

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS

2.1 Operating segments

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

The group's underlying operations are now clustered as follows:

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

The following changes to the group's segment presentation were made during 2017:

- The results for MTN South Africa and MTN Nigeria are reported separately. These results were previously reported in the SEA (now SEAGHA) and WECA regions respectively. The group appointed regional vice-presidents in 2017 to manage the rest of the operations in the three regions as part of its strategy to bolster leadership in each region.
- The group reallocated its operations in Ghana, which was previously included in the WECA region, to the SEA region and subsequently renamed this regional grouping SEAGHA. The reallocation was performed to balance the operational requirements of each region under each vice-president to further optimise the oversight responsibilities of the regional vice-presidents.
- In addition, during 2017, management changed the way it presents segment results for South Africa. Previously, the South African operating segment included the results of the MTN South Africa sub-group of companies. In 2017, the segment results presented for South Africa only include the results of the MTN South Africa operating company.

Comparative numbers have been restated accordingly.

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

The measure of reporting profit for each segment, that also represents the basis on which the CODM reviews segment results, is EBITDA. EBITDA is defined as earnings before interest (which includes gains and losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items:

- Impairment of goodwill
- Loss on derecognition of a long-term loan receivable
- Net monetary gain resulting from the application of hyperinflation
- Share of results of associates and joint ventures after tax

For the purposes of the review of segment results by the CODM, EBITDA also excludes the following items:

- Hyperinflation (note 1.5.7)
- Tower sale profits (note 2.3)
- Nigeria regulatory fine (note 1.5.8)
- MTN Zakhele Futhi share-based payment expense (note 8.1)
- Exchange right profit on IHS investment (note 2.3)

These exclusions have remained unchanged from the prior year, apart from the exchange right profit on the IHS investment that occurred during the year.

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

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

Revenue	2017 Rm	2016¹ Rm
South Africa	42 542	41 303
Nigeria	36 005	47 122
SEAGHA	20 133	20 511
Ghana	10 382	10 291
Uganda	5 193	5 465
Other SEAGHA	4 558	4 755
WECA	20 951	23 242
Cameroon	5 373	6 189
Ivory Coast	7 421	7 176
Other WECA	8 157	9 877
MENA	12 716	14 288
Syria	2 007	2 123
Sudan	4 540	4 585
Other MENA	6 169	7 580
Major joint venture – Iran	16 503	16 536
Head office companies and eliminations	(36)	428
Hyperinflation impact	504	1 026
Iran revenue exclusion	(16 503)	(16 536)
Consolidated revenue	132 815	147 920

¹ Restated to reflect the segments reallocated.

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2017 Rm	2016 ¹ Rm
EBITDA		
South Africa²	14 728	13 451
Nigeria	14 041	21 854
SEAGHA	6 835	6 741
Ghana	4 116	4 184
Uganda	1 794	1 620
Other SEAGHA	925	937
WECA	5 336	7 007
Cameroon	1 304	2 065
Ivory Coast	2 347	2 333
Other WECA	1 685	2 609
MENA	3 802	4 657
Syria	601	689
Sudan	1 592	1 471
Other MENA	1 609	2 497
Major joint venture – Iran	5 881	6 455
Head office companies and eliminations³	(449)	(1 729)
Hyperinflation impact	(2 948)	246
Nigeria regulatory fine	–	(10 499)
Tower sale profits	27	31
Profit on exercise of exchange right of IHS	6 017	–
MTN Zakhele Futhi share-based payment expense	(434)	(1 008)
Iran EBITDA exclusion	(5 881)	(6 455)
EBITDA	46 955	40 751
Depreciation, amortisation and impairment of goodwill	(26 398)	(26 609)
Net finance cost	(9 267)	(10 495)
Net monetary gain	264	1 723
Loss on derecognition of long-term loan receivable	(2 840)	–
Share of results of joint ventures and associates after tax	841	(127)
Profit before tax	9 555	5 243

¹ Restated to reflect the segments reallocated.

² Excluding MTN Zakhele Futhi expense of R434 million (2016: R1 008 million).

³ Head office companies and eliminations consist mainly of the group's central financing activities, management fees, professional and consulting fees and dividends received from segments as well as intersegment eliminations.

Notes to the group financial statements continued

for the year ended 31 December 2017

2 RESULTS OF OPERATIONS (continued)

2.1 Operating segments (continued)

	2017 Rm	2016 ¹ Rm
Capital expenditure incurred		
South Africa	11 470	10 982
Nigeria	8 953	8 701
SEAGHA	3 794	4 246
Ghana	2 196	2 435
Uganda	909	758
Other SEAGHA	689	1 053
WECA	3 696	6 189
Cameroon	976	2 166
Ivory Coast	1 203	1 721
Other WECA	1 517	2 302
MENA	2 294	3 310
Syria	951	1 049
Sudan	545	1 549
Other MENA	798	712
Major joint venture – Iran	9 274	5 138
Head office companies and eliminations	1 173	1 492
Hyperinflation impact	81	348
Iran capex exclusion	(9 274)	(5 138)
	31 461	35 268

¹ Restated to reflect the segments reallocated.

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

	2017 Rm		
	Revenue	EBITDA	Capex
Syria	384	(1 227)	81
Sudan	–	(1 690)	–
South Sudan (included in other SEAGHA)	120	(31)	–
	504	(2 948)	81
Iran – major joint venture	–	69	–

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