**	(8 847)
Non-controlling interests		**(225)**	206
Total comprehensive income for the year		**9 726**	937
Attributable to:			
Equity holders of the company		**8 222**	(128)
Non-controlling interests		**1 504**	1 065
		9 726	937

[1] This component of other comprehensive income (OCI) does not attract any tax.

[2] Equity investments at fair value through other comprehensive income mainly relates to the group's investment in IHS Holding Limited (IHS Group) and Jumia Technologies AG (Jumia) (note 12).

Summary group statement of financial position

as at 31 December

	Note	2019 Rm	2018 Restated[1] Rm
Non-current assets		**226 029**	183 810
Property, plant and equipment		**98 312**	100 581
Intangible assets and goodwill		**36 866**	40 331
Right-of-use assets		**44 984**	–
Investments	12	**28 555**	24 025
Investment in associates and joint ventures		**8 764**	11 884
Deferred tax and other non-current assets		**8 548**	6 989
Current assets		**75 444**	70 266
Trade and other receivables		**27 256**	29 367
Other current assets		**9 092**	10 689
Restricted cash		**2 042**	2 153
Mobile Money deposits	5	**15 315**	12 835
Cash and cash equivalents		**21 739**	15 222
Non-current assets held for sale	19	**838**	2 759
Total assets		**302 311**	256 835
Total equity		**86 100**	88 226
Attributable to equity holders of the company		**83 897**	84 799
Non-controlling interests		**2 203**	3 427
Non-current liabilities		**132 372**	83 811
Interest-bearing liabilities	14	**78 457**	72 563
Lease liabilities		**42 271**	–
Deferred tax and other non-current liabilities		**11 644**	11 248
Current liabilities		**83 839**	84 798
Interest-bearing liabilities	14	**15 823**	12 438
Lease liabilities		**4 056**	–
Trade and other payables		**36 630**	47 747
Mobile Money payables	5	**15 315**	12 835
Other current and tax liabilities		**12 015**	11 778
Total equity and liabilities		**302 311**	256 835

[1] Restated for changes in accounting policies, refer to note 23 for details of restatements.

Summary group statement of changes in equity

for the year ended 31 December

	2019 Rm	2018 Rm
Opening balance at 1 January	84 799	93 804
Total comprehensive income	8 222	(128)
Profit after tax	8 963	8 719
Other comprehensive income after tax	(741)	(8 847)
Opening reserve adjustment for impact of hyperinflation	–	531
Transactions with owners of the company		
Transaction with non-controlling interests	–	1 666
Decrease in treasury shares	–	143
Cancellation of share-based payment	–	(295)
Share-based payment transactions	331	371
Dividends declared	(9 362)	(11 248)
Other movements	(93)	(45)
Attributable to equity holders of the company	83 897	84 799
Non-controlling interests	2 203	3 427
Closing balance at 31 December	86 100	88 226
Dividends declared during the period (cents per share)	520	625
Dividends declared after the period (cents per share)	355	325

Summary group statement of cash flows

for the year ended 31 December

	Note	2019 Rm	2018 Rm
Net cash generated from operating activities		**36 289**	32 389
Cash generated from operations		**55 197**	40 345
Interest received		**1 196**	2 130
Interest paid[1]		**(13 014)**	(7 001)
Dividends received from associates and joint ventures		**550**	1 942
Income tax paid		**(7 640)**	(5 027)
Net cash used in investing activities		**(24 542)**	(23 219)
Acquisition of property, plant and equipment		**(23 416)**	(24 224)
Acquisition of intangible assets		**(3 624)**	(3 972)
Increase in non-current investments and joint venture		**(71)**	(802)
Proceeds on sale of subsidiaries, net of cash disposed	20	**1 152**	3 986
Decrease in loan receivables		**942**	–
Realisation of bonds, treasury bills and foreign deposits		**396**	1 727
Net (increase)/decrease in restricted cash		**(12)**	6
Movement in other investing activities		**91**	60
Net cash used in financing activities		**(4 340)**	(11 123)
Proceeds from borrowings	15	**35 013**	25 219
Repayment of borrowings	15	**(23 662)**	(27 359)
Repayment of lease liabilities	23	**(3 417)**	–
Dividends paid to equity holders of the company		**(9 352)**	(11 236)
Dividends paid to non-controlling interests		**(1 460)**	(759)
Proceeds from the MTN Ghana initial public offering		**–**	3 057
Redemption of MTN Nigeria preference shares	21	**(1 243)**	–
Other financing activities		**(219)**	(45)
Net increase/(decrease) in cash and cash equivalents		**7 407**	(1 953)
Net cash and cash equivalents at beginning of the year		**14 967**	15 937
Exchange (losses)/gains on cash and cash equivalents		**(1 300)**	1 564
Net monetary (loss)/gain on cash and cash equivalents		**(82)**	34
Decrease/(increase) in cash classified as held for sale		**615**	(615)
Net cash and cash equivalents at end of the year		**21 607**	14 967

[1] Interest paid increased in 2019 as a result of adopting IFRS 16, refer to notes 9 and 23.

Notes to the summary group financial statements

for the year ended 31 December 2019

1. INDEPENDENT AUDIT

The summary group financial statements have been derived from the audited group financial statements. The directors of the company take full responsibility for the preparation of the summary group financial statements and that the financial information has been correctly derived and are consistent in all material respects with the underlying audited group financial statements. The summary group financial statements for the year ended 31 December 2019 have been audited by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., who have expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the group financial statements from which the summary group financial statements were derived. A copy of the auditors' report on the group financial statements is available for inspection at the company's registered office or can be downloaded from the company's website: www.mtn.com/investors/financial-reporting/annual-results, together with the financial statements identified in the auditors' report.

2. GENERAL INFORMATION

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

3. BASIS OF PREPARATION

The summary group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary financial statements and the requirements of the Companies Act applicable to summary financial statements. The summary financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC) and the Financial Pronouncements as issued by the Financial Reporting Standard 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 group financial statements from which the summary group financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group financial statements, unless otherwise stated.

The summary group financial statements should be read in conjunction with the group financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS. A copy of the full set of the audited group financial statements is available for inspection from the company secretary at the registered office of the company or can be downloaded from the company's website: www.mtn.com/investors/financial-reporting/annual-results.

Notes to the summary group financial statements

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for the year ended 31 December 2019

4. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the preparation of the group financial statements from which the summary group financial statements are derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except as described below.

The group has adopted IFRS 16 *Leases* (IFRS 16) and IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23) with effect from 1 January 2019. In addition, the group changed its accounting policy with regards to Mobile Money deposits and payables as well as the classification of uncertain income tax liabilities during the current financial year. Refer to note 23 for details. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the group's financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS

5.1 Accounting for Mobile Money (MoMo) deposits and payables

Significant judgement

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

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

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

	2019 Rm	2018 Restated[1] Rm
South Africa	**6**	–
Nigeria	**31**	31
SEAGHA	**10 907**	9 455
Ghana	**8 266**	7 134
Uganda	**1 824**	1 624
Other SEAGHA	**817**	697
WECA	**4 371**	3 349
Ivory Coast	**1 863**	1 716
Cameroon	**1 512**	969
Other WECA	**996**	664
MENA	*****	*
Sudan	*****	*
	15 315	12 835

* Amounts less than R1 million.

[1] Restated for changes in accounting policies, refer to note 23 for details of restatements.

Notes to the summary group financial statements

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for the year ended 31 December 2019

5. CRITICAL ACCOUNTING JUDGEMENTS continued

5.2 MTN SA revenue recognition

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

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

6. HYPERINFLATION

The financial statements (including comparative amounts) of the group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

The group has classified the economies of Syria, South Sudan and Sudan as hyperinflationary effective 2014, 2016 and 2018 respectively.

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. The group's results from Irancell Telecommunications Company Services (PJSC) (Irancell) includes expenses resulting from the discontinuation of hyperinflation accounting mainly relating to the subsequent depreciation of assets that were historically written up under hyperinflation accounting. The additional income statement charge reduced equity-accounted earnings from Irancell by R466 million (2018: R873 million).

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

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

Notes to the summary group financial statements

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for the year ended 31 December 2019

6. HYPERINFLATION continued

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

7. SEGMENT ANALYSIS

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

The group's underlying operations are clustered as follows:

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

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

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

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

A key performance measure of reporting profit for the group is CODM EBITDA. CODM EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions and a loss on revision of cash flows from a joint venture), tax, depreciation and amortisation, and is also presented before recognising the following items:

- impairment of joint venture and goodwill (note 8);
- net monetary gain resulting from the application of hyperinflation;
- share of results of associates and joint ventures after tax (note 10);
- hyperinflation (note 6);
- tower sale profits;
- CBN resolution;
- gain on dilution of investment in associate and joint venture (note 10); and
- gain on disposal of subsidiary (note 20).

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

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

Notes to the summary group financial statements

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for the year ended 31 December 2019

7. SEGMENT ANALYSIS continued

REVENUE	Network services Rm	Mobile devices Rm	Interconnect and roaming Rm
2019			
South Africa	27 926	9 017	4 381
Nigeria	39 545	88	4 995
SEAGHA	18 333	315	1 757
Ghana	9 275	90	915
Uganda	4 463	61	409
Other SEAGHA	4 595	164	433
WECA	16 240	171	2 280
Ivory Coast	4 535	37	899
Cameroon	4 248	62	457
Other WECA	7 457	72	924
MENA	7 520	37	1 006
Syria	2 745	–	51
Sudan	1 335	5	472
Other MENA	3 440	32	483
Major joint venture – Irancell[1]	6 715	104	526
Head office companies and eliminations[2]	215	1	(496)
Hyperinflation impact	679	1	193
Irancell revenue exclusion	(6 715)	(104)	(526)
Consolidated revenue	110 458	9 630	14 116

[1] Irancell proportionate results are included in the segment analysis as reviewed by the CODM. This is, however, excluded from IFRS reported results due to equity accounting for joint ventures.

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

Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
2 066	1 635	45 025	422	45 447
1 584	484	46 696	–	46 696
5 983	681	27 069	–	27 069
3 326	214	13 820	–	13 820
1 681	86	6 700	–	6 700
976	381	6 549	–	6 549
2 511	619	21 821	–	21 821
1 041	405	6 917	–	6 917
571	51	5 389	–	5 389
899	163	9 515	–	9 515
343	71	8 977	–	8 977
167	23	2 986	–	2 986
69	22	1 903	–	1 903
107	26	4 088	–	4 088
539	106	7 990	24	8 014
40	776	536	9	545
23	9	905	–	905
(539)	(106)	(7 990)	(24)	(8 014)
12 550	4 275	151 029	431	151 460

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

7. SEGMENT ANALYSIS continued

REVENUE	Network services[1] Rm	Mobile devices Rm	Interconnect and roaming[1] Rm
2018			
South Africa	28 421	8 389	3 720
Nigeria	31 636	78	3 742
SEAGHA	15 116	279	1 765
Ghana	7 648	71	997
Uganda	3 649	52	336
Other SEAGHA	3 819	156	432
WECA	14 716	156	2 831
Ivory Coast	4 533	43	1 196
Cameroon	3 915	57	563
Other WECA	6 268	56	1 072
MENA	6 978	230	1 112
Syria	2 142	–	47
Sudan	1 125	6	457
Other MENA	3 711	224	608
Major joint venture – Irancell	9 328	168	843
Head office companies and eliminations	17	(2)	(414)
Hyperinflation impact	151	–	25
Irancell revenue exclusion	(9 328)	(168)	(843)
Consolidated revenue	97 035	9 130	12 781

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

Digital and fintech[1] Rm	Other[1] Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
2 441	1 296	44 267	391	44 658
1 992	523	37 971	–	37 971
5 048	405	22 613	–	22 613
2 944	200	11 860	–	11 860
1 329	57	5 423	–	5 423
775	148	5 330	–	5 330
1 995	525	20 223	–	20 223
1 063	323	7 158	–	7 158
377	47	4 959	–	4 959
555	155	8 106	–	8 106
312	213	8 845	–	8 845
90	19	2 298	–	2 298
89	21	1 698	–	1 698
133	173	4 849	–	4 849
1 101	194	11 634	33	11 667
1	474	76	–	76
(16)	14	174	–	174
(1 101)	(194)	(11 634)	(33)	(11 667)
11 773	3 450	134 169	391	134 560

Notes to the summary group financial statements

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for the year ended 31 December 2019

7. SEGMENT ANALYSIS continued

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

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

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

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

7. SEGMENT ANALYSIS continued

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

[1] The CODM EBITDA relating to the major joint venture, Irancell, has been presented after the group CODM EBITDA as Irancell does not form part of CODM EBITDA as it is a joint venture.

[2] Includes the loss on revision of cash flows from a joint venture (note 10).

Notes to the summary group financial statements

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for the year ended 31 December 2019

7. SEGMENT ANALYSIS continued

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

The impact of implementing IFRS 16 on group capex in 2019 was R6 587 million (note 23).

8. IMPAIRMENT OF GOODWILL AND INVESTMENTS IN JOINT VENTURE

Impairment of joint venture

The group tested its investment in its equity accounted e-commerce joint venture, MEIH, for impairment following increasing competitive pressure and its disposal of Wadi, an online shopping portal, during the year. The recoverable amount was determined as the fair value less cost of disposal. The fair value represents a value determined from unobservable inputs and was based on comparable company and transaction average net merchandise value multiples of 1,3x for its transportation and consumer services business and 1,4x for its on-demand cleaning marketplace. The carrying value of the net assets equity accounted exceeded the recoverable amount of R572 million by R342 million and the group recognised the resulting impairment in profit or loss.

Impairment of goodwill

In the prior year, an impairment charge amounting to R312 million was recognised against the goodwill of MTN Yemen. The group performed the annual impairment assessment on all goodwill balances as at 31 December 2019 and no impairment was required.

Notes to the summary group financial statements

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for the year ended 31 December 2019

9. NET FINANCE COSTS

	2019 Rm	2018 Rm
Interest income on loans and receivables	923	1 120
Interest income on bank deposits	950	872
Finance income	**1 873**	1 992
Interest expense on financial liabilities measured at amortised cost[1]	(8 767)	(8 422)
Net foreign exchange losses	(2 364)	(1 901)
Loss on revision of cash flows[2]	(217)	–
Lease liability finance cost	(5 709)	–
Finance costs	**(17 057)**	(10 323)
Net finance costs recognised in profit or loss	**(15 184)**	(8 331)

[1] R189 million (2018: R812 million) relates to the discount unwind on the MTN Nigeria regulatory fine liability.

[2] Refer to note 10.

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

	2019 Rm	2018 Rm
	705	(527)
Irancell	441	(281)
Others	264	(246)

For the year ended 31 December 2019, no outstanding dividend was received from Irancell (2018: dividends of R1 296 million was received from Irancell).

Jumia change in shareholding and subsequent measurement

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

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

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

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

The group made an irrevocable election to designate the investment in Jumia as held at fair value through other comprehensive income in terms of IFRS 9 *Financial Instruments* subsequent to the listing date.

10. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES AFTER TAX continued

Disposal of TravelLab Global AB (Travelstart)

The group sold its interest in TravelLab Global AB (Travelstart) in June 2019. Refer to note 20 for details of the disposal.

Irancell loan and receivable

On 20 September 2019, the US Treasury Department's Office of Foreign Assets Control (OFAC) designated the Central Bank of Iran (CBI) as being subject to sanctions. Sanctions imposed on the CBI creates a secondary sanctions risk if the CBI allocates foreign currency to an MTN entity for the purpose of repatriating the receivable and/or loan. As a result of the group's current inability to repatriate the receivable and loan, the group has revised its estimates of the timing of the related cash receipts. As at 31 December 2019, prior to the revised timing of cash flows, the Iranian rial denominated receivables amounted to R1 319 million (2018: R1 031 million) and the Iranian rial denominated loan amounted to R1 651 million (2018: R1 730 million).

The revised timing of the cash flows coupled with the original effective interest rates has resulted in the group adjusting the gross carrying amounts of the receivable and loan and recognising a related loss of R217 million in finance costs that will unwind as interest income subsequent to 31 December 2019.

Mascom transfer from held for sale

In December 2018, the group received an unsolicited offer to sell its interest in Mascom and its holding companies to Econet Global Limited (Econet). Accordingly, the investment in joint venture and related assets in holding companies were presented as non-current assets held for sale at 31 December 2018.

As certain conditions to the transaction were not met, a decision was reached during the third quarter to terminate the planned disposal, resulting in Mascom ceasing to be classified as a non-current asset held for sale. Since 15 August 2019, the group resumed applying equity accounting to Mascom.

Once the criteria for classification as a non-current asset held for sale ceases to be met the joint venture must be accounted for using the equity accounting method from the date that it was classified as a non-current asset held for sale. The reclassification out of non-current assets held for sale included a holding company of Mascom that is controlled by the group. The group has elected to account for this change prospectively with a cumulative catch up of the 2018 earnings in the 2019 financial year of R81 million.

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11. EARNINGS PER ORDINARY SHARE

Number of ordinary shares	2019	2018
Number of ordinary shares in issue		
At end of the year (excluding MTN Zakhele Futhi and treasury shares)	**1 798 007 746**	1 797 642 541
Weighted average number of shares	**1 797 927 770**	1 797 602 678
Add: Dilutive shares		
– Share options – MTN Zakhele Futhi	**23 250 313**	22 966 591
– Share schemes	**4 381 435**	3 870 043
Shares for dilutive earnings per share	**1 825 559 518**	1 824 439 312

Treasury shares

Treasury shares of 9 426 634 (2018: 9 791 839) are held by the group and 76 835 378 (2018: 76 835 378) are held by MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi).

Headline earnings

Headline earnings is calculated in accordance with Circular 4/2018 *Headline Earnings* as issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time and as required by the JSE Limited.

Notes to the summary group financial statements

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11. EARNINGS PER ORDINARY SHARE continued

	2019 Rm	2018 Rm
Reconciliation between net profit attributable to the equity holders of the company and headline earnings:		
Profit attributable to equity holders of the company	**8 963**	8 719
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	**(64)**	20
– Subsidiaries (IAS 16)	**(64)**	44
– Joint ventures (IAS 28)	**–**	(24)
Profit on disposal of subsidiary (IFRS 10)	**(112)**	(2 112)
Impairment of goodwill and investments in joint ventures (IAS 36)	**342**	312
Net impairment (reversal)/loss on property, plant and equipment and intangible assets (IAS 36)	**330**	(206)
Net gain on dilution of investment in associate and joint venture (IAS 28)	**(1 076)**	(703)
– Subsidiaries	**(1 039)**	(569)
– Joint venture/associate	**(37)**	(134)
Realisation of deferred gain on tower sale	**(19)**	(23)
Total tax effects of adjustments	**–**	6
Total non-controlling interest effect of adjustments	**47**	42
Headline earnings	**8 411**	6 055
Earnings per share (cents)		
– Basic	**499**	485
– Basic headline	**468**	337
Diluted earnings per share (cents)		
– Diluted	**491**	478
– Diluted headline	**461**	332

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12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities at amortised cost

The carrying value of current receivables and liabilities measured at amortised cost approximates their fair value.

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 R24 706 million (2018: R25 380 million) and a fair value of R25 775 million (2018: R23 926 million). The notes are listed on the Irish bond market and the fair values of these instruments are determined by reference to quoted prices in this market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Financial instruments measured at fair value

IHS Group unlisted equity investment

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

Included in investments in the summary group statement of financial position is an equity investment in IHS Group at fair value of R27 000 million (2018: R23 353 million). The fair value is determined using models considered to be appropriate by management, due to the absence of transactions between market participants. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including tower industry earnings multiples of between 10x to 14x (2018: 10x to 15x) applied to MTN management's estimates of earnings, less estimated net debt of R20 217 million (2018: R18 599 million). In addition MTN has applied a 10% (2018: 10%) liquidity discount.

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been classified as level 3 on the fair value hierarchy. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 813 million (2018: R2 316 million) and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value by R2 813 million (2018: R2 316 million). An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R3 228 million (2018: R2 821 million) and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R3 228 million (2018: R2 821 million). An increase of 1% to the liquidity discount, keeping other inputs constant, would have resulted in a decrease in the fair value of R300 million (2018: R259 million) and a decrease of 1% to the liquidity discount, keeping other inputs constant, would have resulted in an increase in the fair value by R300 million (2018: R259 million). A fair value increase of R4 297 million (2018: R7 770 million decrease) translated at the closing rate has been recognised for the year.

Notes to the summary group financial statements

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12. FINANCIAL INSTRUMENTS continued

Financial assets and financial liabilities at amortised cost continued

Jumia listed equity investment

The fair value of the investment is determined by reference to published price quotations on the New York Stock Exchange. The American Depository Share (ADS) price of Jumia was US$6,73 on the last trading day of the year. The group has classified the investment in Jumia with a carrying amount of R1 397 million as at fair value through other comprehensive income. The fair value of this investment is categorised within level 1 of the fair value hierarchy.

During 2019, a fair value decrease of R1 651 million has been recognised in other comprehensive income. On 9 March 2020, the Jumia ADS price was US$3,15, equating to a reduction in the fair value of R638 million subsequent to 31 December 2019.

Reconciliation of level 3 financial assets

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

	Rm
Balance at 1 January 2018	27 686
Acquisitions	310
Loss on equity investments at fair value through other comprehensive income	(8 030)
Foreign exchange differences	4 059
Balance at 1 January 2019	**24 025**
Disposal of underlying equity investments of Amadeus	**(592)**
Acquisitions	**75**
Gain on equity investments at fair value through other comprehensive income	**4 401**
Foreign exchange differences	**(751)**
Balance at 31 December 2019	**27 158**

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

	2019 Rm	2018 Rm
	31 273	28 790
– Contracted	**6 548**	10 280
– Not contracted	**24 725**	18 510

14. INTEREST-BEARING LIABILITIES

	2019 Rm	2018 Rm
Bank overdrafts	**132**	255
Current borrowings	**15 691**	12 183
Current liabilities	**15 823**	12 438
Non-current borrowings	**78 457**	72 563
	94 280	85 001

Notes to the summary group financial statements

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for the year ended 31 December 2019

15. ISSUE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

	Raised 2019 Rm	Repaid 2019 Rm	Raised 2018 Rm	Repaid 2018 Rm
Mobile Telephone Networks Holdings Limited	15 950	14 013	11 750	6 320
Loan facilities	8 000	7 363	3 500	563
General banking facilities	3 700	5 500	6 500	5 450
Domestic medium-term programme	4 250	1 150	1 750	307
MTN International (Mauritius) Limited	–	–	3 753	8 070
Revolving credit facility	–	–	3 753	8 070
MTN Nigeria Communications Plc	15 030	5 792	4 770	8 101
Long-term borrowings	15 030	5 792	4 770	8 101
Other	4 033	3 857	4 946	4 868
	35 013	23 662	25 219	27 359

16. CONTINGENT LIABILITIES

	2019 Rm	2018 Rm
Uncertain tax exposures	1 959	2 087
Legal and regulatory matters	2 280	2 660
	4 239	4 747

Uncertain tax exposures

The group operates in numerous tax jurisdictions and the group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the group and the relevant tax authority. The outcome of such disputes may not be favourable to the group. At 31 December 2019, there were a number of tax disputes ongoing in various of the group's operating entities. The most significant matter relates to a transfer pricing dispute which the group is contesting with the South African Revenue Service that relates to the 2009 to 2012 tax years. Based on internal and external legal and technical advice obtained, the group remains confident that it has a robust legal case to contest the exposure.

Legal and regulatory matters

The group is involved in various legal and regulatory matters, the outcome of which may not be favourable to the group and none of which are considered individually material.

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

Notes to the summary group financial statements

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for the year ended 31 December 2019

17. EXCHANGE RATES TO SOUTH AFRICAN RAND

		Closing rates		Average rates	
		2019	2018	**2019**	2018
Foreign currency to South African rand:					
United States dollar	USD	**13,98**	14,38	**14,44**	13,21
South African rand to foreign currency:					
Nigerian naira	NGN	**26,09**	25,33	**25,05**	27,41
Iranian rial	IRR	**8 120,61**[1]	6 043,73[1]	**7 013,39**[1]	4 020,06[2]
Ghanaian cedi	GHS	**0,41**	0,34	**0,38**	0,36
Cameroon Communauté Financière Africaine franc	XAF	**41,78**	39,89	**40,57**	45,07
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**41,78**	39,80	**40,57**	42,73
Ugandan shilling	UGX	**262,14**	257,93	**256,68**	280,55
Syrian pound	SYP	**31,33**	30,45	**30,27**	32,79
Sudanese pound	SDG	**3,23**	3,31	**3,14**	2,40

[1] SANA rate.
[2] Weighted average exchange rate used to translate the results of Iran.

The group's functional and presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the group's largest operations contributed to the decrease in consolidated assets and liabilities and the resulting foreign currency translation reserve reduction of R4 415 million (2018: R1 943 million increase) for the year.

Net investment hedges

The group hedges a designated portion of its dollar net assets in MTN Dubai for forex exposure arising between the US$ and ZAR as part of the group's risk management objectives. The group designated external borrowings (Eurobonds) denominated in US$ held by MTN (Mauritius) Investments Limited with a value of R25,8 billion (2018: R23,9 billion) and external borrowings denominated in US$ held by MTN Nigeria as hedging instruments. The external borrowings denominated in US$ held by MTN Nigeria matured in the current year. For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences recognised in other comprehensive income, arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control of MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior year.

Notes to the summary group financial statements

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for the year ended 31 December 2019

18. RELATED PARTY TRANSACTIONS

Transactions between members of the group

Scancom PLC (MTN Ghana) entered into lease agreements with Ghana Tower InterCo B.V. (Ghana InterCo) in prior years. The lease liability recognised under IFRS 16 amounts to R2 896 million at 31 December 2019. The lease payments for the year ended 31 December 2019 amounted to R826 million and the interest charge recognised under IFRS 16 for the period is R567 million. The operating lease commitments recognised under IAS 17 in the prior year amounted to R9 468 million at December 2018. The IAS 17 expense recorded in the prior year amounted to R1 016 million for the year ended 31 December 2018. The rental amounts escalate every year by inflation.

MTN Uganda Limited entered into lease agreements with Uganda Tower InterCo B.V. (Uganda InterCo) in prior years. The lease liability recognised under IFRS 16 amounts to R1 715 million at 31 December 2019. The lease payments for the year ended 31 December 2019 amounted to R399 million and the interest charge recognised under IFRS 16 for the period is R290 million. The operating lease commitments recognised under IAS 17 in the prior year amounted to R1 988 million at 31 December 2018. The IAS 17 expense recorded in the prior year amounted to R439 million for the year ended December 2018. The rental amounts escalate every year by inflation.

19. ASSOCIATE HELD FOR SALE

The group's interests in Uganda InterCo and Ghana InterCo were classified as held for sale in the current year as part of the Asset Realisation Programme (ARP). On 31 December 2019 MTN concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC).

The Uganda InterCo transaction closed in February 2020 for cash proceeds of US$140 million (R2,2 billion) and realised a profit of approximately R1,2 billion. The group awaits the finalisation and regulatory approvals relating to the Ghana InterCo transaction.

20. DISPOSAL OF AMADEUS AND TRAVELSTART

During 2019 the group sold its investment subsidiaries Amadeus IV Digital Prosperity LP and Amadeus TI LP (Amadeus). The companies held various unlisted equity investments and a 43,67% interest in the joint venture TravelLab Global AB (Travelstart).

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

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

Notes to the summary group financial statements

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for the year ended 31 December 2019

20. DISPOSAL OF AMADEUS AND TRAVELSTART continued

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

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

21. REDEMPTION OF MTN NIGERIA PREFERENCE SHARES

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria. MTN Nigeria redeemed the preference shares on 30 December 2019. The proceeds from the redemption amounted to US$314 million for the group's 78,59% interest in MTN Nigeria's preference shares. The group recognised a cash payment of R1 243 million representing the rand equivalent of the minority interest share of the preference shares of US$85.5 million.

22. EVENTS AFTER REPORTING PERIOD

Dividends declared

Dividends declared at the board meeting held on 10 March 2020 amounted to 355 cents per share.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES

23.1 Adoption of IFRS 16

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer included in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and the capital portion of lease liability repayments is included in cash used in financing activities. Lessor accounting remains similar to previous accounting policies.

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019.

23.1.1 The group's leasing activities and significant accounting policies

The group's leases include network infrastructure (including tower space and land), retail stores, vehicles, licences and office equipment. Rental contracts are typically made for fixed periods varying between two to fifteen years but may have renewal periods as described below.

As a lessee, the group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, the group recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US$5 000 or less and is not considered fundamental to its network. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.1 Adoption of IFRS 16 continued

23.1.1 The group's leasing activities and significant accounting policies continued

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 Rm	1 January 2019 Rm
Network infrastructure	32 907	36 113
Land and buildings	10 254	9 456
Licences	1 737	–
Other	86	73
Total right-of-use assets	**44 984**	**45 642**

The lease liability is initially measured at the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), including non-recoverable payments that do not transfer a separate service, less any incentives receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Decommissioning costs.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.1 Adoption of IFRS 16 continued

23.1.1 The group's leasing activities and significant accounting policies continued

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The group applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the group's business planning cycle, significance of related leasehold improvements and past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the group and the lessor to terminate the lease without a termination penalty. In determining whether the group has an economic incentive to not exercise the termination option, the group considers the broader economics of the contract and not only contractual termination payments.

Lease and non-lease components

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

23.1.2 Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate, for the remaining lease terms, as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Relied on previous assessments on whether leases are onerous contracts as opposed to performing an impairment review on 1 January 2019.

The group has also elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

The group classified a number of leases of vehicles and land and buildings as finance leases under IAS 17. For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.1 Adoption of IFRS 16 continued

23.1.3 Impacts on financial statements

23.1.3.1 Impacts on transition

On transition to IFRS 16, the group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 January 2019 Rm
Property, plant and equipment	(149)
Right-of-use assets	45 642
Non-current prepayments[1]	(182)
Prepayments[2]	(622)
Total assets	44 689
Lease liabilities – non-current	42 052
Other non-current liabilities[3]	(615)
Lease liabilities – current	3 303
Trade and other payables	(51)
Total liabilities	44 689

[1] Included in the "Deferred tax and other non-current assets" line item on the statement of financial position.

[2] Included in the "Trade and other receivables" line item on the statement of financial position.

[3] Included in the "Deferred tax and other non-current liabilities" line item on the statement of financial position.

The right-of-use assets recognised on 1 January 2019 relate to the following operating segments:

	Rm
South Africa	11 038
Nigeria	20 264
SEAGHA	9 041
WECA	3 920
MENA	1 274
Head office companies	105
	45 642

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.1 Adoption of IFRS 16 continued

23.1.3 Impacts on financial statements continued

23.1.3.1 Impacts on transition continued

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11,8%. A reconciliation of the operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at 1 January 2019 to the lease liability recognised on 1 January 2019 is disclosed below:

	1 January 2019 Rm
Operating lease commitments disclosed at 31 December 2018	**129 388**
Discounted using the incremental borrowing rate at 1 January 2019	**68 466**
Add: Finance lease liabilities recognised as at 31 December 2018	**666**
Less: Non-lease components	**(40 482)**
Add: Extension and termination options reasonably certain to be exercised	**17 860**
Less: Variable lease payments based on an index or rate	**(1 129)**
Less: Transition exemption for leases ending within 12 months of date of initial application	**(26)**
Lease liabilities recognised at 1 January 2019	**45 355**
Of which are:	
– Current lease liabilities	**3 303**
– Non-current lease liabilities	**42 052**
	45 355

23.1.3.2 Impacts for the year

The group recognised a depreciation expense of R5 828 million on right-of-use assets, an interest expense of R5 709 million on lease liabilities and foreign exchange losses of R80 million on foreign denominated lease liabilities, included in finance costs, for the year ended 31 December 2019. As a result of initially applying IFRS 16, earnings per share decreased by 77 cents per share for the year ended 31 December 2019. Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

The group recognised cash flows relating to leases consisting of interest paid of R5 271 million and repayment of lease liabilities of R3 417 million.

Additions to the right-of-use assets during the 2019 financial year were R6 587 million.

23.2 IFRIC 23 and related IFRIC agenda decision

IFRIC 23 and the IFRIC agenda decision in relation to the presentation of liabilities or assets related to uncertain tax treatments in September 2019 respectively clarifies the application of the recognition and measurement requirements in IAS 12 *Income Taxes* and the presentation requirements in IAS 1 *Presentation of Financial Statements* when there is uncertainty over income tax treatments. The group previously presented uncertain income tax liabilities as part of provisions based on amounts expected to be paid to the tax authorities.

Following the afore-mentioned IFRIC agenda decision, the group has reconsidered its accounting treatment. The group has adopted the treatment set out in the IFRIC agenda decision and has reclassified uncertain income tax related liabilities from provisions to current tax liabilities in the group's statement of financial position. This change in accounting policy has been accounted for retrospectively and comparative information has been restated.

No additional current or deferred tax liabilities were recognised as a result of IFRIC 23.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.2 IFRIC 23 continued

23.2.1 Impacts on financial statements

Statement of financial position

The total impact of the reclassification of liabilities resulting from income tax uncertainties are as follows:

	2018 Rm
Provisions	(484)
Taxation liabilities	484
Current liabilities	–

23.3 MoMo deposits and payables

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

As a result of the uncertain and evolving legal and regulatory environment, this assessment has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the group operates. The group has, however, noticed in its larger MoMo markets that, as the MoMo products mature and the regulatory and legal positions are codified, the underlying exposure to its MoMo customers is clarified ultimately resulting in the MoMo balances being recorded on the statement of financial position. As the group operates in a number of markets where the legal and regulatory position relating to MoMo has not yet been clarified, it has reviewed and changed its current accounting policy.

The group now recognises MoMo balances held by the respective banks and the customers' rights to these balances as an obligation (financial liability) in the ordinary course to repay the balances to the MoMo customers and a right to claim the corresponding amounts from the relevant banks (financial asset).

The group is of the view that the revised policy will provide a more consistent treatment of MoMo across its markets and provide more meaningful information about the MoMo business.

The change in accounting policy has resulted in R5 714 million of MoMo assets and liabilities being brought onto the statement of financial position in 2019 (2018: R12 228 million). The change did not have any impact on earnings attributable to ordinary shareholders, earnings per share or cash flows.

Notes to the summary group financial statements

continued

for the year ended 31 December 2019

23. CHANGE IN ACCOUNTING POLICIES continued

23.3 Mobile Money deposits and payables continued

23.3.1 Impacts on financial statement

Statement of financial position

	2018 Rm
Current assets	
Restricted cash	(607)
Mobile Money deposits	12 835
Current liabilities	
Trade and other payables	(607)
Mobile Money payables	12 835
	–

Administration

MTN GROUP LIMITED
Incorporated in the Republic of South Africa

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

Board of directors

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

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

Group secretary

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

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American depository receipt (ADR) programme

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

Depository: The Bank of New York

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MTN Group sharecare line

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

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