



MTN Group Limited

Integrated report for the year ended 31 December 2016

About this report

This integrated report is MTN Group Limited's (MTN, the Group or the Company) primary communication to stakeholders. It explains who we are; how we create value and interact with our stakeholders; how we implement strategy and remunerate our people; and how we are governed. It gives our performance in 2016 and our prospects ahead.

Scope and boundary

Material issues are those with the potential to affect, both positively and negatively, our ability to create value. Along with our strategy, they form the anchor of this report and determine its content. Details of our material issues, which are identified by MI, are on 8 – 9. How we respond to them is detailed throughout. The report gives commentary, performance measures and prospects for the Group's main operations for the period 1 January to 31 December 2016. We provide supplementary information in associated reports on MTN's website. The sustainability and corporate governance reports, as well as a full set of annual financial statements (AFS) and a tax report, are available at www.mtn.com/en/investors/Financial-Reporting/Integrated-Reports/pages/default.aspx.

Reporting principles

Financial information

The Group applies International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and interpretations as issued by the IFRS Interpretations Committee, complies with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. We also comply with the JSE Listings Requirements and the Companies Act of 2008. In parts of this report, we include data on MTN Irancell as it is a large and important operation. However, under IFRS, this business is equity accounted for. The audit committee recommends to the board, which approves the AFS. The AFS are jointly audited by PricewaterhouseCoopers Inc. (PwC) and Sizwe Ntsaluba Gobodo Inc.

Non-financial information

Local and global standards and guidelines are used in compiling non-financial information. The key standards of reference are the JSE Listings Requirements, the Companies Act of 2008, King Code of Governance Principles for South Africa 2009 (King III), the International Integrated Reporting Council (IIRC) guidelines, the FTSE/JSE Responsible Investment Index, the United Nations Global Reporting Initiative G4 Sustainability Reporting Guidelines, the telecommunications sector supplement and the CDP standard. We are preparing to implement King IV principles. Non-financial information on certain aspects of the business has been externally assured by PwC, and is identified by LA. These appear throughout the report and, on 90. The assurance statement is online.

Enhancements in the year

Every year we work to enhance our report. Improvements this year include:

- A simplified graphic on how we create value.
- More comprehensive disclosure on our use of and impact on each of the six capitals.
- Detailed stakeholder engagement coverage.
- Greater discussion on our operating context and investment case.

Approval by the board

The structure and layout of this report is based on guidance in the latest integrated reporting framework set by the IIRC. The report was prepared under the supervision of acting Group CFO Gunter Engling CA(SA). The audit committee ensures the integrity of the report and has applied its collective mind to its preparation and presentation. The directors are responsible for the integrated report as a whole, which they approved in March 2017.

Navigation

MTN's strategy (30) is driven through five strategic themes, the icons of which are:

- Creating and managing stakeholder value
- Creating a distinct customer experience
- Driving sustainable growth
- Transforming our operating model
- Innovation and best practice

Other icons

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

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

Online reports

- GR — Governance report
- SR — Sustainability report
- AFS — Annual financial statements
- TAX — Tax report
- SE — Social and ethics report
- SH — Stakeholder engagement table

We welcome feedback on this report at:
investor_relations@mtn.co.za

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The year in review

"There can be little doubt that the last 18 months have been the most difficult period in MTN's 22-year history. We faced unprecedented challenges, precipitated by regulatory, macro-economic, political and competitive forces in our two largest markets, and to varying degrees across our portfolio. With the agreement to settle the Nigerian regulatory fine in June 2016, deeper senior management capacity and skills in place, including the appointment of a Group CEO, the board conducted a deep and fundamental strategic review of the business and its processes. The review illuminated a number of issues in need of attention and affirmed the Group's unique strategic advantages on which we can continue to build a sustainable business for the future. Given their impact on our performance and the risk of being left behind in a fast-moving industry, these findings necessitated a decisive and immediate response. This precipitated our business transformation initiative, IGNITE, which sets out a clear roadmap for the next 18 months. There is still much to be done to transform the Group and position it for the future, but also much to look forward to for the people and stakeholders of MTN."

Phuthuma Nhleko, executive chairman

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All about MTN

Who we are

MTN is a leading emerging markets mobile operator at the forefront of global technological changes. From our headquarters in Johannesburg and guided by our values, we are delivering a bold, new Digital World to our 240 million customers across Africa and the Middle East.

In just over two decades, through our extensive investment in advanced communication infrastructure and by harnessing the talent of our people, we have grown rapidly to offer voice, data and digital services to retail customers in the 22 countries in which our operations have telecoms licences. We also offer enterprise solutions to corporate and public sector customers in a total of 24 countries.

Our brand is among the most admired brands in Africa as well as among the most valuable African brands.

With a market capitalisation of R238 billion at the end of December 2016 we were the twelfth largest company on the Johannesburg Stock Exchange.

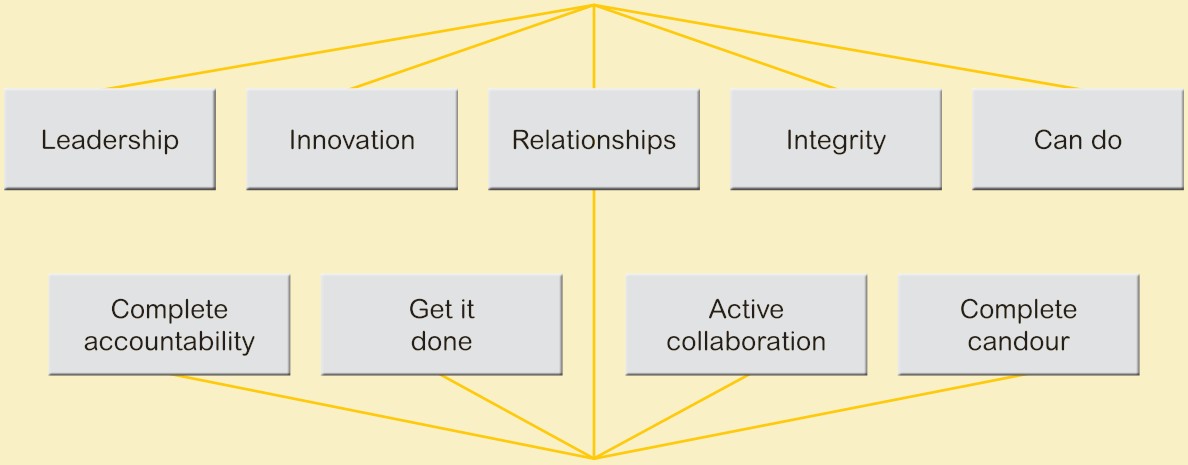
Our vision

To lead the delivery of a bold, new Digital World to our customers.

Our mission

To make our customers' lives a whole lot brighter.

Our values



Our vital behaviours

What we offer

Our products and services

We offer consumer, digital and business services to customers across our footprint.

1 **Consumer**

We connect people and communities through voice and data access services.







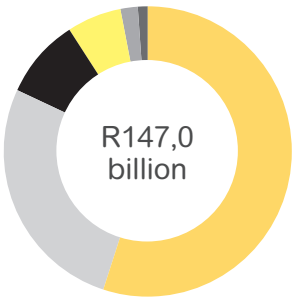
2 **Digital**

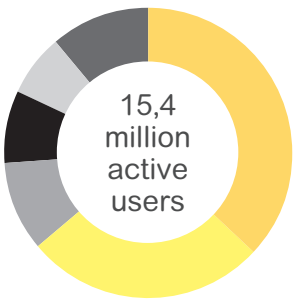
We enable people to make financial transactions using their mobiles, and bring them entertainment and online platforms, apps and online ventures through lifestyle, mobile financial services and e-commerce offerings.

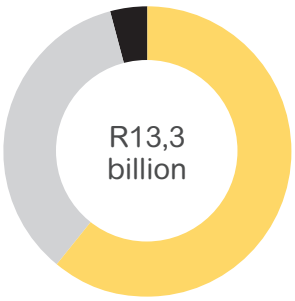
3 **Business**

We drive agility and growth through connectivity, communication and collaboration solutions over world-class infrastructure, as a committed partner to SMEs, corporates and the public sector.









1 **Consumer revenue**

Outgoing voice	55%
Data	27%
Incoming voice	9%
Devices	6%
SMS	2%
Other	1%

2 **Mobile Money markets by subscribers**

Ghana	37%
Uganda	27%
Nigeria	10%
Ivory Coast	8%
Rwanda	7%
Other	11%

3 **Business revenue**

Corporate	61%
SMEs	35%
Public sector and partnerships	4%

Where we operate and how we performed

To strengthen operational oversight, leadership, governance and regulatory compliance across our 22 GSM operations, in 2016 we reorganised the Group into three regions: South and East Africa (SEA), West and Central Africa (WECA) and the Middle East and North Africa (MENA). We also have a presence in Kenya and Namibia.

The WECA region is the biggest contributor to revenue and EBITDA, making up nearly 55% of revenue and almost 64% of EBITDA. It is home to 47% of our subscribers. Here we provide key statistics for our top nine operations. In line with accounting rules on joint ventures, in our contribution graphs we exclude revenue, EBITDA and capex numbers for our joint venture in Iran, which are disclosed separately.

SEA
WECA
MENA

MTN Irancell:
- *Revenue of R16,5 billion (+12,8%*)*
- *EBITDA of R6,5 billion (+6,9%*)*
- *Capex of R5,1 billion (+15,0%*)*

Ivory Coast (59%)‡
No 2 operator
32,6% market share

Technology coverage#
2G – 95,17%
3G – 85,85%
LTE – 28,90%

Subscribers
9,5m +14%

Data revenue*
up 18,4%
(19% of revenue)

Ghana (98%)‡
No 1 operator
56,4% market share

Technology coverage#
2G – 83,00%
3G – 43,50%
LTE – 28,00%

Subscribers
19,3m +19%

Data revenue*
up 65,7%
(42% of revenue)

Nigeria (79%)‡
No 1 operator
48,0% market share

Technology coverage#
2G – 89,79%
3G – 62,05%
LTE – 11,04%

Subscribers
61,9m +1%

Data revenue*
up 10,8%
(21% of revenue)

Cameroon (70%)‡
No 1 operator
57,1% market share

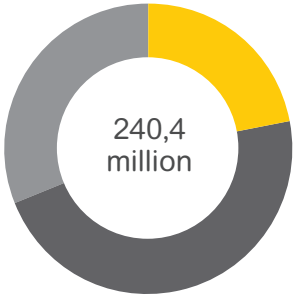
Technology coverage#
2G – 92,22%
3G – 64,00%
LTE – 37,70%

Subscribers
9,9m +8%

Data revenue*
up 25,9%
(19% of revenue)

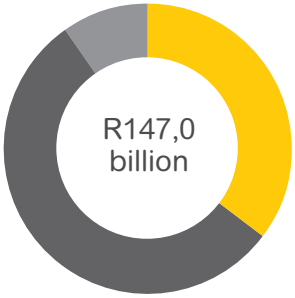
‡ *MTN legal ownership.*
Percentage of population covered by each technology.
* *Constant currency (organic) information.*

The contribution of our regions



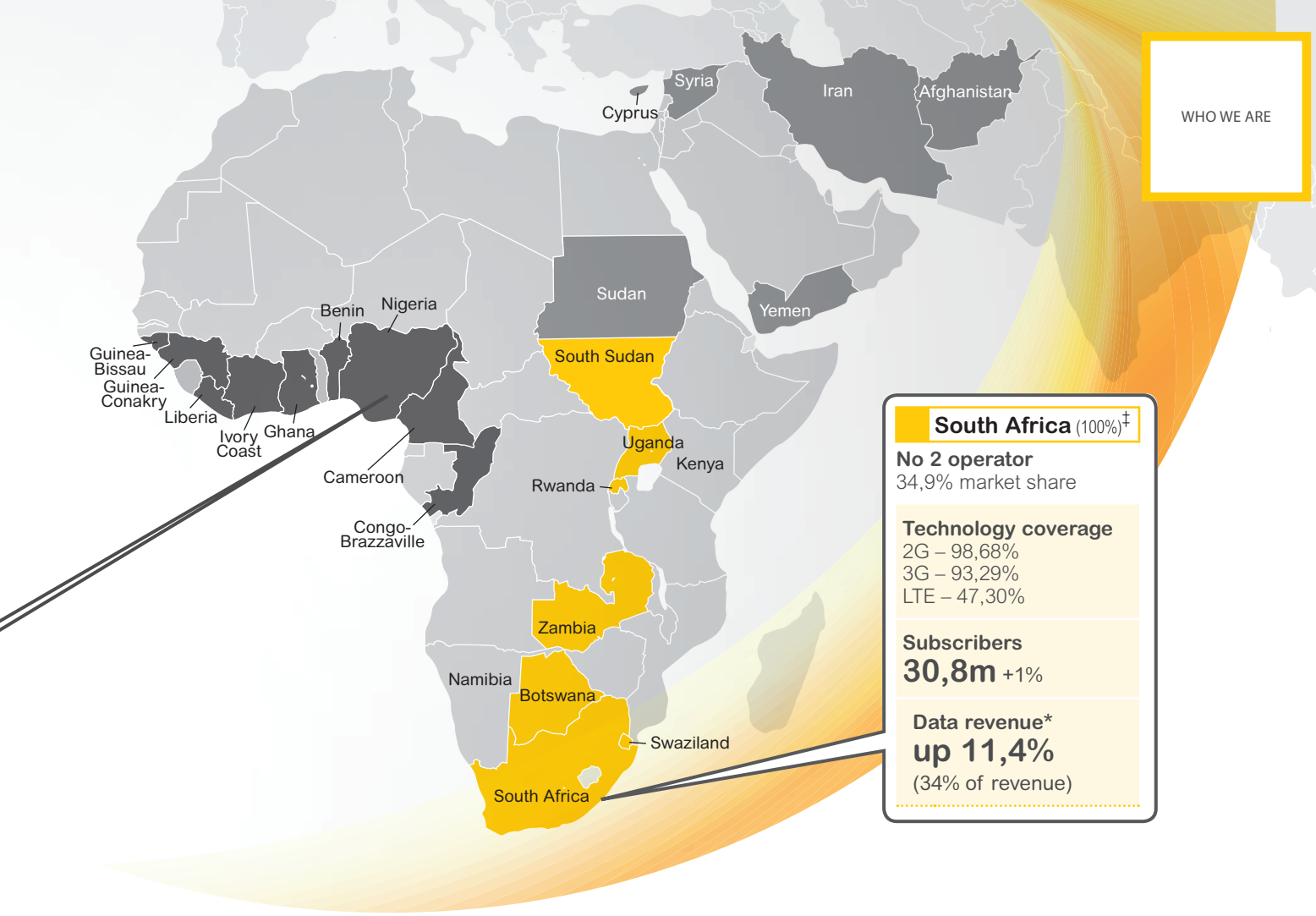
Subscribers
+3,3%

SEA	22%
WECA	47%
MENA	31%



Revenue
+0,4%

SEA	35,5%
WECA	54,9%
MENA	9,7%



South Africa (100%)‡

No 2 operator
34,9% market share

Technology coverage
2G – 98,68%
3G – 93,29%
LTE – 47,30%

Subscribers
30,8m +1%

Data revenue*
up 11,4%
(34% of revenue)

Uganda (96%)‡

No 1 operator
53,3% market share

Technology coverage#
2G – 79,51%
3G – 25,30%
LTE – 5,06%

Subscribers
10,5m +18%

Data revenue*
up 18,8%
(34% of revenue)

Sudan (85%)‡

No 2 operator
35,1% market share

Technology coverage#
2G – 55,92%
3G – 34,34%

Subscribers
7,5m -11%

Data revenue*
up 56,6%
(29% of revenue)

Syria (75%)‡

No 2 operator
44,6% market share

Technology coverage#
2G – 79,00%
3G – 69,00%

Subscribers
6,1m +2%

Data revenue*
up 26,9%
(29% of revenue)

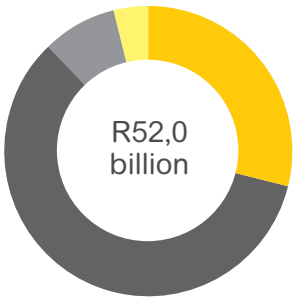
Iran (49%)‡

No 2 operator
44,5% market share

Technology coverage#
2G – 85,96%
3G – 52,30%
LTE – 28,94%

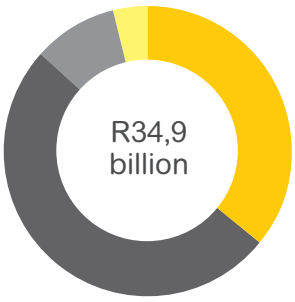
Subscribers
47,6m +3%

Data revenue*
up 58,8%
(42% of revenue)



EBITDA
-13,2%

SEA	31,5%
WECA	63,6%
MENA	9,0%
Head office	(4,1%)



Capex
+19,6%

SEA	36,9%
WECA	49,6%
MENA	9,5%
Head office	4,0%

Our operating context

The environment in which we operate has direct implications for our ability to create value, and informs our strategy development and evaluation. By considering our operating context, we are better able to determine our material issues and how best to respond to them.

Macro environment

- In 2016 across the world, **the political landscape was unstable**
- **Global economic growth slowed,** particularly in sub-Saharan Africa where many countries are reliant on commodity exports
- **Governments implemented changes to policy** to account for the impact on revenues of weaker commodity prices
- **Financial market sentiment toward emerging economies improved marginally**
- **Currencies were volatile** and in some markets inflation increased, weighing on consumer and investor sentiment
- The **youthful populations of our markets** continued to adopt ICT offerings enthusiastically

Link to material issue: 1 MI, 3 MI, 4 MI

Telecoms environment

- **The telecoms industry continued its rapid evolution** in both the traditional connectivity business and non-traditional businesses such as mobile financial services and content-based services
- **Competition intensified** and more consumers used over-the-top services driven by increased smartphone penetration
- **The availability and use of mobile devices and broadband connectivity increased**. This provided telcos with the **opportunity to increase revenue** through greater connectivity and more sophisticated products and services

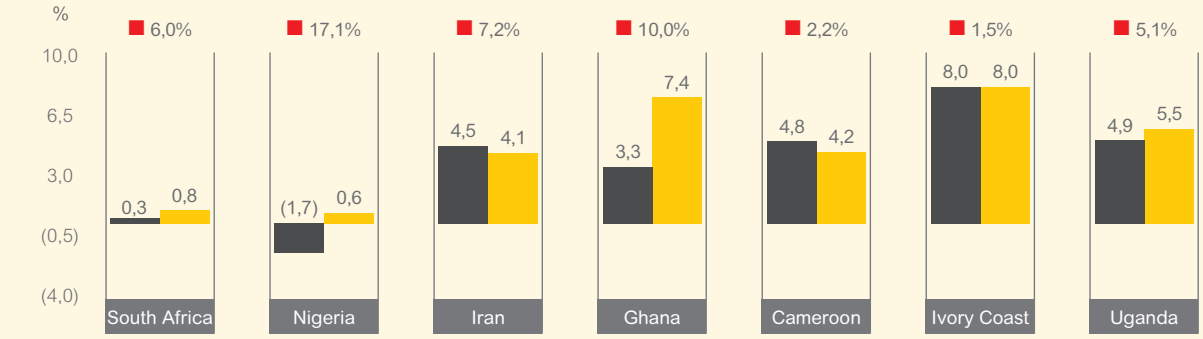
Link to material issue: 2 MI

Regulatory environment

- **Regulatory demands continued to increase:** greater customer SIM card registration requirements, additional taxes and the obligation in some markets for foreign companies to list/localise their subsidiaries
- **In South Africa, there were delays in the process to assign spectrum** so telcos had to erect more sites and re-farm spectrum
- **In Nigeria, the regulator continued to consider MTN a dominant operator,** impacting our commercial success
- **Building relationships with regulators and ensuring best-practice compliance** became more critical amid slow economic growth and low government revenue

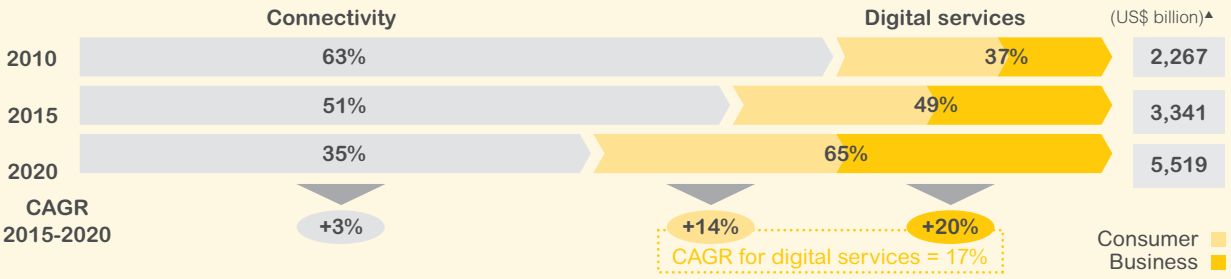
Link to material issue: 1 MI, 2 MI, 3 MI

The economic landscape in key MTN markets



Source: Various

Connectivity versus digital revenues in telco sector 2010 – 2020



Source: Delta Partners Analysis, Ovum, eMarketer, Bloomberg, Gartner, IMS Research, GMSA, ITU

Our new compliance structure

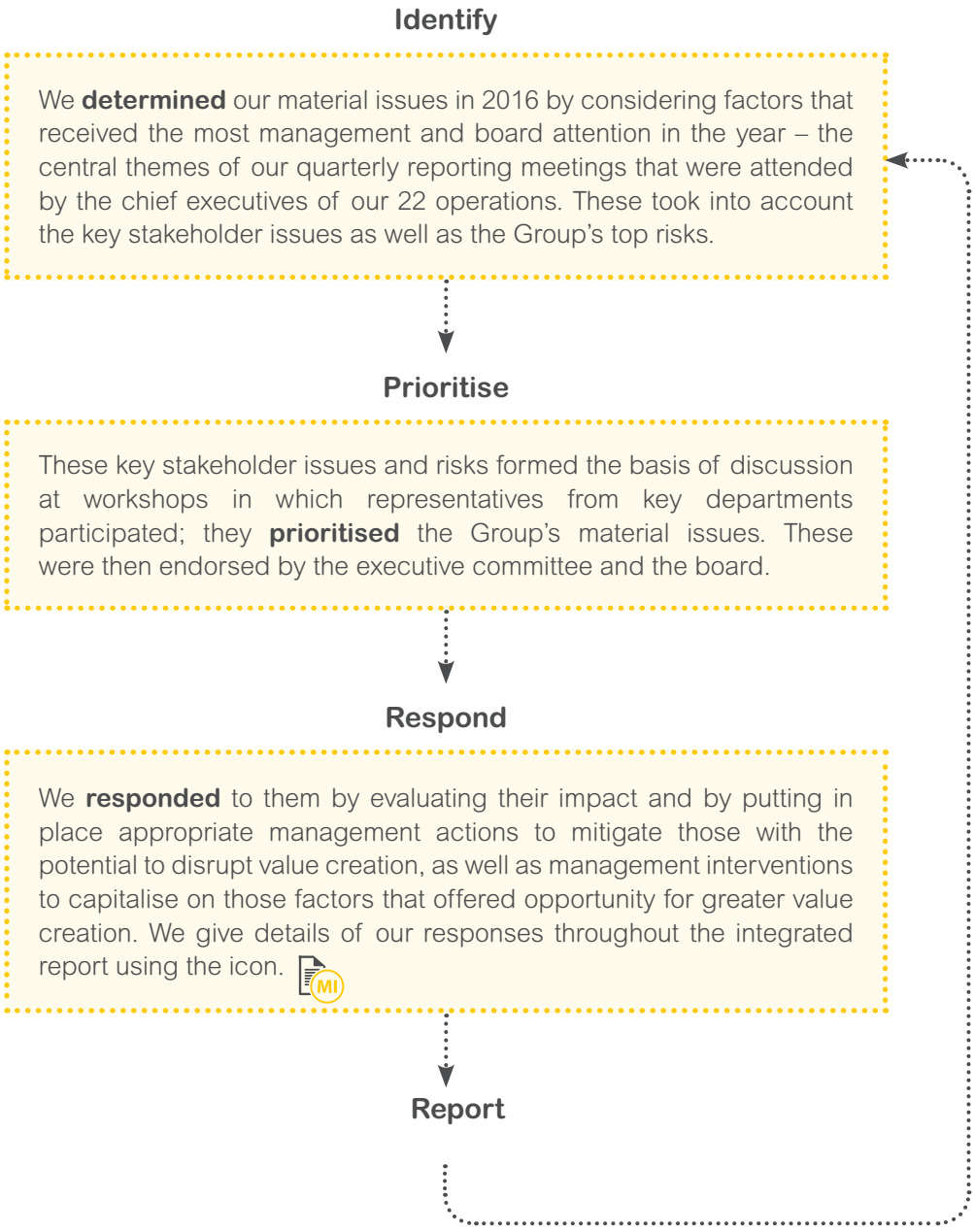


Our material issues

Material issues have the potential to affect, both positively and negatively, the delivery of strategy and the Group's ability to create value in the short, medium and long term.

Managing material issues

We manage material issues by identifying, prioritising, responding and reporting on them:



Our material issues and their impact in 2016

Here we set out our material issues, assigning numbers to each for easy referencing. The numbers do not necessarily indicate rankings of relative importance.

Challenging economic conditions 1

MI 1

- Pressure on MTN revenue and profitability
- Foreign exchange translation losses on rand-reported results
- Increased costs resulting from expenses denominated in foreign currencies and increased cost of debt
- Reduced ability to remit dividends and repatriate cash from MTN Nigeria
- Lower consumer spending
- Contraction of the Nigerian economy had a knock-on impact on the rest of West Africa

Increased competition and disruption of traditional telecoms business 2

MI 2

- Erosion of voice and data-access revenue
- Higher capital expenditure required to remain competitive
- Declining return on investment
- Improvement in network quality and customer service
- Opportunity to offer additional services and change our business model
- Need to secure appropriate spectrum and new technologies

Tough political environments and greater regulatory and compliance requirements 3

MI 3

- Reputational and relationship risks
- Continuing to operate in countries where there is civil strife
- Fines and penalties, more onerous on-boarding subscriber registration requirements
- Demand for greater local participation, including stock exchange listings of operations
- New taxes and changes in tax legislation
- Restricted access to spectrum resulting in an increase in rollout costs
- Enhancing information security

Easing of sanctions in Iran 4

MI 4

- Enabled repatriation of cash to the Group
- Opportunity to benefit from increase in economic growth in Iran

Inconsistent execution of Group strategy and implementation of regulatory compliance and governance policies by operations 5

MI 5

- Lower-than-expected financial results
- New senior management appointments
- Need for better organisational oversight and more diverse skills
- Need to constantly review business continuity measures
- Pressure on the Group's reputation

How we create value using the six capitals

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

Capital inputs

Human	The skills, safety and diversity of our employees, suppliers and partners
Manufactured	Our networks, 2G, 3G and LTE base stations and fibre as well as public infrastructure
Financial	Debt and equity financing; cash generated from operations and investments
Intellectual	Our brand, experience, technology and proprietary and licensed procedures and processes
Social and relationship	Our customers; communities; civil rights groups; suppliers; trade unions; industry bodies; governments and regulators
Natural	Spectrum, energy and land

Our business model

Informed by our values, vision, mission and governance, our five-step business model supports the delivery of our strategy:

Licences and spectrum
- Acquire sufficient and appropriate radio spectrum through telecoms and other licences

Investments
- Invest in networks to ensure superior coverage, capability and quality
- Invest in businesses to facilitate expansion of new revenue streams
- Invest in people to make certain we deliver on our strategy

Product development
- Ensure the right products at the right prices to meet specific needs of our markets

Sales and distribution
- Establish and maintain a wide and deep distribution network and foster sound partnerships

Customer experience
- Work to attract and retain customers

By giving due consideration to our operating environment and our material issues, we ensure our agility – we are responsive to changes.

Underpinned by

To deliver on our strategy, as well as generate value for all stakeholders, we require inputs of each capital. When making decisions on capital allocation, we consider the trade-offs between the capitals, and seek to maximise positive outcomes and curb negative impacts.

Capital outputs

A range of **voice, data, digital** and **enterprise solutions**†

1 609 174 tonnes of carbon emissions#

† *For details of our offerings see 3.*

Defined as an output by the IIRC, however not material to our business.

Outcomes

19 989 employees in 24 countries

R9,2 billion paid in staff costs

Rolled out **2 450 2G**, **8 201 3G** and **7 676 LTE sites**

EBITDA of **R52,0 billion**

Declared total dividend of **700 cents** per share

Repatriated **R6,3 billion** from MTN Irancell (see 24)

R34,9 billion in capital expenditure

Paid **R33,7 billion** LA in total tax contributions

Avoided **833 tonnes** of GHG emissions

Spent **R295,45 million** LA in social investment

Recorded 67% LA in employee culture survey

Achieved **NPS improvement** to **81%** LA in South Africa

Doubled NPS in Nigeria to 30% LA

NPS in other key markets improved to 25% LA

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

best-practice governance

Human capital

Our people's skills, experience and diversity enable us to provide competitive and reliable products and services. This ultimately helps us achieve our goals. We prioritise investment in employee engagement, as well as development, to deliver the best customer experience. Our culture is diverse and inclusive and underpinned by our values, including a "can do" approach. In many countries, our opcos are among the biggest corporate employers.

In 2016, we focused on securing and complementing the skills necessary to execute our business strategy (including appointing a new Group chief executive officer, chief financial officer and chief operating officer); realigning staff to the new reporting structure (effective 1 January 2016); implementing more effective cost-saving measures; and continuing to review our incentives for robustness.

Key human capital inputs

	2016	2015
Number of employees	**15 980**	15 202
Number of contractors	**4 009**	5 882
Gender split (men:women)	**63:37**	63:37
Investment in employee training (R million)	**392**	223
Number of nationalities employed	**60**	59

Outcomes of our activities on human capital

	2016	2015
Staff costs (R billion)	**9,2**	8,6
Voluntary staff turnover (%)	**7,2**	7,8
Employee culture survey results (%) (LA)	**67**	66
People trained in the year	**25 376**	13 240
Opcos with Global Investor in People accreditation (see 69 for details)	**16**	14



How we achieved our outcomes

- Appointed new executive committee members 64 – 65
- Invested in targeted training and development
- Restructured the business, with new regional reporting lines
- Encouraged diversity, so workforce understands the needs of our subscribers
- Implemented new notice period and restraint of trade measures for new appointees
- Worked to ensure the safety of employees and contractors in dangerous countries

Trade-offs in our use of human capital

Employees in 15 of our 22 operating companies did not receive bonuses for 2016 as these operations did not meet their financial targets. This negatively affected human capital. By outsourcing some functions MTN reduced its stock of human capital to the benefit of intellectual and financial capital.

Manufactured capital

We leverage on our asset base of network infrastructure – including data and switching centres, 2G, 3G and LTE base stations, high-end dedicated fibre, batteries, generators and air-conditioning units – to service our customers. We also rely on IT equipment and software, our office buildings and our distribution network (such as customer service centres and retail outlets) as well as other telecoms equipment (including handsets) and public infrastructure to run our business.

We continue to implement our plan to outsource our base station or network sites to tower management companies and to share other telecoms infrastructure. As we extend our offering of digital services, our investments in data centres are increasing, either through retrofitting and modernising existing facilities or investing in new data centres.

Key manufactured capital inputs

	2016	2015
Value of property, plant and equipment (R billion)	**95,6****	106,7**
Capital expenditure (R billion)	**35,3****	29,6**
Number of smartphones on our networks	**82 361**	69 224
• Offices and networks in 24 countries		
• Access to public infrastructure, including transport facilities		

Outcomes of our activities on manufactured capital

	2016	2015
2G sites rolled out	**2 450**	3 116
3G sites rolled out	**8 201**	7 891
LTE sites rolled out	**7 676**	5 241
Kilometres of fibre rolled out	**5 481**	1 469
Depreciation (R billion)	**21,0****	19,6**
Impairment of assets (R million)	**205****	77**
Impairment of goodwill (R million)	**873****	504**

***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*



How we achieved our outcomes

- Focused 2016 capex on expanding and improving quality and download speeds of our 3G and LTE networks in key cities
- Provided solar power charging devices to entrepreneurs in four countries
- Offered MTN-branded smartphones in some markets, and at a price lower than the average cost of a smartphone
- Since 2010 we have sold many of our towers (including in Ghana, Uganda, Cameroon, Ivory Coast, Zambia, Rwanda and Nigeria), however we maintain equity stakes in IHS and American Tower Corp to whom the towers were sold

Trade-offs in our use of manufactured capital

By expanding our networks, we increase the stock of manufactured capital and reduce our stock of financial capital in the short term. However, ultimately this investment should boost our business and therefore our stock of financial capital in the longer term. By advancing manufactured capital, we impact negatively on natural capital. However, by sharing infrastructure and increasing the efficiency of existing infrastructure we are able to mitigate our impact on the stock of natural capital.

Financial capital

We leverage on equity and retained earnings generated by our operations to fund our business and achieve its growth. This financial capital enables us to deliver on our strategic themes of creating and managing stakeholder value (including dividends for shareholders, salaries for employees and investment in communities); of driving sustainable growth (by developing new opportunities in data, enterprise, financial services and content) and transforming our operating model (through procurement savings and capex efficiency in major markets).

In the year, we reached agreement to settle MTN Nigeria's regulatory fine, we repatriated funds from MTN Irancell and successfully restructured the balance sheet. Competitive pressure on data pricing suppressed revenue growth. This, and the need to maintain momentum in rolling out our data network led to lower returns of capital invested.

Key financial capital inputs

	2016	2015
Market capitalisation (R billion) at year-end	**238**	245
Interest received (R billion)	**4,4****	5,4**
Net debt (R billion)	**51,9****	31,6**

Outcomes of our activities on financial capital

	2016	2015
Profit/(loss) after tax (R billion)	**(3,1)****	23,6**
Operating profit (R billion)	**14,1****	35,3**
Cash generated through operations (R billion)	**55,7****	57,6**
Net debt to EBITDA ratio^	**1,01**	0,46
Net interest paid (R billion)	**3,7****	1,6**
Basic headline earnings/(loss) per share (cents)	**(77)****	746**
Dividends declared to shareholders (R billion)	**13,0**	24,0
S&P Global Ratings long-term credit rating	**BB+**	BBB-

^ Excluding the Nigerian fine.
***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*



How we achieved our outcomes

- Secured US$1 billion bond
- Repatriated R6,3 billion in cash from our Iran operation in 2016 (see 24)
- Agreed to settle NGN330 billion fine, reducing headline earnings
- Reduced dividend from 1 310 cents to 700 cents per share
- Improved our debt maturity profile
- Concluded significant rand banking facilities
- Secured local currency funding in many markets
- Updated and increased our domestic medium-term note programme

Trade-offs in our use of financial capital

By applying financial capital, we are able to grow our business, positively impacting on manufactured, human and intellectual capital, as well as social and relationship capital. However, through our use of financial capital to build new telecoms infrastructure we may negatively impact on the stocks of natural capital.

Our efforts to preserve financial capital through outsourcing and creating greater efficiencies have some negative implications for human and manufactured capital, but enable us to return more cash to shareholders.

Intellectual capital

Our strong brand, experience, technology and procedures and processes constitute our intellectual capital. In a dynamic industry, innovation of products and services is essential, as is a thorough understanding of our customer base. As the business evolves, we require new skills to develop new revenue streams. In developing markets, stimulating local innovation is an important part of economic inclusion, job creation and social development.

In the year, we reinforced our management structures, processes and policies and made senior management appointments to enrich our intellectual capital. We helped support startups, improving the capacity of entrepreneurs to ensure the development of locally relevant digital solutions.

Key intellectual capital inputs

- Our strong and established brand
- Our skilled and experienced employees
- Our partnerships and joint ventures
- More than 20 years' experience of operating in challenging emerging markets

Outcomes of our activities on intellectual capital

	2016	2015
Intangible assets and goodwill (R billion)	**46,5****	55,9**

- MTN Nigeria named the Most Valued Brand in the country (Top 50 Brands survey)
- MTN Uganda won Digital Brand of the Year Africa (Digital Impact Awards Africa)
- MTN Uganda won Best Mobile Financial Service in Uganda
- MTN South Africa named Most Valuable Brand in the country (Brand Finance)
- MTN South Africa won Brand of the Year in the regional tier of the World Branding Awards in the telecoms category
- MTN Ghana named CSR Company of the Year (CSR Excellence Awards)

***Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*

How we achieved our outcomes

- Employee training to develop our intellectual capability
- Partnering with experts in various fields, such as technology and management consultancy
- Creating and maintaining joint ventures and partnerships to expand new revenue streams
- Conducting the MTN Jumia Innovation Challenge in 13 countries and the MTN Mind 2 Machine Challenge in South Africa

Trade-offs in our use of intellectual capital

In the short term, our investment in intellectual capital reduces our stocks of financial capital while boosting in the longer term the stocks of human, financial and social and relationship capital.



Natural capital

Radio spectrum is a natural capital and the industry's key enabler. Access to it is regulated and is influenced by a country's political and economic priorities. Where we do not have sufficient spectrum, we re-farm existing spectrum to offer our customers LTE services. We also depend on reliable access to energy and land.

Our most material area of environmental impact relates to the consumption of energy by our operations and the use of electronic and electrical equipment by both MTN and our customers. This results in greenhouse gas emissions, end-of-life waste management challenges, and other environmental impacts. As we sell some facilities to tower management companies, some of our impact is transferred. Through our investment in efficient and green power sources, energy and carbon accounting programmes, e-waste management and office-greening projects, we work towards using fewer non-renewable resources and a smaller environmental impact.

Key natural capital inputs

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

	2016	2015
Gigajoules of energy used	**13 514 716**	15 212 286

Outcomes of our activities on natural capital

	2016	2015
Carbon emissions (tonnes of CO_2 equivalent)	**1 609 704**	1 589 888
GHG emissions avoided (tonnes)	**833**	7 947
Total number of sites, data centre switches, hubs, offices at which energy-efficiency solutions implemented	**10 454**	10 439
Total number of solar and solar-hybrid sites (MTN owned)	**340**	329
E-waste recycled (tonnes)	**537**	534,5
Paper saved (kg)	**15 646**	15 271
Waste recycled (kg)	**1 808**	629



How we achieved our outcomes

- Optimised our network infrastructure for efficiencies through network modernisation and investments in new data centre technologies and facilities which are highly energy efficient
- Changed design of infrastructure to ensure resilience to change in climate or increase in extreme weather events
- Implemented alternative energy measures and thereby improved our energy security, countered increasing energy costs and reduced our exposure to carbon taxes
- Partnered to improve awareness about the problems created by e-waste generation, increase collection and recycling volumes and mitigate our environmental impact
- Secured spectrum in Nigeria, Ghana and Cyprus

Trade-offs in our use of natural capital

The short-term input to securing sufficient spectrum is financial capital. By establishing and maintaining an extensive high-quality network, and by using non-renewable resources, we impact negatively on natural capital. However, through infrastructure sharing, improving energy efficiencies and investing in low-carbon power we are able to mitigate the overall impact on this stock of capital. Opportunities also exist to use our ICT services to help industries improve the management, use and allocation of natural resources.

Social and relationship capital

The ICT sector is an important facilitator of economic development. It contributes directly through the creation of dealer, supplier and other enterprises and the payment of regulatory fees and taxes. Indirect contributions include reducing the cost of transactions and time and travel costs, increasing connectivity and by exposing people to information and opportunities beyond physical boundaries. MTN is among the largest tax payers, corporate employers and largest CSI investors in many of the countries in which we operate.

We work to foster relationships that are built on trust, and so ensure our social licence to operate. This encompasses interactions with all our stakeholders – our customers, employees, investors, civil society organisations, communities, regulators, suppliers, governments, industry partners and the media.

Key social and relationship capital inputs

- Constructive relationships with regulators, customers, trade unions, employees, communities, civil society
- Ongoing interactions with government and tax authorities
- Close engagement with shareholders and investor community

	2016	2015
Countries in which we have a presence	**24**	24
Regulators with whom we interact	**22**	22

Outcomes of our activities on social and relationship capital

	2016	2015
Total tax contributions (LA)^ (R billion)	**33,7**	N/A
CSI spend (LA) (R million)	**295,4**	335,4
BBBEE status in South Africa	**Level 2**	Level 3
Number of calls to whistle-blower line (LA)	**120**	128
MTN Mobile Money active subscribers (million)	**15,4**	9,8
NPS South Africa (%) (LA)	**81**	78
NPS Nigeria (%) (LA)	**30**	14
NPS other key markets (%) (LA)	**25**	16

^ *This data was only assured from 2016.*



How we achieved our outcomes

- Agreement to settle Nigeria fine
- Recognition of union in South Africa
- Monitoring staff morale through annual culture survey
- Focusing CSI projects on education, enterprise and health
- Monitoring investor feedback through annual perception study
- Completing new MTN Zakhele Futhi black economic empowerment scheme in South Africa
- Extended MTN Mobile Money services to support broader requirements
- Piloted Internet of Things solutions
- Certified 19 MTN ethics officers
- Offered entrepreneurs opportunities to earn commissions
- Expansion of 3G and LTE networks

Trade-offs in our use of social and relationship capital

Investment in social and relationship capital reduces our financial capital in the short term. However, by helping to close the digital divide (including through our CSI work) we ultimately boost financial capital, and also build the stocks of human and intellectual capital.

Our approach to social investment

The launch of the MTN South Africa Foundation by former President Nelson Mandela on 5 December 2001 marked the formalisation of MTN's commitment to creating shared value in the communities in which we operate. In the 15 years since then, as we have expanded across the emerging world, we have established 13 more foundations.



A multi-media laboratory at Bongani High School, Douglas, Northern Cape, South Africa.

- We finance projects that build people's capacity and self-reliance using digital technology.
- We work mainly in education, but also in the health sector and assist with the development of small enterprises and other national priority areas.
- In 2016, we committed R295,4 million(LA) in social investment, almost half of which was to improve access to education.

Highlights of our education programme

We implemented a number of digital teaching and learning initiatives. In many markets, we established multimedia centres, with PCs, workstations, servers, printers, projectors and internet connectivity to enable remote access to tutorials, such as the Cyber Cloud solution in **Cameroon**. We rolled out similar centres in **Benin, Ghana, Ivory Coast, Rwanda** and **Congo**.

- We also set up computer labs for special needs learners in **South Africa.**
- In **Sudan**, we installed interactive whiteboards and trained teachers on how to use them.
- We set up mobile libraries in **Cameroon**, and opened the first of eight libraries planned for **Congo-Brazzaville.**
- In **Guinea-Bissau** we helped parents pay school fees through a secure MTN Mobile Money fees system, which also helped schools safeguard their revenues.
- In **Swaziland**, MTN's Educare programme broadcasts maths and science lessons, delivering content via social media, allowing learners to interact with teachers in real time.
- In **Cyprus**, we launched MTN Read – an app with a digital library offering more than 70 eBooks spanning primary and secondary school curricula.
- In **Ivory Coast**, we partnered with Succes Assuré to make quality education content easily accessible. Learners received free online access to curricula, educational videos, courses, tests, previous exams, exercises and model answers.



The MTN Internet Bus in North Uganda.

- In **Uganda**, the MTN Internet Bus toured the country and exposed people in rural areas to ICT. We also supported the government's drive to digitise secondary school learning material.



The handover of three primary schools in Kumba, South West region of Cameroon.

Telling Africa's history from another perspective

MTN is committed to support UNESCO's drive to write Africa's history from an African perspective, through the General History of Africa initiative. By supporting the second phase of this project, MTN is participating in a crucial education initiative aimed at re-appropriating the interpretation and writing of Africa's history, as well as emphasising the contribution of African cultures to the history of humanity.



MTN's donation of books to the Abura Dunkwa Community Library, Central Region of Ghana.

Encouraging volunteerism

For the 10th year running for 21 days in June 2016, MTN employees across our footprint volunteered to participate in a number of diverse and high-impact community projects. Armed with purpose and an unfailing "can do" spirit, over 10 500 MTNers left the comfort of their offices and became bricklayers, carpenters, painters and tutors, to make the lives of our communities a whole lot brighter. By the end of the three weeks, these volunteers had:

- built 10 classrooms;
- established 56 libraries, including two digital libraries, one mobile library, 50 mini-libraries, an audio library and two standard libraries;
- established eight ICT laboratories; and
- benefited over 100 000 people.



MTN Ivory Coast CEO Freddy Tchala participating in the annual 21 days of Y'ello Care.



A computer lab established at an orphanage in Afghanistan.

"21 Days of Y'ello Care" has become an extension of our positive social contribution and the associated work of MTN Foundations and social investment departments. It is a platform where ordinary people can make an extraordinary difference to those around them.

Relationships on which we rely to create value

Successful interactions with our stakeholders are essential for sustainable value creation. We strive to understand what is important to those who impact our business, as well as to those on whom we have an impact, and to be responsive to their expectations. This informs our material issues, our strategy development and evaluation and our management of risks.



2016 marked the second year during which our opcos reported against the new protocol on stakeholder relationship management and monitoring. In addition, we added new measures to gauge the perceptions of CSI, ethics and issue management on the reputation of the organisation and to create a trackable "reputation score" for each country.

We formalised engagement and involvement of our 10 primary stakeholder groups in our core business activities and made measurement and reporting more systematic. We also introduced some structural changes to heighten stakeholder focus. The business accountability for stakeholder engagement and relationships was assigned at executive level and placed under the three regional vice-presidents. We created a Group executive position for regulatory affairs and public policy. These measures ensured that accountability for reputation is at the highest level in the organisation and that regulatory oversight from the centre is strengthened. The board's social and ethics committee continued to have quarterly oversight over MTN's corporate reputation activities, recommending improvements, among them a complete review of the compliance levels for all the MTN Foundations and CSI divisions to the Group's strategy and policy. Our social and ethics committee report can be found online SE, as can our detailed stakeholder engagement report. SH

Our key stakeholder themes

The key stakeholder themes in 2016 are derived from our interactions in the year and describe those issues on which management engaged the most, and on which the sustainability of the business relies. All are linked to the execution and delivery of our strategy and are measured through KPIs (30).

Key stakeholder themes	Our actions in 2016	Link to strategy and material issues
Heightened regulatory scrutiny and uncertainty The impact of the circumstances that led to the Nigerian Communications Commission imposing a significant fine on MTN Nigeria in late 2015 was felt across MTN's African footprint. This led to increased vigilance, both by the regulatory authorities and network operators.	• Enhanced our compliance structure and established an operational risk and compliance committee to ensure all licence requirements are adhered to, key among which was proper registration of subscribers, failing which we risked incurring more penalties. • Increased engagement with **regulators** and **customers** to minimise the business impact of subscriber termination and new registrations across our markets. • Strengthened MTN's regulatory function, with executive oversight and support from the Group. Appointed an executive for Group regulatory affairs and public policy. • Increased engagement with **regulators** to drive MTN's growth agenda, as well as to mitigate regulatory risks, including non-compliance with licensing conditions.	3 MI
Quality of service MTN operates in dynamic markets characterised by rapidly changing **customer** needs and growing demand for world-class services. The shift to data services has increased network requirements and customer expectations for quality services. Often this leads to network quality challenges, which ultimately undermine MTN's brand promise.	• Continued to roll out competitive value propositions to customers as part of delivering a bold new Digital World. • Continued to modernise and expand network infrastructure. • Increased regulatory engagements on new spectrum allocation across our markets. • Secured new spectrum in many markets. • Educated **customers** about use and pricing of digital services through engagements and marketing campaigns. • Implemented a "fair treatment" policy for digital services.	2 MI 5 MI
Corporate citizenship Society's expectation of business continues to grow, so do MTN's corporate citizenship activities evolve to drive socio-economic development in our markets.	• MTN remains one of the largest contributors to fiscal revenues in the vast majority of our markets, enabling governments to provide social services to citizens. • MTN Foundations continue to transform people's lives in the areas of education, health and enterprise development. • The work of MTN Foundations creates enduring positive perceptions of the MTN brand in our **communities** (see (18 – 19).	1 MI 3 MI

The changes implemented in 2016 improved the upward flow of information and insights, as well as the quality of stakeholder engagements and outcomes. They also led to better sharing within the Group: quarterly stakeholder theme feedback to opcos at regional workshops builds a collective understanding of stakeholder relations, and sharing of ideas, activities and approaches to stakeholder engagement. We will do more work in 2017 to improve alignment and sharing of stakeholder approaches to enhance MTN's reputation. Creating and managing stakeholder value remains one of our strategic themes, essential for good business management.





Our executive chairman's report

The last 18 months have undoubtedly been the most difficult period in MTN's history. We faced unprecedented challenges, precipitated by regulatory, macro-economic, political and competitive forces in our two largest markets, Nigeria and South Africa. With the Nigerian fine settled and deeper senior management capacity and skills in place, the board conducted a fundamental review of the business. The review flagged a number of issues in need of attention and affirmed the Group's unique strategic advantages on which we continue to build a sustainable business. The findings necessitated a decisive response, precipitating our business transformation initiative, IGNITE, which sets out a roadmap for the next 18 months. There is still much to be done, but also much to look forward to for the people and stakeholders of MTN.

Weathering the perfect storm

MTN's operating environment remained challenging in 2016. Global economic growth slowed and sub-Saharan Africa followed suit, with many of its economies constrained by their reliance on commodity exports. This put consumer spending under pressure, restricting the Group's revenue growth, and triggered currency volatility across our footprint, which drove up foreign-denominated expenses and foreign exchange losses in the year.

Regulatory requirements intensified, with economic vulnerability prompting unfortunate policy reactions and additional taxes in some markets. SIM card registration requirements remained a feature, with the consequential disconnections most keenly felt in Nigeria, Uganda and Cameroon. In South Africa, there were further delays in awarding spectrum, to the detriment of the country's ICT development – a situation that requires urgent resolution. In Nigeria, the regulator's classification of MTN as a "dominant operator" continued to undermine our competitiveness, affecting pricing and efficiency of offers approved. There was no respite from difficult competitive conditions as regards to voice and data services across all markets.

After extensive engagement with the Federal Government of Nigeria (FGN), on 10 June 2016, we resolved to pay 330 billion Nigerian naira (R25,1 billion based on a fixed exchange rate at the time) over three years in full and final settlement of the regulatory fine imposed on MTN Nigeria in 2015. This represents a reduction of R34 billion in the original fine. Our relationship with the regulatory authorities in Nigeria improved considerably over the course of resolving this matter, auguring well for MTN Nigeria's continued recovery, especially as we seek to address the impact on our competitive position on the "dominant operator" categorisation by the NCC.

We continued to engage constructively with various agents of the FGN with the view to meeting the other regulatory conditions imposed as part of the settlement of the fine, including a planned listing of MTN Nigeria on the Nigerian Stock Exchange when conditions are favourable.

Despite the weak economic environment and the significant disruption of the Nigerian fine, there were early signs of being on the road to recovery in both South Africa and Nigeria. Towards the end of 2016, the turnaround reflected in revenue growth and market share gains in MTN Nigeria, and a more favourable revenue mix and better profitability in MTN South Africa. Both operations achieved meaningful improvements in their net promoter scores (NPS) and this trend extended into the first few months of 2017.

MTN Irancell reported a strong performance driven by data revenue growth. Youthful demographics, higher GDP and increased smartphone penetration provided a conducive environment for its performance.

MTN Ghana also reported a solid performance supported by data revenue growth, while MTN Uganda, MTN Cameroon and MTN Ivory Coast showed improved momentum towards the fourth quarter of 2016.

The depreciation of the rand and the significant fall in the naira against the US dollar constrained growth in Group revenue. However, data revenue grew by 19,7%* to contribute 27% of total revenue, supported by the decision to accelerate network investment particularly in South Africa, Nigeria and Iran. Our NPS improved in many markets as we

* *Constant currency (organic) information.*
** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*
*** *The forward-looking financial information disclosed in this Integrated Report has not been reviewed or audited or otherwise reported on by our external joint auditors.*



Phuthuma Nhleko, *Group executive chairman*

gained ground on competitors. Group NPS rose from 24% in December 2015 to 35% in December 2016, underpinned by improvements in network quality, value offerings and brand image.

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

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

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

During the year, we focused on restoring the strength of the Group's balance sheet, with our capital structure receiving considerable attention.

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

To meet ongoing capital expenditure and working capital requirements, we successfully refinanced maturing facilities and secured additional long-term financing facilities from local and international sources. This included issuing a US$1 billion bond. These initiatives diversified MTN's sources of funding, improved our debt maturity profile and gave us access to sufficient liquidity to respond swiftly to the ongoing needs of the business.

The board declared a second half dividend of 450 cents per share, bringing to 700 cents the total dividend for the year, down from 1 310 cents for 2015.

Leading the change to MTN of the future

As we continue to reinvigorate MTN's pioneering spirit it will be essential for the leadership team to explore new and innovative ways of leveraging various prospects available to the Group. To this end, our primary focus in the structural, strategic, operational and cultural shake-up necessary to position the Group for the future has been to find a suitable Group CEO and to strengthen our management teams.

We settled on an earlier-than-planned start date of 13 March 2017 for Rob Shuter to take office as the Group President and CEO, after which I will return to my role as non-executive chairman until I step down in December 2018. Rob has extensive leadership experience, familiarity and understanding of Africa's competitive markets and experience in the high-value customer segments gleaned from his work in Europe. In addition, his financial services expertise is pertinent to position the Group for new growth in a converging telecommunications industry.

Our NPS improved in many markets as we gained ground on competitors.

To ensure sufficient depth and wider experience within management, we appointed several senior executives with the requisite skills to take MTN into a new growth phase. The reinvigorated management team, of high calibre and diversity provides the qualitative basis for the success of IGNITE and beyond as the Group seeks to realise its full potential. Notably, the revised team includes dedicated executive focus on strategic business development and business transformation.

The additional capacity within the executive team has been replicated at board level, with key independent non-executive appointments made to the boards of MTN Group and MTN South Africa. Five new directors have been appointed to the MTN Group board over the past two years, and another two appointments will be made in the coming year to replace retiring directors. Besides the necessary succession planning, these changes have focused on deepening our commercial, risk and governance skills and experience, and aligning the board's collective expertise to the Group's strategic trajectory. I am confident that the boards now have the depth of skill and independence necessary to provide robust counsel and credible challenge to management's thinking in approving strategic plans and resource allocation. In MTN Nigeria, the planned listing will provide an opportunity to re-constitute that board accordingly.

My thanks are due to Johnson Njeke and Jan Strydom, who retired as directors in the year, for their valuable contribution over many years.

The board is confident that the operating structure and the manner in which it has been capacitated is fit for purpose. The multi-layered management reinforces oversight through stronger regional supervision and commercial focus across our broad network of operations, while giving the board improved visibility. Greater attention has been placed on regulatory and compliance issues, including compliance training, with the intention to support a more integrated approach to governance, risk, stakeholder management and operational imperatives.

A plan to transform and grow

We are focused on the key objectives of transforming the Group's operating model to realise the significant value inherent in our core business, and accelerating the growth of new revenue streams to diversify our base as voice revenue declines. In support of these objectives, we will look to improve certain operational processes and deploy capital resources – both our people and our money – more effectively.

These objectives are encapsulated in IGNITE, which we launched in MTN South Africa and MTN Nigeria and will be rolled out to all operations in the coming years. IGNITE is about shaping the future of MTN, as a more agile, efficient, innovative and profitable Group. The initiative will improve the co-ordination between marketing, advanced data analytics and network utilisation as the basis for delivering excellent customer experiences and value propositions. Ultimately, IGNITE is about realising our vision of leading the delivery of a bold, new digital world to our customers.

As we make the far-reaching changes necessary to reclaim the Group's position as a formidable competitor and pioneer in our markets, we recognise the importance of striking the right balance between driving performance and ensuring the health of our organisation. The events of the last 18 months have understandably put the organisation under significant strain in a number of areas.

Our markets have attractive growth profiles given their relative under-development.

This is likely to continue in the short term. However, the transformation plan was developed in a consultative way and should support the resolve and resilience that will be required to ensure the Group's normality, enabling it to meet its vision. Moreover, we established a Group transformation office to support our people through the change and ensure the effective implementation of all related initiatives and enablers. This office reports directly to a Group transformation board, which I chair.

We shall also continue to focus on our people management initiatives as a matter of course. The progress made in employment equity in South Africa and elsewhere in terms of the relevant localisation and diversity requirements are an important aspect of our employee value proposition and ethos of the Group.

Looking beyond the immediate need to transform, the opportunities that derive from our strong position are compelling and the Group has enormous scope for growth in the medium to longer term. We are online with the 240,4 million customers across our base and we have extensive distribution platforms to reach them. Our markets have attractive growth profiles given their relative underdevelopment and the extraordinary power of ICT to accelerate socio-economic advances. Our portfolio of new revenue streams is already plugged into this potential, and we will accelerate their development in the years ahead.

Our lifestyle and mobile financial services offerings supported growth of 44,2% in digital services revenue in 2016. Most notably, we expect MTN Mobile Money to be a significant revenue driver in our medium-sized markets as the service reaches critical mass. The number of customers of the service has grown to 41 million across the Group, with the number of 30-day active customers up 55,3% to 15,4 million across 15 countries. In addition to financial services such as remittances, we launched our micro-lending and savings offerings MoKash in Uganda and Zambia and Ayo, our insurance joint venture with MMI Holdings, in Uganda.

Our e-commerce offerings recorded mixed results in the year. We experienced slower growth in the Africa business mainly due to Nigeria's weak economy, somewhat offset by our entry into new markets like Morocco and Ivory Coast. The Middle East business posted double-digit monthly growth in revenue and customer numbers across all business lines. Our Iranian e-commerce business, which is the market leader, gained significant momentum based on favourable demographics and the economic revival of that country.

In our Enterprise Business Unit (EBU), the tough economic environment prompted customers to optimise operational efficiencies, resulting in the consolidation of accounts. In line with the Group strategic objective to accelerate growth in this area, we appointed a new executive head of Group EBU.

To leverage the Group's infrastructure base more effectively, on 1 February 2017 we exchanged our 51% share of Nigeria Tower InterCo B.V. (the parent of Nigerian telecoms tower operator INT Towers Limited) for an increased stake, from approximately 15% to approximately 29%, in IHS Holdings Limited (IHS). IHS is the largest independent tower operator in Africa and Middle East with over 23 000 towers. The transaction has enabled MTN to simplify the ownership structure and diversify our exposure to tower infrastructure across the IHS Group. MTN will no longer equity account our INT joint venture from 1 February 2017 onwards.

Our commitment to the sustainable development of the markets we serve is an important aspect of the responsibility we assume as a significant corporate citizen of the countries in which we operate. During the year, we successfully extended our black economic empowerment scheme in South Africa with the MTN Zakhele Futhi share offer, which gave

the black public and existing MTN Zakhele shareholders another opportunity to invest – at a meaningful discount – in MTN's growth story.

Ultimately, IGNITE is about realising our vision of leading the delivery of a bold, new Digital World to our customers.

Looking forward to a new era

The board is comfortable that the measures put in place during the year are robust and preclude a re-occurrence of anything like what we have dealt with of late. However, the reality is that MTN operates in difficult environments, in which the respective political dispensations and regulatory frameworks remain unpredictable, exacerbated by the prevailing economic vulnerability. The changes we have made to the operating structure and management team should give stakeholders comfort that we can navigate these realities, and that we have our attention firmly focused on those factors within our control.

We have set aggressive six, 12 and 18-month targets for IGNITE, providing a clear basis to hold us to account. While ambitious, we believe the targets are achievable, although the downside risks to our assumptions include worsening macro-economic conditions and currency weakness specifically in Nigeria and South Africa, as well as any undue regulatory changes.

Despite the recent disruptions in some markets, Africa is still expected to deliver relatively robust economic growth over the medium to long term. MTN's unique position and the transformation under way will provide a springboard for the future growth of our operations across the continent. At MTN Nigeria, further improvements in network quality will remain a priority and we expect to strengthen our competitive position despite the weak economy. We also expect the recovery by MTN South Africa to continue, supported by a sharp focus on customer service and significantly improved network quality, capacity and speed.

New revenue streams, particularly digital services, should increase their contribution over the next 18 months, supported by a more focused approach and the process initiated to establish an advanced analytics unit. We expect our e-commerce joint ventures AIH, MEIH and IIG to continue growing strongly in customers and revenue and with improving unit economies. While a slowing economy and associated currency volatility in Nigeria and Egypt will affect AIH and MEIH, IIG is expected to benefit from improving GDP growth in Iran. The growth in that country following the easing of sanctions offers significant opportunities to expand, particularly in digital services.

MTN Nigeria will prepare for listing, subject to more suitable macro-economic conditions and the appropriate approvals from relevant stakeholders. MTN Ghana is working with regulators on its localisation transaction, which is expected to be completed during 2017. Going forward, the movement of monies from MTN Irancell is expected to normalise.

Given the network investment required to support our improving competitiveness over the next 18 months, capital expenditure will remain at around R35 billion in 2017. We will continue to review infrastructure investment opportunities, including Iran.

I am in no doubt that the Group has heeded the resounding wake-up call of this time. We have delivered against all reasonable expectations that our stakeholders had of us in response to the challenges we faced. I am confident the building blocks are now in place for a full recovery and higher growth trajectory, as we look forward to a new era for MTN.

Our ability to come through the difficulty, and to emerge stronger for it, would not have been possible without the resolute support of MTN's people, shareholders, regulators and governments. Our appreciation is grounded in our commitment to continue improving and restoring your trust by keeping the promises we have made.

Phuthuma Nhleko
Group executive chairman

* *Constant currency (organic) information.*
** *Reported – includes hyperinflation and the relating goodwill impairment, tower profits, Nigeria fine and MTN Zakhele Futhi impact.*
*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

Our investment case

By investing in MTN, shareholders are able to benefit from our significant differentiators: our scale and coverage; our experience and abilities; and our brand and balance sheet.

MTN's diverse portfolio will enable us to be successful in the new digital world:



- **240 million subscribers**
- **Strong presence in 24 countries,** 22 of which have GSM operations
- **MTN Nigeria and MTN South Africa named most valuable brands in those countries in 2016**
- **Significant untapped telephony potential**
- **Superior network coverage across Africa and the Middle East** (over 100 000 sites for 2G, 3G and 4G across our footprint)

- **19 989 diverse employees** who understand how to do business in challenging markets



- **15,4 million**

active **MTN Mobile Money** users

- **Detailed information about consumer behaviour**
- **Undemanding share valuation**

AS WELL AS

- New senior management appointments with the skills required to take MTN into a new growth phase
- New organisational structure to enhance operational and governance oversight
- Refreshed board to ensure in-depth commercial, risk and governance skills and experience
- Deep and fundamental review of our operating model

The opportunity in Africa remains attractive, with consumption expected to grow significantly by 2025, driven by middle and high-income households. We are constantly refining our business model and strategy to participate in, and benefit from, the continent's exciting new growth phase.

Our strategic performance in 2016

MTN's strategy is built around five strategic themes: **creating and managing stakeholder value** and **innovation and best practice** describe our approach to our work, people and other stakeholders. Tangible priorities under **creating a distinct customer experience, driving sustainable growth** and **transforming our operating model** define how we strive to secure a sustainable competitive advantage and deliver superior shareholder returns.

Strategic themes	Three to five-year strategic objectives	2016 KPIs	2016 performance
Creating and managing stakeholder value	• Sustainable shareholder returns	• Dividend • Repatriation of cash from Iran	• H2 16 dividend of 450 cents per share, total FY16 dividend of 700 cents per share • Repatriated R6,3 billion from Iran
	• Responsible corporate citizenship	• Corporate reputation and stakeholder management – improve positive market sentiments	• Improved stakeholder reputation sentiment across all regions and improved stakeholder engagement outcomes
	• Creating a great place to work	• Employee engagement through productivity and reduced turnover – increase year-on-year (YoY) Group culture audit results	• Improved engagement score with reduced staff turnover
	• Instilling sound governance and values	• Risk and compliance – successful closure of internal audit findings and proactive compliance management	• Partial engagement and closure of audit findings
Creating a distinct customer experience	• Brand leadership	• Drive positioning of Company as the leading customer operator by placing emphasis on the following net promoter score (NPS) dimensions:	
	• Customer experience	• Overall NPS improvement	• Lower than expected performance of relative score in comparison to the main competitor
	• Customer analytics	• Value (offerings) NPS	• Lower than expected performance of relative score in comparison to the main competitor
	• Network quality and coverage	• Network quality NPS	• Lower than expected performance of relative score in comparison to the main competitor
		• Service and billing NPS	• Slight reduction in the relative score in comparison to the main competitor
Driving sustainable growth	• MTN in the digital space	• Digital revenue growth	• 44,2% YoY growth, exceeded target
	• Adjacent sectors	• Mobile financial services revenue growth	• 61% YoY growth but below target
	• Voice and data evolution	• Access data growth	• 5,2% YoY growth but below target
	• Enterprise strategy	• EBU growth (with emphasis on ICT)	• 12,2% YoY growth but below target
	• M&A and partnerships	• Nigeria listing • MTN Ghana localisation • IHS/INT transaction	• MTN Nigeria hired advisors and is pursuing listing subject to market conditions and regulatory approvals. • Preparation to offer up to 35% of MTN Ghana to Ghanaians and Ghanaian entities underway • Exchanged stake in INT for additional stake in IHS in January 2017
Transforming our operating model	• Asset optimisation	• Sustainable profitability – driving effective return through efficient capitalisation (ROACE)	• Below target
	• Supply chain management	• Cost control – focusing on zero-based budgeting to increase efficiency	• Effective model to be built and used in South Africa, Nigeria, Ghana and Cameroon
Innovation and best practice	• Best practice sharing		

Key: Good progress made We are working on it Requires attention

Here we provide an analysis of the Group's performance against strategic themes in the year. Using some of the main key performance indicators (KPIs) that we measure, we rate the Group's 2016 performance against targets set for the year and indicate the material issues, capitals and stakeholders that are most relevant to each KPI. We also list the executives whose primary responsibility it was to deliver on each KPI in 2016.

	Status	Relevant capital	Relevant stakeholders	Primary executive responsible in 2016	2017 – 2018
		Financial	Shareholders	Gunter Engling@	FY2017 dividend anticipated to be 700 cents*** per share at the discretion of the board and taking into consideration market conditions
		Social	All	Paul Norman	• Continue to improve stakeholder management to enhance MTN's reputation
		Human	Employees	Paul Norman	• Continue to improve employee engagement
		All	All	Gunter Engling@, Suren Sooklal	• Intensify compliance and regulatory training • Consolidate MTN's compliance framework • Increase audit activities
		Social and relationship	Customers	Jyoti Desai#, Godfrey Motsa, Karl Toriola, Ismail Jaroudi, Mteto Nyati, Ferdi Moolman	• 2017 capital expenditure guidance of R34,8 billion*** • Continue to improve NPS
		Social and relationship	Customers		
		Social and relationship	Customers		
		Social and relationship	Customers		
		Financial	Shareholders, customers	Jyoti Desai#, Godfrey Motsa, Karl Toriola, Ismail Jaroudi, Mteto Nyati, Ferdi Moolman	• Net addition guidance of 8,3 million • Project IGNITE • Increasing contribution of new revenue streams
		Financial	Shareholders, customers		
		Financial	Shareholders, customers		
		Financial	Shareholders, customers		
		Social and relationship	Regulators Shareholders		
		Social and relationship	Regulators Shareholders		
		Financial	Business partners	Stephen van Coller	
		Financial	Shareholders	Gunter Engling@	
		Financial	Shareholders	Gunter Engling@	• Project IGNITE
		Financial	Customers, shareholders	All	

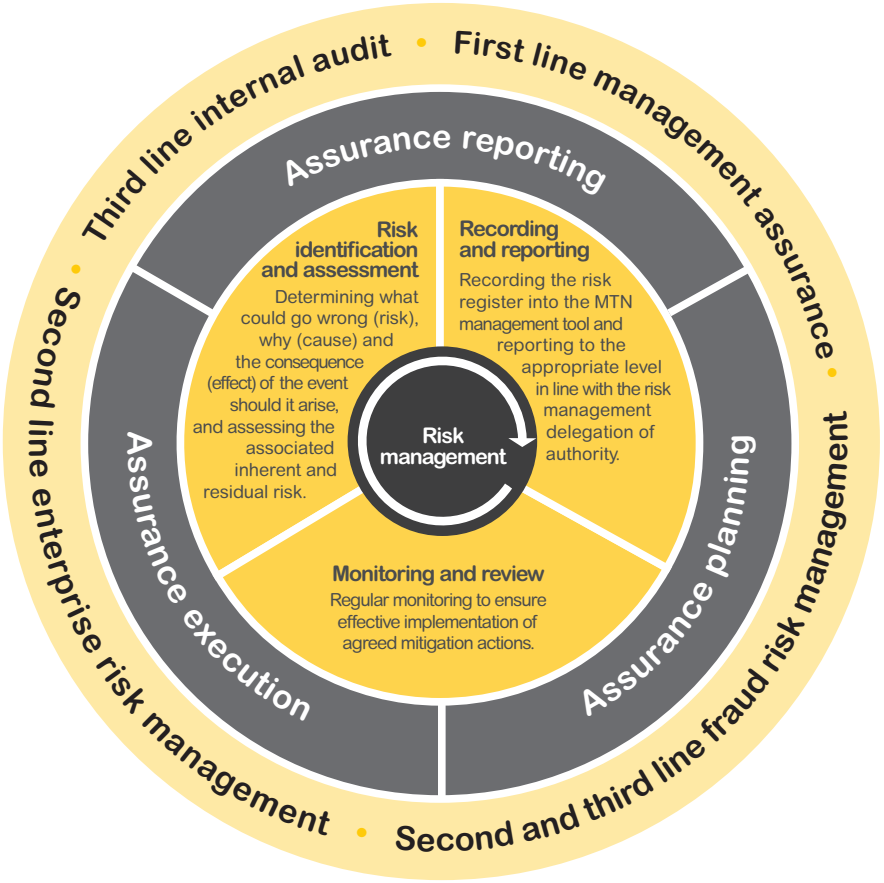
Since retired.
@ Appointed as acting CFO on 1 October 2016.

While the mandates of all executives are clearly defined, at publishing date, detailed KPIs for 2017 were still being finalised.

Our approach to risk

The effective management of risk is essential in our work to deliver on our strategy that is driven through a number of board-approved strategic objectives, which are constantly monitored to ensure that they are met.

Our risk management process



The MTN board understands and takes accountability for all risks and delegates responsibility for overseeing the effectiveness of risk management to the audit committee, the risk management, compliance and corporate governance committee, the remuneration and human resources committee and the social and ethics committee.

Aligning risk management and corporate governance

MTN's risk management frameworks guide the operation of our business units, with whom primary responsibility for risk management resides. During the year, we undertook training and awareness interventions to improve the consistent application of various risk frameworks across the organisation.

Our approach to risk management is reviewed and amended where necessary to meet a rapidly changing environment.

During the year our business risk management (BRM) function commenced on its three-year transformation journey to create a world-class function that caters for MTN's current and future business needs in an effective and efficient manner. We are focusing on three pillars to achieve our desired level of maturity. They are as follows:

Governance – We enhanced governance through the creation of new committees and new organisational structures and the revision of delegations and mandates.

People – We acquired new specialist skills and augmented the capacity of our assurance, risk management and compliance functions. With the introduction of specialists, we significantly increased the capability of the group function to meet the current and future needs of MTN.

Methods and practices – We implemented new tools, policies and frameworks to enhance the efficiency, effectiveness, co-ordination and reporting of assurance and risk management activities.

During 2017, the focus of the implementation of our transformation roadmap will shift to our operating companies, where we will continue to ensure the following:

- The right tone at the top, both at Group level and at all operating units and entities.
- Clear measures of success and regular and robust monitoring of performance.
- Strong relationships at all levels of the business.

Business continuity management and crisis risk management

Our Group-wide BCM programme is gaining momentum and made significant progress during the year. We will continue to focus on the programme in order to enhance the level of maturity of our business continuity activities.

Our BCM approach leverages on industry best practice and standards, including ISO 22301 standards for BCM and the Business Continuity Institute Good Practice Guidelines, and ensures that we put in place adequate measures to protect our business brand and reputation and comply with statutory regulatory and contractual obligations. In addition, we are extending our BCM programme to enhance our business resilience.

During the year, we developed and implemented a Group-wide crisis management plan to deal with crisis events. With the establishment of new crisis management structures, we are able to respond to any crisis event in a structured and efficient manner. This aims to improve our capability to respond to and manage crisis events across the MTN Group.

Insurance and risk transfer

The MTN insurance programme is built around the close connection between risk management and insurance using an annual assessment of risk management at each operating company.

To achieve this, there is a strong commitment to the risk management assessment process, improving operational management's adoption of risk management best practices and to reduce risks across the entire insurance programme.

We have an insurance programme in place that covers perils such as physical/material damage, business interruption, political risk, public liability, directors' and officers' liability, cyber liability, crime and professional indemnity. The limits of indemnity for these covers have been structured to ensure that MTN has adequate cover for its risks but at the same time ensure that the Group gets maximum value from the programme and that premium spend is efficient. We believe that risk retention and self-insurance are necessary to keep premiums at reasonable levels and show commitment towards risk management. Our retention levels differ from policy to policy, guided by the nature of the risk being transferred. We also have a combination of cell captive structure, Multilateral Investment Guarantee Agency cover and Export Credit Insurance Guarantee Agency cover for some of the other insurance risks.

Information and technology governance

We at MTN acknowledge that information and technology are integral strategic assets to enable the delivery of "a bold new Digital World" to our customers. The Group's commitment to sound governance is supported by the ongoing activities and efforts in embedding the King Code of Corporate Governance principles and recommendations, with specific focus on technology governance through the establishment of various responsibilities, processes and supporting governance structures.

We significantly enhanced our Group information security function in the year with the appointment of a Group information security officer and approval of a more fit-for-purpose structure. We developed a new security approach, which we are busy implementing. It aims at using security as an enabler to business, by creating trust in the Digital World through new investments for a secured future in order to proactively manage cyber and privacy risk.

Fraud risk management

MTN Group's fraud risk management approach continues to evolve to meet the dynamic shifts in international fraud risk trends. Historically, we had focused on fraud detection and response, however we are now placing greater emphasis on proactive fraud prevention strategies. The significant components of our fraud prevention plan are the effective integration of fraud risk management within an integrated assurance environment, the rollout of the MTN Group ethics framework and greater organisational fraud awareness.

In 2016, 13 MTN operations had dedicated forensic personnel. The rest of the opcos were supported by the local internal audit and enterprise risk management functions or the Group fraud risk management function.

The majority of identified fraud incidents are reported via internal channels with employees preferring to report potential fraud incidents directly to the investigation team. However, we at MTN continue to provide employees and relevant stakeholders with access to an anonymous reporting facility managed by Deloitte. All whistle-blowing reports received are investigated and feedback is provided to the Group audit and risk committee to ensure that we maintain independent governance.

MTN Group's top fraud risks in 2016 were:

- Procure-to-pay associated fraud risks.
- Products and services-related fraud risks (including distribution channels).
- Financial services-related fraud risks.
- Cyber crime and confidential information leakage.

Internal audit

The MTN Group and all subsidiaries embrace the principles of the King III report and recognise the significant opportunities that present themselves to companies that do so.

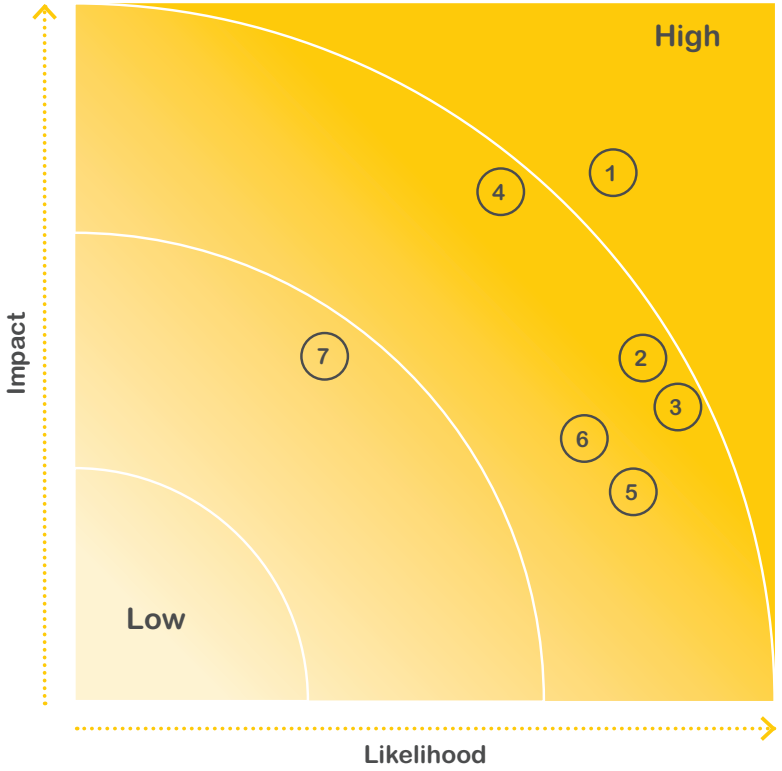
Internal audit continues to play the role of an objective and independent value-adding assurance provider. It takes into consideration the risks that may hamper the achievement of strategic objectives and risk profile of the organisation to determine the effectiveness of the internal control environment and risk management.

MTN's internal audit function has adopted an integrated assurance model as a co-ordinated approach by three lines of defence. MTN has dedicated teams that perform internal audits across the Group. The current function is being transformed in line with the recommendations of an evaluation of the department that was undertaken during 2015. At a Group level, internal audit reports functionally to the audit committee and administratively to the Group president and CEO. Internal audit coverage is extended to all operations and all high-risk processes are included in line with the internal audit methodology.

Our top risks

Using an integrated assurance methodology, in 2016 we considered the following to be MTN's most material risks based on the residual risk rating of each. This takes into account the probability of the risk occurring, the impact should it materialise and the mitigation strategies in place. The fact that we disclose details of these top risks means that each is important to MTN and, even though rankings change during the year, each of these risks receives equal management attention.

Group top risks at a glance



RISK	RISK DESCRIPTION
1	Adverse regulatory changes or non-compliance with laws and regulations
2	Network performance
3	Financial performance
4	Liquidity and hard currency availability
5	Compromised information security
6	Strategic execution risk
7	Create and maintain a competitive advantage

Mitigating our top risks

Here we provide details of our top risks in 2016, the mitigation strategies we implemented and how well they worked, as well as the link of each risk to our strategy and the associated opportunities.

Risk name and impact if not managed	Mitigation strategies	Link to strategy
Adverse regulatory changes or non-compliance with laws and regulations We have business ventures in a large number of jurisdictions and therefore must comply with an extensive range of laws and regulations. Increased regulatory or legal changes/requirements may negatively impact our business model, and affect revenue and profits. 3 MI 5 MI	• Strengthening of compliance and regulatory functions and governance structures. • Enhancing skills in the compliance and regulatory environment. • Enhancing non-compliance monitoring and reporting via a Red Flag Database. • Close monitoring of subscriber registration processes. • Assigning greater audit focus/coverage to compliance and regulatory processes.	
Network performance We depend on the uninterrupted operation of our networks to provide our services. From time to time customers experience data quality issues because of network constraints. Lack of timeous, effective and efficient capital investments to cater for greater subscriber numbers and traffic could lead to a loss of customers, and in turn a loss in revenue and a reduction in EBITDA margin. 2 MI 3 MI 5 MI	• Implementation of network modernisation programme. • Improvement of disaster recovery plan guidelines to enhance resilience of our networks. • Focus on spectrum acquisition, efficiency and utilisation.	
Financial performance Economic performance of the emerging markets in which we operate has been impacted by a fall in demand for and prices of commodities, and a slowdown in economic growth. This has adversely impacted the value of the currencies of these markets. Revenue growth is significantly hampered by a reduction in industry tariffs, regulator-imposed disconnections of subscribers and increased competition. As our performance is closely watched by stakeholders, any lower-than-expected performance may impact our brand and reputation. 1 MI 2 MI 3 MI 5 MI	• Closely monitor industry and market segment trends. • Implementing governance to ongoing cost-saving initiatives. • Focus on growth in data revenue and new revenue streams from digital businesses. • Focus on developing digital and EBU segmented reporting to provide view on new revenue streams. • Rollout of zero-based budgeting. • Renegotiate with vendors to convert forex-denominated contracts to local currency.	

	MTN's achievements in 2016	Opportunities in 2017	Risk ranking 2016	2015
	• Strengthened compliance and regulatory functions through appointments of regional compliance officers, opco compliance officers and an executive for regulatory affairs. • Established Group compliance committee to focus on compliance, regulatory and risk-related matters. • Established central policy repository. • Implemented compliance software toolkit enabling opcos to define and maintain their compliance universe. • Conducted third-party assurance on anti-bribery and corruption policies and processes.	• Consolidation of MTN's compliance framework. • Intensify compliance and regulatory training. • Increase audit activity.	**1**	3
	• Spent R35,3 billion on network rollout, systems and improvements across our markets. • Connected 928 sites to fibre. • Distributed enhanced DRP guidelines to all opcos. • Secured spectrum in Nigeria, Ghana and Cyprus to cater for increased data traffic.	• Network standardisation drive. • Concerted drive to connect a large percentage of sites to fibre to cater for data growth and to ensure end-to-end quality of service. • Implement smart capex planning techniques to ensure optimal investment where required to maximise ROI, quality of service and customer experience. • Achieve standardisation of quality KPIs across MTN by introducing standardised drive testing and benchmarking procedures and rolling out a customer experience management tool. • Track DRP actions and improvements as per new DRP guidelines for all opcos.	**2**	1
	• Rolled out comprehensive cost transformation project across head office, Nigeria, South Africa, Ghana and Uganda. • Rolled out zero-based budgeting across head office, South Africa, Nigeria, Ghana and Uganda. • Group procurement renegotiated some contracts from dollars to local currency. • Project IGNITE in South Africa and Nigeria.	• IGNITE has several levers – including cost optimisation. Programme run by dedicated Group transformation officer. Though current focus on Nigeria and South Africa, roll out to tier 2 countries and head office to follow. • Greater focus on data revenue growth. • Roll out of a (new) standard budget tool across all opcos.	**3**	4

Mitigating our top risks continued

Risk name and impact if not managed	Mitigation strategies	Link to strategy
Liquidity and hard currency availability Currency fluctuations in emerging markets has in many instances been volatile. This, together with poor economic performance, has impacted on the availability of hard currency in these markets. Adverse changes in interest rates could result in higher costs of funding and reduced returns. Inability to repatriate earnings due to various reasons such as shortage of foreign currency, stringent exchange laws and regulations governing repatriation of earnings may have impact on our capital-intensive programmes. 1 MI	• Conversion of contracts from foreign currency to local currency where possible. • Maintain sufficient headroom facilities to manage liquidity. • Repatriation of funds from Iran is ongoing.	
Compromised information security Lack of an effective Group-wide information security programme may compromise our information as a result of an increase in cyber attacks worldwide. This could lead to reputational damage, disruption of services and the loss of customers, in turn impacting revenue and EBITDA margins. 3 MI 5 MI	• Establish a significantly enhanced information security function to proactively manage cyber security and privacy risks. • Develop and implement a comprehensive Group-wide information security plan. • Enhance security-monitoring and incident-response capabilities.	
Strategic execution risk Successful achievement of MTN's strategy is underpinned by efficient execution of strategic initiatives and programmes. Delays in implementation may result in not realising the benefits from the programmes in a timely manner. The numerous changes made within the Group, along with a large number of programmes being executed simultaneously significantly impacts the level of this risk. 5 MI	• Re-evaluation and consolidation of all the strategic programmes/initiatives to drive maximum benefits. • IGNITE programme to monitor benefits from strategic programmes.	
Create and maintain a competitive advantage The telecommunications and IT industry is characterised by rapid technological changes. Our commercial success depends on providing services at competitive prices as well as differentiating our offerings. Severe pressure on margins from existing and new revenue streams negatively impacts the return on capital invested. Lack of agility to respond to changing market conditions may affect our market share and revenue streams, as well as profits. MTN is moving into a new phase of its journey where commercial and operational excellence and innovation are becoming more critical. 2 MI 5 MI	• Launch of global value propositions integrating voice, data, SMS, mobile financial services and digital offerings. • Leverage on business intelligence and customer value management to improve customer insight and drive customer value. • Focus on smartphone penetration as key driver of data monetisation and adoption of apps. • Leverage on cloud and technology to improve efficiency and agility. • Leverage technology to deliver digital experience innovations to our customers in a differentiated way. • Use of customer feedback.	

	MTN's achievements in 2016	Opportunities in 2017	Risk ranking 2016	2015
	• Secured US$1 billion in bonds. • Improved debt maturity profile. • Concluded significant rand banking facilities. • Secured local currency funding in a number of opcos, including Ivory Coast and Cameroon. • Updated and increased our domestic medium-term note programme. • Repatriated R6,3 billion from MTN Irancell as payment of the loan advanced for the licence fee in 2005 (24).	• Explore opportunities to contract in local currency.	**4**	7
	• Established an enhanced Group information security function. • Approved revised information security approach and structure. • Deployed security information and event management system within key opcos. • Deployed vulnerability assessment across key opcos. • Increased engagement with key vendors regarding security requirements. • Executed security awareness campaigns across key opcos.	• Capacitation of key positions in approved structure. • Deployment of Group-wide monitoring platform for key perimeter systems. • Deployment of Group-wide vulnerability assessment platform. • Enhance Group-wide DDOS protection systems. • Active participation in industry working groups.	**5**	5
	• Institutionalised tighter discipline around critical projects. • Enhanced Group capex management to focus on network projects. • Tightly monitored network improvement project for MTN South Africa and MTN Nigeria.	• Establish programme implementation reviews as part of the Group operations committee. • Embed lessons learnt. • Training to strengthen and standardise MTN's project management culture.	**6**	new
	• Launched products to drive global value proposition (including MTN Go, MTN HelloWorld roaming). • Appointed global brand agency. • Grew subscribers on MTNPlay app and gaming. • Recorded 15 operations as active with Mobile Money. • Increased smartphone penetration to 36%. • Ensured implementation of business intelligence transformation process. • Improved network quality and capacity.	• Increase base for data penetration and digital services adoption. • Enhance business intelligence and customer value management to protect and extract value from existing customer base. • Continue to improve network quality and capacity.	**7**	2




ایرانسل
MTN
جیتال با ایرانسل

Financial review

Our financial results reflect the most difficult year in the Company's history, with a number of material regulatory, macro-economic and political challenges as well as operational underperformance in the first half of the year. However, towards year-end the business began to show encouraging first signs of a turnaround, with some of our larger markets including Ghana, Uganda and Ivory Coast recording solid improvements in the final quarter.

For purposes of the commentary below, please refer to the reconciliation of pro forma information on 44 and 45 of the report and to the financial results announcement which includes a full set of the pro forma financial information which is available on https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx.

Revenue

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

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

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

Total outgoing voice revenue declined 3,6%* to contribute 55% to total Group revenue. While average voice traffic decreased 1,7%, the Group US dollar effective voice tariff in constant currency terms declined 14,3%*. This was largely due to price competition across markets and a tough economic environment. Data revenue increased by 19,7%* to contribute 27% to total Group revenue. Data revenue growth was supported by strong growth in most markets benefiting from significantly improved 3G and LTE network quality. Data traffic increased 143% while the effective data tariff declined 56,1%* (in constant currency US dollar terms). Digital revenue contributed 36% to total Group data revenue. This was supported by increased smartphone penetration and our expanded digital service offerings in the year. Device revenue increased 21,5%* and contributed 6% to total Group revenue. The remaining 4% of total Group revenue comprised SMS and other revenue. SMS revenue decreased 20,0%*.

Costs

Group operating costs excluding the impact of the Nigerian regulatory fine, hyperinflation, tower profits and the MTN Zakhele Futhi share-based payment expense, increased 9,8% to R94 913 million. On an organic basis, total Group costs increased by 17,7%*.

Once-off costs in organic EBITDA included professional fees of R1 324 million** incurred on a range of professional services relating to the negotiations that led to a reduction of R34 billion in the Nigerian regulatory fine, costs related to the reconnection of subscribers in Nigeria of R535 million* and a property, plant and equipment (PPE) impairment charge in South Sudan of R2 679 million*.

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

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

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

EBITDA

Group EBITDA decreased by 13,2% to R51 981 million while EBITDA on an organic basis declined by 18,5%*.

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

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

Depreciation and amortisation

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

Net finance costs

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

Net foreign exchange losses include:

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

Share of results of joint ventures and associates after tax

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

Taxation

The effective tax rate increased to 42,4% from 32,6% in the previous year, impacted by lower profit before tax (PBT) along with the effects of:

- the disallowance of deferred tax credits on assessed losses in MTN South Sudan and MTN Guinea-Conakry;
- unproductive interest in MTN Holdings and MTN Mauritius;
- Education tax in MTN Nigeria;
- additional taxes in MTN Ghana, MTN Syria and MTN Yemen;
- goodwill impairments in MTN Guinea-Conakry, MTN Syria and Afrihost; and
- withholding taxes incurred.

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

Earnings/losses

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

Financial position

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

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

Capital expenditure

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

Cash flow

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

A full set of audited financial statements can be found online and audited summary consolidated financial statements can be found on https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

Reconciliation of pro forma financial information

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

1. *The financial information presented in this integrated report has been prepared excluding the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability) and the MTN Zakhele Futhi impact (consisting of the share-based payment expense, net of the deferred tax impact recognised by MTN Zakhele Futhi arising on the capital gain on the investment in MTN) and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the audited financial statements for the year ended 31 December 2016. This pro forma financial information has been presented to eliminate the impact of hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) from the financial results in order to achieve a comparable analysis year on year. Hyperinflation adjustments and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above) have been calculated in terms of the Group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2016.*
2. *Constant currency ("organic") information has been presented to illustrate the impact of changes in currency rates on the Group's results. In determining the change in constant currency terms, the current financial reporting year's results have been adjusted to the prior year's average exchange rates determined as the average of the monthly exchange rates which can be found on www.mtn.com/investors. The measurement has been performed for each of the Group's currencies, materially being that of the US dollar and Nigerian naira. The organic growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Irancell, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency*

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

[1] *Represents the exclusion of the impact of hyperinflation and related goodwill impairment for certain of the Group's subsidiaries (MTN Syria, MTN South Sudan and MTN Sudan) and the Group's joint venture in Iran, being accounted for on a hyperinflationary basis in accordance with International Financial Reporting Standards (IFRS) on the respective financial statement line items affected. During 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015.*
The economy of Sudan was assessed to no longer be hyperinflationary effective 1 July 2016 and hyperinflation accounting was discontinued from this date onwards.
The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016 and hyperinflation accounting was applied for the year ended 31 December 2016.

[2] *Represents the exclusion of the financial impact relating to the sale of tower assets during the financial year on the respective financial line items impacted, which include:*
- *Tower sale profits for the year related to the Ghana release of deferred profit of R31 million (2015: Nigeria tower profit of R8 233 million and Ghana release of deferred gain of R30 million).*

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

information has been prepared excluding the impact of hyperinflation. In 2015, the Iranian economy was assessed to no longer be a hyperinflationary environment. MTN therefore discontinued hyperinflation accounting in that operation effective 1 July 2015. In addition, during 2016, Sudan was no longer considered to be a hyperinflationary economy from 1 July 2016 and hyperinflation accounting was discontinued from this date onwards. The economy of South Sudan was assessed to be hyperinflationary effective 1 January 2016, and hyperinflation accounting was applied for the year ended 31 December 2016.

* *Constant currency ("organic") information.*
** *Reported-includes hyperinflation and the relating goodwill impairment, tower profits, the Nigerian regulatory fine (as defined above) and the MTN Zakhele Futhi impact (as defined above).*
*** *The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

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

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

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

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

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

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



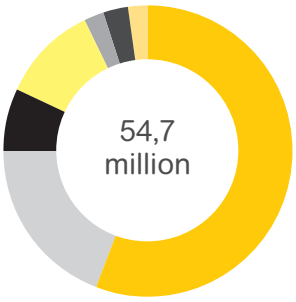


Operational reviews

South and East Africa

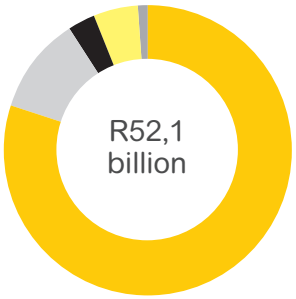
PERFORMANCE DETAILS

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



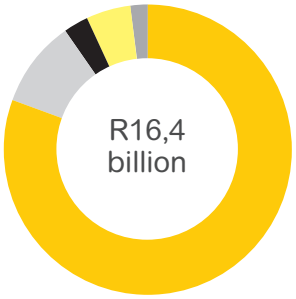
Subscribers

South Africa	56%
Uganda	19%
Rwanda	7%
Zambia	11%
South Sudan	2%
Botswana (joint venture)	3%
Swaziland (joint venture)	2%



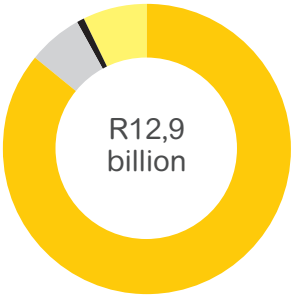
Revenue#

South Africa	80%
Uganda	11%
Rwanda	3%
Zambia	5%
South Sudan	1%
Business Group	0%



EBITDA#

South Africa	84%
Uganda	10%
Rwanda	3%
Zambia	5%
South Sudan	(2%)
Business Group	0%



Capex#

South Africa	86%
Uganda	6%
Rwanda	1%
Zambia	7%
South Sudan	0%
Business Group	0%

excluding joint ventures

Improving network quality and aggressively selling smartphones

After a sub-optimal performance in the first six months of 2016, **MTN South Africa** showed a positive turnaround in the second half of the year, benefiting from sharply improved 3G and LTE network quality and aggressive sales of smartphones.

South Africa's economy remained weak, overshadowed by the risk of a ratings downgrade, and consumer spending was under pressure as inflation ticked higher.

The operation's subscriber base increased by 0,6% to 30,8 million, driven by the prepaid segment, which increased its base by 0,9% to 25,6 million. The number of postpaid subscribers declined by 1,1% to 5,2 million, largely impacted by network quality challenges experienced, as well as systems and customer service issues in the first half of 2016.

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

Digital revenue gained momentum and contributed 16% to data revenue, thanks to both local and international content.

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

Capex increased by 1,3% to R11 085 million for the year, and retained a strong focus on 3G and LTE network investment. The operation rolled out 1 134 co-located 3G sites and 1 538 LTE sites. Benefiting from the network investments, MTN South Africa's net promoter score (NPS) gained significantly in the fourth quarter of the year compared to the first half, increasing by 8 percentage points to 81% LA, mainly driven by value and service. Quality of service indicators including call set-up success rate, dropped call rate and network availability on 2G and 3G networks improved from 2015 (see 90).

South and East Africa continued

MTN South Africa was named the Most Valuable Brand in the country by Brand Finance.

Fibre to the home connections remain a priority with approximately 13 000 homes passed for the period. In addition, the acquisition of Smart Village (which has a presence in gated estates, apartment blocks, business parks and shopping malls), was completed in December 2016, adding 22 000 homes passed to the network with approximately 7 000 homes connected.

In the year, there were further delays in the process to assign spectrum to interested parties through an auction process initiated by the regulator after it was successfully challenged by the Telecommunications Minister. Without additional spectrum, telcos are erecting more sites and re-farming existing spectrum to meet demand.

MTN South Africa improved its BBBEE contributor status in the year, lifting it to level 2 from level 3 in 2015.

In December 2016, the MTN South Africa Foundation celebrated 15 years of creating shared value in our communities. We continued to focus on the education sector, promoting the use of ICT in enhancing digital teaching and learning.

Gaining momentum after the subscriber registration process

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

Presidential and parliamentary elections in the first quarter of 2016 resulted in policy continuity in a relatively stable political and security environment.

Total revenue declined by 1,9%*, led lower by a decrease in outgoing and incoming voice revenue. This was mainly impacted by the disconnection of subscribers in 2015 as well as the East African Community's One Network Area, which means that all calls between member countries are billed as though they were local.

Data revenue increased by 18,8%* and contributed 34% to total revenue. This was supported by attractive data bundles with increased data usage, below-the-line campaigns and a LTE SIM swap campaign to drive LTE adoption and penetration.

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

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

Capex decreased by 23,7%* to R758 million. During the period, 375 co-located 3G and 110 LTE sites were rolled out. These sites were rolled out as upgrades to existing sites, which will provide future cost efficiencies as well as improving the quality and capacity on the network.

Our NPS increased 3,5 percentage points in the fourth quarter from 11,7% in the same quarter of 2015.

The MTN Uganda Foundation remained committed to supporting education, providing 10 scholarships to young Ugandan women to study at university, providing ICT resource centres, and supporting the Skilling for the Future initiative.

Looking ahead in SEA

We anticipate a positive growth trend for MTN South Africa in 2017, with mid-single digit revenue growth*** and the EBITDA margin expanding by between 50 and 100 basis points (bp)***, supported by a strong focus on customer service and significantly improved network quality, capacity and speed. A stronger network will also facilitate greater customer retention. Through IGNITE, we expect an improvement in EBITDA of between 15%*** and 20%*** by the end of 2018.

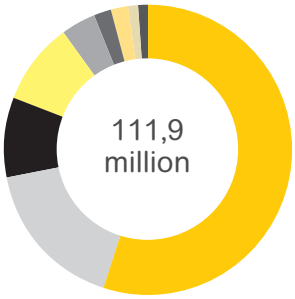
We expect a total of 2,24 million net additions in SEA in 2017, after operations in the region added a net 1,885 million new subscribers in 2016. Uganda is expected to continue to lead net additions in the region, with a forecast 1,11 million new users (from 1,62 million in 2016). MTN South Africa expects net additions of 630 000 in 2017, after adding a net 175 000 in 2016.

We have authorised capital expenditure of R13 368 million in 2017 for the region, compared with capex of R12 896 million in 2016. The lion's share of capex is destined for South Africa.

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

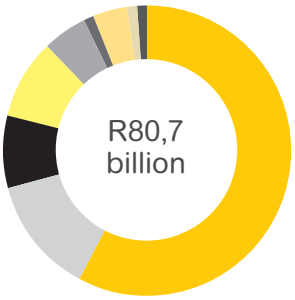
West and Central Africa

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



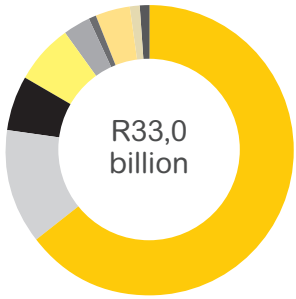
Subscribers

Nigeria	55%
Ghana	17%
Cameroon	9%
Ivory Coast	9%
Benin	4%
Guinea-Conakry	2%
Congo-Brazzaville	2%
Liberia	1%
Guinea-Bissau	1%



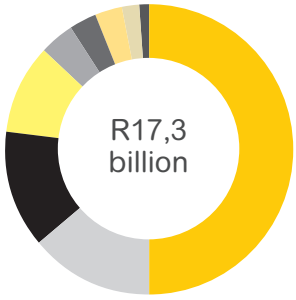
Revenue

Nigeria	58%
Ghana	13%
Cameroon	8%
Ivory Coast	9%
Benin	5%
Guinea-Conakry	1%
Congo-Brazzaville	4%
Liberia	1%
Guinea-Bissau	1%



EBITDA

Nigeria	66%
Ghana	13%
Cameroon	6%
Ivory Coast	7%
Benin	3%
Guinea-Conakry	(1%)
Congo-Brazzaville	4%
Liberia	1%
Guinea-Bissau	0,4%



Capex

Nigeria	50%
Ghana	14%
Cameroon	13%
Ivory Coast	10%
Benin	4%
Guinea-Conakry	2,3%
Congo-Brazzaville	3%
Liberia	2%
Guinea-Bissau	1%

Meaningful improvement in the second half

MTN Nigeria showed a meaningful improvement in the second half following regulatory challenges earlier in the year. The operating environment continued to be difficult with the contraction of the economy impacting consumer spending.

We increased our subscriber base by 1,2% to 62,0 million, and grew our market share to 48,0% from 44,8%. This was mainly due to the reconnection of previously disconnected subscribers as well as the aggressive drive to secure new connections with the MTN StartPack tariff plan. MTN Nigeria was voted the Most Valued Brand in Nigeria for 2016 in the Top 50 Brands Survey measured on key indicators such as customers' brand awareness, network quality, market category leadership, innovation, spread and corporate social responsibility.

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

Digital revenue contributed 61% to data revenue mainly as a result of MTN Music+ (a converged music streaming and download platform), supported by the youth segment. MTN Nigeria's Mobile Money active subscribers increased by over 100% to 1,6 million.

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

West and Central Africa continued

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

After investing over 10 billion naira in various community projects in its decade of existence, the MTN Nigeria Foundation continued to work to build shared value in 2016. Among its work in the year was providing online training in Java Fundamental and Oracle Database in partnership with Oracle.

A strong performance supported by attractive offers

MTN Ghana grew its subscriber base by 18,7% to 19,3 million, driven by attractive value propositions, which helped its market share expand to 56,4% from 52,2% a year earlier.

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

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

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

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

Quality of service indicators such as network availability and dropped call rate improved in the year. The call set-up success rate indicator improved from 2015 with regards to the 3G network but a decline was noted in the 2G network (see 90).

The MTN Ghana Foundation marked nine years of making a difference in the lives of its communities in 2016, providing capacity building for teachers and scholarships to students and by constructing a library in a rural community as well as classrooms.

MTN Ghana was named the CSR Company of the Year at the CSR Excellence Awards.

Impacted by subscriber registration requirements

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

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

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

MTN Cameroon's EBITDA margin decreased by 2,8 percentage points to 33,4% mainly as a result of costs related to subscriber registration campaigns. We implemented several cost-reduction initiatives during the year.

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

Since its inception in 2006, the MTN Cameroon Foundation has opened close to 40 multimedia centres, providing digital access to at least 60 000 students and 4 000 teachers. In 2016, the foundation opened 10 of these centres.

Initial recovery in the second half

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

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

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

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

In recognition of the volunteering work that MTNers in Ivory Coast carried out in communities around the country in 2016, MTN Ivory Coast won the annual Group President and CEO's award for its 21 Days of Y'ello Care. The MTN Ivory Coast Foundation continued to install and refurbish multimedia rooms in schools across the country and also partnered with the government and UNESCO on a literacy programme.

Looking ahead in WECA

We expect net additions in WECA of 4,750 million after 5,325 million new subscribers signed up in 2016. Most of the new subscribers are expected to come from Cameroon (1,25 million) followed by 1 million from Nigeria and 750 000 from Ghana.

We have authorised capital expenditure of R16,314 billion in WECA in 2017 after spending R17,325 billion in 2016. The single largest destination for the 2017 capex in WECA is Nigeria, at R9,543 billion, followed by Ghana at R2,164 billion and Ivory Coast at R1,690 billion.

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

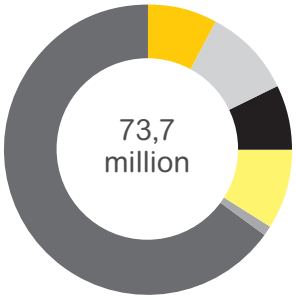
MTN Ghana is working with relevant regulators on its localisation transaction, which is expected to be completed during the course of 2017.

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

** Constant currency (organic) information.*
*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*
**** The forward-looking financial information disclosed in this integrated report has not been reviewed or audited or otherwise reported on by our external joint auditors.*

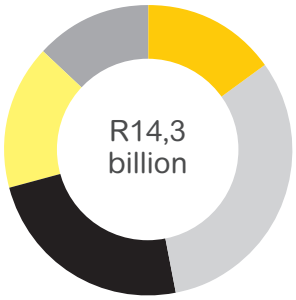
Middle East and North Africa and MTN Irancell

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



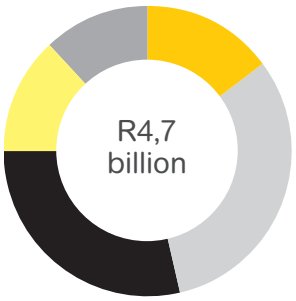
Subscribers

Syria	8%
Sudan	10%
Yemen	7%
Afghanistan	9%
Cyprus	1%
Iran (joint venture)	65%



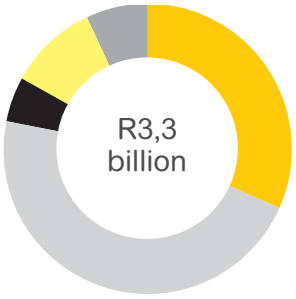
Revenue#

Syria	15%
Sudan	32%
Yemen	24%
Afghanistan	16%
Cyprus	13%



EBITDA#

Syria	15%
Sudan	32%
Yemen	29%
Afghanistan	13%
Cyprus	12%



Capex#

Syria	32%
Sudan	47%
Yemen	5%
Afghanistan	10%
Cyprus	7%

excluding joint ventures

A good result, supported by data growth

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

In line with our commitment to enhancing education in Sudan through the use of ICT in teaching and learning, in 2016 we installed interactive whiteboards in schools, provided ICT training for teachers and rehabilitated a number of schools.

A very challenging operating environment

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

Looking ahead in MENA

We forecast net additions of 450 000 in MENA in 2017. We have authorised capital expenditure of R2 134 million for MENA in 2017, from R3 310 million spent in 2016.

Solid performance supported by superior data network

MTN Irancell (joint venture-equity accounted, 49%) delivered a strong performance despite regulatory pressure on data tariffs. The number of subscribers increased by 3,2% to 47,6 million mainly as a result of competitive segmented voice and data offerings, including attractive data bundles, and a superior quality 3G and LTE network. Improved customer experience resulted in a higher net promoter score of 22%.

Total revenue increased by 12,8%*, driven by increased data revenue growth. Outgoing voice revenue declined marginally by 0,7%*, cannibalised by data services. Data revenue increased by 58,8%*, underpinned by optimisation of data bundles, modernisation of 2G and 3G sites and expansion of the LTE network.

Smartphone penetration in Iran remains the highest across our footprint with MTN Irancell recording 26,1 million smartphones on the network at the end of the year. Data revenue contributed 42% to total revenue while outgoing voice revenue contributed 37%. Digital revenue contributed 30% to data revenue, supported by an increase in local content-based usage.

The EBITDA margin decreased by 2,5 percentage points to 39,0% as a result of increased transmission costs attributable to additional capacity requirements. Capex for the period increased by 15,0%* to R5 138 million (49%) as the operation added 2 717 co-located 3G sites and 2 210 LTE sites.

Looking ahead in Iran

We forecast net additions of 850 000 in Iran in 2017. We expect to spend R5 396 million (49%) in capex.

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

The Group's results are presented on a regional basis in line with the Group's new operational structure. This is comprised of SEA, WECA and MENA and their respective underlying operations.

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

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

** Constant currency (organic) information.*

*** Reported – includes hyperinflation and the relating goodwill impairment, tower profits, the Nigeria fine and the MTN Zakhele Futhi impact.*

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

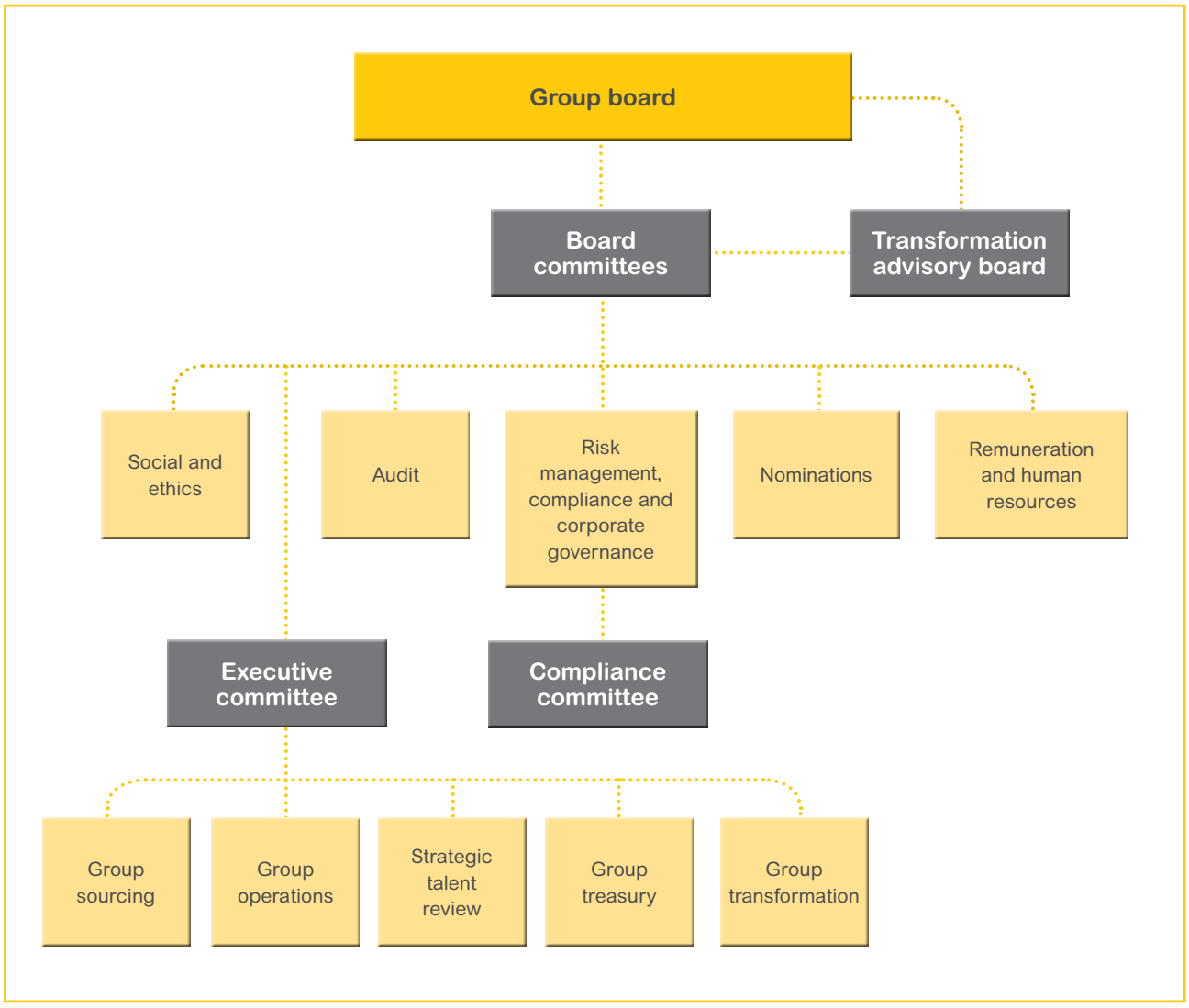



MTN
BUSINESS
Welcome to the New World of Business

How we are governed to create value

We are committed to good corporate governance, which is the overarching framework of our operations. In 2016 we continued to work to ensure that our policies and practices promoted good governance and ethics in all areas of our business. This assists in ensuring that we deliver on our strategy and address our material issues.

Governance structure



Application of the King III principles and the introduction of King IV principles

In 2016, we continued to focus on the application of and adherence to the King III principles, and also commenced preparations for adopting the King IV Code. We are satisfied that we substantially applied the King III principles. For more information on the application of King III, see GR.

Key board actions in 2016	
Agreed to settle the MTN Nigeria fine imposed by the Nigerian Communications Commission.	On 10 June 2016, we announced that the matter had been resolved with the Federal Government of Nigeria. The cautionary on trading in MTN securities and the prohibited period for trading in MTN securities imposed on directors and employees were lifted.
Established a compliance structure and constituted a compliance committee.	A new compliance structure came into effect. We recorded good progress in the implementation of the compliance framework and appointed a number of compliance officers. The compliance committee held its inaugural meeting in March 2016, and monitored compliance throughout the year.
Established a Group regulatory structure.	We established a regulatory office and appointed an executive for regulatory affairs and public policy. The office works closely with the legal function, the regional vice-presidents and the opco regulatory teams to shape regulatory outcomes.
Established the Group transformation board and implemented the transformation for accelerated results programme, also known as "IGNITE".	IGNITE is about shaping the future of MTN, by proactively introducing special measures to accelerate our business and financial performance. These measures are designed to make our organisation more agile, and our business more sustainable, efficient, innovative and profitable. The programme is driven and monitored under the guidance of the Group transformation board.
Established a formal Group ethics office.	Although the implementation of the ethics programme has been ongoing since 2013, in 2016 the Company formed a formal Group ethics office with a dedicated ethics resource. This structure is also replicated in MTN South Africa and MTN Nigeria.
Appointed new directors to the MTN Group board and MTN South Africa board.	We expanded the commercial and industry experience on both the MTN Group board and MTN South Africa board to improve the Group's risk and governance profile.
Appointed new executives: • **Group president and CEO** • **Group CFO** • **Group COO** • **Regional vice-president: SEA†** • **Vice-president: mergers and acquisitions.**	Following on from the change in the operating model, in 2016, we made a number of changes to the executive team. We expect that the appointment of new executives and the expansion of the roles of others, together with the appointment of additional non-executive directors on the board, will strengthen management, enhance governance and aid strategy.
Reviewed pertinent governance policies.	We continued to review our policies and processes with the view of ensuring that they are in line with changes in the regulatory, compliance and governance landscape.
Implemented the King IV readiness programme.	With the launch of the King IV Report on Corporate Governance, we took strides to ensure that we are able to "apply and explain" the 17 new principles of the report. This continues into 2017.
Introduced a new BEE scheme.	Transformation and empowerment are at the core of MTN's ethos. We launched MTN Zakhele Futhi Limited in South Africa, a R9,9 billion empowerment scheme holding approximately 4% equity in MTN Group.

† Excluding South Africa; subject to contractual restraints which have now ended.

Leadership

Role of the board

The board of directors' key purpose is to ensure the wellbeing of the Company, while endeavouring to create value for all our stakeholders. As set out in the King IV Code, the board's primary role is to carry out the following:

- Steer and set strategic direction.
- Approve policy and planning.
- Oversee and monitor.
- Ensure accountability.

Board appointments and resignations

The Company acknowledges that an effective board must have the expertise and competence to promptly and appropriately address current and emerging issues to ensure the delivery of our strategy. Accordingly, in 2016 after certain directors retired, the board appointed new members with relevant academic qualifications, technical expertise and industry knowledge and who enhance the board's diversity.

Following the resignation of Johnson Njeke and Jan Strydom on 25 May 2016, the board appointed Paul Hanratty, Stan Miller and Nkululeko Sowazi as directors with effect from 1 August 2016. These appointments were conducted through a formal and transparent process.

The Company also identified Rob Shuter for appointment as Group president and CEO with effect from 13 March 2017 and Ralph Mupita as Group chief financial officer with effect from 3 April 2017. Once the Group president and CEO commences his term in office, the executive chairman will step down from his executive role and revert to his role as the non-executive chairman of the Group.

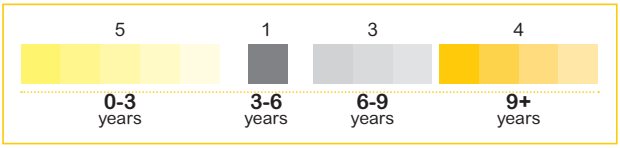
Retirement of directors

In line with the Companies Act, the Company's memorandum of incorporation requires new directors to be subject to an election at the first annual general meeting following their appointment. Directors are also subject to retirement every three years, subject to an evaluation conducted by the board, assisted by the nominations committee.

Directors who have served on the board for a period in excess of nine years retire at every annual general meeting and are re-elected following a review of their independence and objectivity in carrying out their duties.

Accordingly, nine directors will be eligible for election and re-election at the forthcoming AGM. This ensures that shareholders have the opportunity to exercise their vote with regard to whether the Company has appointed the most appropriate directors to meet the best interests of the Company.

Length of tenure of directors



Succession planning

Following the outcomes of the board evaluation, the board, through the nominations committee, performs a comprehensive assessment of the skills set of the current board of directors. This facilitates board succession planning and ensures that the board has the requisite skills for transitioning into the years ahead. In 2016, the Company undertook the process of evolving the composition of the board and the Company believes that the board has the necessary skills to fulfil its role.

Diversity and composition of the board

The Company acknowledges that diversity gives the board the benefit of different perspectives and ideas. The Group has a unitary board, consisting of executive and non-executive directors who represent a broad spectrum of demographic attributes and characteristics. To promote objectivity and reduce the possibility of conflict of interests, the majority of directors are independent non-executive directors. The competence and views of individual directors, as well as their interaction during board meetings, allows strategic oversight. Since gender is one of attributes that contribute to a balanced composition of the board, the board is focused on improving the representation of women on the board and introducing new skill sets to achieve the board's objectives.

Board diversity

Board independence



- Independent directors 11
- Executives 1
- Non-executives 1

Nationalities



- South Africans 8
- Non-South African 5

Gender representation



- Women 3
- Men 10

(As at 2 March 2017)

Board committees

The board has delegated its authority to various board committees with the mandate to deal with governance issues and report to the board on their activities on a quarterly basis.

Each committee operates under terms of reference which set out roles and responsibilities, composition and scope of authority. These are reviewed on an annual basis. For a full appreciation of the terms of reference, see the governance report on the MTN website.

During the year under review, each committee had a number of key duties and responsibilities and the board is satisfied that the committees effectively discharged their responsibilities in accordance with their respective terms of reference.

Board committees' activities

Committees	Activities in 2016	Priorities for 2017
Audit committee KC Ramon (chairman) NP Mageza MJN Njeke (resigned 25 May 2016) A Mikati (appointed 25 May 2016, resigned 4 August 2016) P Hanratty (appointed 4 August 2016) J van Rooyen	• Safeguarded the assets of the Group. • Performed monitoring and oversight over financial systems and controls. • Ensured the preparation of financial statements. • Reviewed and was satisfied with the competence and performance of the Group CFO and acting Group CFO and the finance function. • Reviewed the independence and objectivity of the joint external auditors. • Reviewed the competence and performance of the Group business risk officer.	Continue to: • Provide oversight of the provision of non-audit services by joint external auditors. • Ensure compliance with King IV principles. • Perform monitoring and oversight of financial systems and controls. • Review independence and objectivity of joint external auditors. • Review competence and performance of Group CFO and finance function. • Enhance disclosure of monitoring and compliance with environmental laws, findings on non-compliance and sanctions thereof. • Disclose arrangements for governing and monitoring stakeholder relationships. More information on the audit committee is set out in the audit committee report in the AFS.
Nominations committee PF Nhleko (chairman)# A Harper AT Mikati NL Sowazi (appointed 4 August 2016) AF van Biljon (lead independent director) JHN Strydom (resigned 25 May 2016)	• Ensured a formal and transparent board nomination and election process (guided by our director appointment policy) in the appointment of new directors. • Conducted an independence review on the directors serving the board for a period in excess of nine years. • Conducted an in-depth independence review on the chairman. • Evaluated and recommended the retiring directors and audit committee members for re-election. • Evaluated the performance of the Group secretary and the secretarial function. • Ensured that the appointment of a suitable Group president and CEO and the Group CFO was finalised through a formal and transparent process. • Ensured that the effectiveness of the board was enhanced.	• Review diversity of the board, by implementing an approved policy on the diversity of the board. • Ensure that gender diversity is a priority as required by the JSE.
Remuneration and human resources committee A Harper (chairman) AT Mikati PF Nhleko JHN Strydom (resigned 25 May 2016) NL Sowazi (appointed 4 August 2016) J van Rooyen	• Ensured that MTN's remuneration strategies and policies are designed to attract, motivate and retain quality employees, directors and senior management committed to achieving the overall goals of the Company. • Benchmarked MTN's remuneration against competitor companies. • Recommended the advisory note on the remuneration philosophy which was ultimately reviewed by shareholders. • Recommended the submission to the board and the annual general meeting the remuneration of the chairman and members of the board and a no-fee increase for non-executives.	• Retain key employees. • Continue to enhance succession planning. • Ensure that MTN obtains suitable talent for the changing business environment.

Although Mr Nhleko remained as chairman, Mr van Biljon led the nomination committee's discussions throughout the year because Mr Nhleko was a non-independent director.

Committees	Activities in 2016	Priorities for 2017
Risk management, compliance and corporate governance committee NP Mageza (chairman) KP Kalyan S Kheradpir MLD Marole SP Miller (appointed 4 August 2016) MJN Njeke (resigned 25 May 2016) JHN Strydom (resigned 25 May 2016)	• Identified, considered and monitored risks impacting the Company. • Ensured due process for compliance with prevailing legislation and other statutory requirements, including voluntary corporate governance frameworks is followed. • Continued to monitor the management of new and emerging risks. The committee was also involved in monitoring the corporate governance framework, including regulatory and listings requirements and business practices, with the objective of maintaining and strengthening risk management in the organisation. • Reviewed the Group's business continuity strategy and processes. • Reviewed the Group's insurance programme. • Participated in the risk mitigation process by reviewing the Company's risk appetite and risk tolerance thresholds. • Ensured greater focus on IT governance and cyber security.	• Continue to monitor MTN's regulatory compliance. • Continue to focus on IT security. • Enhance business continuity at MTN. • Monitor the risk management and internal control systems. • Review the combined assurance model.
Social and ethics committee KP Kalyan (chairman) NP Mageza MLD Marole J van Rooyen	• Performed an oversight and monitoring role in partnership with other committees to ensure that MTN is a good corporate citizen and that MTN business is conducted in an ethical and properly governed manner. • Performed an oversight role over the implementation of the ethics management programme. • Took responsibility for the sustainability framework and sustainability reporting for the MTN Group. • Placed greater focus on monitoring the MTN Foundations and other CSI initiatives. • Performed an oversight and monitoring role over the rollout of the stakeholder management plan.	• Implement ethics risk mitigating interventions and measure impact. • Continue to emphasise empowerment of employees towards ethical conduct, using differentiated means to reach and engage all staff. • Further certification of ethics officers to ensure a sound knowledge and practice base for ethics management, as our ethics challenges become more pronounced. • Facilitate easy and immediate access to policy-based guidance in ethically challenging situations for all employees. • Implement ethics risk mitigation impact measurements across the Group. • Participate in the Coalition for Ethical Operations to promote ethical business.

Meetings attendance register 2016

Names	Scheduled board (7)	Special board (14)	Audit (4)	Nomina-tions (5)	Remco (5)	Risk (4)	Social and ethics (4)
PF Nhleko[&]	7	12	4	5	5		
PB Hanratty[^]	3	6	1				
A Harper	7	13		5	5		
KP Kalyan	7	14				4	4
S Kheradpir	6	5				1	
NP Mageza	7	12	4			4	4
SP Miller[^]	3	5				1	
MLD Marole	7	14				4	4
AT Mikati	7	14	1	5	5		
MJN Njeke[†]	3	4	2			2	
NL Sowazi[^]	2	5		1	2		
KC Ramon	7	13	4				
JHN Strydom[†]	3	5		3	2	2	
AF van Biljon	7	14		5			
J van Rooyen	7	12	4		5		3
BD Goshen~[@]	5	6	1		2	0	

[^] *Appointed 1 August 2016.*
[†] *Resigned 25 May 2016.*
~ *Resigned 30 September 2016.*
[@] *By invitation to committee meetings.*
[&] *By invitation to audit committee.*
New directors joined the board on 1 August 2016, and were appointed to committees on 4 August 2016.

The role of the chairman and lead independent director

During the year, the executive chairman provided leadership and sound judgement and was instrumental in ensuring that the deliberation of issues and the strategic decisions of the board were aligned with the Company's vision, values and objectives.

As the chairman took on an executive role, the board also relied strongly on the lead independent director (LID) for objectivity and guidance, should a situation have arisen where the impartiality of the chairman was impaired or there was a perceived conflict of interest. The LID played a leading role in the nominations committee as the chairman of the nominations committee was not independent.

Delegation of authority

While the board plays an oversight role over the Company, the executive chairman and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority. MTN's delegated structures, which include the board committees, encourage and promote open discussion which enhances the board's monitoring function over all areas of the Company.

Director development

In order to ensure that all directors on both the board and committees of the Company are adequately equipped with the latest information and knowledge relating to MTN's business and to continuously support them in their role as directors, the Company provides ongoing training relating to general management, corporate governance, any updates in laws and regulations and best practices affecting the business. In 2016, we provided the board with a more robust and interactive training programme which tackled various governance matters directly linked to managing the business's key priorities. In 2017 the Company plans to continue with the training and further entrench the culture of director development.

Group secretary

Directors engage with the Group secretary regularly for governance and regulatory advice. She also ensures the proper administration of the board and adherence to sound ethical practices.

The performance of the Group secretary, as well as her relationship with the board, is assessed on an annual basis by the nominations committee and the board. The assessment considers the competency, qualifications and experience of the Group secretary and whether she maintains an arm's length relationship with the board. For the reporting period the board is satisfied that she is suitably qualified and her relationship with the board is adequate to ensure her independence from director influence or conflict of interest.

Directors' dealings

The Company continued to enforce closed periods prohibiting trading in shares by directors, senior executives and employees in terms of the Company's share dealing and insider-trading policies. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. All directors trading in shares require the prior approval of the chairperson of the board.

Conflicts of interest

A director or prescribed officer is prohibited from using his or her position with respect to MTN or confidential company information obtained by him or her relating to the Company, in order to achieve a financial benefit for himself or herself or any related third party.

Furthermore, a director or prescribed officer is obliged to make certain disclosures regarding any conflict of interest he or she may have when such conflict arises. Directors and prescribed officers who have declared a conflict of interest in certain transactions, have voluntarily recused themselves from participating in any manner with regard to those transactions.

Business practices and ethics

In 2016, the board continued to strive to ensure that ethics is the foundation of how the Company operates and that corporate governance best practices were entrenched. Accordingly, the directors recognise their responsibility to set the tone from the top, by avoiding instances of conflict of interest and having the interests of the Company at the forefront of all decision making.

Despite a few setbacks, each operating company continues to strive to further entrench ethics through a systemic methodology. Each company is supported by ethics champions who provide effective guidance, encourage employees to report all instances of fraud through the whistle-blowing hotline and ensure that the Company's ethics are

efficiently implemented and reported to the Group's social and ethics committee on a quarterly basis.

The Company also continues to safeguard the interests of stakeholders, such as the community, employees, customers and suppliers, by monitoring the Company's activities with regard to social and economic development, corporate citizenship, consumer relationships, the environment, health and public safety and labour and employment matters.

Monitoring, oversight and risk

The Company's corporate governance structure ensures effective internal controls and monitors the management of significant matters. The audit committee, as well as the risk management, compliance and corporate governance committee provide an environment in which challenging issues can be considered and monitored.

The strategic and operational risk management framework of the Company focuses on various risks that could affect MTN's customer experience, operational agility, cost competitiveness and stakeholder confidence. This is done through a robust risk methodology that analyses not only what the Company does, but also how it is done, to achieve sustainable economic viability, make the most of market opportunities and serve a rapidly changing market.

Subsequent to the challenges faced by the Company in the past two years, the board has enhanced the proficiency of the risk management process and will continue to guide MTN towards better risk mitigation, through ascertaining and appreciating significant risks, investing resources in alleviating existing risks that are critical to the Company and driving the risk accountability and ownership through management.

Performance management

The board stresses the importance of promoting a healthy workplace environment which includes ethics and compliance through established policies based on the values of integrity, leadership, innovation, relationships and "can do" as well as the vital behaviours. It promotes targeted results in a transparent and systematic manner that strives to ensure that the Company's employees are productive, provide efficient services and demonstrate the required knowledge, skills, behaviour, competencies and engagement to perform their duties to the best of their ability.

Like any organisation, there are instances of unsatisfactory employee performance, however, we endeavour to address such issues expeditiously through internal company procedures in line with the disciplinary process and our performance management system.

Disclosure, reporting and transparency

Disclosure, reporting and transparency are fundamental components of our corporate governance framework to provide accountability to stakeholders and support them in making informed decisions.

MTN endeavours to be transparent, especially regarding material issues. We continue to review our policies and procedures that govern the provision of timeous, correct and complete information to stakeholders, in a manner which gives all stakeholders equal access to information and ensures that there is no stakeholder that is treated favourably over others. The Company has also re-emphasised that all matters must be provided to stakeholders in compliance with the law and applicable regulations.

MTN Group strives to accurately, consistently and fairly disclose material, or price-sensitive information about the Company and its performance, in a readily understandable language, to stakeholders, the public and regulators.

Stakeholder engagement

The board values MTN's stakeholders and endeavours to take their concerns and interests into account when making business decisions. This not only enables the Group to anticipate and manage risk effectively, but also assists in the identification of new business opportunities and in establishing solid MTN relationships with stakeholders. It also makes it easier for MTN to deliver on its objectives and benefit from ideas for products or services that address stakeholder needs, and at the same time allows the Company to reduce costs and maximise value. In order to ensure greater accountability, the Company has a stakeholder-conscious governance model which places emphasis on dialogue and responding to stakeholder concerns and interests.

Our anonymous tip-off line is anonymous@tip-offs.net and +27 83 123 7867

Who is responsible

Our board of directors

The board is responsible for the adoption of strategic plans, the monitoring of operational performance and management, and the development of appropriate and effective risk management policies and processes. The full extent of the board's responsibilities is available in the board charter. At 2 March 2017, the board comprised:

1. PF Nhleko (56)
Executive chairman
BSc (Civil Eng), MBA
Appointed: 28 May 2013, became executive chairman November 2015
Board committee membership:
Other directorships: Chairman of various companies in MTN Group, chairman of Phembani Group (Pty) Limited, Afrisam (South Africa) (Pty) Limited, Blue Falcon 179 Trading (Pty) Limited.
Skills, expertise and experience: Strategic leadership and finance.

2. P Hanratty (55) (Irish)
Independent non-executive director
BBusSc (Hons), Fellow of Institute of Actuaries, Advanced Management Programme (Harvard)
Appointed: 1 August 2016
Board committee membership:
Other directorships: Director of various companies in MTN Group.
Skills, expertise and experience: Financial services.

3. A Harper (60) (British)
Independent non-executive director
BA (Hons)
Appointed: 1 January 2010
Board committee membership:
Other directorships: Director of various companies in MTN Group, Azuri Technologies Limited and Gigabit Fibre Limited.
Skills, expertise and experience: Telecommunications.

4. KP Kalyan (61)
Independent non-executive director
BCom (Law) (Hons) Economics, Senior Executive Management Programme (London Business School)
Appointed: 13 June 2006
Board committee membership:
Other directorships: Director of various companies in MTN Group, non-executive chairman of Edgo Merap. Non-executive director of AOS Orwell Energy, Aker Solutions, Anglo American South Africa and Petmin Mining. Non-executive senior adviser of Boston Consulting Group. Member of the Thabo Mbeki Foundation Advisory Council.
Skills, expertise and experience: Economics, energy, infrastructure and corporate governance.

5. S Kheradpir (56) (American)
Independent non-executive director
Doctorate in Electrical Engineering
Appointed: 8 July 2015
Board committee membership:
Other directorships: Director of various companies in MTN Group. CEO and chairman of Coriant International Group, a global leader in packet-optical networking.
Skills, expertise and experience: Business leadership and transformational change, operations, technology and engineering.

6. NP Mageza (62)
Independent non-executive director
FCCA
Appointed: 1 January 2010
Board committee membership:
Other directorships: Director of various companies in MTN Group, Remgro Limited, Sappi Limited, RCL Group and Ethos Private Equity Limited.
Skills, expertise and experience: Accounting, banking and finance.

7. MLD Marole (56)
Independent non-executive director
BCom (Acc), Dip Tertiary Education, MBA, Executive Leadership Development Programme
Appointed: 1 January 2010
Board committee membership:
Other directorships: Director of various companies in MTN Group, South African Post Office (SoC) Limited, Richards Bay Mining (Pty) Limited, Santam Limited, Resilient Properties Income Fund and the Development Bank of Southern Africa.
Skills, expertise and experience: Financial services, risk and corporate governance.

KEY

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

Symbol for *"member of . . ."*
- Nominations committee
- Remuneration and human resources committee
- Social and ethics committee
- Risk management, compliance and corporate governance committee
- Audit committee



8. AT Mikati (44) (Lebanese)
Non-executive director
BSc
Appointed: 21 July 2006
Board committee membership:

Other directorships: Director of various companies in MTN Group, CEO of M1 Group Limited (an international investment group focusing on telecoms), director of various companies in M1 Group and director of Orascom Construction Limited. He also serves on the boards of the Children Cancer Centre, the International College and Columbia University board of visitors.

Skills, expertise and experience: Telecommunications.

9. SP Miller (58) (Belgian)
Independent non-executive director
Intermediate diploma from the Institute of Certified Bookkeepers (SA), Diploma in law and administration. Various executive programme courses (UCT Business School)
Appointed: 1 August 2016
Board committee membership:

Other directorships: Director of various companies in MTN Group, executive chairman of AINMT AB Sweden, CEO of Leaderman NV (Belgium), Leaderman SA (Lux), non-executive director of MTS OJSC Russia.

Skills, expertise and experience: Telecommunications and media.

10. KC Ramon (49)
Independent non- executive director
BCompt, BCompt (Hons), CA(SA), Senior Executive Programme (Harvard)
Appointed: 1 June 2014
Board committee membership:

Other directorships: Director of various companies in MTN Group, AngloGold Ashanti Limited, chairman of the CFO forum and deputy chair of the Financial Reporting Standards Council of South Africa.

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

11. NL Sowazi (53)
Independent non-executive director
MA
Appointed: 1 August 2016
Board committee membership:

Other directorships: Director of various companies in the MTN Group. Chairman of Kagiso Tiso Holdings and Synchem Group. Director of Grindrod Limited, IQ Business Holdings and Tiso Blackstar SE (UK). Co-founder trustee of the Tiso Foundation and Washington-based Housing for HIV Foundation.

Skills, expertise and experience: Investment management, business leadership.

12. AF van Biljon (69)
Lead independent non-executive director
BCom, CA(SA), MBA
Appointed: 1 November 2002
Board committee membership:

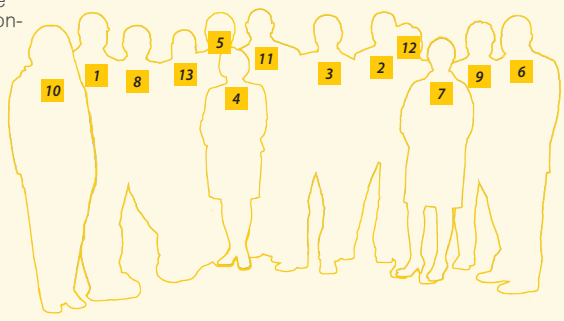
Other directorships: Director of various companies in MTN Group, chairman and trustee of Standard Bank Group Retirement Fund.

Skills, expertise and experience: General business, accounting and finance.

13. J van Rooyen (66)
Independent non-executive director
BCom, BCompt (Hons), CA(SA)
Appointed: 18 July 2006
Board committee membership:

Other directorships: Director of various companies in MTN Group, various companies in Uranus Group, Pick n Pay Stores Limited and Exxaro Resources Limited.

Skills, expertise and experience: Accounting and finance.



For full CVs see .

Who is responsible

Our executive committee

The executive committee facilitates the effective control of the Group's operational activities in terms of its delegated authority, approved by the board. It is responsible for recommendations to the board on the Group's policies and strategies and for monitoring their implementation in line with the board's mandate. It meets at least monthly, and more often as required. At 2 March 2017, it was made up of:

1. **Phuthuma Nhleko**[∞] (56)
   Executive chairman
   BSc (Civil Eng), MBA
   Executive since November 2015 until new CEO joins in March 2017

2. **Gunter Engling**[¥] (43)
   Acting Group chief financial officer
   CA(SA), BAcc, BA (Hons)
   Executive since October 2016

3. **Michael Fleischer** (56)
   Group chief legal counsel
   BProc, Advanced Tax Certificate, admitted as attorney of the High Court of South Africa
   Executive since 2014

4. **Ismail Jaroudi** (45)
   Group vice-president for Middle East and North Africa
   BA, Executive Education Certificate, Harvard Business School
   Executive since 2015

5. **Godfrey Motsa** (43)
   Group vice-president for South and East Africa
   BCom, MBA
   Executive since January 2017

6. **Ferdi Moolman** (53)
   Chief executive officer: MTN Nigeria
   CA(SA), BCom, BCompt (Hons), Theory of Accounting Diploma
   Executive since 2015

7. **Paul Norman** (51)
   Group chief human resources and corporate affairs officer
   MA (Psych), MBA
   Executive since 1997

8. **Mteto Nyati** (52)
   Chief executive officer: MTN South Africa
   BSc (Mech Eng), Yale World Fellow
   Executive since 2014

9. **Jens Schulte-Bockum** (50)
   Group chief operating officer
   MA(SocSci)
   Executive since January 2017



10. Karl Toriola (44)

Group vice-president for West and Central Africa

BSc (Elec Eng), MSc (Comm Systems), General Management Programme, Harvard Business School

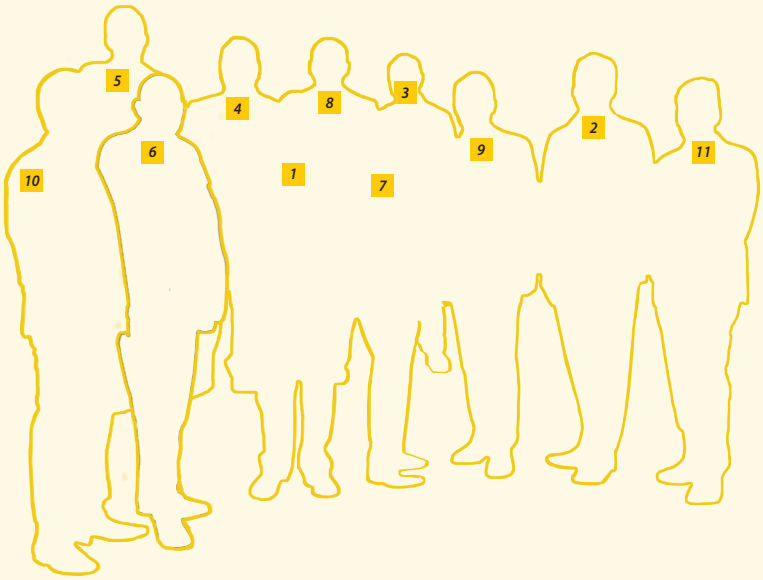
Executive since 2015

11. Stephen van Coller (50)

Group vice-president for strategy and M&A

CA(SA), ACMA (UK), BCom (Hons), Higher Diploma in Accounting

Executive since October 2016



∞ To step down on 13 March 2017, when Rob Shuter assumes role of Group president and CEO.
¥ To step down on 3 April 2017, to be succeeded by Ralph Mupita.

For full CVs see .

Who is responsible

Management on the ground

To illustrate the depth of our management team, here we profile the leadership of our nine major operations at 2 March 2017, as well as give details by region on their average experience and age.

WECA

Average number of years in telecoms	12
Average number of years in ICT and adjacent industries	12
Average number of years at MTN	11
Average age	47

MTN Nigeria



Ferdi Moolman *CEO*



Adekunle Awobodu *CFO*

MTN Ivory Coast



Freddy Tchala *CEO*



Ebenezer Bodylawson *CFO*

MTN Ghana



Ebenezer Asante *CEO*



Modupe Kadri *CFO*

MTN Cameroon



Philisiwe Sibiya *CEO*



Adel Alaya *CFO*

MENA

Average number of years in telecoms	17
Average number of years in ICT and adjacent industries	20
Average number of years at MTN	8
Average age	48

Iran (joint venture, 49%)



Alireza Ghalambor Dezfouli *CEO*



Mazen Mroue *COO*

Sudan



Malik Melamu *CEO*



Ali Bin Amir *CFO*

Syria



Ziad Sabah *CEO*



Kamal Santina *CFO*

SEA

Average number of years in telecoms	16
Average number of years in ICT and adjacent industries	19
Average number of years at MTN	12
Average age	48

MTN South Africa



Mteto Nyati *CEO*



Sandile Ntsele *CFO*

MTN Uganda



Wim Vanhelleputte *CEO*



Mike Blackburn *CFO*

For full CVs see .

Our people and their remuneration

Our people

At MTN we believe that investing in our people is essential to achieve our strategy and improve our competitive edge across the markets in which we operate. Engaging and developing our employees is a priority; it helps us deliver the best customer experience and increases our overall business performance.

Senior management changes

In 2016, we appointed a number of new senior managers with the requisite skills to take MTN into a new growth phase. We also implemented a new organisational structure to enhance operational and governance oversight. These position the Group to capitalise on its many prospects and reach its full potential in a rapidly transforming and exciting sector.

The MTN executive committee is made up of:

- **Rob Shuter,** joining on 13 March 2017 as Group president and CEO.
- **Ralph Mupita** will join on 3 April 2017 as Group chief financial officer (CFO).
- **Gunter Engling**, acting CFO, will become deputy CFO on 3 April 2017 when he steps down from exco.
- **Jens Schulte-Bockum** joined on 16 January 2017 as Group chief operating officer.
- **Godfrey Motsa**, vice-president for the South and East Africa region since January 2017.
- **Mteto Nyati**, CEO of MTN South Africa since 2014.
- **Ismail Jaroudi**, vice-president for the Middle East and North Africa region since 2015.
- **Karl Toriola**, vice-president for the West and Central Africa region since 2016.
- **Ferdi Moolman**, CEO of MTN Nigeria since 2016.
- **Stephen van Coller**, vice-president for strategy and mergers and acquisitions (M&A) since October 2016.
- **Paul Norman**, chief human resources and corporate affairs officer since 1997.
- **Michael Fleischer**, chief legal counsel since 2014.

Other senior executives who were recently appointed include:

- **Babak Fouladi** as chief technology and information officer.
- **Bernice Samuels** as executive: marketing.
- **Felleng Sekha** as executive: regulatory affairs and public policy.
- **Oliver Fortuin** as executive: business enterprise.
- **Riaan Wessels** as executive: business risk.
- **Saim Yaksan** as executive: Group transformation

Overview of our people

At the end of 2016, MTN had 15 980 permanent employees and 4 009 contractors. This represents a 5,2% decline in the total number of people in the business, a result mainly of ongoing optimisation initiatives:



People by location

MTN South Africa	26%
Other operations	22%
MTN Irancell	11%
MTN Nigeria	11%
MTN Ghana	5%
MTN Syria	5%
MTN Uganda	5%
MTN Cameroon	4%
MTN Ivory Coast	4%
MTN Yemen	4%
MTN Sudan	3%



Gender split

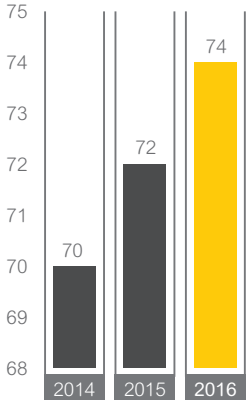
Women	37%
Men	63%

Engagement and culture

Achieving high levels of employee engagement and fostering the right culture is fundamental to achieving our strategic imperatives. Every year we invite staff to participate in our global culture audit survey, measuring employee engagement and culture across 16 people dimensions.

In the year, our sustainable engagement score improved by two points from 2015 to a score of 74. This is a result of the combined efforts of staff and management to prioritise the people agenda in a challenging operating environment. The SEA region showed the greatest year-on-year improvement in employee engagement, and the WECA region had the highest score.

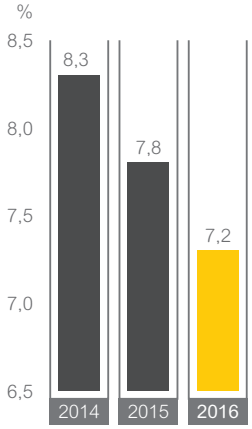
Employee engagement



Our ongoing culture operating system programme to instil MTN's vital behaviours also increased in the year. Our vital behaviours (2) are the foundation of our social engine in order to ensure that our people work in a way that is in keeping with our values of leadership, innovation, relationships, integrity and "can do".

Our employee voluntary turnover rate, which measures the rate at which employees' voluntarily leave MTN, decreased to 7,2% in 2016 from 7,8% in 2015. We focused on retaining our top talent with positive results; the voluntary turnover rate of high performers dropped to 4,7% from 5,5%.

Voluntary turnover



A diverse company

Key to our customer centricity approach is a diverse employee base that understands the varied needs of our many different subscribers. By the end of 2016, we had employees of over 60 different nationalities, of which 40 were from countries in Africa and the Middle East. Gender diversity is also a key metric. By the end of December 2016, 37% of staff were women and 63% were men. This remained unchanged from the previous year.

Developing our talent

We place significant emphasis on continuously evolving the skill sets of our talent base to ensure that our staff are equipped to meet the needs of the rapidly evolving ICT industry. Our digital e-learning platform continued to be extremely popular, with over 424 000 courses completed by 13 519 staff in 2016, an average of 30 online learning programmes per individual. We evaluated the quality of the course material throughout the year and achieved a 98% positive response from staff in 2016.

The key learning and development focus areas in the year were:

- Managing customer expectations
- Telco transformations
- Enterprise ICT
- Ethics at work

Through our strategic partnership with Swiss-based business school IMD, in 2016 we launched a variety of cloud-based programmes to deepen functional leadership skills across our senior management in the areas of innovation, commercial excellence and execution.

To ensure that we have robust succession planning, the MTN Global Talent standard serves as a robust psychometric and career development assessment methodology to evaluate and improve our future pipeline.

Performance management

We successfully completed our 2016 integrated performance management cycle ensuring that our pay-for-performance framework was carried out throughout the organisation. We further improved our performance management framework to ensure greater alignment to strategic imperatives to increase our focus on customer experience and financial performance.

Best practices

The Global Investor in People (IiP) standard is a people management best practice accreditation that defines what it takes to lead, support and manage people well for sustainable results. As at December 2016, a total of 16 MTN operating companies had achieved varying levels of accreditation, compared with 14 in 2015. It is important to note that our head office and our operations in Cameroon, Ghana, Nigeria and Swaziland all have "gold" accreditation – the highest level of accreditation available.

Remuneration report

Our remuneration philosophy

MTN's remuneration philosophy is part of an interlinked, holistic and people-oriented talent approach, aiming to support current and evolving business priorities. The philosophy aims to attract, motivate, retain and engage the desired talent to execute business strategy in a sustainable manner over the longer term. The competitive talent landscape demands a differentiated reward system, capable of competitively matching pay for results, delivered fairly without bias, and flexible yet compliant across all markets.

In our efforts to achieve our talent objectives, we apply various approaches, including the following:

For competitiveness and affordability
- Regular market benchmarking of reward components.
- Linking short and long-term incentives to various performance indicators.

For differentiation and flexibility
- Establishing performance as the basis for employee reward.
- The ability to customise reward, taking into account the varied needs and lifestyles of employees.

For compliance and sustainability
- Continuously striving to apply full regulatory and legislative compliance in our markets.
- Regularly auditing and assessing risks, benefits and compliance of reward.

Our various remuneration policies endorsed by management and governed by our remuneration committee guide the decision-making processes and operationalisation of all reward matters. It is our intent to deliver a legislatively compliant system aligned with the future strategic objectives of the Company.

Our reward principles

In delivering on our remuneration policy, we apply the following principles:
- Fair pay based on the value of the job relative to other jobs of similar worth i.e. internal equity.
- Performance-based culture for both short and long-term incentives.
- Transparent and simplified communication across all levels including external stakeholders.
- Consistency across all our operating units, however, acknowledging differentiation and customisation.
- Empowerment of line managers to deliver effective pay decisions.
- Flexibility, taking into account the diversity of our employees across all our operating companies.
- Company affordability so as to support the performance expectations of our shareholders.
- Optimal pay structure between fixed and variable remuneration so as to drive the right focus both in the long and short term.
- Values-based and output-driven recognition of actions aligned to our vital behaviours.
- Recognising entrepreneurship and innovativeness.

We continuously benchmark our reward offerings to remain externally competitive. Likewise, we structure our rewards under our comprehensive value proposition ensuring that we meet the existing governance structures such as the King Code principles summarised alongside.

Our remuneration practices meet the minimum related compliance requirements.

King III principle	Comply
Remuneration policies and practices are aligned to Company strategy and linked to individual performance	Yes
Policies address a fair mix of fixed to variable remuneration	Yes
Incentives are based on stretched and verifiable targets related to both financial and non-financial indicators	Yes
Both long and short-term incentives comprise more than one measure and measures are fairly balanced	Yes
There is no automatic entitlement of incentive for both long and short-term incentive plans	Yes
There is no automatic entitlement to bonus or share-based payments on early termination of employment	Yes
The value of incentives is significant relative to base pay. Participation in share schemes is limited to management staff only	Yes

All strategic reward decisions are prepared and guided by our executive management team for approval by the remuneration and human resources committee. This committee is delegated approval authority at various levels with its roles and responsibilities listed below.

The remuneration and human resources committee

MTN's remuneration and human resources (R&HR) committee is delegated responsibility by the board of directors to make sound remuneration decisions that are aligned with the Company's strategy and acceptable governance principles.

In executing its duties, the committee consults external experts as and when necessary, although the committee makes the final decision with regard to the interests of stakeholders. The committee ensures the following:

- Effective governance structures are implemented within the remuneration framework, supported by a strong and fully compliant reward system.
- Adequate and sound risk controls are implemented across the Group to mitigate any potentially negative remuneration exposure.
- The pay structures for executive members and that of all other employees are aligned with the market and internal pay policies, taking into account the availability of skills in the market as well as executive competency levels.
- The Company's pay-for-performance objective is effective and justified in accordance with set performance criteria.

The committee constantly reviews the remuneration strategy to ensure that its policies and principles remain applicable to the dynamics of the business and in accordance with legislative stipulations.

Full details of the committee's terms of reference and key focus for the year under review are outlined in the corporate governance report on   .

Remuneration report continued

Key components of our remuneration structure

Although MTN Group Management Services applies a fixed remuneration package approach, the Company accepts variations to the "base plus benefits" approach due to local market conditions. The fixed remuneration approach includes cash and benefits in kind which, when combined with incentive payments and other non-quantifiable elements, make up what we term "Total Reward".

Our fixed pay component reflects general worth of skills compared against job worth, while incentive payments are based on short- and long-term performance. Here we summarise the various pay components which collectively make up Total Reward.

Annual fixed package (AFP)^ (fixed + benefit plans)	Short-term incentive schemes (STIs)	Long-term incentive schemes (LTIs)	Recognition and other benefits
Fixed pay • Fixed salary delivered monthly. • Based on scope and nature of the role. • Generally determined around the market median, but can vary based on market dynamics and business goals. • Generally reviewed annually. Benefit plans • Provide economic security for employees. • Commonly include retirement, health, death, disability and insurance.	Performance incentive • Variable Company-provided incentives aligned with the short-term goals of the Company, delivered on an annual basis. • Performances up to one year are assessed and rewarded for achieving minimum, stretch-target and above-target performances. • Aligns with financial and strategic key performance. • Individual, team and Company performance are taken into consideration, with executive performance weighted towards Company performance. • At an operational level, certain sales positions participate in a commission-based incentive scheme.	• Variable incentives in the form of share allocations. • Drives long-term sustainability and performance of the Group. • Potential payments attributed to the financial performance of the Company. • Make up a larger portion of total executive remuneration relative to short-term and fixed pay.	Recognition • Formal and informal platform designed to drive recognition between employees and departments, both within and across MTN's operations. Other benefits • Other benefits are typically excluded from the fixed package. • Include lifestyle benefits, leave of absence, and additional insurance products. • Although some of these benefits are not prevalent in all operations, there are country-specific programmes approved and aligned with equivalent South African benefits.

^ *Please note the term "fixed package" as used should not promote a sense of entitlement or non-adjustability of the package, should MTN deem this appropriate. The term, however, must be defined within the context and used synonymously with "annual fixed package", meaning that certain benefits such as contribution arrangements to medical aid, although fixed annually, may be adjusted as and when the Company needs to.*

Package approaches

Local employees

Generally, employees based in their home countries are remunerated on an annual fixed package approach, which includes a combination of base remuneration and benefit provisions, commonly referred to as fixed remuneration. The Group has implemented this approach subject to labour regulations and remuneration practices. Non-South Africa-based operations have adopted and customised this approach in accordance with local practices and regulations.

Expatriate employees

MTN deploys international talent (expatriates) among our operations where this is of value and as part of our talent mobility efforts. Although expatriate employees are employed on a full-time basis and with access to other benefits provided to local employees, their contracts are limited to a fixed duration, typically two years.

In line with the frequency of talent mobility across operations, during 2015 we reviewed the expatriate pay model to introduce a greater degree of relative internal pay equity across the various operations.

The choice of the United Arab Emirates as the global employment company for the purpose of expatriate compensation management allows us to standardise expatriate base-pay levels in all countries within one pay structure in a global reserve/hard currency. This base-pay foundation is consistent for all assignees with only country-specific dynamics being added on, resulting in an MTN framework which represents a balance between relative equity across the Group, and local relevance.

MTN continues to prefer the employment of local talent in operating companies. Notwithstanding the above base-pay structure, the standardisation and optimisation process for expatriate benefits remains a priority. Where possible, within regulatory requirements, MTN continues to standardise expatriate employment contract conditions with the goal of adopting one framework across operations. This initiative is a gradual process due to legislation.

Other special arrangements

As a method to employ people in certain identified senior roles, under certain circumstances, employment and termination of employment negotiations result in cash-payment arrangements in the form of lump sums. Where lump sums are mutually considered as sign-on, retention or termination payments, these are subject to the approval of the Group president and CEO. Refer to the executive emoluments for full disclosure of the amounts paid in the year.

Performance-based incentives

We provide different incentives to employees to reward performance on a short and long-term basis:

Incentive category	Purpose	Incentive plan
• Short-term incentives (STI schemes)	• To reward the achievement of set goals up to one year	• December incentive plan (4% incentive plan) • Performance bonus plan (bonus plan) • Sales commission plan (commission scheme)
• Long-term incentives (LTI schemes)	• To reward the achievement of set goals in the long run	• Share Appreciation Rights Scheme (SARS)[1] • Share Rights Plan (SRP)[1] • Performance Share Plan (PSP) • Notional Share Option Scheme (NSO) • Employee Share Ownership Plan (ESOP)[2]

[1] *Both SARS and SRP are active but no longer issuing new awards. They were substituted with the PSP.*
[2] *Once-off award of 400 shares made in 2010 to lower level employees under the Broad-Based Employee Equity Scheme (BBBEE).*

Remuneration report continued

Short-term incentives

Annual performance bonus

With the exception of sales-commission employees, all other employees participate in an annual performance-based bonus plan. The principles of the bonus plan are aligned primarily with the performance achievements of the Company, and secondarily teams and individual priorities. This implies a bonus becomes payable once the board is satisfied that the minimum Company performance levels have been achieved.

The process of determining the incentive award pools from which performance bonuses are paid is illustrated below.

Description of performance criteria

1 Company performance (CP)

- MTN Group: attributable earnings
- Opco: revenue, cash flow, EBITDA

- The financial performance targets of the Company are determined in accordance with the strategic themes at the beginning of the year.
- A factual findings engagement is performed on these results by an independent body.
- The percentage performance achievement against target is translated into a nominal performance-linked scale, adjusted to allow for maximum earning potential.
- Group attributable earnings are used at Group level and EBITDA, revenue and cash flow are used at operational level to measure Company performance.

2 Team performance (TP)

- Strategic themes are translated into priorities
- Team priorities are further cascaded down

- The strategic themes are translated into priorities to be executed at executive member levels.
- Depending on the size of the function, and where applicable, team performance scorecards are further cascaded to below executive levels.
- Achievement of each KPI is proportionate and weighted; however, cumulatively they add up to 100%.

3 Employee performance (EP)

- Alignment of individual performance contracts with the departmental targets
- Each KPI set within the integrated performance framework (IPF) principles

- At the beginning of each financial period, every employee enters into a contractual performance agreement.
- The performance agreement stipulates the performance expectations to be measured at year-end.
- Performance agreements ensure alignment between Company, team and individual levels.
- This is not applicable to executives.

Where bonuses are paid, the following example illustrates the calculation methodology:

How a bonus is calculated

1. Three elements are used as inputs to a bonus calculation, namely Company performance (CP), team performance (TP) and employee performance (EP). Each element has a weighting (a), with all elements adding up to 100%.
2. Targets for each element are set at the beginning of the performance cycle and measured at the end of the performance cycle where a corresponding "nominal % (b)" is determined from a standard translation table.
3. Company performance as a "qualifier" for bonus declaration is first assessed for each operation.
4. For each weighted element, there is a job level related on-target (c) and maximum (d) earning potential.

Upon assessment of Company performance by the board, a bonus is either declared or not. If declared:

Step 1: The weighting of each element (a) is multiplied by the achieved nominal (b) and the results of the three added together.

Step 2: Then the sum of the three is multiplied by the on-target % (c) to derive the bonus percentage.

Step 3: As a validation, a check is done against the maximum % for each job. If the calculated amount does not exceed the maximum, the final bonus percentage is multiplied by the annual incentive salary to arrive at the final bonus payment.

(CP + TP + EP) x on-target percentage = bonus percentage

The bonus percentage (validated against the minimum and maximum) x annual salary = total bonus payable

Remuneration report continued

Case studies for three levels at Group

At the beginning of the year, the Group's attributable earnings (GAE) target for calculating bonuses at the end of the year was R10 billion. For bonus purposes, a 90% minimum achievement of R9 billion was required and a maximum of R12 billion applicable. Using the following assumptions, the bonuses for the three employee levels: executive director, senior manager and employee level 2 will be as follows:

Assumptions	Executive director	Senior manager employee	General staff level 2 (bonus declared)	General staff level 2 (bonus not declared)
Annual salary	R2 000 000	R1 000 000	R400 000	R400 000
Bonus elements				
Company[1]	100% (50% weighting)	100% (20% weighting)	Not applicable	Not applicable
Team[2]	75%[2a] (50% weighting)	100%[2b] (50% weighting)	100%[2b] (50% weighting)	100%[2b] (50% weighting)
Employee[3]	Not applicable	150%[3a] (30% weighting)	133%[3b] (50% weighting)	133%[3b] (50% weighting)
On-target bonus (%)	80%	20%	9%	4,5%
Maximum bonus (%)	160%	30%	12%	6%
Calculation formula	(100% x 50%) plus (75% x 50%) plus zero equals 87,5%	(100% x 20%) plus (100% x 50%) plus (150% x 30%) equals 115%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%	Zero plus (100% x 50%) plus (133% x 50%) equals 66,5%
Final bonus (%)[4]	87,5% x 80% equals 70%	115% x 20% equals 23%	66,5% x 9% equals 6%	66,5% x 4,5% equals 3%
Final bonus payable	**R1 400 000**	**R230 000**	**R24 000**	**R12 000**

[1] It is assumed that the Company performance was achieved 100%.
[2] It is assumed that the team performance was achieved as follows:
[2a] 75% for executive director.
[2b] 100% for senior management and general staff level 2.
[3] It is assumed that employee performance was as follows:
[3a] 150% for senior management.
[3b] 133% for general staff level 2.
[4] On target bonus is respectively:
– 80% for executive director;
– 20% for senior management;
– 9% for general staff where a bonus is declared; and
– 4,5% for general staff where a bonus is not declared.

Refer to the next section for parameters applicable to executive committee members.

Executive bonus parameters for 2017

Given the significant recent changes to our executive team, here we provide the executive bonus parameters governing the bonus plan for 2017:

Designation	Company performance	Team performance	Minimum bonus	On target	Maximum bonus
Group president and CEO	70%	30%	0%	100%	200%
Group CFO	70%	30%	0%	100%	175%
Group chief operating officer	50%	50%	0%	100%	175%
Group vice-president for strategy and M&A	50%	50%	0%	100%	160%
Group chief human resources and corporate affairs officer	50%	50%	0%	70%	140%
Group chief legal counsel	50%	50%	0%	70%	140%
Group vice-president for SEA	30%/30% Group/region	40%	0%	70%	140%
Group vice-president for WECA	30%/30% Group/region	40%	0%	70%	140%
Group vice-president for MENA	30%/30% Group/region	40%	0%	70%	140%
CEO: MTN South Africa	30%/30% Group/opco	40%	0%	70%	140%
CEO: MTN Nigeria	30%/30% Group/opco	40%	0%	70%	140%

Remuneration report continued

Furthermore, in line with the approval received in 2015, for each financial period, two computations would apply:
- Computation if the board declares bonuses based of achievement on minimum company performance levels being met.
- Computations if the board does not declare bonuses, i.e. minimum Company performance levels are not met.

These three scenarios are summarised as follows:

Description	Minimum 4% payment *in lieu* of shares[1]	Requirements if a bonus is declared by the board	Requirements if a bonus is not declared by the board
Individual performance applies	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required	Yes, an individual minimum performance score is required
Earning range as a % of applicable annual salary	Exactly 4%	From 0% to 12%	From 0% to 6%
Percentage payable at target achievement	Not applicable	9%	4,5%

[1] *The 4% minimum was payable with effect from December 2015, subject to approval of each opco board. The changes as applicable to the performance bonus were effective for the 2015 financial year.*

December incentive scheme

A 4% of annual remuneration payment in December remained a key vehicle of incentivising our general staff at employee levels 1 and 2. In accordance with the approved rules:
- This payment was conditional on minimum individual performance set by the Company and on the basis that the employee was still in the employment of the Company at payment date.
- All computations are based on the individual's previous year's (i.e. 2015) earnings and IPF scores.

Executive directors' bonus calculations

For 2016, the executive directors' bonuses were calculated in line with the approved bonus principles. Full actual amounts of the bonuses paid can be found on 87.

MTN operations' bonus declarations

In line with the performance bonus rules, bonuses become payable within an operation once the committee is satisfied that the minimum performance thresholds have been achieved. For 2016 MTN Group employees did not receive a bonus. A summary of the bonuses declared to the MTN Group operations is as follows:

	Bonus declared			Bonus declared	
	2015	**2016**		2015	**2016**
Botswana	Yes	**No**	Afghanistan	Yes	**No**
South Africa	Yes	**No**	Congo-Brazzaville	Yes	**No**
Nigeria	No	**No**	Rwanda	Yes	**No**
Ghana	Yes	**Yes**	Zambia	Yes	**No**
Cameroon	No	**No**	Liberia	No	**No**
Ivory Coast	No	**No**	Guinea-Conakry	No	**No**
Uganda	No	**No**	Cyprus	Yes	**Yes**
Syria	Yes	**Yes**	South Sudan	Yes	**No**
Sudan	Yes	**Yes**	Iran	Yes	**Yes**
Benin	Yes	**No**	Swaziland	Yes	**Yes**
Yemen	No	**Yes**	Guinea-Bissau	No	**No**

Long-term incentive schemes (LTIs)

Long-term incentives to managerial and senior employees are aimed at aligning their contributions to shareholders' expectations by sharing in the long-term growth of the Company. Due to the fact that our operations are spread across 22 African and Middle Eastern countries, it is not always feasible to issue MTN stock to all employees as we are only listed on the Johannesburg Stock Exchange. For this reason, the Company operates a combination of equity and cash-settled schemes.

The general rule is that participants are allocated shares, options, or rights equivalent to a fraction of their annual salary. Depending on the performance of the Company measured using various indicators, participants proportionately either receive cash, equity or a combination of both. Although the eligibility of participants is defined in the rules of the schemes, MTN reserves the right to exclude participation by certain employees by virtue of their employment status, e.g. disciplinary, suspension, and dismissal.

Remuneration report continued

The Group has implemented the following schemes:

Share Appreciation Rights Scheme (SARS) and Share Rights Plan (SRP)

Objective: To promote the achievement of MTN Group's strategic objectives measured using the Company's growth in share price. Participating employees share in the appreciation of the Company's share price between grant and vest.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2006 – SARS 2008 – SRP	Share price based	2013 2015	2018 2020

Both the SARS and SRP were fully vested as at 2016 and are exercisable. Refer to AFS for the full reconciliation of 2016 trading.

Performance Share Plan (PSP)

The PSP scheme is the current active and allocating plan, and is summarised as follows:

Objective: To promote the achievement of MTN Group's strategic objectives measured using the Company's growth in share price and cash flow. Participating employees share in the Company's achievement of the set financial indicators over three years.

Eligible participants	Date implemented	Performance conditions	Last vesting date	Expiry period
All employees at junior management level and above	2010	Total shareholder return (TSR) Adjusted free cash flow (AFCF)	2017	Not applicable

Details about the PSP

- Share awards are at the discretion of the MTN Group board and the operating entities.
- Participation is limited to managerial employees and those in more senior positions only.
- Performance is measured using TSR and AFCF. An additional service element is applicable for non-executive participating employees.
- Weightings are attached to each condition based on the seniority of the participant.
- The scheme has a three-year vesting period. Once the shares are vested and the board is satisfied with the achievement of the performance conditions, participating employees receive either shares or the cash equivalent if the respective employee instructs the Company to dispose of their shares on the employee's behalf.

Performance conditions

The accrual of each award is subject to the fulfilment of the conditions as illustrated below:

Performance of the scheme

A summary of the allocation is as follows:

		Condition achieved	
Grant date	**Vesting date**	**Adjusted free cash flow**	**Total shareholder return**
29/06/11	31/12/13	0%	32,5%
29/12/11	29/06/14	39,4%	0%
28/12/12	28/12/15	0%	0%
20/12/13	19/12/16	0%	0%
19/12/14	18/12/17	–	–
29/06/16^	29/12/18	–	–
28/12/16	28/12/19	–	–

^ This allocation was in respect of December 2015 and had been deferred as the Company was trading under cautionary.

Please refer to AFS for additional information.

Employee Share Ownership (ESOP)

During 2010, MTN approved the allocation of shares to its lower-level employees under the Company's Broad-Based Employee Share Scheme – Employee Share Ownership Plan (ESOP).

The scheme was intended to incentivise the designated employees and to identify them more closely with the activities of the Company with the aim of promoting their continued growth by giving them shares. Participating employees under the ESOP scheme had to retain ownership of their shares for a period of five years until December 2015, when the scheme matured. As the Company was trading under a cautionary at this time, only inactive participants had the right to trade in these shares. Active employees were restricted until such a time when the restriction was lifted.

A summary of the allocation is as follows:

Number of participants as at issue date	Number of shares allocated	Plan vesting date	Number of shares traded (as at 31 December 2016)	Number of shares outstanding (as at 31 December 2016)
3 461	1 384 400	1 December 2015	691 772	556 133

As at 31 December 2016, from a total of 3 461 participants:

- 1 588 allocated employees had left the employment of the Company for various reasons, voluntary and involuntary; and
- 1 873 were still in the employ of the Company.

Thus the number of retained employees represents a retention rate of 54%.

- Investec continued as the Company's preferred trading partner for employees who opted to trade their shares.
- All share records will be held and administered internally by the Group company secretary department.
- Unexercised shares will remain in the Company's records until such time that participants exercise them.

Remuneration report continued

A summary of all previous allocations and the vesting dates made under the long-term incentive scheme is presented below:

Equity share schemes vesting schedule

		Vesting timelines per anniversary (cumulative)						
Plan type	**Issue period date**	**Year 0**	**> Year 1**	**> Year 2**	**> Year 3**	**> Year 4**	**> Year 5**	**> Year 10**
SARS	2 Apr 2007	✓	●●●●	◆●●●	◆◆●●	◆◆*●	◆◆**	✗
	22 Jun 2007	✓	●●●●	◆●●●	◆◆●●	◆◆*●	◆◆**	✗
	19 Mar 2008	✓	●●●●	◆●●●	◆◆●●	◆◆*●	◆◆**	✗
	1 Sept 2008	✓	●●●●	◆●●●	◆◆●●	◆◆*●	◆◆**	✗
	28 Jun 2010^	✓	●●●●	◆●●●	◆◆●●	◆◆*●	◆◆**	✗
PSPs	29 Jun 2011^^	✓	●●●●	●●●●	●●➢	◆◆**		✗
	29 Jun 2011	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	29 Dec 2011	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	28 Dec 2012	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	20 Dec 2013	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	19 Dec 2014	✓	●●●●	●●●●	●●●➢	◆◆**		✗
	29 Jun 2016^^	✓	●●●●	●●●●	●●➢	◆◆**		✗
	28 Dec 2016	✓	●●●●	●●●●	●●●➢	◆◆**		✗

^ *This offer includes an allocation with one-year accelerated vesting.*
^^ *This offer was accelerated from 36 months to 30 months.*

Key
✓ *Allocation date* ◆ *20% tranche vested (cumulative)* * *30% tranche vested (cumulative)*
➢ *Performance conditions evaluation* ● *Non-vested portion of award* ✗ *Expiry*

Following the Company's cautionary statement on trading after Nigerian regulators imposed a fine on MTN Nigeria, the annual PSP allocation (normally planned for December of each year) was suspended until further notice. The award was only considered on 29 June 2016.

Further details on the performance measurement, assessment periods, and settlement criteria are available in AFS.

Executive pay composition

Executives are remunerated in line with short and long-term business objectives using an optimal mix of fixed pay, and short and long-term incentives. This supports the alignment of strategy and desired individual behaviour. The mix is aimed at ensuring that executives proportionately achieve an optimal balance of remuneration when executing their duties. The following graphs illustrate the mix of minimum, on-target and potential maximum compensation for the two director positions: Group president and CEO, and the Group chief financial officer (CFO).

As illustrated above, the proportion of fixed to performance-based incentives varies between the Group president and CEO and the Group CFO. Both roles comprise a higher weighting on performance incentives "risk pay" and less on fixed package. While the fixed package does not vary based on individual performance, the variable portion does. The Group's integrated performance framework (IPF) guides the execution of business strategy by providing a framework through which the day-to-day and annual performance levels are set, cascaded and measured according to the business's strategic themes. The IPF outcomes are translated into incentive payments under the performance bonus plan.

MTN non-equity schemes for employees in non-listed operations outside South Africa

MTN offers non-South Africa-based employees participation in the Group's notional share option (NSO) scheme. This scheme enhances MTN's commitment to the "One Group, One MTN" philosophy.

Qualifying employees own options and also participate in the growth of the Group and its operations, as applicable. The main objective of the NSO scheme is to encourage an alignment between the individual interests of senior employees and the long-term success of the Group. Thus, the scheme's design rewards employees for the value gain derived from the NSO price per share appreciation between the allocation and vesting dates.

Non-executive director remuneration

The R&HR committee is responsible for advising on the remuneration of non-executive directors (NEDs), including reviewing remuneration recommendations as put forward by executive management in consultation with external remuneration consultants. The committee also recommends remuneration for approval by the board and shareholders. The remuneration for NEDs is considered annually and is determined in light of market practice and with reference to the time, commitment and responsibilities associated with the roles.

The MTN Group's non-executive directors receive an annual retainer and a meeting attendance fee. They do not participate in any type of incentive scheme nor do they receive any employee-related benefits.

Remuneration report continued

For 2016, the board did not consider an increase to the NED fees thus their fees remained as follows:

	Annual retainer fee	Meeting attendance fee
	2016	2016
MTN GROUP BOARD		
Chairman	R2 518 081	R139 893
Member	R212 492	R53 123
International member	€76 928	€7 693
Special assignments or projects (per day)		
Local non-executive director		R22 639
International non-executive director		€3 373
***Ad hoc* work performed by non-executive directors for special projects (per hour)**		R3 985
Audit committee		
Chairman	R112 901	R34 828
Member	R61 681	R23 997
Remuneration and human resources committee		
Local chairman	R84 303	R31 757
International chairman	€5 625	€3 590
Local member	R49 401	R23 289
International member	€3 297	€3 297
Risk management, compliance committee and corporate governance committee		
Chairman	R84 303	R31 757
Member	R49 401	R23 289
International member	€3 297	€3 297
Social and ethics committee		
Chairman	R84 303	R31 757
Member	R49 401	R23 289
MTN Group Share Trust (trustees)		
Chairman	R74 929	R28 226
Member	R32 943	R15 530
Tender committee		
Chairman	R74 929	R28 226
Member	R43 783	R20 641

Service agreement contract

Executive chairman

Following the sudden and unforeseen resignation of the Group president and CEO, Sifiso Dabengwa, in December 2015 the board appointed Phuthuma Nhleko to fulfil the role of executive chairman under a special contract arrangement whereby he had to negotiate and settle the Nigerian regulatory fine matter in addition to other key operational matters that had to be resolved on an urgent basis. This was the very best option to put in place uniquely experienced leadership for MTN until such time as a new CEO could start. The initial agreement was for six months, but this was subsequently extended to run until Rob Shuter was able to join as CEO. Mr Nhleko was asked to work to stabilise the company in light of the departure of the previous CEO and the Nigerian fine. He personally undertook the leadership of many critical areas of work including:

- Negotiating the R34 billion reduction of the Nigeria fine, payable over three years, and re-establishing a constructive working relationship with the Nigerian authorities;
- Restructuring the balance sheet, including securing long-term facilities and raising a US$1 billion bond; (see AFS)
- Undertaking a fundamental review of the operating and governance structure, including refreshing senior management and securing new appointees in critical positions, and securing three new independent board directors with complimentary experience;
- Implementing a new R9,9 billion empowerment scheme, MTN Zakhele Futhi;
- Repatriating funds from Iran (see 24); and
- Instituting the IGNITE programme, the roadmap for accelerated performance.

In order to take on this full-time executive role at short notice, Mr Nhleko was required to commit 100% to the MTN task and step away for 16 months from all his considerable other various commercial interests. In recognition of the unprecedented circumstances surrounding his appointment to the position of executive chairman, of the level of commitment involved and in consideration of the uniqueness of his experience for the role, the board negotiated an appropriate monthly fee and performance-related cash bonus contract with him on the deliverables.

To enlist the services of Mr Nhleko, the board entered into a contract of employment with a service provider, Captrust Investments Proprietary Limited.

In consideration for Mr Nhleko's services, the Company paid an agreed-upon service fee to the service provider (see 87). His contract further stipulates that the board, at its discretion at the end of the contract, may award him with an ex gratia fee depending on what was achieved.

In addition to this fixed-term contract as an executive, Mr Nhleko continued to serve as chairman of the MTN Group Limited board of directors, and as such received all related director remuneration in this regard. Full details of remuneration paid to him in his capacity as director are provided on 86.

Employment contracts

Group president and CEO (executive director)

The appointment of the new Group president and CEO, Rob Shuter, was effective from 1 July 2017, however, he started working on 13 March 2017. His appointment is for a four-year fixed duration to 12 March 2021. He has a notice period of six months and a restraint of trade of 12 months.

Chief financial officer (executive director)

The chief financial officer, Brett Goschen, was employed on a five-year fixed-term contract until August 2018. However, Mr Goschen resigned, effective 30 September 2016. Full details of remuneration paid to him in his capacity as director are provided on

The appointment of the new CFO, Ralph Mupita, is effective 3 April 2017 and is of no fixed duration. He has a notice period of six months and a restraint of trade of 12 months.

Prescribed officers

Other prescribed officers of the Company are employed on a full-time and permanent basis with no fixed termination date applicable, with the exception of the Group COO, Jens Schulte-Bockum, who is employed for a limited duration period terminating on 15 January 2021. His employment commenced on 16 January 2017.

Remuneration report continued

Restraint of trade and notice period

To safeguard the shareholders of the Company and the proprietary, strategic, and confidential information to which executive directors and prescribed officers are privy as a result of their employment, in 2014, management recommended a contractual restriction on the freedom of any executive director or prescribed officer to conduct business with a competitor. Under this agreement, new appointments were required to sign a "restraint of trade agreement" prohibiting them from taking employment with a competitor company within six months from termination of employment with MTN. For existing executive directors and prescribed officers however, given their current contracts excluded restraint clauses, management continued to engage with them in a bid to similarly agree to the restraint terms. Where engagements are successful, the executive director or prescribed officer is issued with an annexure to their contract. This process is ongoing and shall extend to 2017.

All appointments post-2014, both executive directors and prescribed officers, have a six-month notice period. In total, including the six-month restraint period, this means that executives and prescribed officers have a total of 12 months, a period management believes is an adequate measure to protect the Company's information.

Directors' emoluments

Directors' and prescribed officers' emoluments and payments in the tables presented here have been audited. Comparative figures for 2015 are available in the AFS. Full details on directors' and prescribed officers' emoluments and equity compensation benefits for executive directors and directors of major subsidiaries in respect of the share appreciation rights and share rights schemes are in the AFS. This also includes shareholdings and dealings in MTN Group ordinary shares, MTN Zakhele and MTN Zakhele Futhi shares by MTN Group directors, prescribed officers, the Group secretary and directors and company secretaries of major subsidiaries.

Emoluments

Non-executive directors

	Date appointed	Retainer# R000	Attendance# R000	Special board R000	Strategy session R000	*Ad hoc* work R000	Total R000
PF Nhleko^	28/05/2013	2 568	638	351	420	–	3 977
KC Ramon@	01/06/2014	325	429	174	159	–	1 087
KP Kalyan	13/06/2006	346	451	178	159	–	1 134
AT Mikati∞†	18/07/2006	1 302	764	295	368	480	3 209
MJN Njeke~	13/06/2006	130	219	20	54	–	423
JHN Strydom~	11/03/2004	125	241	28	54	–	448
AF van Biljon	01/11/2002	213	267	178	159	120	937
J van Rooyen	18/07/2006	373	486	166	159	120	1 304
MLD Marole	01/01/2010	349	644	178	159	–	1 330
NP Mageza	01/01/2010	408	547	166	159	–	1 280
A Harper∞	01/01/2010	1 304	696	291	368	763	3 422
NL Sowazi&	01/08/2016	107	122	73	–	–	302
SP Miller∞&	01/08/2016	485	256	247	–	–	988
PB Hanratty∞&	01/08/2016	488	264	251	–	–	1 003
S Kheradpir∞	08/07/2015	1 275	565	138	239	1 166	3 383
Total		9 798	6 589	2 734	2 457	2 649	24 227

∞ *Fees have been paid in euro.*
† *Fees are paid to M1 Limited.*
Retainer and attendance fees include fees for board and committee representation and meetings.
@ *Fees paid to Anglogold Ashanti Limited.*
^ *Fees paid to Captrust Investments Proprietary Limited.*
~ *Retired on 25 May 2016.*
& *Appointed to the board on 1 August 2016.*

Executive directors

	Date appointed	Salaries R000	Post-employment benefits R000	Other benefits@ R000	Bonuses R000	Sub-total R000	Share gains∞ R000	Total R000
RS Dabengwa^	01/10/2001	–	–	19 564±	–	19 564	–	19 564
BD Goschen^^	22/07/2013	5 975	716	3 458	–	10 149	–	10 149
PF Nhleko^^^†	09/11/2015	30 000	–	–	38 191	68 191	–	68 191#
Total		35 975	716	23 022	38 191	97 904	–	97 904

† *Contractual service fees and bonus in accordance with agreement between MTN and Captrust.*
∞ *Pre tax gains on share-based payments.*
^ *Resigned 9/11/2015.*
^^ *Resigned 30/09/2016.*
^^^ *Fees paid to Captrust Investments Proprietary Limited.*
± *Compensation for loss of office comprising notice pay and a restraint of trade payment.*
@ *Includes medical aid and unemployment insurance fund.*
See 85.

Comparative figures for 2015 can be found in AFS.

Prescribed officers

	Salaries R000	Post-employment benefits R000	Other benefits# R000	Compen-sation for loss of office R000	Bonuses R000	Sub-total R000	Share gains R000	Total R000
JA Desai	10 783	1 078	2 225	–	–	14 086	–	14 086
PD Norman	4 731	564	286	–	–	5 581	–	5 581
MD Fleischer[1]	6 089	710	10 454	–	–	17 253	–	17 253
M Nyati	3 855	444	3 584	–	–	7 883	–	7 883
I Jaroudi	11 083	–	1 418	–	6 353	18 854	–	18 854
K Toriola	6 017	695	4 838	–	1 969	13 519	–	13 519
F Moolman	6 700	548	2 882	–	–	10 130	–	10 130
S van Coller[2, 3]	1 846	208	13 071	–	–	15 125	–	15 125
G Engling[4]	687	64	26	–	–	777	–	777
M Ikpoki[5]	–	–	–	4 064	–	4 064	–	4 064
Total	51 791	4 311	38 784	4 064	8 322	107 272	–	107 272

[1] *Other benefits include a long term retention amount of R10 million, of which a portion is forfeitable.*
[2] *Appointed on 1/10/2016.*
[3] *Other benefits include an amount of R13 million paid in lieu of forfeited benefits from previous employer.*
[4] *Appointed on 1/10/2016.*
[5] *Mutual separation on 31/12/2015.*
Includes medical aid and unemployment insurance fund.

Equity compensation and dealings in ordinary shares

Details of equity compensation, shares exercised and shareholding in MTN Zakhele and MTN Zakhele Futhi can be found in AFS.




MTN

Glossary of terms

Here we provide definitions and descriptions of some terms and acronyms used in this report.

2G	Second generation digital mobile communications standard that allows for voice calls and limited data transmission
3G	Third generation mobile communications standard allowing mobile phones, computers and other portable mobile devices to access the internet wirelessly
4G/LTE	Fourth generation or long-term evolution mobile communications standard allowing wireless internet access at a much higher speed than 3G
AFS	Annual financial statements
ARPU	Average revenue per user
BBBEE	Broad-based black economic empowerment
BCM	Business continuity management
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
Churn	Average number of disconnections in a period divided by average monthly customers during the period
CRM	Crisis risk management
CSI	Corporate social investment
COO	Chief operating officer
CP	Company performance
DDOS	Distributed denial of service – attempt to make online service unavailable
DRP	Disaster recovery plan
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EBU	Enterprise business unit
EP	Employee performance
EPS	Earnings per share
ESOP	Employee share ownership plan
Exco	Executive committee
GHG	Greenhouse gas
GTB	Group transformation board
HEPS	Headline earnings per share
ICT	Information and communication technology
IFRS	International Financial Reporting Standards
IGNITE	Our transformation programme
IIRC	International Integrated Reporting Council
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
KYC	Know your customer: a process to identify and verify customer identity
LTI	Long-term incentives
M&A	Mergers and acquisitions
Manco	MTN's Group management company
MENA	Middle East and North Africa
MFS	Mobile financial services
MOU	Minutes of use
NCC	Nigerian Communications Commission
NPS	Net promoter score
Opcos	Our operating companies
QoS	Quality of service
RAN	Radio access network
ROI	Return on investment
SAICA	South African Institute of Chartered Accountants
SARS	Share appreciation rights scheme
SEA	South and East Africa
SIM	Subscriber identity module
SLA	Service-level agreement
SMS	Short message service
SRP	Share rights plan
TAR	Transformation for accelerated results programme, otherwise known as IGNITE
TMD	Telecommunications, media and digital
TP	Team performance
VP	Vice-president
WECA	West and Central Africa
WTTx	Wireless to the x, a 4G and 4.5G-based broadband access solution, using wireless to provide fibre-like broadband access to the home
ZBB	Zero-based budgeting

Non-financial data for which limited assurance was obtained

In 2016 we obtained external assurance on certain non-financial aspects of the business. This included indicators of quality of service, people, governance, customer satisfaction and total tax contributions. The external assurance statement is available online (), as are the definitions applicable to the indicators.

Quality of service[1]		Call set-up success rate (%)		Dropped call rate (%)		Network availability (%)	
		2016	2015	**2016**	2015	**2016**	2015
South Africa	2G	**99,46**	99,01	**0,74**	0,86	**99,10**	98,56
	3G	**99,41**	98,74	**0,36**	0,43	**98,77**	97,31
Ghana	2G	**98,99**	99,44	**0,87**	1,06	**99,35**	98,54
	3G	**99,82**	99,45	**0,40**	0,53	**98,97**	98,70

	2016	2015
People		
Employee culture survey (%)	**67**	66
MTN CSI spend (Rm)	**295,4**	335,4
Governance		
Number of calls to whistle-blower lines	**120**	128
Customer satisfaction		
Net promoter score (%)		
– South Africa	**81**	78
– Nigeria	**30**	14
– Other key markets	**25**	16
Total tax contributions[2] (R billion)	**33,7**	n/a

[1] For 2016, we chose not to report on Nigerian quality of service data because of a change in our reporting systems in Nigeria in the year.
[2] This data was only assured from 2016.

Stock exchange performance

MTN market-related metrics for the year ended 31 December	2016	2015
Closing price (c)	**12 617**	13 289
Highest price (c)	**15 370**	24 602
Lowest price (c)	**10 700**	12 550
Total number of shares traded	**2 083 107 730**	1 611 100 564
Total value of shares traded (Rm)	**266 921**	306 175
Number of shares in issue	**1 884 269 758^**	1 845 493 245
Number of shares traded as a percentage of shares in issue (%)	**111**	87
Number of transactions (as per JSE)	**2 171 512**	2 209 726
Average weighted trading price (cents per share) (one-year VWAP)	**12 814**	19 004
Average telecommunication index (close)	**7 131**	9 823
Average industrial index (close)	**44 541**	44 934
Average mobile index (close)	**234**	327
Dividend yield (%)	**6,04**	9,6
Earnings yield (%) (basic headline earnings)	**4,2**	5,4
Price-earnings multiple (basic headline earnings)	**23,9**	18,6
Market capitalisation (Rm)	**237 738**	245 248

Source: Bloomberg, Factset

^ (includes 10 206 255 treasury shares held by MTN Holdings (2015: 10 400 061) and 76 835 378 held by MTN Zakhele Futhi)

Shareholders' diary

Annual general meeting		25 May 2017
Final dividend declaration		2 March 2017
Summarised annual financial results	published	2 March 2017
Annual financial statements	posted	March 2017
Half-year end		30 June 2017
Interim dividend declaration		August 2017
Interim financial statements	published	August 2017
Financial year end		31 December 2017

Please note that these dates are subject to alteration.

Forward looking information

Opinions and forward looking statements expressed in this report represent those of the Company at the time. Undue reliance should not be placed on such statements and opinions because by nature, they are subjective to known and unknown risk and uncertainties and can be affected by other factors that could cause actual results and Company plans and objectives to differ materially from those expressed or implied in the forward looking statements.

Neither the Company nor any of its respective affiliates, advisers or representatives shall have any liability whatsoever (based on negligence or otherwise) for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection with this presentation and do not undertake to publicly update or revise any of its opinions or forward looking statements whether to reflect new information or future events or circumstances otherwise.

Administration

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

Board of directors
PF Nhleko[1]
PB Hanratty[@3]
A Harper[#3]
KP Kalyan[3]
S Kheradpir[††3]
NP Mageza[3]
MLD Marole[3]
AT Mikati[†2]
SP Miller[^3]
KC Ramon[3]
NL Sowazi[3]
AF van Biljon[3]
J van Rooyen[3]

†† American
† Lebanese
British
@ Irish
^ Belgian
1 Executive
2 Non-executive
3 Independent non-executive director

Group secretary
SB Mtshali
Private Bag X9955, Cresta, 2118

Registered office
216 – 14th Avenue, Fairland, 2195

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

Depository
The Bank of New York
101 Barclay Street, New York, 10286, USA

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

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

Joint auditors
PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill, 2157
Private Bag X36, Sunninghill, 2157

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

Sponsor
Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street, Sandton, 2196

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