Annual financial results

for the year ended 31 December 2020

Leading digital solutions for Africa's progress

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Results overview

* Constant currency information after accounting for the impact of the pro forma adjustments as defined.

Any forward-looking financial information disclosed in this results announcement, including the dividend guidance, 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 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.

Certain financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation, impairments of goodwill, PP&E and JVs & associates, gain on disposal of tower associates; impairment loss on remeasurement of disposal Groups, 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, impairment of Iran receivable, gain on Travelstart disposal, gain on disposal of ATC Ghana and ATC Uganda, loss on disposal of investment in Content Connect Africa and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited consolidated annual financial statements for the year ended 31 December 2020. 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 year-on-year (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 2020.

Constant currency information has been presented to remove the impact of movement in currency rates on the Group's results and has been calculated by translating the prior financial reporting period's results at the current period's average 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, Iran 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, website and upon request.

The directors of MTN take full responsibility for the preparation of this abridged report and ensuring that the financial information has been correctly extracted from the underlying audited financial statements.

The key audit matters (pursuant to IAS 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.

IAS 21 The Effects of Changes in Foreign Exchange Rates (IAS 21) requires that on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in FCTR in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised. Two accepted methods exist for recycling FCTR where the investments in foreign operations are held by an intermediate parent with a different functional currency than the entity disposed of and the ultimate parent, the step-by-step approach and the direct approach. The Group has accordingly changed its accounting policy on the reclassification of FCTR on disposal of foreign operations held by an intermediate parent where the functional currency of the foreign operation and intermediate parent is different to that of the ultimate parent from the step-by-step method to the direct method.

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.

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 2020

Leading digital solutions for Africa's progress

Highlights

MTN is an emerging markets mobile operator with a clear vision to lead the delivery of a bold, new digital world. We have 280 million customers in 21 markets and are inspired by our belief that everyone deserves the benefits of a modern connected life.

Subscribers increased **by 28,8 million** to 279,6 million

Service revenue grew **by 11,9%***

IFRS reported EBITDA (before once-off items) increased **by 21,9%** (up 13,4%*)

Reported EBITDA margin improved by **2,9 percentage points (pp) to 45,3%** (up 0,9 pp* to 42,7%*)

IFRS reported HEPS at 749 cps, **up 60,0%** Non-operational impacts decreased HEPS by 128 cps

Group leverage at 0,8x (2019: 1,2x). Holding company (Holdco) leverage **flat at 2,2x,** Holdco net debt down R43,3 billion (2019: R55,3 billion)

ROE **improved to 17,0%**

Capex of **R33,0 billion** (R28,6 billion under IAS17)

Suspension of 2020 final dividend, 2021 dividend guidance of 260 cps

Enhanced medium-term guidance to underpin our new ambition 2025 strategy

* Constant currency information after accounting for the impact of the pro forma adjustments as defined.
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Results overview

Group president and CEO, Ralph Mupita comments:

"The pandemic has brought about unprecedented socio and macroeconomic challenges globally that have impacted lives and livelihoods across our footprint. The health and safety of our people across our markets has been our key priority. To the end of February 2021, we have reported 1 404 COVID-19 infections and mourned the loss of 10 MTN employees across our markets. We continue to apply health measures to safeguard the wellbeing of our people, who have also been empowered to work remotely.

*The resurgence of COVID-19 infections across our footprint and globally presents ongoing challenges including renewed lockdown restrictions in some markets. We continue to look after our people, customers and other stakeholders through various programmes, including **Y'ello** Hope.*

We are pleased to have made a US$25 million donation in support of the African Union's (AU) programme to secure much-needed COVID-19 vaccines for member states. This partnership deepens MTN's role in the ongoing work to save lives in the markets in which we operate. Importantly, it aligns with our ambition to create shared value and ensure the continent's future progress and prosperity.

Beyond this, as well as managing the accompanying risks of COVID-19, we remain alive to the opportunities presented by the pandemic, particularly the accelerated need for digitalisation evidenced in the adoption and usage of our services. In support of this, we continue to strengthen our commercial, operational, and financial position while focusing on the resilience of networks and efficiency programmes in our various markets.

Despite the challenging trading conditions, therefore, MTN continued to demonstrate strong operational execution and resilience in delivering a solid performance for the year in our key commercial and financial metrics. We added 28,8 million customers to our networks, to end with a subscriber base of 279,6 million, as at December 2020. Driven by our focus on furthering digital and financial inclusion, we added 19,0 million active data users and 11,7 million MoMo users to reach 114,3 million and 46,4 million respectively. The number of active merchants accepting our MoMo propositions increased 115% to 440 000 in number. In Nigeria, we signed up more than 280 000 additional agents to end the financial year with more than 395 000 registered agents for our fintech business.

We continued to perform favourably against our medium-term targets, with service revenue growth of 11,9% and EBITDA growth of 13,4%*, maintaining our strong operating leverage. The Group's EBITDA margin improved by 0,9pp* to 42,7%*, benefiting from the execution of our expense efficiency programme. The solid operational result was supported by the pleasing growth in our larger operations as well as a broad-based improvement across all our regions. In the larger operations, MTN South Africa (MTN SA) sustained the turnaround in its core business units while MTN Nigeria and MTN Ghana continued to deliver solid overall performances with double-digit service revenue growth in both markets.*

Importantly, our adjusted ROE advanced by a further 4,0pp to 17,0%, driven by strong underlying earnings growth.

Group leverage remains comfortable and net debt-to-EBITDA improved further to 0,8x. Holdco leverage was steady at 2,2x and remains above our previously communicated target.

Although slower than expected, with delays to some of our larger planned divestments such as IHS Towers, we made some encouraging progress in our asset realisation programme (ARP). Following the disposal of our ATC Ghana and ATC Uganda tower joint ventures for R8,8 billion in Q1, we finalised the exit from our 18,9% investment in Jumia (for proceeds of R2,3 billion) as well as the localisation of an 8% shareholding in MTN Zambia (for proceeds R178 million). In February 2021, we also completed the exit from BICS, and received net cash proceeds of R1,8 billion in the same month.

Cash upstreaming from Nigeria remained challenged in terms of securing foreign currency in the market. During 2020, we upstreamed the equivalent of approximately R286 million from Nigeria, with approximately R4,2 billion yet to be repatriated as at 31 December 2020.

In H1 2020 we suspended the interim dividend, informed by three key conditions negatively impacting our Holdco leverage evolution. These related to uncertainties around cash upstreaming from Nigeria, the timing of ARP proceeds and COVID-19 impacts. These conditions have not materially improved, resulting in Holdco leverage remaining above our target, the Board has resolved not to declare a final dividend for 2020. This is in line with our capital allocation framework.

In light of these material uncertainties, the Board has also suspended the dividend policy and anticipates communicating a revised medium-term dividend policy when we announce our FY 2021 results in March 2022.

During this transition, the Board anticipates paying a total ordinary dividend of at least 260cps for the 2021 financial year. We anticipate that this will be a final dividend, with no interim dividend for FY 2021. On assessment of the progress of cash upstreaming from Nigeria, ARP delivery and COVID-19 impacts, the Board will consider returning further cash to shareholders in the form of special dividends or share repurchases after the release of FY 2021 results.

Further to our previous announcement regarding the intention to focus on our pan-Africa strategy, we completed a comprehensive strategy review in Q4 2020 and are excited to introduce 'Ambition 2025'. As part of this strategic repositioning, we are looking to structurally separate our infrastructure assets and platforms, such as fintech, to reveal value and attract 3rd-party capital and partnerships into these businesses, over the medium-term.

Going forward, we believe that our revised strategy, Ambition 2025, will position the business to capture the exciting opportunities across our markets and our medium-term guidance has been enhanced to reflect this accelerating growth outlook. To support this, we plan to invest approximately R29,1 billion in our network, fintech and digital services platforms in 2021."

Results overview continued

Overview

MTN delivered another solid operational and financial performance for the year ended 31 December 2020, under exceptionally challenging trading conditions. Service revenue grew ahead of our blended inflation, despite varying degrees of lockdown restrictions across most of our markets throughout the period. Our efficiency programme drove positive operating leverage, supporting an improved EBITDA margin.

Group **service revenue** increased by 11,9%* to R170,1 billion (2019: R141,8 billion). This was led by growth of 14,6%* in MTN Nigeria, 1,6% in MTN SA, 16,6%* in MTN Ghana and benefitted from solid overall top line growth from the regional opcos.

Voice revenue increased by 4,8%*, despite voice traffic coming under pressure – especially during the height of COVID-19 effects in Q2. There was some improvement in trends as lockdown restrictions eased, resulting in a recovery in voice revenue through the remainder of the year. The overall performance in the period was supported by a 28,8 million increase in Group subscribers to 279,6 million. We continued to enhance growth through our well-executed customer value management (CVM) initiatives and segmented customer propositions.

Data revenue expanded by 31,0%*, with a 110,0% increase in traffic brought about by higher levels of online demand resulting from the effects of COVID-19, including an increase in learn-from-home and work-from-home. At 31 December 2020 we had 114,3 million active data users, having added 19,0 million in the year. We surpassed the breakthrough 100 million mark in H1 as we continue to work towards our ambition of connecting 200 million data users to our networks in the medium-term.

Anchored in our intent of driving the industry-leading connectivity operations in our markets, we sustained our efforts to bridge the digital divide. We expanded our 3G and 4G coverage footprint adding 16,3 million and 55,0 million people respectively; invested in 5G in SA; recorded 140 million smartphones on our network; and reduced the effective rate per megabyte by 32,9%. Average data usage rose by 60% to 4,4 GB per month.

Fintech revenue rose by 23,9%*. The number of active Mobile Money (MoMo) users increased by 11,7 million to 46,4 million, generating a monthly ARPU of $1,2. The value of MoMo transactions was US$152 billion and we processed 12 400 transactions per minute (up 35% from 9 200 in 2019). While COVID-19 accelerated the adoption of mobile financial services, growth in fintech revenue was moderated by reductions in transaction fees to support our customers, lockdown restrictions on agents and a slowdown in economic activity.

At the end of December 2020, our aYo insurance joint venture had 11 million registered policy holders and 6 million active policies. In total, aYo generated US$6,4 million (R106 million) in service revenue and US$10,5 million (R172 million) premium income. We have concluded an agreement to increase our shareholding in aYo to 75% and will consolidate it in future once regulatory approvals are obtained.

Digital revenue increased by 27,1%*, with an acceleration in growth in H2, supported by greater uptake of our services. With this, the structural turnaround in the segment has been completed and we are positioned for further sustained growth. We expanded our instant messaging platform ayoba making good strides in the year, to record 5,5 million monthly active users, an addition of 3,5 million. It has now been integrated into 16 MTN markets and can be downloaded across many other markets on the Google Play store, Apple App Store and via the ayoba website as an OTT offering. In the year, ayoba expanded its services to include music, gaming, channels and money transfer.

Streaming service MusicTime! is now live in nine MTN markets, and 15 opcos live with MusicTime in the ayoba app. In the year, MTN extended its digital strategy with the launch of a new pan-African API marketplace called Chenosis, which will enable developers and businesses to discover and subscribe to what will become the largest library of open APIs published on the continent.

Enterprise revenue increased by 14,8%*, supported by growth in MTN SA, MTN Nigeria, MTN Ghana and MTN Côte d'Ivoire. Growth benefitted largely from increased data usage and remote working.

Wholesale revenue declined by 12,4%*, impacted in South Africa by the conclusion of our roaming agreement with Telkom and as we continued to account for Cell C revenue on a cash basis. We recognised revenue of approximately R2,0 billion (up 10% YoY) from Cell C for national roaming during the year, and R414 million remained unrecognised as at 31 December 2020. Phase 2 of the Cell C roaming agreement, which was concluded in May 2020, continues to be implemented. Cell C remains up to date with payments in line with its payment plan.

MTN GlobalConnect recorded strong commercial and financial performances, having billed new fixed wholesale deals to the value of US$28,8 million and delivered growth in external revenue of 54,0% to US$66,8 million.

The Group's EBITDA margin in constant currency terms and excluding the effects of once-off items expanded by 0,9pp* to 42,7%*, driven by the 1,7pp* and 2,0pp* improvements delivered by MTN SA and MTN Ghana respectively. The EBITDA margin in MTN Nigeria (down by 3,0pp*) was impacted by costs linked to its accelerated 4G site rollout, an increase in the VAT rate as well as higher tower lease costs due to exchange rate adjustments.

MTN Group's reported **EBITDA margin** was 45,3% compared to 42,4% in December 2019. This was impacted positively by the gain on disposal of our ATC Uganda and ATC Ghana tower associates and negatively by the impairment loss on the remeasurement of disposal groups. The 2019 margin had included the effects of the gain on dilution of our investment in Jumia, the gain on disposal of Travelstart as well as tower profits. The Group's overall margin improvement in 2020 was assisted by our efficiency programme, including strict cost containment measures.

Basic earnings per share (EPS), increased by 87,0% to 946 cents (2019: 506 cents), supported by the weaker rand, good operational performance and an improved contribution of the share of profits from associates and joint ventures. EPS includes the impairment losses relating to MTN Syria and BICS of approximately 84 cents, as well as the benefit from gains amounting to approximately 341 cents on the disposal of the ATC Uganda and ATC Ghana tower joint ventures as announced in March 2020.

Reported **headline earnings per share** (HEPS) increased by 60,0% to 749 cents (2019: 468 cents). HEPS were negatively impacted by non-operational items amounting to 128 cents from the following items: 0 cents relating to the Nigeria fine interest (-8 cents in 2019); hyperinflation (excluding impairments) of 30 cents (-13 cents in 2019); the impact of foreign exchange gains and losses of -168 cents (-78 cents in 2019) and the reversal of the time value loss recognised on the Iran receivable of 10 cents (-12 cents in 2019).

We are particularly pleased with the momentum in growth of underlying earnings at the bottom-line. This bears testament to the progress we have made in enhancing the quality of our earnings in line with our strategy, particularly in relation to line items below the operating line.

We invested **capex** of R33,0 billion on an IFRS reported basis, which is 0,5% higher YoY (up by 8,9% to R28,6 billion under IAS 17). We managed to accelerate our investment in H2 as COVID-19 lockdown restrictions eased and continued to expand the capacity of our networks, rolling out 3 342 3G and 8 354 4G sites. Capex intensity reduced to 16,0% from 17,3% in December 2019 under IAS 17.

Group operating **free cash flow** increased by 117,1% to R28,3 billion, benefitting from positive operating leverage and solid EBITDA growth as well as our focus on efficiencies and liquidity management.

Return on equity (ROE) for the year increased to 17,0%, compared to 13,0% in December 2019. This adjusts for non-operational items, including hyperinflation, and was driven by the Group's solid revenue growth, improved efficiencies and positive operating leverage. The expansion in ROE is a further demonstration of the improving quality of our earnings.

Asset Realisation Programme and portfolio transformation

Our asset realisation programme (ARP), launched in March 2019 and enhanced in March 2020, aims to reduce debt, simplify our portfolio, reduce risk and improve returns. The stated target of our ARP is to realise capital of at least R25 billion over three to five years – over the past 12 months we have delivered approximately R4,3 billion in asset realisations.

MTN's broader portfolio transformation ambition is to accelerate these objectives to actualise our focus on pan-Africa and structure the business to reveal value.

In March 2020, we completed the disposal of our 49% equity holdings in Ghana Tower Interco B.V. and Uganda Tower Interco B.V., which were part of the first phase of our ARP. However, COVID-19 brought about unprecedented uncertainty and volatility in global oil prices and capital markets, which impacted our short-term ability to continue with further significant realisations. We remain committed to execute on our portfolio transformation and continued to make significant progress in laying the groundwork for when conditions are more conducive to implement our ambitions.

During H2, we completed the exit from our 18,9% investment in e-commerce venture Jumia Technologies AG realising a total consideration of approximately R2,3 billion (US$138 million).

In August 2020, we announced plans to exit the Middle East in an orderly manner over the medium-term, aligning with our ambition to simplify our portfolio and focus on pan-African markets. As part of this process we classified MTN Syria as an asset held for sale and it remains the Group's intention to exit its 75% stake in the business.

Also in H2, we completed the localisation of an 8% shareholding in MTN Zambia, netting approximately R178 million of proceeds. Further to our localisation ambition, in October 2020, we announced that the Group intends to sell down a further 12,5% of its investment in MTN Ghana, with a focus on local shareholding. This will increase its free-float on the Ghana Stock Exchange (GSE) to 25%, following the initial public offer in which 12,5% of its shares were listed on the GSE and nearly 130 000 Ghanaians were welcomed as shareholders.

In December 2020, we announced the intention to list MTN Rwanda directly on the Rwanda Stock Exchange (RSE) by way of introduction. This is an important first step towards further broadening local participation in Rwanda's leading mobile network operator and developing the capital markets in the country.

In February 2021, we completed the sale of our 20% associate shareholding in Belgacom International Carrier Services SA (BICS) to PROXIMUS NV/SA. We have received proceeds of approximately €102,4 million (R1,8 billion) in cash. As at 31 December 2020, the carrying amount of MTN's investment in BICS was R1,7 billion and the accumulated FCTR gain related to the asset was R1,2 billion. Upon release of the FCTR, we anticipate recording a profit on disposal of R1,2 billion.

Regulatory and legal considerations

SIM registration in Nigeria

On 9 December 2020, the National Communications Commission's (NCC) suspended the sale and activation of new SIM's for all operators in Nigeria. On 15 December 2020 the NCC further directed operators to update SIM registration records with national identification numbers (NIN's) for every SIM connected to networks in Nigeria, with the current deadline to complete this specified as 6 April 2021.

MTN Nigeria has embraced the opportunity to play a more meaningful role in driving a solution for this issue and establish a sustainable and more reliable SIM registration process in the country. As at 28 February 2021, 37,2million (or 48,7%) of the MTN Nigeria subscriber base had submitted their NIN's. These submissions remain subject to verification against the National Identification Management Commission (NIMC) database to complete the registration.

MTN Nigeria has been granted a licence to enrol citizens for new NINs and is scaling up its capacity to do so in collaboration with NIMC. In that context, MTN Nigeria is engaging with the authorities and industry stakeholders in the country to resume new SIM registration as soon as possible.

MTN Afghanistan anti-terrorism complaint

On 5 February 2021, MTN Group (MTN) filed a reply in support of its request that the court dismiss MTN from a civil case in U.S. court. In September 2020, MTN had asked the United States court to dismiss the case, filed against MTN on 27 December 2019, which asserted claims for civil monetary relief under the U.S. Anti-Terrorism Act.

MTN requested that the court dismiss the complaint for two independent reasons: firstly, the court lacks jurisdiction over MTN, which does not operate in the United States, and secondly, the complaint does not allege any conduct by MTN that violated the Anti-Terrorism Act.

Results overview continued

On 8 December 2020, plaintiffs responded to MTN separately from other defendants because of MTN's distinctive arguments as a telecommunications company with no presence in the United States, including that it argues that it is not subject to the U.S. court's jurisdiction. MTN filed its reply to the plaintiffs on 05 February 2021. In its written reply, MTN reiterates its position that the plaintiffs case should be dismissed because the plaintiffs cannot establish jurisdiction over MTN in the United States or plead a viable claim under the U.S. Anti-Terrorism Act.

MTN conducts its business in a responsible and compliant manner in all its territories and will defend its position where necessary.

Spectrum in South Africa

In December 2020, MTN SA submitted its bid for high-demand spectrum to the Independent Communications Authority of South Africa (ICASA). The auction includes spectrum in the 700-800 MHz, 2,6 GHz and 3,5 GHz bands. Temporary spectrum allocated in early 2020 was extended to March 2021.

In January 2021, MTN SA filed an application in the Gauteng High Court to declare unlawful, and to review, correct or set aside two decisions made by ICASA relating to the spectrum auction process. MTN SA is challenging ICASA's decision to implement an auction structure that creates two categories of mobile operators, namely Tier 1 and Tier 2, and the use of an opt-in auction round in which Tier 1 operators will not be allowed to participate. MTN SA has been classified as a Tier 1 operator.

MTN SA's action is premised on two fundamental concerns. Firstly, the definitions used to differentiate a Tier 1 operator from the Tier 2 operator are, amongst others, impermissibly vague, arbitrary and unreasonable. Secondly, ICASA has included the highly sought-after 3,5 GHz band (that is optimal for 5G usage) in the portfolios that are available during the opt-in round. The categorisation and opt-in structure of the auction have created a very real outcome where MTN would be unable to bid for any of the 3,5 GHz, due to the bulk of the spectrum having been taken up by the Tier 2 operators in the initial opt-in round.

Given its desire not to delay the process, MTN SA has addressed the matter to the court on an urgent basis. MTN SA remains committed to reaching a constructive resolution on this matter and look forward to the release of high-demand spectrum.

MTN Ghana classified a significant market power

In June 2020, the National Communications Authority (NCA) classified MTN Ghana a significant market power and determined that it would be subject to special regulatory restrictions. From October 2020, MTN Ghana implemented the NCA's directive to apply a 30% asymmetrical interconnect for two years. MTN Ghana remains in constructive discussions with the NCA in order to pave the way for an amicable resolution. These discussions are ongoing and the market will be updated on any significant developments.

MTN Syria placed under judicial guardianship

On 17 February 2021, a lawsuit was filed before the Administrative Court of Damascus (the Court) by the Syrian Ministry of Telecommunications and the Syrian Telecommunications and Post Regulatory Authority seeking interim measures against MTN Syria. On 25 February 2021, the Court placed MTN Syria under a judicial guardianship, with immediate effect.

The Court has appointed the Chairman of Tele Invest, the minority shareholder of MTN Syria, to serve as the judicial guardian. According to the Court order, the judicial guardian took over responsibility for managing the day-to-day operations of MTN Syria. MTN Syria remains a going concern.

MTN Group strongly disagrees with the Court's decision to appoint a judicial guardian over MTN Syria, and on 1 March 2021, filed an appeal to remove the judicial guardian. On the same date, Tele Invest filed an appeal against the appointment of its Chairman as the judicial guardian. Both appeals remain pending. MTN continues to consider the potential impact of these latest developments and is considering further steps related to its investment in MTN Syria.

MTN Group is committed to continued compliance with all applicable laws and continues to monitor all developments to ensure it acts in accordance with applicable laws.

COVID-19 pandemic impact on the business

2020 was characterised by the COVID-19 pandemic and its impacts, including volatility in global commodities and capital markets as well as the implementation of varying degrees of restrictions. These were most severe in April 2020, after which they began to ease. However, towards year-end a second wave of infections emerged, resulting in renewed lockdown restrictions in some markets.

While economic activity improved as the year progressed, the trading environment remained challenging. We continued to focus on four key areas, namely: **social** (our people, communities and stakeholders); **commercial** (including our customers); **network and supply chain; and funding and liquidity**.

Social

The Group provided ongoing support through the MTN Global Staff Emergency Fund for employees; ***Y'ello*** Hope packages for our customers, communities and other stakeholders as well as through contributions to MTN foundations and government-led initiatives. The Group contributed R107 million through its foundations towards healthcare and government relief efforts in support of the fight against COVID-19.

The investment we made in ***Y'ello*** Hope initiatives provided approximately R1,8 billion in value to our stakeholders. We committed marketing resources to our global #WearItForMe campaign, which encouraged the wearing of masks to fight the spread of the virus.

In January 2021, we donated US$25 million in support of the African Union's (AU) programme to secure much-needed COVID-19 vaccines for frontline health workers across the member states.

Commercial

Despite some periods of volatility, primarily in April 2020, our commercial trends were relatively resilient in 2020. Although we have observed some easing from peaks, most trends recovered well from the initial severe pressure caused by COVID-19 and maintained relatively elevated levels. We once again overview the trends in our data, voice and fintech volumes in context of COVID-19.

Comparing overall Group **data** traffic in December 2020 with that in April 2020, the level of activity was 32,5% higher, and grew by approximately 110% YoY for the financial year. In terms of our larger markets: MTN SA was up by 14,4% in December versus April 2020 (and 68,1% YoY), MTN Nigeria increased by 28,0% (and 33,5% YoY), while MTN Ghana was up by 16,7% (and 60,2% YoY).

Data demand, and online or connectivity services generally, benefitted from shifts in consumer spending patterns during peak periods of lockdown restrictions as spend that would normally have been directed elsewhere was channelled into data and other digital services. But as restrictions were lifted, we observed some reversal in this trend although we expect some structural element of the shift to remain.

We experienced some pressure on voice during strict lockdowns conditions, however the trajectory of **voice** traffic showed a solid recovery. Group voice traffic was up by 21,7% in end December 2020 compared with April 2020 and increased by 14,1% YoY for the financial year. For MTN SA, voice traffic was 23,7% higher in December versus April (and 40,8% YoY), MTN Nigeria was up by 49,3% (and 22,1% YoY) and MTN Ghana had increased by 42,2% (and 26,5% YoY).

Fintech recovered strongly from the lows experienced since April 2020, against which Group fintech transaction volumes in December 2020 were up by 48,5% and 34,5% higher, YoY for the financial year. On the same basis, the value of fintech transactions in US$ terms was up by 94,9% and 57,6% respectively. We zero-rated transaction fees to support our customers through challenges presented by COVID-19, which also helped to drive increased adoption.

COVID-19 has put pressure on the financial position of our postpaid and enterprise business unit customers. The increased credit risk culminated in larger long-outstanding balances on which a detailed review and adequacy of provisions was performed. During 2020 we recognised an impairment and write-down of trade receivables and contract assets of R2,2 billion, which reflects a 197% increase on FY 19.

Network and supply chain

Our priority throughout the pandemic has been to safeguard the capacity and resilience of our networks. We ensured this by implementing measures including building up an inventory of equipment and critical spares. Following a delay in the pace of site rollouts during the height of COVID-19 restrictions in H1, we managed to accelerate our investment in H2 and managed to meet our original (pre-COVID19) capex target for the year.

This helped to increase the headroom in our networks and, in December 2020, the headroom on our data networks was approximately 39,0% in South Africa, 50,0% in Nigeria and 29,0% in Ghana.

We continue to monitor our network and supply chain to mitigate against any significant interruptions that may be caused by the pandemic.

Funding and liquidity

Our ability to weather the volatility brought about by COVID-19 is demonstrated in the strength and resilience of our balance sheet. During 2020, we successfully fast-tracked and closed R18,2 billion in funding to mitigate refinance risks around upcoming maturities and our ongoing focus remains on managing liquidity as a priority.

As at 31 December 2020, our Group net debt was R49,7 billion and our net debt-to-EBITDA ratio of 0,8x, remains well within our covenant limit of 2,5x. Our interest cover was 7,7x, comparing favourably with the covenant limit of no less than 5,0x.

We maintained a healthy liquidity position at the Holdco level where our year-end Holdco net debt of R43,3 billion reflected a pleasing reduction on the December 2019 level of R55,3 billion. At the end of December 2020, our Holdco leverage of 2,2x was flat on the previous year as cash upstreaming, from Nigeria in particular, remained challenging. Holdco leverage did, however, improve from the June 2020 level of 2,7x aided by some H2 progress in our ARP and recovery in the rand against the US dollar. The ratio of US$ to ZAR denominated debt at Holdco level improved to 48:52, from 50:50 compared in 2019.

During the year, we upstreamed R8,7 billion in cash from most of our opcos with MTN Nigeria being the notable exception. Although some cash was repatriated from Nigeria (approximately R286million) during the year, this was not material and upstreaming continues to be delayed due to challenges in securing foreign currency in that market. Presently, the total dividends that have accrued to Group as at December 2020, and yet to be upstreamed, amount to NGN118,5 billion (approximately R4,2 billion). In February 2021, MTN Nigeria declared a final dividend for FY 2020 of which the Group's net portion amounts to NGN87,5 billion (approximately R3,2 billion) – this is subject to approval by the MTN Nigeria shareholders at its annual general meeting (AGM), scheduled for 25 May 2021. The preceding ZAR-equivalent figures were calculated based on December 2020 closing rates.

We maintain a prudent approach to liquidity management and focus on cash preservation. At 31 December 2020, our Holdco liquidity headroom was R41,0 billion. This is comprised of R16,4 billion in cash (excluding the Nigeria dividends that have been paid and not repatriated) and R24,6 billion in committed, undrawn credit facilities.

Our focus over the medium-term remains on reducing our exposure to US dollar debt, as well as to improve the funding mix at the Holdco level through greater cash flows.

Strategy update: Ambition 2025 – 'Leading digital solutions for Africa's progress'

We completed a comprehensive review of our strategy in November 2020, resulting in a repositioning of the business for sustained growth and greater relevance to 2025. MTN has built strong core operations, which are underpinned by the largest fixed and mobile network in Africa; a large connected, registered customer base; an unparalleled registration and distribution network as well as one of the strongest brands in our markets. This is the starting point and foundation of our strategic inflection.

In the wake of COVID-19, the challenges of reducing the Group's risk profile and Holdco leverage have been brought into sharper focus. The pandemic has also highlighted the opportunities presented by the shift in the global operating environment. These factors inform the case for change and need to revise our strategy.

In light of the digital acceleration taking place globally, MTN recognises the opportunity to win in digital services in our markets as customers come online for the first time. In so doing, there is also an opportunity for MTN to more closely align our priorities to the socio-economic and development agendas of the markets we operate in.

Our revised strategy, Ambition 2025, is anchored on building the **largest and most valuable platform business** with a clear **focus on Africa**. This will rest on a **scale connectivity and infrastructure business**, making use of both mobile and fixed access networks across the consumer, enterprise and wholesale segments. The implementation of this growth strategy will be accelerated through **selective partnerships** and leveraging **MTN's brand as the most trusted and valued in Africa**, while it will be supported and funded through **enhanced cost and capex efficiencies**.

The strategic intent of Ambition 2025 of 'Leading digital solutions for Africa's progress' is anchored in our enduring belief that 'everyone deserves the benefits of a modern connected life'. In the above context, the execution of Ambition 2025 is thus embodied in four clear strategic priorities:

- build the largest and most valuable platforms;
- drive industry leading connectivity operations;
- create shared value; and
- accelerate portfolio transformation.

We have identified five vital enablers to assist in operationalising our strategy. These are: leading customer experience; the best talent, culture and future skills; value-based capital allocation; ESG at the core; and technology platforms that are second to none.

At its core, Ambition 2025 sets the context of how we will drive the business forward to take advantage of the digital acceleration trends, capture growth opportunities and reveal the inherent value in our business. This will be underpinned by a clear focus on driving network and operational efficiencies, including digitalising the core, with a target of realising efficiencies of at least R5 billion over the next three years off the 2020 base. Importantly, under the revised strategy we will look to structurally separate some of our businesses such as fintech and fibre over the medium-term, as part of revealing and crystallizing value.

We will provide more details of our strategy and its implementation at a capital markets day (CMD) planned for early June 2021.

Capital allocation priorities

Over the past three years, our disciplined and prudent capital allocation framework has underpinned the Group's solid organic topline growth, progress on reducing and optimising our leverage as well as improvement in our ROE. We will continue to be guided by this framework, which prioritises:

- Investment to drive organic growth;
- Stabilising leverage and rebalancing the mix to have rand debt making up at least 60% of Holdco net debt;
- Return cash to shareholders through dividends;
- Selective and strategic mergers and acquisitions; and
- Further returns of cash to shareholders through share repurchases and/or special dividends.

Our capital allocation framework aligns to our Ambition 2025 strategic priorities and emphasizes expense efficiencies and strengthening of the Holdco balance sheet, including appropriate liability management. It informs our focus on allocating capital in a manner that ensures the best possible short and long-term returns for the business and shareholders' investment.

Dividend and dividend policy update

In H1 we suspended the interim dividend, informed by three key conditions negatively impacting our Holdco leverage evolution. These related to uncertainties around cash upstreaming from Nigeria, the timing of ARP proceeds and COVID-19 impacts. These conditions have not materially improved, resulting in Holdco leverage remaining above our target, the Board has resolved not to declare a final dividend for 2020 (2019: 550cps). This is in line with our capital allocation framework.

In light of these ongoing material uncertainties, the Board has also suspended the dividend policy and anticipates communicating a revised medium-term dividend policy when we announce our FY 2021 results in March 2022.

During this transition, the Board anticipates paying a total ordinary dividend of at least 260cps for the 2021 financial year. We anticipate that this will be a final dividend, with no interim dividend for FY 2021. On assessment of the progress of cash upstreaming from Nigeria, ARP delivery and COVID-19 impacts, the Board will consider returning further cash to shareholders in the form of special dividends or share repurchases after the release of FY2021 results

Going forward, MTN remains focused on capturing the exciting growth opportunities across our markets and our medium-term guidance has been enhanced to reflect this. To support this, we plan to invest approximately R29,1 billion in our network, fintech and digital services platforms in 2021, guided by our disciplined capital allocation framework.

Capex guidance 2021 (including the impact of IFRS 16)

Rm	Estimated (IFRS 16) 2021	Estimated (IAS 17) 2021	Capitalised (IFRS 16) 2020	Capitalised (IAS 17) 2020	Capitalised (IFRS 16) 2019	Capitalised (IAS 17) 2019
South Africa	8 283	7 798	7 542	7 209	11 295	7 562
Nigeria	12 154	8 976	12 694	10 016	9 750	8 011
SEAGHA	5 677	4 885	6 063	5 052	5 554	4 979
WECA	3 673	3 472	3 418	3 255	3 231	2 799
MENA	1 539	1 331	1 642	1 573	1 989	1 941
Head offices, GlobalConnect and eliminations	2 662	2 662	1 286	1 127	834	833
Total	33 988	29 124	32 645	28 232	32 653	26 125
Hyperinflation	–	–	394	377	215	156
Total reported	33 988	29 124	33 039	28 609	32 868	26 281
Iran (49%)	1 940	1 859	1 865	1 773	2 568	2 483

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

Financial review

Headline earnings reconciliation

Rm	IFRS reported 2020	Impairment of goodwill, PPE and associates[1]	Impairment loss on remeasurement of disposal group[2]	Gain on disposal/ dilution of investment in JV/ Associate[3]
2020				
Revenue	**179 361**	**–**	**–**	**–**
Other income	**6 228**	**–**	**–**	**(6 129)**
CODM EBITDA before impairment of goodwill	**81 311**	**42**	**1 113**	**(6 129)**
Depreciation, amortisation and impairment of goodwill and joint venture	**(36 716)**	**1 065**	**397**	**–**
CODM EBIT	**44 595**	**1 107**	**1 510**	**(6 129)**
Net finance cost	**(18 233)**	**–**	**–**	**–**
Net monetary gain	**1 582**	**–**	**–**	**–**
Share of results of joint ventures and associates after tax	**1 142**	**–**	**–**	**–**
Profit before tax	**29 086**	**1 107**	**1 510**	**(6 129)**
Income tax expense	**(9 439)**	**–**	**–**	**–**
Profit after tax	**19 647**	**1 107**	**1 510**	**(6 129)**
Non-controlling interests	**(2 625)**	**(9)**	**(7)**	**–**
Attributable profit	**17 022**	**1 098**	**1 503**	**(6 129)**
EBITDA margin	**45,3%**			
Effective tax rate	**32,5%**			

Rm	IFRS reported 2019	Impairment of goodwill, PPE and associates[1]	Impairment loss on remeasurement of disposal group[2]	Gain on disposal/ dilution of investment in JV/ Associate[3]
2019				
Revenue	151 460	-	-	-
Other income	1 510	-	-	(1 288)
CODM EBITDA before impairment of goodwill	64 229	330	-	(1 288)
Depreciation, amortisation and impairment of goodwill and joint venture	(32 800)	342	-	-
CODM EBIT	31 429	672	-	(1 288)
Net finance cost	(15 184)	-	-	-
Net monetary gain	787	-	-	-
Share of results of joint ventures and associates after tax	705	-	-	(37)
Profit before tax	17 737	672	-	(1 325)
Income tax expense	(6 908)	-	-	-
Profit after tax	10 829	672	-	(1 325)
Non-controlling interests	(1 729)	25	-	-
Attributable profit	9 100	697	-	(1 325)
EBITDA margin	42,4%			
Effective tax rate	38,9%			

	Other[4]	Headline earnings	Nigeria fine interest[5]	Hyper-inflation (excluding impair-ments)[6]	Impact of foreign exchange losses and gains[7]	Reversal of time value loss recognised on the Iran receivable[8]	Adjusted 2020	% move-ment
	–	**179 361**	–	(2 925)	–	–	**176 436**	17,2
	–	**99**	–	15	–	–	**114**	(14,3)
	(22)	**76 315**	–	(1 186)	–	–	**75 129**	19,4
	–	**(35 254)**	–	951	–	(174)	**(34 477)**	(9,0)
	(22)	**41 061**	–	(235)	–	(174)	**40 652**	30,0
	–	**(18 233)**	–	868	3 972	–	**(13 393)**	(8,2)
	–	**1 582**	–	(1 582)	–	–	–	–
	–	**1 142**	–	69	284	–	**1 495**	54,2
	(22)	**25 552**	–	(880)	4 256	(174)	**28 754**	44,8
	–	**(9 439)**	–	193	(1 103)	–	**(10 349)**	(36,7)
	(22)	**16 113**	–	(687)	3 153	(174)	**18 405**	49,8
	1	**(2 640)**	–	148	(137)	–	**(2 629)**	(39,6)
	(21)	**13 473**	–	(539)	3 016	(174)	**15 776**	51,6
		42,5%						
		36,9%						

	Other[4]	Headline earnings	Nigeria fine interest[5]	Hyper-inflation (excluding impair-ments)[6]	Impact of foreign exchange losses and gains[7]	Reversal of time value loss recognised on the Iran receivable[8]	Adjusted 2019
	-	151 460	-	(905)	-	-	150 555
	(83)	139	-	(6)	-	-	133
	(83)	63 188	-	(282)	-	-	62 906
	-	(32 458)	-	598	-	217	(31 643)
	(83)	30 730	-	316	-	217	31 263
	-	(15 184)	189	256	2 364	-	(12 375)
	-	787	-	(787)	-	-	-
	-	668	-	466	(165)	-	969
	(83)	17 001	189	251	2 199	217	19 857
	-	(6 908)	-	-	(662)	-	(7 570)
	(83)	10 093	189	251	1 537	217	12 287
	22	(1 682)	(40)	(20)	(142)	-	(1 884)
	(61)	8 411	149	231	1 396	217	10 404
		41,7%					41,8%
		40,6%					38,1%

Results overview continued

[1] Represents the exclusion of the impact of goodwill, PPE and joint venture impairments. 2020: MEIH (R67million), goodwill (Liberia: R308 million, Guinea-Bissau: R165 million and Yemen: R525 million) and PPE (R42 million); 2019: MEIH (R342 million) and PPE (R355 million).

[2] Represents the impairment loss on remeasurement of Syria (2020: R1 106 million; 2019: R0 million) and BICS (2020: R397 million; 2019: R0 million) disposal groups.

[3] Represents the gain on disposal/dilution of investment in joint ventures and associates: Gain on disposal of tower companies (R6 136 million) and loss on disposal of CCA (R7 million); 2019: R1 325 million (Jumia: R1 039 million, MEIH: R37 million and gain on disposal of TravelStart: R249 million).

[4] Release of a deferred gain in Ghana on the sale of tower assets (2020: R0 million; 2019: R19 million) and profit on the disposal of items of property, plant and equipment. 2020: R21 million; 2019: R42 million.

[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. 2020: R0 million (2019: R149 million).

[6] The impact of hyperinflation is excluded for the operations that are currently accounted for on a hyperinflationary basis (MTN Irancell, 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 be hyperinflationary effective 1 January 2020, and hyperinflation accounting was applied for the current financial year. 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. 2020: forex loss of R3 016 million; 2019: forex loss of R1 396 million. This includes the impact of forex in Iran.

[8] Represents the (reversal)/recognition of the time value loss recognised on the Iran receivable. 2020: -R174 million; 2019: R217 million.

Exchange rates

The effects of COVID-19 brought about increased volatility in exchange rates. The weaker average rand against most functional currencies had a positive overall translation impact on rand-reported results, although the depreciation of the Iranian rial had a negative impact. The average naira weakened 5,8% YoY against the US dollar and closed 8,9% weaker. The average rand weakened by 14,3% YoY against the US dollar and closed 4,8% weaker, which impacted negatively on the balance sheet especially due to US dollar-denominated debt.

Revenue and service revenue

Table 1: Group revenue by country

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to revenue %
South Africa	**45 473**	45 447	0,1	0,1	25,4
Nigeria	**57 980**	46 696	24,2	15,0	32,3
SEAGHA	**34 034**	27 069	25,7	18,6	19,0
Ghana	**17 245**	13 820	24,8	16,7	9,6
Uganda	**8 320**	6 700	24,2	9,2	4,6
Other	**8 469**	6 549	29,3	34,3	4,7
WECA	**27 627**	21 821	26,6	8,7	15,4
Cameroon	**6 686**	5 389	24,1	6,0	3,7
Côte d'Ivoire	**8 776**	6 917	26,9	8,7	4,9
Other	**12 165**	9 515	27,9	10,2	6,8
MENA	**10 423**	8 977	16,1	26,8	5,8
Syria	**2 295**	2 986	(23,1)	29,0	1,3
Sudan	**3 306**	1 903	73,7	81,0	1,8
Other	**4 822**	4 088	18,0	4,6	2,7
Head offices, GlobalConnect and eliminations	**899**	545			0,5
Total	**176 436**	150 555	17,2	10,9	98,4
Hyperinflation	**2 925**	905			1,6
Total reported	**179 361**	151 460	18,4	10,9	100,0

Group total revenue increased by 10,9%* and service revenue increased by 11,9%*, supported by growth across all our operations: MTN South Africa (up 1,6%), MTN Nigeria (up 14,6%*), MTN Ghana (up 16,6%*), MTN Uganda (up 9,5%*), MTN Côte d'Ivoire (up 8,6%*) and MTN Cameroon (up 6,5%*).

Group voice revenue grew by 4,8%* to R92,8 billion, data expanded by 31,0%* to R48,7 billion, fintech grew by 23,9%* to R13,5 billion and digital was up by 27,1%* to R3,2 billion. Enterprise revenues grew by 14,8%* to R16,8 billion and wholesale declined by 12,4%* to R4,2 billion.

Results overview continued

Table 2: Group service revenue by country

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to service revenue %
South Africa	**37 024**	36 430	1,6	1,6	21,8
Nigeria	**57 686**	46 608	23,8	14,6	33,9
SEAGHA	**33 702**	26 754	26,0	18,7	19,8
Ghana	**17 125**	13 730	24,7	16,6	10,1
Uganda	**8 267**	6 639	24,5	9,5	4,9
Other	**8 310**	6 385	30,1	34,9	4,9
WECA	**27 444**	21 650	26,8	8,8	16,1
Cameroon	**6 640**	5 327	24,6	6,5	3,9
Côte d'Ivoire	**8 729**	6 880	26,9	8,6	5,1
Other	**12 075**	9 443	27,9	10,2	7,1
MENA	**10 402**	8 940	16,4	27,2	6,1
Syria	**2 294**	2 986	(23,2)	28,9	1,3
Sudan	**3 295**	1 898	73,6	80,8	1,9
Other	**4 813**	4 056	18,7	5,2	2,8
Head offices, GlobalConnect and eliminations	**900**	544			0,5
Total	**167 158**	140 926	18,6	11,9	98,3
Hyperinflation	**2 914**	904			1,7
Total reported	**170 072**	141 830	19,9	11,9	100,0

Table 3: Group revenue analysis

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to revenue %
Outgoing voice[1]	**78 811**	70 549	11,7	4,9	43,9
Incoming voice[2]	**12 290**	10 905	12,7	3,9	6,9
Data[3]	**47 615**	34 878	36,5	31,0	26,5
Digital[4]	**3 133**	2 402	30,4	27,1	1,7
Fintech[5]	**13 563**	10 125	34,0	23,9	7,6
SMS	**3 959**	3 853	2,8	(2,6)	2,2
Devices	**9 278**	9 629	(3,6)	(4,0)	5,2
Wholesale[6]	**4 204**	4 714	(10,8)	(12,4)	2,3
Other	**3 583**	3 500	2,4	(5,4)	2,0
Total	**176 436**	150 555	17,2	10,9	98,4
Hyperinflation	**2 925**	905			1,6
Total reported	**179 361**	151 460	18,4	10,9	100,0

[1] Excludes international roaming and wholesale.
[2] Includes local and international roaming and excludes wholesale.
[3] Includes mobile and fixed access data and excludes roaming and wholesale.
[4] Includes rich media services, content VAS, eCommerce and mobile advertising.
[5] Includes Xtratime and mobile financial services.
[6] Includes domestic wholesale voice, SMS and data, leased lines and BTS rentals.

Table 4: Group data revenue[1]

	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	**14 565**	12 631	15,3	15,3
Nigeria	**14 360**	8 796	63,3	51,7
SEAGHA	**8 380**	6 143	36,4	29,3
Ghana	**5 066**	3 899	29,9	21,4
Uganda	**1 505**	1 035	45,4	27,8
Other	**1 809**	1 209	49,6	60,4
WECA	**6 623**	4 639	42,8	22,6
Cameroon	**1 834**	1 308	40,2	19,7
Côte d'Ivoire	**1 645**	1 080	52,3	30,1
Other	**3 144**	2 251	39,7	20,7
MENA	**3 458**	2 584	33,8	51,2
Syria	**860**	1 003	(14,3)	42,1
Sudan	**1 240**	575	115,7	126,3
Other	**1 358**	1 006	35,0	19,8
Head offices, GlobalConnect and eliminations	**229**	85		
Total	**47 615**	34 878	36,5	31,0
Hyperinflation	**1 091**	233		
Total reported	**48 706**	35 111	38,7	31,0

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

Table 5: Group fintech revenue[2]

	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	**1 052**	1 021	3,0	3,0
Nigeria	**1 931**	1 407	37,2	27,3
SEAGHA	**7 091**	5 335	32,9	24,5
Ghana	**3 928**	2 795	40,5	31,3
Uganda	**2 111**	1 662	27,0	11,8
Other	**1 052**	878	19,8	28,9
WECA	**3 340**	2 207	51,3	29,4
Cameroon	**883**	524	68,5	43,6
Côte d'Ivoire	**1 156**	850	36,0	16,3
Other	**1 301**	833	56,2	33,7
MENA	**146**	129	13,2	50,5
Syria	**91**	85	7,1	89,6
Sudan	**2**	-	100.0	100.0
Other	**53**	44	20,5	8,2
Head offices, GlobalConnect and eliminations	**3**	26		
Total	**13 563**	10 125	34,0	23,9
Hyperinflation	**(23)**	1		
Total reported	**13 540**	10 126	33,7	23,9

[2] Includes Xtratime and mobile financial services.

Table 6: Group digital revenue[3]

	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	**1 118**	1 045	7,0	7,0
Nigeria	**410**	177	131,6	108,1
SEAGHA	**686**	648	5,9	1,2
Ghana	**559**	531	5,3	(1,4)
Uganda	**24**	19	26,3	9,1
Other	**103**	98	5,1	15,7
WECA	**581**	304	91,1	64,6
Cameroon	**111**	47	136,2	101,8
Côte d'Ivoire	**316**	191	65,4	42,3
Other	**154**	66	133,3	102,6
MENA	**331**	214	54,7	79,9
Syria	**122**	82	48,8	159,6
Sudan	**117**	69	69,6	77,3
Other	**92**	63	46,0	29,6
Head offices, GlobalConnect and eliminations	**7**	14		
Total	**3 133**	2 402	30,4	27,1
Hyperinflation	**89**	22		
Total reported	**3 222**	2 424	32,9	27,1

[3] Includes rich media services, content VAS, eCommerce and mobile advertising.

Costs

Table 7: Cost analysis

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	% of revenue
Handsets and other accessories	**10 899**	11 911	(8,5)	(9,4)	6,1
Interconnect	**9 867**	9 218	7,0	(0,1)	5,5
Roaming	**872**	599	45,6	36,5	0,5
Commissions	**13 919**	11 033	26,2	14,1	7,8
Government and regulatory costs	**6 274**	4 976	26,1	12,7	3,5
VAS/Digital revenue share	**2 884**	3 099	(6,9)	12,7	1,6
Service provider discounts	**1 321**	1 540	(14,2)	(14,4)	0,7
Network and IS maintenance	**17 867**	21 915	(18,5)	(23,3)	10,0
Marketing	**2 948**	3 409	(13,5)	(17,5)	1,6
Staff costs	**12 616**	10 562	19,4	13,5	7,0
Other opex	**21 760**	9 850	120,9	109,8	12,1
Total	**101 227**	88 112	14,9	9,1	56,4
Impairment loss on remeasurement of disposal group	**1 510**	–			0,8
Loss on disposal of joint venture	**–**	–			–
Hyperinflation	**1 541**	629			0,9
Total reported	**104 278**	88 741	17,5	9,1	58,1

Total costs increased by 9,1%*, stemming largely from higher costs related to the maintenance of network sites although partially mitigated by lower handset costs, particularly at MTN SA. There was upward pressure on costs in Nigeria due to the impact of naira depreciation on lease rentals in the year. There was also an impact from bad debt provisions which increased by 197%, mainly due to COVID-19 effects; refer to the commercial impacts section of the COVID-19 discussion for further detail.

The Group expense efficiency programme, including enhanced oversight of expenditure such as distribution and network costs, helped to contain overall cost increases below top line growth to drive positive operating leverage.

EBITDA

Table 8: Group EBITDA by country

	Actual Rm	Prior Rm	Reported % change	Constant Currency % change
South Africa	**17 742**	16 972	4,5	4,5
Nigeria	**29 506**	25 149	17,3	8,6
SEAGHA	**16 802**	12 136	38,4	29,4
Ghana	**9 097**	7 014	29,7	21,2
Uganda	**4 118**	3 150	30,7	14,9
Other	**3 587**	1 972	81,9	(6,7)
WECA	**8 620**	6 081	41,8	21,1
Cameroon	**2 149**	1 635	31,4	12,2
Côte d'Ivoire	**3 042**	1 814	67,7	42,7
Other	**3 429**	2 632	30,3	(33,8)
MENA	**3 352**	2 836	18,2	37,2
Syria	**574**	1 173	(51,1)	(16,8)
Sudan	**1 428**	677	110,9	123,8
Other	**1 350**	986	36,9	(69,8)
Head offices, GlobalConnect and eliminations	**(699)**	(534)		
CODM EBITDA	**75 323**	62 640	20,2	13,4
Gain on disposal/dilution of investment in associates and joint ventures	**6 129**	1 039		
Gain on disposal of subsidiary	**–**	249		
Hyperinflation	**1 369**	282		
Impairment loss on remeasurement of disposal group	**(1 510)**	–		
Tower sale profits	**–**	19		
CODM EBITDA before impairment of goodwill and joint ventures	**81 311**	64 229	26,6	13,4

Group EBITDA increased by 26,6% on a reported basis and by 13,4%* in constant currency, before once-off items. This was driven by strong performances across most operations, with MTN SA up 4,5%, MTN Nigeria up 8,6%* and increases of 29,4%*, 21,1%* and 37,2%* in SEAGHA, WECA and MENA respectively.

The healthy growth in EBITDA and strong service revenue growth resulted in an increase in the Group EBITDA margin by 0,9pp* to 42,7%*.

Depreciation, amortisation and impairment of goodwill

Table 9: Group depreciation and amortisation

	Depreciation				Amortisation			
	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Actual Rm	Prior Rm	Reported % change	Constant currency % change
South Africa	**8 417**	8 197	2,7	2,7	**1 062**	1 123	(5,4)	(5,4)
Nigeria	**9 598**	8 168	17,5	8,7	**1 576**	1 196	31,8	22,1
SEAGHA	**4 115**	3 709	10,9	4,2	**779**	497	56,7	52,1
Ghana	**2 137**	1 870	14,3	6,8	**368**	266	38,3	30,0
Uganda	**1 138**	1 049	8,5	(4,8)	**327**	128	155,5	124,0
Other	**840**	790	6,3	11,4	**84**	103	(18,4)	1,2
WECA	**5 202**	4 635	12,2	(3,6)	**1 163**	1 118	4,0	(10,5)
Cameroon	**1 655**	1 525	8,5	(7,3)	**246**	185	33,0	13,9
Côte d'Ivoire	**1 636**	1 444	13,3	(3,2)	**546**	499	9,4	(6,5)
Other	**1 911**	1 666	14,7	(0,6)	**371**	434	(14,5)	(25,7)
MENA	**1 263**	1 692	(25,4)	(12,0)	**470**	442	6,3	9,8
Syria	**364**	879	(58,6)	(32,1)	**58**	121	(52,1)	(20,5)
Sudan	**202**	177	14,1	17,4	**24**	25	(4,0)	–
Other	**697**	636	9,6	(4,3)	**388**	296	31,1	17,2
Head offices, GlobalConnect and eliminations	**503**	403			**552**	680		
Total	**29 098**	26 804	8,6	2,9	**5 602**	5 056	10,8	4,9
Hyperinflation	**810**	516			**141**	82		
Total reported	**29 908**	27 320	9,5	2,9	**5 743**	5 138	11,8	4,9

The increase in the Group depreciation charge abated to 2,9%* as the trajectory continues to normalise and stabilise following the elevated capex profile of the past few years. Amortisation costs increased by 4,9%*.

As a result of our regular impairment testing, the Group partially impaired its goodwill in MTN Liberia by R308 million, MTN Yemen by R525 million and MTN Guinea-Bissau by R165 million. This has resulted primarily from increased risk premium and discount rate assumptions in the valuation analysis of the assets. Furthermore, the impact of COVID-19 restrictions on operational and valuation assumptions – offset by higher valuations of comparable technology companies – resulted in net impairment of R67 million being recognised against the Group's investment in its joint venture, Middle East Internet Holdings S.A.R.L. (MEIH).

Net finance costs

Table 10: Net finance cost

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	% of revenue
Net interest paid	**13 393**	12 495	7,2	3,1	7,5
Net forex losses	**3 972**	2 245	76,9	75,2	2,2
Total	**17 365**	14 740	17,8	13,8	9,7
Nigeria regulatory fine interest unwind	**–**	189			–
Hyperinflation	**868**	255			0,5
Total reported	**18 233**	15 184	20,1	13,8	10,2

Net finance costs increased by 13,8%* to R18,2 billion driven by increase in forex losses.

At 31 December 2020, we recognised net forex losses of R4,0 billion compared to net forex losses of R2,2 billion in the prior period largely due to the weakening of the unofficial rate being used in Sudan and South Sudan.

Share of results of associates and joint ventures after tax

We reported a positive contribution of R1,1 billion from associates and joint ventures, compared to R705 million in December 2019. The 2020 contribution was largely attributable to lower losses from the Digital Group, as Jumia was no longer equity accounted (from 12 April 2019), the recommencement of equity accounting for Mascom and the lower unwinding of depreciation on previously hyperinflated assets in Iran.

Taxation

Table 11: Taxation

	Actual Rm	Prior Rm	Reported % change	Constant currency % change	Contribution to taxation %
Normal tax	**9 293**	5 947	56,3	44,7	98,5
Deferred tax	**(1 469)**	(100)			(15,6)
Foreign income and withholding taxes	**1 421**	1 060	34,1	26,6	15,1
Total	**9 245**	6 907	33,8	24,5	97,9
Hyperinflation	**194**	1			2,1
Total reported	**9 439**	6 908	36,6	24,5	100,0

The reported group effective tax rate (GETR) was 32,5%; lower than the prior year's rate of 38,9% mainly due to the non-taxable gain from the disposal of the tower companies. For the year ended 31 December 2020, the Group's reported taxation charge increased by 36,6% to R9,4 billion.

Cash flow

Cash inflows generated from operations increased by 61,2% to R58,5 billion driven by the solid operational performance across our markets. Key cash outflows included tax paid of R8,4 billion, net interest paid of R12,3 billion, capex of R30,2 billion and dividends paid to equity holders of R6,5 billion.

Capital expenditure

Table 12: Capital expenditure

	Actual IFRS 16 Rm	Actual IAS 17 Rm	Prior IAS 17 Rm	Reported % change	Constant currency % change
South Africa	**7 542**	**7 209**	7 562	(4,7)	(4,7)
Nigeria	**12 694**	**10 016**	8 011	25,0	15,3
SEAGHA	**6 063**	**5 052**	4 979	1,5	(2,8)
Ghana	**3 021**	**2 773**	2 705	2,5	(4,9)
Uganda	**1 328**	**1 032**	1 042	(1,0)	(6,7)
Other	**1 714**	**1 247**	1 232	1,2	5,9
WECA	**3 418**	**3 255**	2 799	16,3	(0,2)
Cameroon	**950**	**900**	509	76,8	50,6
Côte d'Ivoire	**1 064**	**1 036**	844	22,7	5,3
Other	**1 404**	**1 319**	1 446	(8,8)	(21,5)
MENA	**1 642**	**1 573**	1 941	(19,0)	6,5
Syria	**751**	**721**	904	(20,2)	84,3
Sudan	**495**	**473**	430	10,0	19,1
Other	**396**	**379**	607	(37,6)	(45,0)
Head offices, GlobalConnect and eliminations	**1 286**	**1 127**	833		
Total	**32 645**	**28 232**	26 125	8,1	6,9
Hyperinflation	**394**	**377**	156		
Total reported	**33 039**	**28 609**	26 281	8,9	6,9

Results overview continued

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 2020**	Net debt/ (cash) December 2019
South Africa	1 901	28 069	(28 069)	–	**(1 901)**	(1 310)
Nigeria	17 230	19 107	–	19 107	**1 877**	7 796
SEAGHA	2 964	10 960	(5 894)	5 066	**2 102**	1 391
Ghana	1 702	2 079	–	2 079	**377**	114
Uganda	237	1 558	–	1 558	**1 321**	423
Other	1 025	7 323	(5 894)	1 429	**404**	854
WECA	2 448	12 350	(4 197)	8 153	**5 705**	6 657
Cameroon	490	1 978	(393)	1 585	**1 095**	1 593
Côte d'Ivoire	526	3 499	–	3 499	**2 973**	2 990
Other	1 432	6 873	(3 804)	3 069	**1 637**	2 074
MENA	1 384	3 734	(3 734)	–	**(1 384)**	(1 927)
Syria	–	616	(616)	–	**–**	(444)
Sudan	451	3 118	(3 118)	–	**(451)**	(338)
Other	933	–	–	–	**(933)**	(1 145)
Head offices, GlobalConnect and eliminations	20 640	63 922	–	63 922	**43 282**	55 313
Total reported	46 567	138 142	(41 894)	96 248	**49 681**	67 920
Iran	862	436	–	436	**(426)**	(313)

* Includes restricted cash and current investments.

Group net debt reduced to R49.7 billion, from R67,9 billion in December 2019. This was boosted by the proceeds from ARP sales as well as no interim dividend being paid.

Holdco borrowings reduced to R43,3 billion, from R55,3 billion in December 2019. The reduction was mainly due to ARP proceeds and repayment of loans. The currency mix of MTN's debt at December 2020 was 48,0% US dollar/euro and 52,0% South African rand (2019: 50% and 50% respectively), reflecting pleasing progress in our objective of optimizing the mix of our Holdco debt. At the end of December 2020, our Holdco leverage was flat at 2,2x, impacted by the 4,8% weakening of the rand against the US dollar and offset by asset sales.

We remain comfortably within our debt covenants, which are evaluated on a group consolidated basis. Our Group net debt-to-EBITDA ratio stood at 0,8x at 31 December 2020 (2019: 1,2x) against our covenant of 2,5x. Our interest cover ratio was 7,7x (2019: 6,6x) compared to the covenant of no less than 5,0x. Our Group cash balance at the end of December 2020 was R46,6 billion.

Operational review

MTN South Africa

- Service revenue increased by 1,6%;
- Data revenue increased by 15,3%;
- Fintech revenue increased by 3,0%;
- Digital revenue increased by 7,0%;
- EBITDA increased by 4,5% to R17,7 billion;
- EBITDA margin increased by 1,7pp to 39,0%; and
- Capex of R7,5 billion on IFRS reported basis (R7,2 billion under IAS 17).

MTN SA delivered solid overall performance underpinned by strong commercial and operational execution as well as an acceleration in digital adoption arising from the impacts of the COVID-19 pandemic. This was despite a challenging macro and trading environment and volatility in the national roaming business.

The 1,6% growth in service revenue was supported by the prepaid (up 2,9%) and total postpaid (up 8,6%) businesses, which recovered well from the impact of regulation changes in 2019. Overall service revenue was also boosted by a resilient performance in the broader consumer business unit (CBU) and growth in the enterprise business unit (EBU). The core mobile business grew service revenue by 4,6%.

MTN SA's results were impacted by lower revenue in the wholesale business. This arose from discontinuation of the roaming agreement with Telkom and the continuing effects of accounting for Cell C revenue on a cash basis. Excluding the impact of national roaming (both Cell C and Telkom), MTN SA would have recorded service revenue growth of 3,2%. Cell C has remained current with payments on the agreed upon plan.

Total subscribers increased by 3,1 million to 32,0 million on stronger gross additions and improved churn. The main driver was an increase in prepaid customers by 2,4 million, to a base of 25,3 million – the highest level in about two years.

Postpaid subscriber numbers increased by 664 000 to 6,8 million, in a highly competitive environment and limited by lockdown restrictions. It was encouraging to note that MTN SA achieved positive net connections for the five months in a row to December 2020. The postpaid subscriber base benefited from short-term university and college deals offered to support students during the height of COVID-19 impacts.

Total **data revenue** grew by 15,3%, supported by a 79% rise in traffic and an increase of 1,5 million in active data subscribers to 15,7 million; the significant traffic growth was supported by ICASA's temporary assignment of high demand spectrum. In the year, the effective data tariff reduced by 35%, due to an increased adoption of mobile broadband deals, student deals and SME deals. MTN SA also implemented data price reductions in line with the agreement reached with the Competition Commission (CompCom) and remains committed to ensuring data affordability for its customers.

The **consumer prepaid** business continued to deliver pleasing and improving results, especially through H2. Service revenue for the year increased by 2,9%, driven by solid commercial execution of customer value management (CVM) initiatives and enhanced distribution. Service revenue slowed from 5,7% in the third quarter to 2,5% in the fourth quarter, impacted mainly by the release of loyalty provisions.

Results overview continued

The **consumer postpaid** business performed strongly in a highly competitive trading environment, generating solid service revenue growth of 5,3% in the year. This was aided by subscriber growth, well-managed churn and the uptake of Data First offers (Mega Deals campaign). The business has shown pleasing resilience in a challenging environment, however with South Africa now in the midst of a second wave of COVID-19 infections, further macroeconomic challenges and pressure on consumers may present some headwinds to the business.

The **enterprise business** sustained its progress, achieving growth for the fifth consecutive quarter with service revenue up 14,3% for the year. The business benefited from a record number of customer additions, boosted by a surge in data deals as universities facilitated 'learn from home' initiatives and customers required 'work from home' solutions. Some of the deals were on a short-term basis, leading to a slowdown in the fourth quarter because of university churn.

Wholesale revenue declined by 16,4% because of the discontinuation of our roaming agreement with Telkom and the effects of accounting for Cell C revenue on a cash basis. For the year, we recognised R2,0 billion in roaming revenue from Cell C – this was up by 10% on the revenue recognised in the previous year. R414 million of Cell C roaming revenue remained unrecognised at December 2020. These payments are anticipated in 2021 upon successful recapitalisation and will be recognised in 2021. MTN SA commenced phase two of the roaming agreement with Cell C, effective 1 May 2020. The arrangement envisages a three-year transition towards a full national roaming arrangement under which MTN will carry all of Cell C's network traffic.

MTN SA recorded a solid **EBITDA margin** of 39,0%, an improvement of 1,7pp, with EBITDA increasing by 4.5% YoY. In addition to service revenue growth, the margin performance was supported by cost efficiencies and channel optimisation, reductions in device volumes, as well as reductions in device subsidies. Based on an assessment of the prevailing macroeconomic environment, we recorded an additional R371 million provision for expected credit losses under IFRS 9.

The fintech business in SA continued to scale, with 2,5 million registered users and 207 000 active users at year-end. This follows the launch of **Mobile Money** in South Africa in January 2020. The platform continues to grow transactions driven by innovative and relevant solutions. MTN SA's main focus is around distribution, as well as extending cash-in and cash-out points through both formal and informal channels.

In the year, our commitment to transformation and improving access to mobile technology across South Africa resulted in the company achieving the significant milestone of Level 1 BBBEE contributor status.

MTN SA continues to deliver and sustain the best network quality in SA on both customer and independent measures. It has been endorsed as the best network by MyBroadband, Tutela, Open Signal and P3 for more than three years in a row.

MTN SA launched 5G in June 2020 being the first in the MTN Group. We have over 150 sites across several spectrum bands in Johannesburg, Cape Town, Pretoria, Durban, Bloemfontein, Centurion, Port Elizabeth and a few towns, with ambitious plans to scale up to more than 1000 sites upon allocation of 3500MHz high demand spectrum.

MTN Nigeria

- Service revenue increased by 14,6%*;
- Data revenue increased by 51,7%*;
- Fintech revenue increased by 27,3%*;
- Digital revenue increased by 108,1%*;
- EBITDA grew by 8,6 %* to R29,5 billion*;
- EBITDA margin decreased by 3,0 pp* to 50,9%*; and
- Capex investment of R12,7 billion on a reported basis (R10,0 billion under IAS 17).

MTN Nigeria delivered considerable growth in its base, connecting 12,2 million new subscribers to its network, which helped to grow its service revenue by 14,6%*. The growth in our subscriber base provided support for voice revenue, which accounted for 67,0%* of service revenue and rose by 5,6%*, with an acceleration in growth to 8,9% YoY in H2. This was enabled by our expanded customer acquisition touchpoints, rural telephony initiatives and revamped acquisition offers. The suspension of new SIM registration in mid-December did not have a significant impact on voice revenue as we saw an increased level of activity from the existing base.

Data revenue rose by 51,7%* for the year, maintaining the positive momentum from the effects of COVID-19 lockdowns. The performance in data was enabled by a combination of increased subscribers, usage and ultimately traffic, which was in turn supported by increased network capacity and 4G penetration. Data traffic rose by 126,5% and average usage by 64,0%. MTN Nigeria added approximately 8,2 million new smartphones to the network, bringing smartphone penetration to 45,9% of our base, up from 41,9% in 2019.

Fintech revenue rose by 27,3%* boosted by airtime lending service, MTN Xtratime. MTN Nigeria expanded its MoMo agent network with the addition of more than 280,000 registered agents during the year. This achievement was aided by the conversion of traditional airtime agents in line with the 'one distribution' strategy. Fintech subscribers increased more than eight-fold to 4,7 million, driving higher transaction volume of approximately 51,5 million and core fintech revenue growth of 28,0%.

The uptake of **digital** services continued to gain traction with the revamp of MTN Nigeria's portfolio of digital products and services, improved customer journey and increase in the active user base. As a result, digital revenue recorded a growth of 108,1%*. Active users increased to 2,8 million, from 1,6 million in H1 when the definition was revised (to capture only unique paid subscriptions). This was driven mainly by subscriptions for instant messaging platform, ayoba, which rose by 120,9% to 1,4 million.

Enterprise revenue increased by 0,8%*, supported by growth in revenue from devices and fixed connectivity. The economic impact of the COVID-19 lockdown, particularly in Q2, led to a decline in the uptake of products and services by the businesses supported by MTN Nigeria. The recovery in H2 was, however, encouraging as restrictions eased and economic activity began to improve. A further uplift in enterprise revenue is anticipated once the USSD pricing dispute is resolved and outstanding fees are recovered from the banks.

During the period, MTN Nigeria expanded the scope of its service agreement with IHS Holding Limited (IHS) and amended the currency conversion provision for tower services. The changes in the service agreement substantially improve MTN Nigeria's terms and conditions for future network expansion. The contract adjustment included the movement of the reference rate for conversion to Naira from the CBN's official rate to the NAFEX. MTN Nigeria also reviewed the treatment of non-recoverable VAT on lease payments to account for it as an expense over the lease period. These, together with the effects of Naira depreciation, put upward pressure on lease rental costs in the period.

In addition to this, the combined effect of the 2.5% increase in value-added tax (VAT) and COVID-19-related costs led to a 29.2% increase in operating expenses with knock-on effect on EBITDA. This resulted in the EBITDA margin softening by 3,0pp* to 50,9%* with EBITDA rising by 8,6%*.

Southern and East Africa and Ghana (SEAGHA)

- Service revenue increased by 18,7%*;
- Data revenue increased by 29,3%*;
- Fintech revenue increased by 24,5%*; and
- Digital revenue increased by 1,2%*

MTN's **SEAGHA** region delivered a healthy performance despite a substantial downturn in economic activity resulting from COVID-19 containment measures. Total subscribers increased by 8,8 million in the year to 57,3 million.

MTN Ghana was once again a key driver of the strong performance in SEAGHA, with service revenue growth remaining in the double-digits (up 16,6%*) driven by improved performances across most revenue curves. Voice revenue (up 8,4%*) was supported by an increase in the number of active subscribers, as well as various CVM initiatives, which helped to manage churn and improve usage. The continued robust growth in data revenue (up 21,4%*) was supported by higher active data users and smartphones on the network. The increased usage was partly due to shifts in consumer behaviour amid the COVID-19 pandemic.

The growth in MoMo revenue (up 31,3%*) benefited from various promotions in the year, increased person-to-person (P2P) transactional activity and broader penetration of more advanced services such as retail merchant payments and international remittances. MTN Ghana's EBITDA margin improvement of 2,0pp* to 52,8%* resulted from ongoing cost initiatives and distribution efficiencies.

MTN Uganda increased service revenue by 9,5%*, with positive growth delivered in most of its revenue lines notably, voice (up 3,9%*), data (up 27,8%*) and fintech (up 11,8%*). MTN Uganda's performance was underpinned by increases in the user base and usage, helped by CVM initiatives. EBITDA margin expanded by 2,4pp* to 49,5%*, on higher revenue and effective implementation of cost efficiencies.

The rest of the SEAGHA portfolio also delivered strong results, with MTN Rwanda and MTN Zambia growing at a double-digit rate. Data growth was strong across all opcos, benefiting from increased traffic resulting in part from the effects of COVID-19. Overall, the SEAGHA portfolio excluding MTN Ghana delivered service revenue growth of 20,9%* for the year, and 24,8%* YoY in Q4. Service revenue continued to grow ahead of costs in most markets, driving positive operating leverage. Moving forward, disclosure of the region will change to reflect the new regional operating structure announced during 2020.

West and Central Africa (WECA)

- Service revenue increased by 8,8%*;
- Data revenue increased by 22,6%*;
- Fintech revenue increased by 29,4%*; and
- Digital revenue increased by 64,6%*

The **WECA** region delivered a solid result with growth continuing to significantly outstrip inflation. This was supported by strong double-digit base growth despite the COVID-19 restrictions as well as improved data and fintech activities. Execution of the expense efficiency programme resulted in most WECA opcos improving their EBITDA margins. The aggregate EBITDA margin of WECA increased by 3,2pp* for the year to 31,2%*. Total subscribers increased by 3,0 million in the year to 39,2 million.

MTN Côte d'Ivoire recorded an increase in service revenue of 8,6%*, supported by net additions of 0,8 million following positive net additions for the eighth month in a row to December. This result was also supported by strong revenue growth in data (up 30,1%*) and fintech (up 16,3%*). The EBITDA margin widened by 8,3pp* to 34,7%*.

MTN Cameroon delivered service revenue growth of 6,5%*, with strong growth in data (up 19,7%*), fintech (up 43,6%*) and digital (up 101,8%*). The performance was supported by gains in market share in a difficult operating environment and ongoing conflict in large parts of the country. The EBITDA margin for MTN Cameroon improved by 1,7pp* to 32,1%*.

Overall, excluding MTN Cameroon and MTN Côte d'Ivoire, the WECA markets grew their service revenue by an aggregate of 10,2%*, and 13,3%* YoY in Q4.

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

- Service revenue increased by 27,2%*;
- Data revenue increased by 51,2%*;
- Fintech revenue increased by 50,5%*; and
- Digital revenue increased by 79,9%*.

Despite persistent geopolitical challenges, the operations within the MENA portfolio delivered a strong performance with a firm EBITDA margin. This was supported by solid growth in data revenue with a 16,3% YoY increase in active data subscribers (excluding MTN Irancell). The total number of subscribers (excluding MTN Irancell) was 26,0 million.

MTN Syria grew service revenue by 28,9%*, driven by growth in voice (up 12,1%*) and data (up 42,1%*). The EBITDA margin declined by 13,8pp* to 25,0%* as a result of a material devaluation in the local currency, which put pressure on foreign-denominated operational expenditure.

MTN Sudan increased service revenue by 80,8%*, underpinned by growth in voice (up 64,7%*) and data (up 126,3%*) on the back of increase in data bundle prices, active data subscribers and usage. The EBITDA margin expanded by 8,3pp* to 43,2%*, driven by strong growth in revenue.

Associates, joint ventures and investments

Telecoms operations

MTN Irancell delivered a strong set of results amid ongoing challenges including US sanctions and re-entering classification as a hyperinflationary economy, the depreciation of the currency and the high rate of inflation. Service revenue grew by 36,4%*, with voice revenue up by 14,3%* and data revenue up by 56,9%*.

MTN Irancell's EBITDA margin decreased by 0,3pp* to 37,2%*. Invested capex was R3,6 billion under IAS 17. The value of the Irancell loan and receivable as at 31 December 2020 was R2,8 billion.

E-commerce investments

Although **Iran Internet Group** (IIG) was impacted by COVID-19, ride-hailing app Snapp remained the market leader, ranking among the top ride-hailing apps globally with 464 million rides in 2020. Snapp Box is the leading last-mile delivery network in the country with over 100 000 orders each day. Food delivery app Snappfood grew 66% YoY; it leads the market with over 10 000 partner restaurants. Snapp market grew 181% YoY. It is the leading supermarket delivery app in the country.

Within **Middle East Internet Holding** (MEIH), ride-hailing service Jeeny and cleaning service app Helpling were both impacted by COVID-19 but then began to recover strongly. In 2020, Jeeny more than doubled its market share in Saudi Arabia.

These e-commerce holdings, while important investments, are not viewed as long-term strategic holdings for the Group and form part of the ARP.

Investments in tower and infrastructure companies

At 31 December 2020, the fair value of our 29% investment in **IHS** was recognised at R27,2 billion.

Prospects and guidance

Positioning the business for accelerated growth and relevance to 2025

COVID-19 brought about unprecedented volatility and uncertainty globally and across our markets placing enormous pressure on economies and the lives of our staff, customers and other stakeholders. The pandemic also brought into sharper focus the impact of the digital divide, especially in our markets, and the need for accelerated digitalisation.

FY 2020 demonstrated the resilience and agility of the MTN business model, as well as its importance and relevance to the shifting global operating environment. Our revised strategy, Ambition 2025, is geared to accelerating the Group's de-risking and growth into platforms that will provide digital solutions for the markets we serve. At the heart of our ambition is to continue leading the drive for digital and financial inclusion in Africa while aligning to its nation-state development agenda.

MTN has built Africa's leading scale and connectivity business, underpinned by a large connected and registered customer base as well as an enhanced risk framework and disciplined capital allocation. This provides the cornerstone upon which our ambition rests; to accelerate the Group's progression into a platform business led by fintech and expanding into other digital, enterprise and network services.

Our target over the next five years is to grow our total subscriber base to 300 million, our mobile data users to 200 million data subscribers and our home broadband users to 10 million. This objective forms the connectivity foundation upon which we aim to leverage our platform ambition, in terms of which we aim to scale our MoMo and ayoba user bases to 100 million.

In the nearer-term, we remain focused on sustaining the turnaround achieved in MTN SA, particularly the pleasing traction achieved in its core consumer and enterprise businesses. MTN Nigeria will continue to prioritise investment in its network to accommodate the rapidly growing demand for data. More broadly, we will continue to drive operational execution to maintain the good growth achieved across our markets.

The acceleration of our portfolio transformation and Holdco deleveraging are key priorities. While the disruption caused by COVID-19 hampered execution in 2020, we are pleased with some of the progress we were able to make in our ARP. Much of the groundwork has been done to advance further planned asset realisations during the course of the coming year.

We will continue to invest in the capacity and resilience of our networks as well as scaling our platforms to drive accelerated growth in our business. Our guidance for capex in 2021 is R29,1 billion, which is a slight increase of 1,8% on our 2020 capex.

Medium-term guidance

Although there remains some uncertainty around the effects of COVID-19, we are committed to delivering on our medium-term (three to five years) guidance. In the context of our revised strategy, Ambition 2025, we have amended the guidance framework to align with our refreshed strategic priorities.

- Group service revenue: low to mid-teens growth;
  - South Africa service revenue: mid-single-digit growth
  - Nigeria service revenue: mid-teens growth
  - Accelerate fintech: target a greater than 20% service revenue contribution
- Holdco leverage of not higher than 1,5x;
- ARP proceeds of at least R25 billion; and
- ROE of greater than 20%.

Senior management and Board changes

Senior management changes

During the year, we announced some changes to the Executive Committee (Exco) and an amended regional operating structure to support the execution of our strategy and realising our ambition:

- Ralph Mupita was appointed President and GCEO, effective 1 September 2020;
- Sugen Perumal was appointed as Acting GCFO, effective 1 September 2020;
- Tsholofelo Molefe was appointed GCFO. She will take up the role from 1 April , and will join the Board on the same day;
- Ebenezer Asante became VP for WECA effective from 1 January 2021;
- Yolanda Cuba was appointed VP for SEA, effective 1 January 2021;
- Serigne Dioum assumed the role of Group Chief Digital and Fintech Officer, joining Exco on 1 January 2021;
- Kholekile Ndamase was appointed Group Chief M&A and Business Development Officer, joining Exco on 1 January 2021;
- Karl Toriola became MTN Nigeria CEO effective 1 March 2021; and
- Ferdi Moolman assumed the new role of MTN Group Chief Risk Officer on 1 March 2021.

Effective 1 January 2021, MTN Ghana became part of the Group's West and Central Africa (WECA) region. From that date, MTN's Southern and East Africa and Ghana (SEAGHA) region became known as the Southern and East Africa (SEA) region.

Board changes

We announced the following changes to the board in the year:

- Christine Ramon stepped down as a director on 30 September 2020;
- Sindi Mabaso-Koyana was appointed as an independent non-executive director, effective 1 September 2020, and assumed the role of Chairman of the Audit Committee from 1 October;
- Rob Shuter stepped down as GCEO and an executive director effective 1 September 2020;
- Nosipho Molope was appointed as an independent non-executive director, effective 1 April 2021; and
- Noluthando Gosa was appointed as an independent non-executive director, effective 1 April 2021.

We thank all departing directors for their valuable contribution over many years.

For and on behalf of the board

MH Jonas	**RT Mupita**
Group Chairman	*Group President and CEO*

09 March 2021

Fairland

Date of release 10 March 2021

Lead sponsor
JP Morgan Equities South Africa Proprietary Limited

Joint sponsor
Tamela Holdings Proprietary Limited

Appendix

Definitions:

- 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 e-commerce;
- Mobile Money users are 30-day active users;
- CODM EBITDA (referred to as 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 goodwill and joint ventures; net monetary gain resulting from the application of hyperinflation; share of results of associates and joint ventures after tax; gain on disposal of tower associates; impairment loss on remeasurement of disposal Groups; and gain on disposal/dilution of investment in associates and joint ventures (ATC Ghana and ATC Uganda, Travelstart and Jumia) and loss on disposal of investment in Content Connect Africa. EBITDA including these once-off items increased by 26,6%;
- ROE is calculated based on reported Group HEPS of 749 cps after adjusting for non-operational impacts of 128 cps. Equity is also adjusted for non-operational items such as hyperinflation;
- All financial numbers are year on year (YoY) unless otherwise stated;
- All subscriber numbers are compared to the end of December 2019 unless otherwise stated;
- Holdco leverage = Holdco net debt (including GlobalConnect) / SA EBITDA + cash upstreaming;
- ARPU: average revenue per user;
- SME: small and medium-sized enterprises;
- All financial numbers are year on year (YoY) unless otherwise stated;
- All subscriber numbers are compared to the end of December 2019 unless otherwise stated.

Notes:

Results overview

Audited summary group financial statements for the year ended 31 December 2020

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 were supervised by the acting Group Chief Financial Officer, S Perumal, CA(SA).

The audited summary group financial statements were made available on 10 March 2021.

Leading digital solutions for Africa's progress

Independent auditors' report on the summary consolidated financial statements

TO THE SHAREHOLDERS OF MTN GROUP LIMITED

OPINION

The audited summary consolidated financial statements of MTN Group Limited, contained in the accompanying preliminary report, which comprise the summary group statement of financial position as at 31 December 2020, the summary group income statement and the summary group 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 2020.

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 requirements of the JSE Limited Listings Requirements for preliminary reports, 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 auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's 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 9 March 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, 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
4 Lisbon Lane
Waterfall City
Jukskei View
2090
9 March 2021

SizweNtsalubaGobodo Grant Thornton Inc.
Director: DH Manana
Registered Auditor
20 Morris Street East
Woodmead
2191

9 March 2021

Summary group income statement

for the year ended 31 December 2020

	Note	2020 Rm	2019 Restated[1] Rm
Revenue	8	**179 361**	151 460
Other income		**99**	471
Direct network and technology operating costs		**(28 208)**	(22 121)
Costs of handsets and other accessories		**(11 093)**	(11 929)
Interconnect and roaming costs		**(10 992)**	(9 897)
Staff costs		**(12 741)**	(10 597)
Selling, distribution and marketing expenses		**(21 158)**	(18 574)
Government and regulatory costs		**(6 823)**	(5 695)
Impairment and write-down of trade receivables and contract assets		**(2 169)**	(729)
Other operating expenses		**(9 584)**	(9 199)
Depreciation of property, plant and equipment		**(22 704)**	(21 492)
Depreciation of right-of-use assets		**(7 204)**	(5 828)
Amortisation of intangible assets		**(5 743)**	(5 138)
Impairment of goodwill and investment in joint venture	9	**(1 065)**	(342)
Gain on disposal/dilution of investment in joint ventures and associates[2]		**6 129**	1 039
Impairment loss on remeasurement of non-current assets held for sale		**(1 510)**	–
Operating profit		**44 595**	31 429
Net finance costs	10	**(18 233)**	(15 184)
Net monetary gain		**1 582**	787
Share of results of associates and joint ventures after tax	11	**1 142**	705
Profit before tax		**29 086**	17 737
Income tax expense		**(9 439)**	(6 908)
Profit after tax		**19 647**	10 829
Attributable to:			
Equity holders of the company		**17 022**	9 100
Non-controlling interests		**2 625**	1 729
		19 647	10 829
Basic earnings per share (cents)	12	**946**	506
Diluted earnings per share (cents)	12	**936**	498

[1] Restated for change in accounting policy, refer to note 23 for details of restatements.
[2] Gain on disposal/dilution of investment in joint ventures and associates was included in other income in 2019 and has been disaggregated in 2020 and comparative numbers have been re-presented accordingly.

Summary group statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 Rm	2019 Restated[1] Rm
Profit after tax		**19 647**	10 829
Other comprehensive income after tax			
Items that may be and/or have been reclassified to profit or loss:		**5 243**	(3 862)
Net investment hedges	18	**(878)**	515
Foreign exchange movement on hedging instruments		**(1 219)**	715
Deferred and current tax		**341**	(200)
Exchange differences on translating foreign operations including the effect of hyperinflation[2]	18,19	**6 121**	(4 377)
Gains/(losses) arising during the year	18	**4 453**	(4 415)
Reclassification of foreign currency translation differences on loss of significant influence		**1 668**	38
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income[2,3]		**(622)**	2 759
(Losses)/gains arising during the year	13	**(622)**	2 759
Other comprehensive income for the year		**4 621**	(1 103)
Attributable to:			
Equity holders of the company		**3 955**	(878)
Non-controlling interests		**666**	(225)
Total comprehensive income for the year		**24 268**	9 726
Attributable to:			
Equity holders of the company		**20 977**	8 222
Non-controlling interests		**3 291**	1 504
		24 268	9 726

[1] Restated for change in accounting policy, refer to note 23 for details of restatements.
[2] This component of other comprehensive income (OCI) does not attract any tax.
[3] Equity investments at fair value through other comprehensive income relates mainly to the Group's investment in IHS Holding Limited (IHS Group) and Jumia Technologies AG (Jumia) (note 13).

Summary group statement of financial position

as at 31 December 2020

	Note	2020 Rm	2019 Rm
Non-current assets		**235 166**	226 029
Property, plant and equipment		**100 576**	98 312
Intangible assets and goodwill		**39 069**	36 866
Right-of-use assets		**46 156**	44 984
Investments	13	**28 518**	28 555
Investment in associates and joint ventures		**10 306**	8 764
Deferred tax and other non-current assets		**10 541**	8 548
Current assets		**109 760**	75 444
Trade and other receivables		**29 826**	27 256
Other current assets		**14 377**	9 092
Restricted cash		**6 888**	2 042
Mobile Money deposits		**27 679**	15 315
Cash and cash equivalents		**30 990**	21 739
Non-current assets held for sale[1]	21	**4 016**	838
Total assets		**348 942**	302 311
Total equity		**106 225**	86 100
Attributable to equity holders of the company		**102 873**	83 897
Non-controlling interests		**3 352**	2 203
Non-current liabilities		**133 334**	132 372
Interest-bearing liabilities	15	**78 457**	78 457
Lease liabilities		**43 753**	42 271
Deferred tax and other non-current liabilities		**11 124**	11 644
Current liabilities		**108 299**	83 839
Interest-bearing liabilities	15	**17 792**	15 823
Lease liabilities		**5 728**	4 056
Trade and other payables		**41 880**	36 630
Mobile Money payables		**28 008**	15 315
Other current and tax liabilities		**14 891**	12 015
Liabilities directly associated with non-current assets held for sale[1]	21	**1 084**	–
Total equity and liabilities		**348 942**	302 311

[1] On 25 February 2021, subsequent to the end of the reporting period, MTN Syria was placed under judicial guardianship. Please refer to note 21 for further details in relation to this development.

Summary group statement of changes in equity

for the year ended 31 December 2020

	2020 Rm	2019 Restated[1] Rm
Opening balance at 1 January	**83 897**	84 799
Opening reserve adjustment for impact of hyperinflation	**3 677**	–
Total comprehensive income	**20 977**	8 222
Profit after tax	**17 022**	9 100
Other comprehensive income after tax	**3 955**	(878)
Transactions with owners of the company		
Share-based payment transactions	**695**	331
Dividends declared	**(6 393)**	(9 362)
Gain on disposal of shares in MTN Zambia	**180**	–
Other movements	**(160)**	(93)
Attributable to equity holders of the company	**102 873**	83 897
Non-controlling interests	**3 352**	2 203
Closing balance	**106 225**	86 100
Dividends declared during the year (cents per share)	**355**	520
Dividends declared after the year (cents per share)	**–**	355

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

Summary group statement of cash flows

for the year ended 31 December 2020

	Note	2020 Rm	2021 Rm
Net cash generated from operating activities		**58 513**	36 289
Cash generated from operations		**78 580**	55 197
Interest received		**1 305**	1 196
Interest paid		**(13 576)**	(13 014)
Dividends received from associates and joint ventures		**608**	550
Income tax paid		**(8 404)**	(7 640)
Net cash used in investing activities		**(33 512)**	(24 542)
Acquisition of property, plant and equipment		**(23 502)**	(23 416)
Acquisition of intangible assets		**(6 678)**	(3 624)
Proceeds from sale of investment in associates	**19**	**8 962**	–
Increase in non-current investment and joint venture		**(260)**	(71)
Proceeds from sale of investment in Jumia		**2 315**	–
Proceeds from sale of subsidiaries, net of cash disposed		**-**	1 152
Decrease in loan receivables		**25**	942
(Purchase)/realisation of bonds, treasury bills and foreign deposits		**(8 116)**	396
Net increase in restricted cash		**(6 285)**	(12)
Movement in other investing activities		**27**	91
Net cash used in financing activities		**(13 705)**	(4 340)
Proceeds from borrowings	**16**	**22 551**	35 013
Repayment of borrowings	**16**	**(22 655)**	(23 662)
Repayment of lease liabilities		**(4 998)**	(3 417)
Dividends paid to equity holders of the company		**(6 462)**	(9 352)
Dividends paid to non-controlling interests		**(2 093)**	(1 460)
Redemption of MTN Nigeria preference shares		**-**	(1 243)
Other financing activities		**(48)**	(219)
Net increase in cash and cash equivalents		**11 296**	7 407
Net cash and cash equivalents at beginning of the year		**21 607**	14 967
Exchange losses on cash and cash equivalents		**(2 179)**	(1 300)
Net monetary gain/(loss) on cash and cash equivalents		**36**	(82)
(Increase)/decrease in cash classified as held for sale	**21**	**(124)**	615
Net cash and cash equivalents at end of the year		**30 636**	21 607

Notes to the group summary financial statements

for the year ended 31 December 2020

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 2020 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, 71 of 2008 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 South African Institute of Chartered Accountants (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 2020, 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.

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 changed its accounting policy with regards to the method applied in determining the amount of foreign currency translation reserves to be reclassified to profit or loss on disposal of a foreign operation during the current financial year. Refer to note 23 for details.

A number of amendments to accounting pronouncements are effective from 1 January 2020, but they do not have a material effect on the Group's summary financial statements.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

5. IMPACT OF THE COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation officially declared the novel coronavirus, COVID-19, a pandemic. Governments across the world have taken extreme measures to curb the spread of the virus by introducing various forms of social distancing, lockdown regimes and forms of monetary and fiscal stimulus. These measures impacted the financial position of individuals, small and medium-sized businesses as well as corporates to varying degrees, thereby significantly impacting economies across the Group's footprint.

The effects of COVID-19, and other macro developments, have also increased financial risks such as exchange rate volatility, economic growth and capital flows in the Group's markets. During the past year, credit ratings agencies have downgraded sovereign credit ratings in two of the Group's largest markets, South Africa and Nigeria. The Group continues to monitor these developments, assess the implications and manage its responses in order to mitigate the related risks.

Amid the nearer-term risks and uncertainties of the impact of COVID-19 on markets, the Group remains focused on preservation of cash and maintaining a healthy liquidity position and strengthening its operational and financial position. In this regard it has implemented cost control measures, focusing on critical expenses and enhanced oversight of expenditure that support margin management and liquidity across the business.

With the effects of COVID-19 being felt around the globe, there is also an impact on the telecommunications sector. The restrictions placed on movement resulted in people spending more time at home for work and leisure which resulted in the use of higher amounts of data. This has been the impact in all our regions whereby revenue has increased in local currency.

For the year ended 31 December 2020, there has been direct and indirect financial effects caused by the COVID-19 pandemic. We highlight the following relevant disclosures provided in the notes to the Annual Financial Statements which include the effects of the pandemic:

- During the past year, the Group has continued to provide telecommunication services across its footprint as an essential service. The Group's various revenue streams per operation are disclosed in the operating segments (refer to note 8). There has been revenue growth in network services resulting from strong growth in data revenue, digital and fintech services and interconnect. Conversely, revenue from sale of devices and roaming services have slowed due to the economic strain placed on our customers and the lockdown regimes. The resilience of the national networks, the headroom available on the networks and the allocation of temporary additional spectrum enabled the Group to meet the surge in data volume driven by work from home protocols and social distancing.

- The Group's capital expenditure (capex) focus is to ensure the resilience and capacity of its networks, which have been maintained despite disruptions in the supply chain and challenges in rolling out coverage under lockdown rules and the Group's emphasis on liquidity for the period. As lockdown regulations lifted in our markets towards the end of the year, the Group was able to resume a more regular rollout of network investment as restrictions on movement and logistical bottlenecks have eased. This enabled increased headroom in our networks, notably in South Africa and Nigeria among our larger markets.

5. IMPACT OF THE COVID-19 PANDEMIC continued

- Liquidity management remained a focus during this period. As at 31 December 2020 the Group had access to undrawn borrowings of R33,3 billion (December 2019: R33,8 billion) as disclosed in note 13.4. Holdco[1] cash balances including restricted cash and current investments was R20,6 billion as at 31 December 2020. Year to date we have successfully fast-tracked and closed R18,2 billion in funding to mitigate refinance risk around upcoming maturities. The Group also concluded the sale of its Ghana InterCo and Uganda InterCo tower investments for a consideration of R8,8 billion and continued to pay its final dividend in respect of its 2019 financial year in April 2020.

- The financial impact of the crisis has put pressure on post-paid customers and the Group's enterprise business unit. The following table reflects the movements for the period related to credit risk:

	31 December 2020	31 December 2019	Movement
Trade receivables and contract assets gross carrying amount – MTN Group	**R22 666 million**	R21 081 million	8%
Expected credit loss allowance – MTN Group	**R3 637 million**	R2 709 million	34%
Average ECL/Impairment ratio – MTN Group	**16,0%**	12,9%	3,1
Impairment and write down of trade receivables and contract assets – MTN Group	**R2 169 million**	R729,1 million	197%
Impairment and write down of trade receivables – MTN Nigeria	**R209 million**	R9,7 million	2 055%
Impairment and write down of trade receivables and contract assets – MTN South Africa	**R1 869,3 million**	R629,7 million	197%

- The Group's exposure and management of credit risk relating to its customers as well as its exposure relating to cash and cash equivalents and Mobile Money (MoMo) deposits placed with banks are provided in note 13. The Group has assessed the potential impairment on cash balances and MoMo deposits due to the negative impact of the pandemic on financial institutions. The nature of the bank balances and MoMo deposits are largely short term in nature comprising mainly of current accounts and call deposits. Given the significant actions taken by central banks to improve liquidity through monetary and fiscal interventions, the Group's expected credit losses (ECLs) on cash balances and MoMo deposits remained immaterial.

- Significant movements in currencies expose the Group to foreign currency gains and losses and also impact the Group's translation of its results into its rand presentation currency. The Group recognised net foreign exchange losses of R4,5 billion (December 2019: R2,4 billion loss). In addition, the Group recognised a foreign currency translation gain in the statement of comprehensive income on converting the net assets of its foreign operations. The Group's foreign exchange gains and losses recognised in the income statement are provided in note 10 and the income statement sensitivity to exchange rates is provided in note 13.5.2. Exchange rates used in the conversion of the Group's results are provided in note 18.

[1] Holdco comprises the Group excluding operating segments per note 2.1 and MTN GlobalConnect Solutions Limited.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

5. IMPACT OF THE COVID-19 PANDEMIC continued

- The severe impact of the pandemic on oil producing economies such as Nigeria resulted in pressure on the availability of foreign currency and limited the Group's ability to repatriate dividends. The Group continued to manage sensitivities of variability in cash flows on its debt gearing at a head office level. Holding company debt gearing levels increased during the period as dividend flows were restricted and the amounts in transit have been disclosed as restricted cash.
- The carrying values in a number of the Group's smaller operations and an investment in a joint venture exceeded their recoverable amounts during 2020, which resulted in impairments recognised against the goodwill of MTN Yemen, MTN Liberia and MTN Guinea-Bissau and an impairment in an investment in joint venture – Middle East Internet Holding S.A.R.L (MEIH). Further details of the entities are provided in the note relating to impairment of goodwill (note 9.2) and investment in joint venture (note 9.1).
- The Group's valuation of its investment in IHS Holdings Limited (IHS) is based on international tower industry multiples relevant at 31 December 2020. In February 2020, IHS completed the acquisitions of approximately 1 600 towers from Zain in Kuwait and approximately 2 300 towers from Cell Site Solutions in Brazil, Peru and Columbia. For the current year, IHS continued to operate under COVID-19 conditions and grew operationally in all markets. However, the macroeconomic environment, particularly in Nigeria, is impacted by the drop in oil prices and devaluation of the Nigerian naira following the effects of COVID-19. Given the market conditions, a combined liquidity and macro discount of 30% (2019: liquidity discount of 10%) has been applied. The fair value was calculated based on unobservable market inputs including tower industry earnings multiples which dropped to between 10x to 13x (December 2019: 10x to 14x). The sensitivities to the fair value estimations are provided in note 13.2.
- There have been no major impacts on leases and their related accounting impacts as a result of COVID-19. With telecommunications being treated as an essential service in most economies, our operations have continued to provide services to customers. The Group has not been granted rent concessions or COVID-19 related amendments to lease arrangements. Similarly, the increase in teleworking has resulted in an increased demand for network capacity to accommodate traffic.

The Group is not only focused on managing the risks brought about by COVID-19, but also on the opportunities it creates in the accelerated digitalisation it has brought about. The Group is well positioned to benefit from this evolution, especially given its focus on growth in data, digital and financial services businesses in the execution of its strategy.

The Group provided ongoing support through the MTN Global Staff Emergency Fund for employees and ***Y'ello*** Hope packages for our customers, communities and other stakeholders. The extensive interventions that have been implemented are expected to continue to safeguard the sustainability of the business, its people and its customers in the prevailing challenging environment. The Group provided government relief funds, personal protective equipment, healthcare support and contributions to food security initiatives through its foundations. Across the footprint numerous websites have been zero-rated to provide access to education portals to enable on-going learning and health related information. In countries like South Africa and Ghana, the Group has also supported contact tracing initiatives to fight the spread of COVID-19.

On 27 January 2021, MTN announced that it will be donating US$25 million to support the African Union's COVID-19 vaccination programme. The donation will help secure COVID-19 vaccines for health workers across the continent. MTN will recognise an expense and related cash outflow for the donation in the 2021 financial year.

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

6. CRITICAL ACCOUNTING JUDGEMENTS

6.1 MTN SA revenue recognition

On 1 May 2020, MTN SA's new long-form roaming agreement (Phase 2 agreement) with Cell C became effective.

Based on Cell C's liquidity issues, the Group has assessed that it is not probable that it will receive the consideration to which it is entitled under the Phase 2 agreement, and therefore the agreement does not meet the definition of a contract for revenue recognition purposes in terms of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). As a result, MTN SA did not recognise all revenue accrued on satisfied performance obligations during the year. Revenue was only recognised on completed services based on the non-refundable consideration received.

MTN SA recorded revenue of R1 992 million from Cell C during the year ended 31 December 2020. As at 31 December 2020, R525 million of revenue in relation to satisfied performance obligations remains unrecognised.

Cell C continues to work on its recapitalisation and liquidity challenges. When Cell C has been adequately recapitalised and starts paying significantly all the amounts due to MTN, there will be 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.

7. 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, Sudan and Iran as hyperinflationary effective 2014, 2016, 2018 and 2020 respectively.

In May 2020, MTN Syria was classified as a disposal Group held for sale (note 21) and was remeasured to its fair value less costs to sell and the Group has therefore discontinued adjusting MTN Syria's net assets for hyperinflation from this date onwards.

The economy of Iran was assessed to be hyperinflationary effective 1 January 2020, and hyperinflation accounting was applied for the current financial year. Upon first application of hyperinflation, prior period gains of R3 677 million were recognised directly in equity.

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

	2020		
	Revenue Rm	**Operating profit/(loss) Rm**	**Capex Rm**
Syria	**(669)**	**124**	**(139)**
Sudan	**3 429**	**233**	**507**
South Sudan (included in other SEAGHA)	**165**	**61**	**26**
	2 925	**418**	**394**
Major joint venture – Irancell	**(2 312)**	**(1 629)**	**(121)**

Notes to the group summary financial statements continued

for the year ended 31 December 2020

7. HYPERINFLATION continued

	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)	–

8. 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. Subsequent to year-end, the Group redefined its reporting segments from SEAGHA to SEA with Ghana being included in WECA.

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 9);
- net monetary gain resulting from the application of hyperinflation;
- share of results of associates and joint ventures after tax (note 11);
- hyperinflation (note 7);
- tower sale profits;
- gain on disposal/dilution of investment in associate and joint venture (note 19);
- gain on disposal of subsidiary; and
- impairment loss on remeasurement of non-current assets held for sale (note 21).

These exclusions have remained unchanged from the prior year, apart from impairment loss on remeasurement of the non-current assets held for sale.

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.

8. SEGMENT ANALYSIS continued

REVENUE	Network services Rm	Mobile devices Rm	Interconnect and roaming Rm
2020			
South Africa	29 639	8 449	3 481
Nigeria	49 054	294	5 732
SEAGHA	23 485	332	1 659
Ghana	11 648	120	749
Uganda	5 570	53	437
Other SEAGHA	6 267	159	473
WECA	20 107	183	2 581
Cote d'Ivoire	5 697	47	1 101
Cameroon	5 118	46	459
Other WECA	9 292	90	1 021
MENA	8 568	21	1 228
Syria	2 036	1	32
Sudan	2 526	11	623
Other MENA	4 006	9	573
Major joint venture – Irancell[1]	6 539	92	414
Head office companies[2, 3]	1 077	–	4 553
Eliminations[3]	(166)	(1)	(4 661)
Hyperinflation impact	2 169	11	651
Irancell revenue exclusion	(6 539)	(92)	(414)
Consolidated revenue	133 933	9 289	15 224

[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 consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments.
[3] The head office companies and eliminations have been disaggregated in the current year. The 2019 year has been re-presented to reflect this disaggregation.

Digital and fintech Rm	Other Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
2 170	1 331	45 070	403	45 473
2 341	559	57 980	–	57 980
7 777	781	34 034	–	34 034
4 487	241	17 245	–	17 245
2 135	125	8 320	–	8 320
1 155	415	8 469	–	8 469
3 921	835	27 627	–	27 627
1 472	459	8 776	–	8 776
994	69	6 686	–	6 686
1 455	307	12 165	–	12 165
477	129	10 423	–	10 423
213	13	2 295	–	2 295
119	27	3 306	–	3 306
145	89	4 822	–	4 822
393	114	7 552	21	7 573
10	11 902	17 542	148	17 690
–	(11 822)	(16 650)	(141)	(16 791)
66	28	2 925	–	2 925
(393)	(114)	(7 552)	(21)	(7 573)
16 762	3 743	178 951	410	179 361

Notes to the group summary financial statements continued

for the year ended 31 December 2020

8. 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
Cote d'Ivoire	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[2, 3]	542	1	2 408
Eliminations[3]	(327)	–	(2 904)
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 consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments.

[3] The head office companies and eliminations have been disaggregated in the current year. The 2019 year has been re-presented to reflect this disaggregation.

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	12 309	15 300	106	15 406
–	(11 533)	(14 764)	(97)	(14 861)
23	9	905	–	905
(539)	(106)	(7 990)	(24)	(8 014)
12 550	4 275	151 029	431	151 460

Notes to the group summary financial statements continued

for the year ended 31 December 2020

8. SEGMENT ANALYSIS continued

External versus inter-segment revenue	2020 External revenue Rm	2020 Inter-segment revenue Rm	2020 Total revenue Rm	2019 External revenue Rm	2019 Inter-segment revenue Rm	2019 Total revenue Rm
South Africa	**45 045**	**428**	**45 473**	45 237	210	45 447
Nigeria	**57 355**	**625**	**57 980**	46 265	431	46 696
SEAGHA	**32 934**	**1 100**	**34 034**	26 259	810	27 069
Ghana	**16 697**	**548**	**17 245**	13 397	423	13 820
Uganda	**7 936**	**384**	**8 320**	6 471	229	6 700
Other SEAGHA	**8 301**	**168**	**8 469**	6 391	158	6 549
WECA	**26 761**	**866**	**27 627**	21 202	619	21 821
Cote d'Ivoire	**8 643**	**133**	**8 776**	6 835	82	6 917
Cameroon	**6 440**	**246**	**6 686**	5 239	150	5 389
Other WECA	**11 678**	**487**	**12 165**	9 128	387	9 515
MENA	**9 781**	**642**	**10 423**	8 651	326	8 977
Syria	**2 295**	**–**	**2 295**	2 986	–	2 986
Sudan	**2 804**	**502**	**3 306**	1 634	269	1 903
Other MENA	**4 682**	**140**	**4 822**	4 031	57	4 088
Major joint venture – Irancell[1]	**7 573**	**–**	**7 573**	8 014	–	8 014
Head office companies[2, 3]	**4 557**	**13 133**	**17 690**	2 938	12 468	15 406
Eliminations[3]	**–**	**(16 791)**	**(16 791)**	–	(14 861)	(14 861)
Hyperinflation impact	**2 928**	**(3)**	**2 925**	908	(3)	905
Irancell revenue exclusion	**(7 573)**	**–**	**(7 573)**	(8 014)	–	(8 014)
Consolidated revenue	**179 361**	**–**	**179 361**	151 460	–	151 460

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

[2] Head office companies consist mainly of dividends received, revenue from GlobalConnect Solutions Limited, the Group's central financing activities and management fees from segments.

[3] The head office companies and eliminations have been disaggregated in the current year. The prior year has been re-presented to reflect this disaggregation.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

8. SEGMENT ANALYSIS continued

CODM EBITDA	2020 Rm	2019 Restated[1] Rm
South Africa	17 742	16 972
Nigeria	29 506	25 149
SEAGHA	16 802	12 136
Ghana	9 097	7 014
Uganda	4 118	3 150
Other SEAGHA	3 587	1 972
WECA	8 620	6 081
Cote d'Ivoire	3 042	1 814
Cameroon	2 149	1 635
Other WECA	3 429	2 632
MENA	3 352	2 836
Syria	574	1 173
Sudan	1 428	677
Other MENA	1 350	986
Head office companies[2]	1 871	(849)
Eliminations[2]	(2 570)	315
CODM EBITDA	75 323	62 640
Major joint venture – Irancell[3]	2 818	3 041
Hyperinflation	1 369	282
Tower sale profits	–	19
Gain on disposal/dilution of investment in joint ventures and associates	6 129	1 039
Gain on disposal of subsidiary	–	249
Impairment loss on remeasurement of non-current assets held for sale	(1 510)	–
Irancell CODM EBITDA exclusion	(2 818)	(3 041)
CODM EBITDA before impairment of goodwill	81 311	64 229
Depreciation, amortisation and impairment of goodwill and joint venture	(36 716)	(32 800)
Net finance cost	(18 233)	(15 184)
Net monetary gain	1 582	787
Share of results of associates and joint ventures after tax	1 142	705
Profit before tax	29 086	17 737

[1] Restated for changes in accounting policies, refer to note 23 for details of restatements.
[2] The head office companies and eliminations have been disaggregated in the current year. The prior year has been re-presented to reflect this disaggregation.
[3] 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.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

8. SEGMENT ANALYSIS continued

CAPITAL EXPENDITURE INCURRED	2020 Rm	2019 Rm
South Africa	**7 542**	11 295
Nigeria	**12 694**	9 750
SEAGHA	**6 063**	5 554
Ghana	**3 021**	2 850
Uganda	**1 328**	1 147
Other SEAGHA	**1 714**	1 557
WECA	**3 418**	3 231
Cote d'Ivoire	**1 064**	918
Cameroon	**950**	573
Other WECA	**1 404**	1 740
MENA	**1 642**	1 989
Syria	**751**	939
Sudan	**495**	430
Other MENA	**396**	620
Major joint venture – Irancell[1]	**1 865**	2 568
Head office companies[2]	**1 286**	949
Eliminations[2]	**–**	(115)
Hyperinflation impact	**394**	215
Irancell capex exclusion	**(1 865)**	(2 568)
	33 039	32 868

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

[2] The head office companies and eliminations have been disaggregated in the current year. The prior year has been re-presented to reflect this disaggregation.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

9. IMPAIRMENT OF GOODWILL AND INVESTMENT IN JOINT VENTURE

9.1 Impairment of joint venture

The Group tested its investment in its equity-accounted e-commerce joint venture, MEIH, for impairment. The Company experienced decreasing results in the current year due to the impact of COVID-19 on the transportation and online booking platform for household services business. The recoverable amount was determined as the fair value less cost of disposal. The fair value represents a value determined from unobservable inputs. This was based on comparable company and transaction average net merchandise value multiples of 0,9x (2019: 1,3x) and revenue multiples of 4,4x for its transportation business, and merchandise value multiples of 0,6x (2019: 1,4x) for its on-demand cleaning marketplace business. The carrying value of the equity-accounted net assets exceeded the recoverable amount of R575 million (2019: R572 million) by R67 million (2019: R342 million) and the Group recognised the resulting impairment in profit or loss.

9.2 Impairment of goodwill

The poor economic environment combined with further impacts of the COVID-19 pandemic in a number of the Group's operations in the WECA and MENA regions resulted in suppressed revenue growth and lower operating margins being experienced, which decreased forecasted cash flows at 31 December 2020. In addition, sovereign risk premiums have increased significantly for MTN Guinea-Bissau and MTN Yemen given the macroeconomic environment in these countries. This necessitated impairment reviews being performed on the Group's operations in Guinea-Bissau, Liberia and Yemen where the carrying amounts of these cash generating units (CGUs), were compared to their respective recoverable amounts. The recoverable amounts were determined through value-in-use calculations where future cash flows were estimated and discounted at the weighted average cost of capital discount rates. The discount rates and the perpetuity growth rates used in the value-in-use calculations of the operations impacted by impairment are as follows:

	2020		2019	
	Growth rate %	**Discount rate %**	Growth rate %	Discount rate %
MTN Liberia	**2,8**	**19,0**	2,3	21,0
MTN Guinea-Bissau	**6,3**	**17,0**	2,5	11,7
MTN Yemen	**8,0**	**28,5**	5,0	18,5

An impairment charge amounting to R525 million was recognised against the goodwill of MTN Yemen. The operational and economic outlook in MTN Yemen remains negative due to political instability and subdued economic conditions. This has an impact across all industries in-country. As at 31 December 2020, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The remaining goodwill balance for MTN Yemen at 31 December 2020 amounts to R564 million, after recognising the impairment charge.

An impairment charge amounting to R308 million was recognised against the goodwill of MTN Liberia. The operational and economic outlook in MTN Liberia remains negative due to the government struggling with its budget deficit and rising inflation rates. This has an impact across all industries in-country. As at 31 December 2020, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The goodwill balance for MTN Liberia at 31 December 2020 amounts to R124 million, after recognising the impairment charge.

An impairment charge amounting to R165 million was recognised against the goodwill of MTN Guinea-Bissau. The operational and economic outlook in MTN Guinea-Bissau remains uncertain due to political instability and volatile agricultural prices, which has resulted in more conservative budgets being planned. As at 31 December 2020, the carrying value of this CGU exceeded its recoverable amount, necessitating an impairment. The goodwill balance for MTN Guinea-Bissau at 31 December 2020 amounts to R265 million, after recognising the impairment charge.

No impairment was required on goodwill balances as at 31 December 2019.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

10. NET FINANCE COSTS

	2020 Rm	2019 Rm
Interest income on loans and receivables	**605**	923
Interest income on bank deposits	**888**	950
Finance income	**1 493**	1 873
Interest expense on financial liabilities measured at amortised cost[1]	**(8 816)**	(8 767)
Net foreign exchange losses	**(4 537)**	(2 364)
Unwind of/(loss on) revision of cash flows[2]	**174**	(217)
Lease liability interest expense	**(6 547)**	(5 709)
Finance costs	**(19 726)**	(17 057)
Net finance costs recognised in profit or loss	**(18 233)**	(15 184)

[1] Included in 2019 is an amount of R189 million which relates to the discount unwind on the MTN Nigeria regulatory fine liability.

[2] Refer to note 11 for details on the balance with Irancell.

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

	2020 Rm	2019 Rm
	1 142	705
Irancell	**538**	441
Others	**604**	264

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 for MTN entities if the CBI allocates foreign currency to an MTN entity for the purpose of repatriating the receivable and/or loan. As at 31 December 2020, Iranian rial denominated receivables amounted to R1 037 million[1] (2019: R1 237 million) and the Iranian rial denominated loan amounted to R1 733 million[2] (2019: R1 516 million).

[1] Includes R840 million at the SANA rate. Includes R197 million at the CBI rate.

[2] The amount outstanding was translated at the CBI rate.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

12. EARNINGS PER ORDINARY SHARE

Number of ordinary shares	2020	2019
Number of ordinary shares in issue		
At end of the year (excluding MTN Zakhele Futhi and treasury shares)	**1 798 990 980**	1 798 007 746
Weighted average number of shares	**1 798 503 457**	1 797 927 770
Add: Dilutive shares		
– Share options – MTN Zakhele Futhi	**11 045 701**	23 250 313
– Share schemes	**8 443 911**	4 381 435
Shares for dilutive earnings per share	**1 817 993 069**	1 825 559 518

Treasury shares

Treasury shares of 8 443 400 (2019: 9 426 634) are held by the Group and 76 835 378 (2019: 76 835 378) are held by MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi).

Headline earnings

Headline earnings is calculated in accordance with Circular 1/2019 Headline Earnings as issued by SAICA as amended from time to time and as required by the JSE Limited.

12. EARNINGS PER ORDINARY SHARE continued

	2020 Rm	2019 Restated[1] Rm
Reconciliation between net profit attributable to the equity holders of the company and headline earnings:		
Profit attributable to equity holders of the company	**17 022**	9 100
Net profit on disposal of property, plant and equipment and intangible assets	**(24)**	(64)
– Subsidiaries (IAS 16)	**(22)**	(64)
– Joint ventures (IAS 28)	**(2)**	–
Profit on disposal of subsidiary (IFRS 10)	**–**	(249)
Impairment of goodwill and investments in joint ventures (IAS 36)	**1 065**	342
Net impairment loss on property, plant and equipment (IAS 36)	**42**	330
Impairment loss on remeasurement of non-current asset held for sale (IFRS 5)	**1 510**	–
– Subsidiary	**1 113**	–
– Associate	**397**	–
Net gain on disposal/dilution of investment in joint venture/associate (IAS 28)	**(6 129)**	(1 076)
- Subsidiaries	**(6 129)**	(1 039)
- Joint venture/associate	**–**	(37)
Realisation of deferred gain on tower sale	**–**	(19)
Total non-controlling interest effect of adjustments	**(13)**	47
Headline earnings	**13 473**	8 411
Earnings per share (cents)		
– Basic	**946**	506
– Basic headline	**749**	468
Diluted earnings per share (cents)		
– Diluted	**936**	498
– Diluted headline	**741**	461

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

Notes to the group summary financial statements continued

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13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price risk). This note presents information about the Group's exposure to the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. While MTN Syria has been classified as a disposal group held for sale, the entity still exposes the Group to risks relating to financial instruments. Accordingly, MTN Syria has contributed to the disclosure below.

13.1 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 R25 987 million at 31 December 2020 (2019: R24 706 million) and a fair value of R27 691 million (2019: R25 775 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.

13.2 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 statement of financial position is an equity investment in IHS Group at fair value of R27 197 million (2019: R27 000 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 international tower industry earnings multiples of between 10x to 13x (2019: 10x to 14x) applied to MTN management's estimates of earnings, less estimated net debt of R23 330 million (2019: R20 217 million). The Group has applied a combined liquidity and macro discount of 30% (2019: liquidity discount of 10%). A fair value decrease of R1 151 million (2019: R4 297 million increase) translated at the closing rate has been recognised for the year.

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 700 million (2019: R2 813 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 700 million (2019: R2 813 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 019 million (2019: R3 228 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 019 million (2019: R3 228 million).

An increase of 1% to the combined liquidity and macro discount (2019: liquidity discount), keeping other inputs constant, would have resulted in a decrease in the fair value of R389 million (2019: R300 million) and a decrease of 1% to the combined liquidity and macro discount (2019: liquidity discount), keeping other inputs constant, would have resulted in an increase in the fair value by R389 million (2019: R300 million).

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.2 Financial instruments measured at fair value continued

Reconciliation of level 3 financial assets

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

Insurance cell captives	Rm
Balance at 1 January 2019	1 597
Contributions paid to insurance cell captives	469
Claims received by insurance cell captives	(123)
Loss recognised in profit or loss	(131)
Balance at 1 January 2020	**1 812**
Contributions paid to insurance cell captives	**605**
Claims received by insurance cell captives	**(869)**
Loss recognised in profit or loss	**(410)**
Balance at 31 December 2020	**1 138**

Investments	Rm
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 1 January 2020	**27 158**
Acquisitions	**158**
Loss on equity investments at fair value through other comprehensive income	**(1 575)**
Foreign exchange differences	**1 829**
Balance at 31 December 2020	**27 570**

13.3 Credit risk

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. The Group's maximum exposure to credit risk is represented by the carrying amount of the financial assets and contract assets that are exposed to credit risk.

The risk rating grade of cash and cash equivalents and restricted cash range from AA+ to B- (2019: A+ to BBB-). Given these credit ratings, management expects that the exposure to credit risk is minimal.

Mobile Money deposits

MoMo deposits are balances that are held with banks for and on behalf of MoMo customers. Regulations in certain jurisdictions specify the types of permissible liquid instruments in which these deposits may be invested in. MoMo deposits are spread among approved, reputable financial institutions based on internal risk assessments or guidance provided by regulators, to manage the concentration of credit risk to a single counterparty. Many risk mitigations are in place and banks are also obliged to pay insurance premiums to protect MoMo customer deposits (or a portion thereof) in the event of bank failure.

As a result of the uncertain and evolving legal and regulatory environment, the assessment of which party in a MoMo arrangement is exposed to a bank credit risk event, has become increasingly complex and dependent on legal interpretations that are largely untested in the respective markets in which the Group operates. Consequently, the assessment of the Group's credit risk exposure with regards to MoMo remains subject to legal and regulatory developments.

Notes to the group summary financial statements continued

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13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.3 Credit risk continued

Mobile Money deposits continued

The treatment of MoMo in the financial statements is not and should not be construed as a waiver by the members of the Group of any legal, contractual or statutory rights, remedies, and defences they may have, or as an admission of liability enforceable against any of them in law or otherwise. The legal, contractual, and statutory rights, remedies and defences of members of the Group are reserved.

Trade receivables and contract assets (unbilled handset component)

A large portion of the Group's postpaid market revenues are generated in South Africa. There are no other significant concentrations of credit risk, since the other operations within the Group operate largely within the prepaid market. The Group has policies in place to ensure that retail sales of products and services are made to customers with an appropriate credit history. Before credit is granted to a customer, the Group performs credit risk assessments through credit bureaus. The Group insures some of its trade receivables in its South African operation, in which instance the credit risk assessments are performed by the credit insurer prior to the granting of credit by the Group. In terms of this arrangement R6,3 billion (2019: R6,5 billion) has been insured, for which the Group's risk is limited to R1,1 billion (2019: R1 billion). In addition, some entities within the Group require potential customers to obtain guarantees from banks before credit is granted. During the current year the Group did not recognise ECLs amounting to R33,7 million (2019: R97 million) as a result of collateral held.

Total past due receivables

	Interconnect receivables Rm	Contract receivables Rm	Retail receivables Rm	EBU receivables Rm	Other receivables[1] Rm	Total Rm
2020						
MTN SA	266	523	613	679	1 116	3 197
MTN Nigeria	87	241	–	–	332	660
MTN Cote d'Ivoire	114	286	175	–	130	705
MTN Yemen	510	83	–	–	109	702
MTN Cameroon	11	24	51	311	28	425
MTN Benin	106	–	–	–	642	748
MTN Guinea-Conakry	189	82	247	44	15	577
MTN Congo-Brazzaville	250	–	–	473	–	723
Other operations	396	223	329	521	524	1 993
	1 929	1 462	1 415	2 028	2 896	9 730

[1] Other receivables include both national and international roaming receivables.

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.3 Credit risk continued

Total past due receivables continued

	Inter-connect receivables Rm	Contract receivables Rm	Retail receivables Rm	EBU receivables Rm	Other receivables[1] Rm	Total Rm
2019						
MTN SA	479	669	665	189	74	2 076
MTN Nigeria	114	114	–	–	255	483
MTN Cote d'Ivoire	56	314	161	–	92	623
MTN Yemen	524	86	–	–	66	676
MTN Cameroon	69	43	85	247	29	473
MTN Benin	142	–	–	–	412	554
MTN Guinea-Conakry	171	79	87	164	18	519
MTN Congo-Brazzaville	175	–	–	323	–	498
Other operations	669	262	189	193	583	1 896
	2 399	1 567	1 187	1 116	1 529	7 798

Expected credit losses

Application of the ECL model had an immaterial impact on all financial assets except for contract assets and trade receivables.

Provision Matrix – ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historical/ proxy write offs, to the payment profile of the sales population. In instances where there was no evidence of historical write offs management used a proxy write off. Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with future payment expectations. The historic loss ratio is then adjusted for forward-looking information (including forecast economic indicators, as affected by the COVID-19 pandemic) to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information, and the ECL.

Simplified parameter-based approach – ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD), Loss Given Default (LGD) discounted using the Effective Interest Rate (EIR) (i.e. PD x LGD x EAD = ECL). The probability of default has been increased for the estimated deteriorated gross domestic product growth in South Africa.

[1] Other receivables include both national and international roaming receivables.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.3 Credit risk continued

Expected credit losses continued

The loss allowance for trade receivables to which the provision matrix and simplified matrix approach has been applied is determined as follows:

	Gross carrying amount Rm	Impairment Rm	Average ECL/ Impairment ratio %
2020			
Interconnect receivables	2 636	(516)	19,58
Fully performing	707	(24)	3,39
Up to 90 days past due	571	(30)	5,25
120 days and above past due	1 358	(462)	34,02
Contract receivables	1 418	(504)	35,54
Fully performing	479	(28)	5,85
Up to 90 days past due	277	(17)	6,14
120 days and above past due	662	(459)	69,34
Retail receivables	7 673	(435)	5,67
Fully performing	6 258	(1)	0,02
Up to 90 days past due	612	(77)	12,58
120 days and above past due	803	(357)	44,46
EBU receivables	2 488	(946)	38,02
Fully performing	460	(41)	8,91
Up to 90 days past due	607	(43)	7,08
120 days and above past due	1 421	(862)	60,66
Other receivables[1]	3 187	(469)	14,72
Fully performing	291	(5)	1,72
Up to 90 days past due	683	(54)	7,91
120 days and above past due	2 213	(410)	18,53
Simplified parameter-based approach			
Trade receivables	1 073	(268)	24,98
Contract assets	4 191	(499)	11,91
Total	22 666	(3 637)	16,05

[1] Other receivables include both national and international roaming receivables.

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.3 Credit risk continued

Expected credit losses continued

The loss allowance for trade receivables to which the provision matrix and simplified matrix approach has been applied is determined as follows:

	Gross carrying amount Rm	Impairment Rm	Average ECL/ Impairment ratio %
2019			
Interconnect receivables	3 074	(458)	14,90
Fully performing	675	(72)	10,67
Up to 90 days past due	566	(73)	12,90
120 days and above past due	1 833	(313)	17,08
Contract receivables	1 262	(453)	35,90
Fully performing	364	(16)	4,40
Up to 90 days past due	295	(98)	33,22
120 days and above past due	603	(339)	56,22
Retail receivables	7 026	(403)	5,74
Fully performing	5 839	(41)	0,70
Up to 90 days past due	412	(4)	0,97
120 days and above past due	775	(358)	46,19
EBU receivables	2 165	(473)	21,85
Fully performing	1 049	(45)	4,29
Up to 90 days past due	260	(38)	14,62
120 days and above past due	856	(390)	45,56
Other receivables[1]	2 056	(187)	9,10
Fully performing	527	(31)	5,88
Up to 90 days past due	479	(3)	0,63
120 days and above past due	1 050	(153)	14,57
Simplified parameter-based approach			
Trade receivables	1 292	(397)	30,73
Contract assets	4 206	(338)	8,04
Total	21 081	(2 709)	12,85

[1] Other receivables include both national and international roaming receivables.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.3 Credit risk continued

Expected credit losses continued

Trade receivables are written off when there is no reasonable expectation of recovery. This is assessed individually by each operation and includes for example where the trade receivables have been handed over for collection and remain outstanding or the debtor has entered bankruptcy.

A net impairment loss of R1 009 million (2019: R245 million) was recognised during the year for trade receivables. In addition to the R486 million (2019: R531 million) provision utilised, R999 million (2019: R347 million) was written off directly to profit or loss during the year.

A net impairment loss of R161 million (2019: R137 million) was recognised during the year for contract assets and Rnil (2019: R187 million) of the provision was utilised.

13.4 Liquidity risk

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Group treasury develops strategies to ensure that the Group has sufficient cash on demand or access to facilities to meet expected operational expenses, and to service financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Group treasury performs regular cash flow forecasts, monitors cash holdings of the Group, negotiates lines of credit and sets policies for maturity profiles of loans.

The Group has undrawn variable rate facilities of R33,3 billion (2019: R33,8 billion). Holdco cash balances including restricted cash and current investments was R20,6 billion as at 31 December 2020 (2019: R11,6 billion).

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.4 Liquidity risk continued

The following are the undiscounted contractual cash flows of financial liabilities:

	Carrying amount Rm	Total Rm
2020		
Borrowings	**95 895**	**111 485**
Other non-current liabilities[1]	**149**	**149**
Lease liabilities[1]	**49 637**	**81 161**
Trade and other payables[1]	**38 597**	**38 636**
Mobile Money payables	**28 008**	**28 008**
Derivative liabilities	**7**	**7**
Bank overdrafts	**354**	**355**
	212 647	**259 801**
2019		
Borrowings	94 148	104 426
Other non-current liabilities	383	383
Lease liabilities	46 327	90 789
Trade and other payables	33 719	33 994
Mobile Money payables	15 315	15 315
Derivative liabilities	21	21
Bank overdrafts	132	132
	190 045	245 060

[1] *Includes liabilities directly associated with non-current assets held for sale relating to MTN Syria.*

	Payable within one month or on demand Rm	More than one month but not exceeding three months Rm	More than three months but not exceeding one year Rm	More than one year but not exceeding two years Rm	More than two years but not exceeding five years Rm	More than five years Rm
	1 634	**6 316**	**13 275**	**23 580**	**54 791**	**11 889**
	–	**–**	**–**	**6**	**7**	**136**
	839	**2 701**	**6 813**	**8 780**	**25 525**	**36 503**
	26 029	**3 795**	**8 812**	**–**	**–**	**–**
	28 008	**–**	**–**	**–**	**–**	**–**
	–	**–**	**7**	**–**	**–**	**–**
	176	**77**	**102**	**–**	**–**	**–**
	56 686	**12 889**	**29 009**	**32 366**	**80 323**	**48 528**
	8 178	1 301	4 831	27 908	48 601	13 607
	5	3	4	–	–	371
	786	2 061	7 340	7 802	25 539	47 261
	22 576	6 218	5 200	–	–	–
	15 315	–	–	–	–	–
	21	–	–	–	–	–
	128	–	4	–	–	–
	47 009	9 583	17 379	35 710	74 140	61 239

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.5 Market risk

13.5.1 Interest rate risk

The Group's interest rate risk arises from the repricing of the Group's floating rate debt, incremental funding or new borrowings, the refinancing of existing borrowings and the magnitude of the cash balances which exist.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2020		Restated 2019[1,2]	
	Fixed rate instruments Rm	**Variable rate instruments Rm**	Fixed rate instruments Rm	Variable rate instruments Rm
Non-current financial assets				
Loans and other non-current receivables	**29**	**286**	79	392
Investments	**948**	**–**	–	–
Mobile Money deposits	**329**	**–**	–	–
Current financial assets				
Trade and other receivables[1]	**–**	**1 311**	50	2 048
Current investments	**8 787**	**–**	2 579	–
Restricted cash	**87**	**33**	170	–
Mobile Money deposits[2]	**5 307**	**16 319**	3 236	8 266
Cash and cash equivalents	**4 475**	**12 655**	4 565	11 044
	19 962	**30 604**	10 679	21 750

[1] Included in variable rate trade and other receivables for 31 December 2019 was an amount of R1 651 million relating to a loan that has now been restated as a non-interest bearing instrument based on the interest rate position existing at 31 December 2019.

[2] Included in both variable rate MoMo deposits and payables for 31 December 2019 was an amount of R1 863 million that have now been restated as fixed rate instruments based on the interest rate position existing at 31 December 2019.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.5 Market risk continued

13.5.1 Interest rate risk continued

	2020		Restated 2019[1]	
	Fixed rate instruments Rm	Variable rate instruments Rm	Fixed rate instruments Rm	Variable rate instruments Rm
Non–current financial liabilities				
Borrowings	**31 369**	**47 088**	27 292	51 165
Other non–current liabilities	**13**	**136**	–	373
Current financial liabilities				
Trade and other payables	**140**	**635**	210	182
Mobile Money payables[1]	**1 765**	**16 290**	3 236	8 266
Borrowings	**2 622**	**14 816**	5 716	9 975
Bank overdrafts	**173**	**176**	75	57
	36 082	**79 141**	36 529	70 018

[1] *Included in both variable rate MoMo deposits and payables for 31 December 2019 was an amount of R1 863 million that has now been restated as fixed rate instruments based on the interest rate position existing at 31 December 2019*

Notes to the group summary financial statements continued

for the year ended 31 December 2020

13. FINANCIAL risk management and financial instruments continued

13.5 Market risk continued

13.5.1 Interest rate risk continued

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 31 December, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, LIBOR, NIBOR, Money market and Prime. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown in the table to follow.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant.

The analysis is performed on the same basis as was used for 2019.

	2020			Restated 2019[1]		
	(Decrease)/increase in profit before tax			(Decrease)/increase in profit before tax		
	Change in interest rate %	**Upward change in interest rate Rm**	**Downward change in interest rate Rm**	Change in interest rate %	Upward change in interest rate Rm	Downward change in interest rate Rm
JIBAR	**1**	**(331,1)**	**331,1**	1	(329,8)	329,8
LIBOR and associated rates	**1**	**(57,3)**	**57,3**	1	(19,1)	19,1
NIBOR	**1**	**(175,9)**	**175,9**	1	(143,6)	143,6
Money market	**1**	**(20,8)**	**20,8**	1	75,3	(75,3)
Prime	**1**	**100,3**	**(100,3)**	1	18,5	(18,5)
Other[1]	**1**	**(0,5)**	**0,5**	1	3,3	(3,3)

[1] *Included in variable rate trade and other receivables for 31 December 2019 was an amount of R1 651 million relating to a loan that has now been restated as a non-interest bearing instrument based on the interest rate position existing at 31 December 2019.*

Notes to the group summary financial statements continued

for the year ended 31 December 2020

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.5 Market risk continued

13.5.2 Currency risk

Currency risk arises on recognised financial assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Group aims to maintain its foreign currency exposure within internally determined parameters, however, this depends on the market conditions in the geographies where the Group operates. Group treasury reports on the status of foreign currency positions or derivatives to the Group Treasury Committee on a regular basis.

Where possible, entities in the Group use forward contracts to hedge their actual exposure to foreign currency.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and to other comprehensive income (OCI), of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 31 December 2020, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the US dollar, euro, Nigerian naira and Iranian rial. This analysis considers the impact of changes in foreign exchange rates on profit or loss and OCI.

The analysis excludes foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency, which are recognised in the foreign currency translation reserve.

The analysis has been performed on the basis of the change occurring at the reporting date and assumes that all other variables, in particular interest rates, remain constant.

Intercompany balances that are denominated in a currency other than the functional currency of the entity are reflected as either impacting profit or loss before tax, or equity in the case of loans for which settlement is neither planned nor likely to occur in the foreseeable future.

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.5 Market risk continued

13.5.2 Currency risk continued

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/ (decreased) profit before tax or equity by the amounts shown below.

Denominated: Functional currency	Net assets/ (liabilities) denominated in foreign currency Rm
2020	
US$:ZAR[1]	**8 417**
US$:SYP	**(418)**
US$:SDG	**(1 172)**
US$:SSP	**(6 365)**
US$:NGN	**(19 309)**
EUR:SDG	**(2 100)**
EUR:US$	**3 167**
US$:GNF	**(4 561)**
US$:ZMK	**(439)**
IRR:ZAR	**2 815**
EUR:ZAR	**(258)**
NGN:ZAR	**4 197**
2019	
US$:ZAR[1]	18 583
US$:SYP	(516)
US$:SDG	(1 344)
US$:SSP	(5 809)
US$:NGN[1]	(8 522)
EUR:SDG	(1 668)
EUR:US$	2 509
US$:GNF	(4 092)
US$:ZMK	(104)
IRR:ZAR	2 753
EUR:ZAR	203

[1] *Reduced by the impact of the net investment hedge as disclosed in note 18.*

Increase/(decrease) in profit before tax			Increase/(decrease) in OCI		
Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm	Change in exchange rate %	Weakening in functional currency Rm	Strengthening in functional currency Rm
10	**841,7**	**(841,7)**	**10**	**–**	**–**
10	**(12,4)**	**12,4**	**10**	**(29,4)**	**29,4**
10	**(28,5)**	**28,5**	**10**	**(88,7)**	**88,7**
10	**(48,4)**	**48,4**	**10**	**(588,1)**	**588,1**
10	**(1 930,9)**	**1 930,9**	**10**	**–**	**–**
10	**(1,3)**	**1,3**	**10**	**(208,7)**	**208,7**
10	**316,7**	**(316,7)**	**10**	**–**	**–**
10	**(176,9)**	**176,9**	**10**	**(279,2)**	**279,2**
10	**(43,9)**	**43,9**	**10**	**–**	**–**
10	**281,5**	**(281,5)**	**10**	**–**	**–**
10	**(25,8)**	**25,8**	**10**	**–**	**–**
10	**419,7**	**(419,7)**	**10**	**–**	**–**
10	1 858,3	(1 858,3)	10	–	–
10	(31,9)	31,9	10	(19,7)	19,7
10	(40,8)	40,8	10	(93,6)	93,6
10	(45,9)	45,9	10	(535,0)	535,0
10	(852,2)	852,2	10	–	–
10	(1,1)	1,1	10	(165,7)	165,7
10	250,9	(250,9)	10	–	–
10	(143,2)	143,2	10	(266,0)	266,0
10	(10,4)	10,4	10	–	–
10	275,3	(275,3)	10	–	–
10	20,3	(20,3)	10	–	–

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

13.6 Capital management

Management regularly monitors compliance with its financial covenants. In terms of most of the banking facilities, the Group is required to comply with financial covenants. These financial covenants differ based on the contractual terms of each facility and incorporate both IFRS and non-IFRS financial measures. With the exception of MTN Zambia and MTN Côte d'Ivoire, the Group has complied with its financial covenants during the current and prior year. For the year ended 31 December 2020, MTN Zambia breached its debt service cover ratio covenant. As a result, the full related borrowings of R820 million have been classified as current as at 31 December 2020 within the Group statement of financial position. On 9 March 2021, the lenders granted MTN Zambia a waiver of the debt service cover ratio breach, thereby remedying the breach. For the year ended 31 December 2019, MTN Côte d'Ivoire breached its net debt: EBITDA covenant. As a result, the full related borrowings of R3 559 million were classified as current as at 31 December 2019 within the Group statement of financial position. As at 31 December 2019, the Group had met interest-related covenants, and these have improved further in the current period. Holdco leverage has increased since December 2019 due to the weakening of the rand on US dollar denominated borrowings and cash upstreaming challenges from MTN Nigeria due to limited availability of foreign currency.

MTN Cameroon, with the support of MTN Group, had been in discussions with its lender since the beginning of 2020 to restructure a syndicated revolving credit facility of CFA 30 billion (US$56 million) initially maturing on 8 June 2020. Due to not having concluded the restructuring by the maturity date, MTN Cameroon was in technical default in respect of the repayment provisions. This default was subsequently remedied by a waiver from affected lenders. MTN Cameroon successfully concluded the restructuring by 31 December 2020. The maturity date of the CFA 30 billion syndicated revolving credit facility was extended to 8 December 2021 and another of MTN Cameroon's syndicated revolving credit facilities of CFA 32,5 billion (US$61 million) initially due on 15 December 2021 was extended to 16 May 2023. Under the amended facility agreements, MTN Cameroon will repay each of the facilities through equal monthly repayments.

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

	2020 Rm	2019 Rm
	29 408	31 273
– Contracted	**6 814**	6 548
– Not contracted	**22 594**	24 725

15. INTEREST-BEARING LIABILITIES

	2020 Rm	2019 Rm
Bank overdrafts	**354**	132
Current borrowings	**17 438**	15 691
Current liabilities	**17 792**	15 823
Non-current borrowings	**78 457**	78 457
	96 249	94 280

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16. ISSUE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

	Raised 2020 Rm	Repaid 2020 Rm	Raised 2019 Rm	Repaid 2019 Rm
Mobile Telephone Networks Holdings Limited	**12 250**	**14 512**	15 950	14 013
Loan facilities	5 550	9 458	8 000	7 363
General banking facilities	2 500	2 500	3 700	5 500
Domestic medium term programme	4 200	2 554	4 250	1 150
MTN International (Mauritius) Limited	**–**	**1 913**	–	–
Loan facilities	–	1 913	–	–
MTN Nigeria Communications Plc	**6 182**	**1 796**	15 030	5 792
Long-term borrowings	1 841	1 022	15 030	5 792
Commercial paper issuance[1]	4 341	774	–	–
Other	4 119	4 434	4 033	3 857
	22 551	**22 655**	35 013	23 662

[1] *On 8 June 2020, MTN Nigeria issued commercial paper with a face value of NGN20 billion (R881 million) for 182 days and NGN80 billion (R3 460 million) for 270 days.*

17. CONTINGENT LIABILITIES

	2020 Rm	2019 Rm
Uncertain tax exposures	**1 796**	1 959
Legal and regulatory matters	**2 035**	2 280
	3 831	4 239

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 2020, 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.

18. EXCHANGE RATES TO SOUTH AFRICAN RAND

		Closing rates		Average rates	
		2020	2019	**2020**	2019
Foreign currency to South African rand:					
United States dollar	US$	**14,68**	13,98	**16,50**	14,44
South African rand to foreign currency:					
Nigerian naira	NGN	**27,28**	26,09	**23,24**	25,05
Iranian rial[1]	IRR	**17 458,88**	8 120,61	**10 117,96**	7 013,39
Ghanaian cedi	GHS	**0,40**	0,41	**0,35**	0,38
Cameroon Communauté Financière Africaine franc	XAF	**36,42**	41,78	**34,69**	40,57
Côte d'Ivoire Communauté Financière Africaine franc	CFA	**36,47**	41,78	**34,76**	40,57
Ugandan shilling	UGX	**249,19**	262,14	**225,45**	256,68
Syrian pound	SYP	**85,57**	31,33	**50,53**	30,27
Sudanese pound	SDG	**3,76**	3,23	**3,32**	3,14

[1] SANA rate.

The Group's functional and presentation currency is rand. The weakening of the closing rate of the rand against the functional currencies of the Group's largest operations contributed to the increase in consolidated assets and liabilities and the resulting foreign currency translation reserve increase of R4 453 million (2019: R4 415 million reduction) 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 R27,7 billion (2019: R25,8 billion). 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.

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19. DISPOSAL OF UGANDA TOWER INTERCO B.V. AND GHANA TOWER INTERCO B.V.

On 31 December 2019 the Group concluded an agreement to dispose of its 49% equity holdings in Ghana InterCo and Uganda InterCo to AT Sher Netherlands Cooperatief U.A. (ATC). The Uganda InterCo transaction closed on 21 February 2020 for cash proceeds of $140 million (R2,2 billion[1]) and realised a profit of R1,3 billion, inclusive of FCTR gains of R112 million reclassified to profit or loss on disposal. The Ghana Interco transaction closed on 18 March 2020 for cash proceeds of US$384 million (R6,6 billion[1]) and realised a profit of R4,8 billion, after inclusion of FCTR losses of R1,8 billion reclassified to profit or loss on disposal.

[1] Translated at the effective date of sale. Cash proceeds per the statement of cash flows are translated at the spot rate on the date of receipt of the proceeds.

20. DISPOSAL OF 8% SHAREHOLDING IN MTN ZAMBIA

On 7 October 2020 the Group disposed of 8% shareholding in MTN Zambia taking the Group's effective shareholding for accounting purposes from 97,8% to 89,8%. The proceeds from the disposal amounted to ZMK287 million (R238 million) and realised a net gain of R180 million recognised in equity as a transaction with non-controlling interests.

21. NON-CURRENT ASSETS HELD FOR SALE

MTN Syria

In May 2020, the Group committed to a plan to sell MTN Syria to Teleinvest Limited (TeleInvest), which is the 25% non-controlling shareholder in MTN Syria. Accordingly, as at 31 December 2020, MTN Syria's assets and liabilities have been presented as held for sale due to the Group concluding that the sale was considered to be highly probable. At 31 December 2020, the Group expected the sale to be concluded within 2021. An impairment loss of R1,1 billion was recognised in profit or loss for the period due to writing down the carrying amount of the disposal group to its fair value less costs to sell. MTN Syria was presented as part of the MENA cluster in the segment information (note 8).

Subsequent to the end of the reporting period, on 25 February 2021, the appointment of the judicial guardian has significantly reduced the Group's power to direct MTN Syria's relevant activities and therefore, its control over MTN Syria. The Group is still in the process of understanding its rights and obligations under the judicial arrangement but to the extent that control is concluded to have been lost, the Group will derecognise its 75% equity interest in and loans receivable from MTN Syria, amounting to R955 million at 31 December 2020. In addition, the Group will reclassify accumulated foreign currency translation losses of R5,1 billion to profit or loss in line with the accounting policy. On loss of control, the Group will measure its equity interest in and loans receivable from MTN Syria at fair value.

Included in the 2020 Group results is R2 295 million revenue (1,3% of the Group's total revenue) and R574 million CODM EBITDA[1] (0,8% of Group's total CODM EBITDA) relating to MTN Syria. These amounts exclude the impact of hyperinflation.

Belgacom International Carrier Services (BICS)

The Group has been in discussions regarding a potential sale of its shareholding in BICS for some time as the investment in associate was not considered a strategic investment. BICS was accordingly classified as a non-current asset held for sale on 5 August 2020. An impairment loss of R397 million after writing down the carrying amount of the non-current asset held for sale to its fair value less costs to sell has been recognised in profit or loss.

Following year-end, the Group concluded an agreement to sell, and fully exited, its 20% investment in BICS. The transaction closed in February 2021 and the Group received net cash proceeds of EUR99,1 million (R1,8 billion[2]) and realised a profit of approximately R1,2 billion, mainly comprising of reclassified FCTR gains which will form part of EPS, with no impact on HEPS, equity and cash flows.

[1] CODM EBITDA is defined in note 8.
[2] Translated at the effective date of sale.

21. NON-CURRENT ASSETS HELD FOR SALE continued

The carrying amounts of assets and liabilities that have been reclassified to non-current assets held for sale were:

	2020 Rm
MTN Syria	
Property, plant and equipment	**1 036**
Right-of-use assets	**131**
Intangible assets	**380**
Trade receivables and other current assets	**588**
Cash and cash equivalents	**124**
Total assets	**2 259**
BICS	
Interest in associate	**1 747**
Other	**10**
Non-current assets held for sale	**4 016**
MTN Syria	
Deferred tax and other non-current liabilities	**346**
Current liabilities	**738**
Total liabilities	**1 084**
Net carrying amount of assets held for sale	**2 932**

Notes to the group summary financial statements continued

for the year ended 31 December 2020

22. EVENTS AFTER REPORTING PERIOD

22.1 MTN Sudan

On 21 February 2021, the Central Bank of Sudan devalued the official Sudanese exchange rate to US$ 1: SDG 375,08, which translates to an exchange rate of approximately ZAR 1: SDG 25,57. The devaluation brought the official rates in line with parallel market rates and is an effort to eliminate parallel market activity.

As Sudan is a hyperinflationary economy, the Group translates MTN Sudan's results at the closing exchange rate. The devaluation of the Sudanese Pound will result in lower earnings consolidated from MTN Sudan based on the closing rate, a reduction in net assets consolidated and a resulting lower equity in the form of higher foreign currency translation losses.

23. CHANGES IN ACCOUNTING POLICIES

23.1 Release of foreign currency translation reserves

The Group implemented a voluntary accounting policy change relating to the release of FCTR.

In the first quarter of 2019, the Group announced that it will be optimising its portfolio through an asset realisation programme aimed at simplifying the Group, reducing risk and improving shareholder returns and in March 2020 the Group announced that this programme has been further expanded. The strategic intent to dispose of certain investments in subsidiaries and associates over the medium term has resulted in a review of the most appropriate approach in accounting for these disposals.

IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21) requires that on the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the FCTR in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment when the gain or loss on disposal is recognised. Two accepted methods exist for recycling FCTR where the investments are held by an intermediate parent with a different functional currency than the entity disposed of and the ultimate parent. These methods that are referred to as part of the basis for conclusions (BC 35 – BC 39) in IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* are as follows:

- Step-by-step method – FCTR is recycled based on the appreciation or devaluation in the functional currency of the investment disposed of against the functional currency of the intermediate parent and translated into the functional currency of the ultimate parent.
- Direct method – FCTR is recycled based on the appreciation or devaluation in the functional currency of the investment disposed of against the functional currency of the ultimate reporting entity.

The Group has historically applied the step-by-step method on disposals to date. The functional currencies of some of the Group's intermediate holding companies are US dollar and, as a result, the FCTR reclassified on the step-by-step approach is determined based on the appreciation or devaluation of the currencies of the entities disposed of against the US dollar and translated into the functional currency of the ultimate parent. As the Group's functional and presentation currency is ZAR and the FCTR is based on the appreciation or devaluation of the ZAR against the equity of the underlying operations in the Group, the direct method provides a more reliable and relevant view of the gain or loss realised in the context of the Group's ZAR functional currency. The Group has accordingly changed its accounting policy on the reclassification of FCTR on disposal of foreign operations held by an intermediate parent where the functional currency of the foreign operation and intermediate parent is different to that of the ultimate parent from the step-by-step method to the direct method.

Notes to the group summary financial statements continued

for the year ended 31 December 2020

23. CHANGES IN ACCOUNTING POLICIES continued

23.1 Release of foreign currency translation reserves continued

This change in accounting policy impacted the FCTR gains and losses reclassified to profit or loss in the current year on disposal of the Group's investments in associates, Ghana InterCo and Uganda InterCo, and in the prior years on disposal of the Group's interests in foreign operations, as disclosed below:

Impacts on the financial statements

Condensed consolidated income statement (extract)	**2020 Rm**	2019 Rm
Gain on disposal/dilution of investment in joint ventures and associates	**831**	–
Other income	**–**	137
Operating profit	**831**	137
Profit before tax	**831**	137
Income tax expense	**–**	–
Profit after tax	**831**	137
Attributable to:		
Equity holdings of the company	**831**	137
Non-controlling interests	**–**	–

Notes to the group summary financial statements continued

for the year ended 31 December 2020

23. CHANGES IN ACCOUNTING POLICIES continued

23.1 Release of foreign currency translation reserves continued

Condensed consolidated statement of comprehensive income (extract)	2020 Rm	2019 Rm
Reclassification of foreign currency translation differences on loss of control and joint control	**(831)**	(137)
Total comprehensive income for the year	**–**	–

Condensed consolidated statement of financial position (extract)	31 December 2020 Rm	31 December 2019 Rm	1 January 2019 Rm
Retained earnings	**3 116**	2 285	2 148
Other reserves	**(3 116)**	(2 285)	(2 148)
Total equity	**–**	–	–

The impact of the change in policy on earnings per share is a 46 cents increase (2019: 7 cents increase) and diluted earnings a 46 cents increase (2019: 7 cents increase). The change in accounting policy had no impact on headline earnings or cash flows in the current or prior comparative year.

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*
RT Mupita[1]
RA Shuter[1] (resigned 31 August 2020)
PB Hanratty[2]*
S Kheradpir[3]
AT Mikati[4#]
SP Miller[5]*
NL Sowazi*
NP Mageza* (resigned 30 April 2020)
MLD Marole* (resigned 30 April 2020)
KC Ramon* (resigned 30 September 2020)
S Mabaso-Koyana* (appointed 1 September 2020)
BS Tshabalala*
KDK Mokhele*
SLA Sanusi[6]*
VM Rague[7]*

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

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ADR to ordinary share 1:1

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Bastion

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