



MTN Group Limited

**Interim financial results
for the six months ended 30 June 2019**

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* Constant currency information after accounting for the impact of the pro forma adjustments as defined and IFRS 16 for comparative purposes

** Reported is IFRS 16 vs IAS 17

^ IAS 17 2019 vs IAS 17 2018

- EBITDA is defined as earnings before finance income and finance costs (which includes gains or losses on foreign exchange transactions), tax, depreciation and amortisation, and is also presented before recognising the following items: Impairment of joint venture and goodwill (MEIH); net monetary gain resulting from the application of hyperinflation; share of results of associates and joint ventures after tax; hyperinflation; tower sale profits; gain on disposal of subsidiary (Cyprus); CBN resolution; and gain on dilution of investment in associates and joint ventures (Travelstart and Jumia). EBITDA after once-off items increased 39.9%*

ROE is calculated based on reported group HEPS of 195 cps plus non-operational impacts of 102 cps.

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

Service revenue excludes device and SIM card revenue.

Data revenue is mobile and fixed access data and excludes roaming and wholesale.

FinTech includes Mobile Money (MoMo), insurance, airtime lending and ecommerce.

All financial numbers are year on year (YoY) unless otherwise stated.

All subscriber numbers are compared to end December 2018 unless otherwise stated.

Pages 9 and 10 provides the impact of IFRS 16 on the numbers disclosed in these results.

All prior period financial and non-financial numbers have been adjusted for the disposal of MTN Cyprus for comparability purposes.

Certain information presented in these results constitutes pro forma financial information. This is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present MTN's financial position, changes in equity, and results of operations or cash flows. It has not been audited or reviewed or otherwise reported on by our external joint auditors.

1. The financial information presented in these consolidated financial results has been prepared excluding the impact of hyperinflation and the goodwill and asset impairments, tower profits, the Nigerian regulatory fine (consisting of the re-measurement impact when the settlement was entered into and the finance costs recognised as a result of the unwind of the initial discounting of the liability), gain on dilution of Jumia, impairment of investment in MEIH and gain on Travelstart and impact of IFRS 16 ("the pro forma adjustments") and constitutes pro forma financial information to the extent that it is not extracted from the segment disclosure included in the reviewed condensed consolidated interim financial statements for the six months ended 30 June 2019. This pro forma financial information has been presented to eliminate the impact of the pro forma adjustments from the consolidated financial results to achieve a comparable YoY analysis. The pro forma adjustments have been calculated in terms of the group accounting policies disclosed in the consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policies as a result of the adoption of the accounting standards effective 1 January 2019, and the change in the presentation of cash flows.
2. Constant currency information has been presented to illustrate the impact of changes in currency rates on the group's results. In determining the change in constant currency terms, the current financial reporting period's results have been adjusted to the prior period average exchange rates determined as the average of the monthly exchange rates. The measurement has been performed for each of the group's currencies, materially being that of the US dollar and Nigerian naira. The constant currency growth percentage has been calculated based on the current year constant currency results compared to the prior year results. In addition, in respect of MTN Iran, MTN Sudan, MTN South Sudan and MTN Syria, the constant currency information has been prepared excluding the impact of hyperinflation. The economies of Sudan, South Sudan and Syria were assessed to be hyperinflationary for the period under review and hyperinflation accounting was applied.

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

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

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



Results overview

for the six months ended 30 June 2019



Highlights

Subscribers

↑ 7,7 million

to 240 million

Reported group HEPS

↑ 8,8%^

to 195 cps

Service revenue

↑ 9,7%*

Non-operational

impacts; lowered HEPS

by **102 cps**

(includes 39 cents IFRS 16)

EBITDA margin

improved to

35,2%* (43,1%)**

Holding Company

leverage stable

at **2,3x**

EBITDA~ (before
once-off items)

↑ 10,2%* (34,7%)**

Interim dividend

of **195 cents**

per share up 11,4%

Group president and CEO, Rob Shuter comments:

"We delivered encouraging results for the period, against the backdrop of difficult trading conditions. South Africa in particular was impacted by a weak economy as well as the implementation of lower out-of-bundle pricing and the new ICASA subscriber regulations in the first quarter of the year. Despite these headwinds, we progressed with our plans to build a digital operator, growing service revenue by 9,7% and EBITDA by 10,2%*, which supported solid growth in operational earnings. Our holding company leverage ratio remained stable at 2,3x and we reduced our capex intensity to 16,9%^.*

Commercial momentum continued, with growth in our subscriber base of 7,7 million, in our active data users of 3,5 million, and in our Mobile Money users of 2,4 million. We now have leading network NPS in more than half of our markets, supported by the continued expansion and quality of our data networks.

We delivered on several strategic projects including the listings of MTN Nigeria on the Nigerian Stock Exchange and Jumia, our e-commerce venture, on the New York Stock Exchange. The asset realisation programme delivered R2,1 billion to the group in the second quarter, we launched our Ayoba messaging platform in 3 markets and we were awarded a super-agent licence in Nigeria, enabling the expansion of our fintech business.

We remain focused on building our digital operator strategy, focusing on being a scale player in both our evolving telco services as well as digital and fintech and delivering on our medium-term targets."

Overview

MTN reported encouraging operational results for the 6 months as we remained focused on executing our BRIGHT strategy. We continued to grow service revenue ahead of inflation, to increase our margin on earnings before interest, taxation, depreciation and amortisation (EBITDA) slightly and to reduce capital expenditure (capex) intensity.

Macroeconomic conditions were challenging, particularly in South Africa, with the economy contracting in the first quarter and the rand weakening against the US dollar.

Group service revenue increased by 9,7%* in constant currency terms. This was led by growth of 12,2%* by MTN Nigeria, 18,7%* by MTN Ghana and 3,3% by MTN South Africa. The performance of MTN South Africa was impacted by changes to out-of-bundle (OOB) tariffs and a reassessment of revenue recognition criteria and adjustments required due to delayed payments under the network roaming agreement with Cell C. As a result of the reassessment and in compliance with IFRS 15 *Revenue from Contracts with Customers*, we have not recognised revenue amounting to R393 million for network roaming services provided to Cell C during the period. We are evaluating a sustainable solution to the agreement with Cell C.



Voice revenue increased by 4,5%*. This was underpinned by customer growth, the benefits of our customer value management (CVM) initiatives and our focus on segmented offers. Group subscribers increased by 7,7 million to 240 million and we rolled out our Pulse youth offer in 16 markets.

Group **data** revenue expanded by 19,8%*, supported by healthy growth in active data users to 82 million as we improved the coverage and quality of our data networks. Across our markets, we increased 3G and 4G population coverage by 24,4 million and 32,5 million people respectively. The effective rate per megabyte across our markets declined by 26,1%, with average usage up 24,6% at 2,7GB per month.

Digital revenue decreased by 42,5%*. This was largely the result of the continued optimisation of traditional value-added services. In June, we recorded an increase in digital revenue month-on-month. We are focused on growing our modern digital offerings through our music, instant messaging and advertising platforms. We continued to expand MusicTime!, focusing on customer awareness and refining our go-to-market strategy. Following the launch of Ayoba in 3 markets, we recorded 300 000 monthly active users at the end of the period.

Fintech revenue increased by 30,7%*, supported by customer growth of 8,9% to 30 million active Mobile Money (MoMo) users with a monthly ARPU of US\$1,30. The total value of transactions in the six months to June was US\$44,1 billion, and we processed 9 193 transactions per minute. In May, we launched Africa's first MoMo artificial intelligence service or chatbot in Ivory Coast. Our **aYo** joint venture insurance business recorded almost 4,2 million registered policy holders across our African footprint in the first half, as we launched the offering in Ghana.

Enterprise revenue increased by 6,8%*, supported by 31,2%* growth in MTN Nigeria's enterprise revenue. We continue to execute our turnaround plan in South Africa and month-on-month revenue trends improved in the period.

Wholesale revenue continued to grow, up by 127,9%*, driven by national roaming contracts in South Africa (Cell C and Telkom), and solid growth in MTN GlobalConnect where we signed up more key accounts and grew our application-to-person messaging services through the Yellow Connect platform.

Improvements in the quality and capacity of our networks supported overall growth. We invested R12 244 million^, rolling out a total of 3 378 3G and 6 099 4G sites. Capex intensity reduced to 16,9%^ from 19,3% in December.

The group's EBITDA margin in constant currency terms improved marginally to 35,2%*. A 1,5 percentage point (pp)* improvement in the Nigerian margin was offset by the lower margin in MTN South Africa, impacted by the reduction of OOB tariffs on data services and the Cell C receivable impairment. The group's reported EBITDA margin was 43,1%** compared to 35,6%** in June 2018, impacted by the adoption of IFRS 16, foreign exchange gains on translation and the gain on dilution of our e-commerce venture Jumia upon listing.

Basic earnings per share increased to 247 cents** from 244 cents**. This was negatively impacted by 39 cents or 13,6% because of the implementation of IFRS 16.

Reported headline earnings per share (HEPS) were 195 cents** from 215 cents** in June 2018.

HEPS were negatively impacted in aggregate by 102 cents from the following items: a 39 cents impact of IFRS 16; 8 cents relating to the Nigeria fine interest (from 17 cents in June 2018); hyperinflation (excluding impairments) of 8 cents (from 27 cents in June 2018); the impact of foreign exchange gains and losses of 39 cents (from 21 cents in June 2018); and divestments of 8 cents (-15 cents in June 2018). HEPS were further impacted by the depreciation of the Iranian rial, which resulted in lower earnings from MTN Irancell.

On an IAS 17 basis, return on equity (ROE) increased to 12,9% from 11,5% in December 2018. Taking into account the adoption of IFRS 16, ROE declined to 11,2%.

Regulatory and legal considerations

We continued to work toward resolving various regulatory issues.

In Uganda, we continue to engage with the Ugandan authorities on the licence renewal.

In Nigeria, the tax dispute between MTN Nigeria and the Attorney General is ongoing. In June the matter was adjourned to 29 October 2019 for the purposes of trial. We remain resolute that MTN Nigeria has not committed any offence and will continue to defend this position.

Mobile money regulations issued by central banks are at various stages of development and implementation across the group's operations. These regulations govern the way mobile money services are conducted as well as the rights and obligations of all parties to the mobile money service offering, including rights to cash backing the mobile money issued held with the banks and obligations to make payments to subscribers. Laws and regulations differ from country to country and in some instances do not explicitly state who takes on the credit risk. The group therefore applies a level of judgement and continues to monitor and assess these regulations to determine the impact on its operations and results.

Dividends

The board declared a gross interim dividend of 195 cents per share.

Capex guidance 2019 (including the impact of IFRS 16)

(Rm)	Estimated (IFRS 16) 2019	Estimated Leases 2019	Estimated (IAS 17) 2019	Capitalised (IFRS 16) 1H19	Capitalised Leases 1H19	Capitalised (IAS 17) 1H19	Capitalised 1H18
South Africa	10 200	1 600	8 600	5 773	2 407	3 366	3 907
Nigeria	9 500	1 300	8 200	4 050	376	3 674	2 320
SEAGHA	5 500	500	5 000	3 574	318	3 256	2 219
WECA	3 100	200	2 900	1 218	125	1 093	2 351
MENA	1 550	50	1 500	646	12	634	572
Head office, digital and Global Connect	2 000	200	1 800	194	–	194	93
Total	31 850	3 850	28 000	15 455	3 238	12 217	11 462
Hyperinflation	–	–	–	27	–	27	(1)
Total reported	31 850	3 850	28 000	15 482	3 238	12 244	11 461
Iran (49%)	2 297		2 260	861		813	1 622

Results overview continued

Financial review

Headline earnings reconciliation

(Rm)	IFRS reported	Impairment of goodwill, PPE, JV and associates ¹	Gain on dilution of investment in JV/ associate ²	Other ³	Headline earnings
1H19					
Revenue	72 505	–	–	–	72 505
Other income	1 242	–	(1 151)	(25)	66
EBITDA	31 245	59	(1 151)	(25)	30 128
Depreciation, amortisation and impairment of goodwill	15 995	(191)	–	–	15 804
Profit from operations	15 250	250	(1 151)	(25)	14 324
Net finance cost	7 088	–	–	–	7 088
Hyperinflationary monetary gain	338	–	–	–	338
Share of results of associates and joint ventures after tax	(29)	–	(37)	–	(66)
Profit before tax	8 471	250	(1 188)	(25)	7 508
Income tax expense	3 180	–	–	–	3 180
Profit after tax	5 291	250	(1 188)	(25)	4 328
Non-controlling interests	858	(25)	–	(2)	831
Attributable profit	4 433	275	(1 188)	(23)	3 497
EBITDA margin (%)	43,1				41,5
Effective tax rate (%)	37,5				42,4
1H18					
Revenue	62 777	–	–	–	62 777
Other income	406	–	(304)	(23)	79
EBITDA	22 335	(244)	(304)	(23)	21 764
Depreciation, amortisation and impairment of goodwill	11 503	(149)	–	–	11 354
Profit from operations	10 832	(95)	(304)	(23)	10 410
Net finance cost	3 677	–	–	–	3 677
Hyperinflationary monetary gain	100	–	–	–	100
Share of results of associates and joint ventures after tax	197	–	(134)	–	63
Profit before tax	7 452	(95)	(438)	(23)	6 896
Income tax expense	2 541	–	–	–	2 541
Profit after tax	4 911	(95)	(438)	(23)	4 355
Non-controlling interests	530	(42)	–	–	488
Attributable profit	4 381	(53)	(438)	(23)	3 867
EBITDA margin (%)	35,6				34,7
Effective tax rate (%)	34,1				36,8

Nigeria fine interest ⁴	Hyper- inflation (excluding impair- ments) ⁵	Impact of foreign exchange losses and gains ⁶	Divest- ments ⁷	Impact of IFRS 16 ⁸	Adjusted 2019	% move- ment
-	(218)	-	-	-	72 287	17,0
-	(1)	-	-	-	65	(17,7)
-	(54)	-	-	(4 371)	25 703	19,8
-	(261)	-	-	(2 774)	12 769	14,7
-	207	-	-	(1 597)	12 934	25,2
(189)	(44)	(869)	-	(2 688)	3 298	24,1
-	(338)	-	-	-	-	-
-	252	-	-	8	194	(58,5)
189	165	869	-	1 099	9 830	20,8
-	8	236	-	305	3 729	38,3
189	157	633	-	794	6 101	12,1
40	10	(71)	(147)	83	746	12,0
149	147	704	147	711	5 355	12,1
					35,5	
					37,9	
-	(65)	-	(917)	-	61 795	
-	-	-	-	-	79	
-	(1)	-	(302)	-	21 461	
-	(91)	-	(131)	-	11 132	
-	90	-	(171)	-	10 329	
(396)	1	(600)	(25)	-	2 657	
-	(100)	-	-	-	-	
-	540	-	(136)	-	467	
396	529	600	(282)	-	8 139	
-	15	160	(19)	-	2 697	
396	514	440	(263)	-	5 442	
84	23	71	-	-	666	
312	491	369	(263)	-	4 776	
					34,7	
					33,1	

Results overview continued

- ¹ Represents the exclusion of the impact of goodwill, PPE and joint venture impairments. 2019: In relation to impairments in MEIH (R191 million). 2018: In relation to MTN Yemen (R149 million) and reversal of the hyperinflation-related asset impairment in MTN Sudan (R306 million).
- ² Represents the gain on dilution of the group's investments. In 2019: R1 188 million (Jumia: R1 039 million, MEIH: R37 million and a gain on disposal of TravelStart R112 million). 2018: Gain on dilution of investment in IIG (R304 million share in group and R134 million in Iran).
- ³ Release of a deferred gain of R18 million (2018: R12 million) in Ghana on the sale of tower assets during the prior period and offset by losses incurred on the disposal of items of property, plant and equipment.
- ⁴ Exclusion of finance cost recognised as a result of the unwind of the discounting of the financial liability created on conclusion of the Nigeria regulatory fine.
- ⁵ The impact of hyperinflation is excluded for the operations that are currently accounted for on a hyperinflationary basis (MTN Syria, MTN Sudan and MTN South Sudan) as well as those that have previously been accounted for on a hyperinflationary basis. The economy of MTN Sudan was assessed to be hyperinflationary effective 1 July 2018. The economy of Iran was assessed to no longer be hyperinflationary effective 1 July 2015 and hyperinflation accounting was discontinued from this date onwards. For this operation the impact of hyperinflation unwinds over time mainly through depreciation, amortisation or subsequent asset impairments.
- ⁶ Adjustment for the net forex losses impacting earnings for the respective periods (2019: R704 million; 2018: R369 million). This includes the impact of forex gains in Iran.
- ⁷ Represents divestments in the group. 2019: Dilution of Ghana shareholding from 97.65% to 85.49%. 2018: Sale of Cyprus operations and Botswana operations which is now held for sale.
- ⁸ Removing the impact of IFRS 16 to get an IAS 17 view.

IFRS 16 impacts

The following tables show the impact of IFRS 16 on the numbers disclosed in our results on the income statement, statement of financial position and statement of cash flow as at 30 June 2019.

Income statement – IFRS 16 impacts

(Rm)	Group	SA	Nigeria	Ghana
Revenue	–	–	–	–
Operating expenses	4 371	704	2 032	567
EBITDA	4 371	704	2 032	567
Depreciation	(2 774)	(567)	(1 074)	(321)
Amortisation	–	–	–	–
Impairment of goodwill	–	–	–	–
Operating profit	1 597	137	958	246
Interest expense	(2 640)	(525)	(1 310)	(390)
Foreign exchange gains or losses	(48)	2	–	(49)
Share of results of associates and joint ventures	(8)	–	–	–
Profit before tax	(1 099)	(386)	(352)	(193)
Income tax expense	305	101	115	45
Profit after tax	(794)	(285)	(237)	(148)
Attributable to equity holders of parent	(711)	(285)	(237)	(148)
Non-controlling interest	(83)	–	–	–

Results overview continued

Statement of financial position – IFRS 16 impacts

(Rm)	Group	SA	Nigeria	Ghana
Non-current assets	44 580	12 767	18 995	4 357
Property, plant and equipment	(162)	(102)		
ROU asset	45 137	12 869	19 390	4 357
Interest in joint ventures	(8)	–	–	–
Deferred tax	8			
Non-current prepayments	(395)	–	(395)	–
Current assets	(2 331)	(380)	(1 632)	(57)
Prepayments	(2 331)	(380)	(1 632)	(57)
Total assets	42 249	12 387	17 363	4 300
Total equity	(794)	(285)	(237)	(148)
Equity	(711)	(285)	(237)	(148)
Non-controlling interest	(83)	–	–	–
Non-current liabilities	41 500	11 977	18 252	4 218
Lease liability – non-current	41 753	12 078	18 366	4 218
Deferred tax	(253)	(101)	(114)	–
Current liabilities	1 543	695	(652)	230
Lease liability – current	3 427	695	1 156	307
Accrued expenses	(1 835)	–	(1 808)	(30)
Current tax	(49)	–	–	(47)
Total equity and liabilities	42 249	12 387	17 363	4 300

Statement of cashflow – IFRS 16 impacts

(Rm)	Group	SA	Nigeria	Ghana
Net cash generated from operating activities	2 016	388	781	256
Cash generated from operations	4 321	925	1 955	537
Interest paid	(2 305)	(537)	(1 174)	(281)
Net cash used in financing activities	(2 016)	(388)	(781)	(256)
Repayment of lease liability	(2 016)	(388)	(781)	(256)
Net decrease in cash and cash equivalents	–	–	–	–

Exchange rates

The weaker average rand and stronger Nigerian naira had a positive translation impact on rand-reported results, while the depreciation of the Iranian rial had a negative impact on rand-reported results. The average naira remained flat against the US dollar YoY, and the closing rate at end-June 2019 was up 1,0% YoY. The average rand weakened by 15,4% YoY against the US dollar and closed 1,9% stronger.

Revenue

Table 1: Group revenue by country

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %	Contribution to revenue %
South Africa	22 394	21 163	5,8	5,8	30,9
Nigeria	22 232	17 230	29,0	12,1	30,7
SEAGHA	12 664	10 342	22,5	19,6	17,5
Ghana	6 492	5 546	17,1	18,7	9,0
Uganda	3 189	2 440	30,7	13,8	4,4
Other	2 983	2 356	26,6	27,5	4,1
WECA	10 582	9 617	10,0	0,3	14,6
Ivory Coast	3 403	3 487	(2,4)	(10,2)	4,7
Cameroon	2 612	2 384	9,6	(0,6)	3,6
Other	4 567	3 746	21,9	10,7	6,3
MENA	4 104	4 396	(6,6)	19,8	5,7
Syria	1 342	1 025	30,9	14,0	1,9
Sudan	807	829	(2,7)	49,2	1,1
Other	1 955	2 542	(23,1)	8,4	2,7
Head office companies and eliminations	311	(36)	–	–	0,3
Total	72 287	62 712	15,3	10,2	99,7
Hyperinflation	218	65	–	–	0,3
Total reported	72 505	62 777	15,5	10,2	100,0

Group revenue increased by 10,2%* and service revenue increased by 9,7%*, supported by growth in MTN Nigeria (up 12,2%*), MTN Ghana (up 18,7%*), MTN Uganda (up 13,7%*) and MTN South Africa (up 3,3%). Growth in MTN South Africa was impacted by a decline in consumer prepaid revenue following the implementation of new rules and the reduction of out-of-bundle tariffs, as well as lower revenue from Cell C. MTN Cameroon reversed service revenue declines, reporting flat growth, while MTN Ivory Coast's service revenue declined by 10,1%*.

Results overview continued

Voice grew by 4,5%* to R39,7 billion, data was up by 19,8%* to R16,1 billion, fintech grew by 30,7%* to R4,7 billion and digital declined by 42,5%* to R1,4 billion. Enterprise and wholesale grew by 6,8%* and 127,9%* respectively to R6,5 billion and R2,6 billion.

Table 2: Group service revenue by country

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %	Contribution to service revenue %
South Africa	18 061	17 491	3,3	3,3	26,6
Nigeria	22 189	17 184	29,1	12,2	32,7
SEAGHA	12 504	10 222	22,3	19,4	18,4
Ghana	6 449	5 509	17,1	18,7	9,5
Uganda	3 159	2 420	30,5	13,7	4,7
Other	2 896	2 293	26,3	27,2	4,3
WECA	10 503	9 531	10,2	0,5	15,5
Ivory Coast	3 382	3 464	(2,4)	(10,1)	5,0
Cameroon	2 587	2 348	10,2	–	3,8
Other	4 534	3 719	21,9	10,8	6,7
MENA	4 086	4 236	(3,5)	19,8	6,0
Syria	1 342	1 025	30,9	14,0	2,0
Sudan	805	826	(2,5)	49,4	1,2
Other	1 939	2 385	(18,7)	8,4	2,9
Head office companies and eliminations	315	(38)	–	–	0,5
Total	67 658	58 626	15,4	9,7	99,7
Hyperinflation	217	64	–	–	0,3
Total reported	67 875	58 690	15,7	9,7	100,0

Table 3: Group revenue analysis¹

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %	Contribution to revenue %
Outgoing voice ²	34 241	30 448	12,5	4,8	47,2
Incoming voice ³	5 310	4 884	8,7	2,4	7,3
Data ⁴	16 046	13 152	22,0	19,8	22,1
Digital ⁵	1 360	2 349	(42,1)	(42,5)	1,9
Fintech ⁶	4 668	3 380	38,1	30,7	6,4
SMS	1 772	1 529	15,9	8,0	2,4
Devices	4 629	4 086	13,3	17,1	6,4
Wholesale ⁷	2 548	1 098	132,1	127,9	3,5
Other	1 713	1 786	(4,1)	(4,0)	2,4
Total	72 287	62 712	15,3	10,2	99,7
Hyperinflation	218	65	—	—	0,3
Total reported	72 505	62 777	15,5	10,2	100,0

¹ Subsequent to the publication of the December 2018 full year results, the group has reviewed and aligned its revenue streams relating to its Consumer, Enterprise and Wholesale business units with its current operating structure. The redefined segmentation has resulted in the reallocation of certain revenue streams and comparative numbers have been restated accordingly.

² Excludes international roaming and wholesale.

³ Includes local and international roaming and excludes wholesale.

⁴ Includes mobile and fixed access data and excludes roaming and wholesale.

⁵ Includes Rich Media services, content VAS, eCommerce and mobile advertising.

⁶ Includes Xtratime and mobile financial services.

⁷ Includes domestic wholesale, voice, SMS and data, leased lines and BTS rentals.

Results overview continued

Table 4: Group data revenue¹

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %
South Africa	6 026	5 704	5,6	5,6
Nigeria	3 836	2 532	51,5	31,8
SEAGHA	2 848	2 213	28,7	27,8
Ghana	1 804	1 433	25,9	27,9
Uganda	491	257	91,1	66,9
Other	553	523	5,7	8,2
WECA	2 168	1 581	37,1	24,9
Ivory Coast	514	401	28,2	18,0
Cameroon	624	481	29,7	17,7
Other	1 030	699	47,4	33,9
MENA	1 141	1 138	0,3	45,6
Syria	460	289	59,2	38,1
Sudan	217	208	4,3	60,1
Other	464	641	(27,6)	42,7
Head office companies and eliminations	27	(16)	–	–
Total	16 046	13 152	22,0	19,8
Hyperinflation	53	8	–	–
Total reported	16 099	13 160	22,3	19,8

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

Table 5: Group fintech revenue

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %
South Africa	507	417	21,6	21,6
Nigeria	646	463	39,5	21,2
SEAGHA	2 453	1 787	37,3	32,9
Ghana	1 284	849	51,2	53,4
Uganda	766	655	16,9	1,8
Other	403	283	42,4	43,5
WECA	1 008	681	48,0	35,5
Ivory Coast	414	333	24,3	14,4
Cameroon	224	132	69,7	54,5
Other	370	216	71,3	56,5
MENA	53	30	76,7	80,8
Syria	34	20	70,0	50,0
Sudan	–	–	–	–
Other	19	10	90,0	183,3
Head office companies and eliminations	1	2	–	–
Total	4 668	3 380	38,1	30,7
Hyperinflation	–	–	–	–
Total reported	4 668	3 380	38,1	30,7

Table 6: Group digital revenue

	Actual (Rm)	Prior (Rm)	Reported % change	Constant currency %
South Africa	546	833	(34,5)	(34,5)
Nigeria	250	611	(59,1)	(64,3)
SEAGHA	316	478	(33,9)	(32,8)
Ghana	259	418	(38,0)	(36,8)
Uganda	11	24	(54,2)	(62,5)
Other	46	36	27,8	33,3
WECA	135	301	(55,1)	(58,8)
Ivory Coast	96	218	(56,0)	(59,6)
Cameroon	17	54	(68,5)	(70,4)
Other	22	29	(24,1)	(31,0)
MENA	108	126	(14,3)	26,1
Syria	40	21	90,5	66,7
Sudan	29	42	(31,0)	9,5
Other	39	63	(38,1)	20,7
Head office companies and eliminations	5	–	–	–
Total	1 360	2 349	(42,1)	(42,5)
Hyperinflation	7	1	–	–
Total reported	1 367	2 350	(41,8)	(42,5)

Results overview continued

Costs

Table 7: Cost analysis

	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency % of revenue	% of revenue
Handsets and other accessories	5 902	5 902	5 166	14,2	16,8	8,1
Interconnect	4 622	4 622	4 761	(2,9)	(8,7)	6,4
Roaming	289	289	437	(33,9)	(35,8)	0,4
Commissions	5 243	5 243	4 528	15,8	10,5	7,2
Government and regulatory costs	2 655	2 655	2 081	27,6	17,4	3,7
VAS/Digital revenue share	1 145	1 145	1 094	4,7	0,3	1,6
Service Provider Disc	767	767	820	(6,5)	(6,7)	1,1
Network	10 752	14 411	11 910	(9,7)	13,3	14,8
Marketing	1 442	1 442	1 374	4,9	2,0	2,0
Staff costs	4 943	4 943	4 364	13,3	10,6	6,8
Other OPEX	4 578	5 290	4 555	0,5	14,1	6,3
Total	42 338	46 709	41 090	3,0	9,2	58,4
Hyperinflation	164	164	(242)	—	—	—
Total reported	42 502	46 873	40 848	4,0	9,2	58,6

Total costs increased by 9,2%*, mainly impacted by costs associated with the rollout of network sites.

EBITDA

Table 8: Group EBITDA by country

	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency %
South Africa	8 166	7 462	7 450	9,6	0,2
Nigeria	11 959	9 927	7 426	61,0	16,1
SEAGHA	5 615	4 609	3 610	55,5	24,3
Ghana	3 217	2 650	2 166	48,5	24,2
Uganda	1 547	1 266	854	81,1	28,9
Other	851	693	590	44,2	18,1
WECA	2 986	2 483	2 314	29,0	(0,4)
Ivory Coast	996	766	934	6,6	(24,2)
Cameroon	778	635	457	70,2	32,4
Other	1 212	1 082	923	31,3	7,4
MENA	1 262	1 102	1 246	1,3	18,0
Syria	525	482	351	49,6	19,7
Sudan	221	213	255	(13,3)	31,0
Other	516	407	640	(19,4)	6,5
Head office companies and eliminations	34	68	(30)	–	–
CODM EBITDA	30 022	25 651	22 016	36,4	10,2
Hyperinflation impact	54	54	307	–	–
Gain on dilution of investment in associates and joint ventures	1 039	1 039	–	100,0	–
Gain on disposal of subsidiary	112	112	–	100,0	–
Tower sale profits	18	18	12	50,0	–
EBITDA before impairment of goodwill and joint venture	31 245	26 874	22 335	39,9	10,2

EBITDA excludes impairment of goodwill and joint venture, net monetary gains and share of results of associates and joint ventures after tax. Group EBITDA increased by 10,2%*. It was driven by increases of 16,1%*, 24,2%*, 28,9%* and 32,4%* in MTN Nigeria, MTN Ghana, MTN Uganda and MTN Cameroon respectively, and lower head office costs. This was offset by the performance of MTN South Africa as well as a reduced contribution from MTN Ivory Coast. The group EBITDA margin increased by 0,1 percentage points* to 35,2%*.

Results overview continued

Depreciation, amortisation and impairment of goodwill

Table 9: Group depreciation and amortisation

	Depreciation					Actual (Rm)	Amortisation		
	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency %		Prior (Rm)	Reported % change	Constant currency %
South Africa	3 921	3 354	3 197	22,6	4,9	660	606	8,9	8,9
Nigeria	3 922	2 848	2 330	68,3	6,3	567	443	28,0	11,3
SEAGHA	1 839	1 234	971	89,4	23,7	225	211	6,6	17,5
Ghana	897	576	450	99,3	29,8	114	90	26,7	28,9
Uganda	507	343	283	79,2	5,3	62	72	(13,9)	8,0
Other	435	315	238	82,8	34,0	49	49	–	6,1
WECA	2 282	1 876	1 738	31,3	(1,8)	555	480	15,6	4,3
Ivory Coast	717	509	439	63,3	6,6	252	208	21,2	11,1
Cameroon	750	653	580	29,3	2,1	83	75	10,7	–
Other	815	714	719	13,4	(10,0)	220	197	11,7	0,5
MENA	803	687	641	25,3	19,5	208	230	(9,6)	2,2
Syria	410	380	230	78,3	43,9	50	38	31,6	13,2
Sudan	83	78	101	(17,8)	17,8	12	15	(20,0)	20,0
Other	310	229	310	–	(4,9)	146	177	(17,5)	(3,0)
Head office companies and eliminations	214	208	165	29,7	138,5	347	251	38,2	36,9
Total	12 981	10 207	9 042	43,6	7,0	2 562	2 221	15,4	10,9
Hyperinflation	228	228	79	–	–	33	12	–	–
Total reported	13 209	10 435	9 121	44,8	7,0	2 595	2 233	16,2	10,9

The group depreciation charge increased by 7,0%* because of the higher capex over the past few years. Amortisation costs increased by 10,9%*, after higher expenditure on software in the previous period.

Net finance costs

Table 10: Net finance cost

	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency %	% of revenue
Net interest paid/ (received)	5 795	3 155	2 681	116,2	14,8	8,0
Net forex losses/ (gains)	1 059	1 011	601	76,2	63,0	1,5
Total	6 854	4 166	3 282	108,8	15,4	9,5
Nigeria regulatory fine interest unwind	189	189	396	–	–	0,3
Hyperinflation	45	45	(1)	–	–	–
Total reported	7 088	4 400	3 677	92,8	15,4	9,8

Net finance costs increased by 92,8%** to R7 088 million**, largely due to the adoption of IFRS 16 (R2 688 million).

Net interest expenses increased by 19,1%^ on a like-for-like basis (excluding the impact of IFRS 16 and Nigeria regulatory fine interest unwind), impacted by an increase in MTN Nigeria debt to R4 759 million from the R774 million reported in December 2018.

Net forex losses increased by 77,7%** to R1 066 million, largely due to a weaker average rand resulting in foreign exchange losses on US dollar debt, R716 million net forex losses in head offices due to Nigeria preference share redemption, the MTN Irancell receivable and MTN (Netherlands) BV US dollar-denominated loan.

Share of results of associates and joint ventures after tax

We reported a loss of R29 million** from associates and joint ventures, compared to a profit of R197 million** in June 2018. This was because of a lower profit contribution from MTN Irancell following the marked depreciation in the rial, as well as the change in accounting for Mascom which is now held for sale on the statement of financial position. As of 12 April 2019, Jumia was no longer equity accounted. This contributed to lower losses from the e-commerce group.

Results overview continued

Taxation

Table 11: Taxation

	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency %	Contri- bution to taxation %
Normal tax	3 259	3 299	3 279	(0,6)	(6,5)	102,5
Deferred tax	(499)	(234)	(955)	47,7	72,4	(15,7)
Foreign income and withholding taxes	428	428	232	84,5	73,3	13,5
Total	3 188	3 493	2 556	24,7	25,5	100,0
Hyperinflation	(8)	(8)	(15)	–	–	0,3
Total reported	3 180	3 485	2 541	25,1	25,5	100,0

The reported effective tax rate was 37,5%** , higher than the prior year's rate of 34,1%** mainly due to higher non-deductible MTN Sudan expenses and higher withholding taxes driven by higher cash upstreamed in the period. For the six months to end-June 2019, the group's reported taxation charge increased by 25,1%** YoY to R3 180 million**.

Cash flow

Cash inflows generated from operations increased by 24,8%** to R20 906 million**. Key cash outflows included cash capex of R13 587 million** and dividends paid to equity holders of R5 851 million**. This was also impacted by the final Nigeria fine payment (R4 440 million) and the CBN resolution payment (R731 million).

Capital expenditure

Table 12: Capital expenditure

	Actual (IFRS 16) (Rm)	Actual (IAS 17) (Rm)	Prior (Rm)	Reported % change	Constant currency %
South Africa	5 773	3 366	3 907	47,8	(13,8)
Nigeria	4 050	3 674	2 320	74,6	37,5
SEAGHA	3 574	3 256	2 219	61,1	44,4
Ghana	2 080	1 989	1 260	65,1	59,3
Uganda	679	569	392	73,2	19,4
Other	815	698	567	43,7	28,7
WECA	1 218	1 093	2 351	(48,2)	(58,0)
Ivory Coast	257	257	562	(54,3)	(58,0)
Cameroon	415	397	101	310,9	251,5
Other	546	439	1 688	(67,7)	(76,5)
MENA	646	634	572	12,9	43,5
Syria	332	320	102	225,5	170,6
Sudan	119	119	59	101,7	201,7
Other	195	195	411	(52,6)	(36,1)
Head office companies and eliminations	194	194	93	–	–
Total	15 455	12 217	11 462	34,8	2,1
Hyperinflation	27	27	(1)	–	–
Total reported	15 482	12 244	11 461	35,1	2,1

Results overview continued

Financial position

Table 13: Net debt analysis (Rm)

	Cash and cash equivalents*	Net interest-bearing liabilities	Net debt/ (cash) June 2019	Net debt/ (cash) December 2018
South Africa	1 124	–	(1 124)	(872)
Nigeria	6 789	11 548	4 759	774
SEAGHA	1 909	3 488	1 579	2 012
Ghana	721	882	161	172
Uganda	221	843	622	826
Other	967	1 763	796	1 014
WECA	1 600	8 646	7 046	5 544
Ivory Coast	564	3 488	2 924	2 922
Cameroon	383	2 204	1 821	2 080
Other	653	2 954	2 301	542
MENA	1 375	292	(1 083)	(1 420)
Syria	332	170	(162)	(290)
Sudan	343	122	(221)	(160)
Other	700	–	(700)	(970)
Head office companies and eliminations	6 615	66 310	59 695	57 508
Total reported	19 412	90 284	70 872	63 546
Iran	811	1 229	418	473

* Includes restricted cash and current investments.

Financial position

Group net debt increased to R70 872 million** from R63 546 million**. This was largely impacted by increased borrowings by MTN Nigeria, as the Nigeria business made progress in optimising its capital structure.

Holdco borrowings increased to R59 695 million** from R57 508 million** in December 2018. Gearing at the holdco remained stable at 2,3x from year-end.

Operational review

MTN South Africa

- Service revenue increased by 3,3%
- Data revenue increased by 5,6%
- Fintech revenue increased by 21,6%
- Digital revenue decreased by 34,5%
- EBITDA increased by 0,2%* to R7 462 million
- EBITDA margin decreased by 1,9 pp* to 33,3%*
- Capex decreased by 13,8%*

MTN South Africa reported improved service revenue in the period. Growth in wholesale and consumer postpaid revenue supported service revenue growth but was offset by a 5,5% reduction in prepaid service revenue coupled by the Cell C adjustments made.

The prepaid business negatively impacted service revenue growth mainly as a result of the implementation of ICASA's End User Subscriber Service Charter regulations and the reduction of out-of-bundle (OOB) tariffs on data services, as well as the impact on consumer spending of the contraction of the economy.

The consumer postpaid business remained resilient in tough conditions delivering a 7% service revenue growth. Consumer additions were muted on the back of stricter vetting rules targeting a reduction in credit risk due to tougher economic times.

A combination of changes in the acquisition strategy in consumer postpaid as well as the discontinuation of the 1GB acquisition promotion in prepaid in order to drive distribution efficiencies resulted in a 1,9 million decrease in the subscriber base from December 2018 to a closing subscriber base of 29,2 million.

We continued to execute on the turnaround of the enterprise business, leading to lower service revenue reductions of -7,8% from -11,3% in the 2018 full year as we stabilised churn and added new corporate customers. We are confident that this trend will gain further traction in the second half of the year.

The 1,9pp decline in the EBITDA margin was a result of the reduction of OOB tariffs and the Cell C adjustments. MTN South Africa increased the distribution of 3G and 4G devices by 22% as enablers of future data growth. Operating expenses were impacted by a number of external factors such as load shedding, battery theft and site vandalism. These, together with the progressively expanding network footprint, resulted in a 3,7% (+ 8,9%^) increase in total costs YoY. MTN South Africa's network investments continue to deliver network leadership endorsement from subscribers and industry bodies such as MyBroadband and Ookla. Subscribers ranked MTN South Africa as having the best customer service, reflected in our move to the market's leading net promoter score.

After the end of the period, the Minister of Communications and Digital Technologies issued a policy on high-demand spectrum and policy direction on the licensing of a Wireless Open Access Network (WOAN). This policy direction initiates a process by which ICASA will license spectrum from various bands. We note the policy direction and will have further engagements with the authorities. We are also engaging with the Minister and ICASA on the release of further high-demand spectrum including the 5G bands, which will further enable the drive to lower the cost of data.

Results overview continued

MTN Nigeria

- Service revenue increased by 12,2%*
- Data revenue increased by 31,8%*
- Fintech revenue increased by 21,2%*
- Digital revenue decreased by 64,3%*
- EBITDA grew by 16,1%* to R8 623 million*
- EBITDA margin increased by 1,5 pp* to 44,6%*
- Capex increased by 37,5%*

MTN Nigeria delivered a solid performance, with strong voice (+11,4%) and data revenue (+31,8%) driving double-digit service revenue growth and further improving the EBITDA margin.

Voice revenue growth was supported by an increase in subscribers (+5,7%), relatively stable tariffs and our focus on pro-consumer activities. This was boosted by our targeted customer value management (CVM) initiatives.

Data revenue growth was driven by an increased number of smartphones on the network, greater data usage and growth in the number of active data users. We added 2,5 million smartphones, increasing smartphone penetration by 2,1pp to 39,2%. Active data users increased by 11,0% to 20,7 million and data traffic rose by 67% YoY.

Our fintech business continued to gain momentum with 21,2% growth in revenue YoY. The super-agent licence will allow us to leverage our established distribution channels to offer a wide range of mobile financial services. We will continue to work towards obtaining a payment service banking licence that we applied for in late 2018. Digital revenue continued to be impacted by the optimisation of value-added services (VAS). Our focus remains on building a sustainable base of active digital users in order to boost revenue growth.

Our enterprise business also delivered satisfactory results, with revenue increasing by 31,3%, to contribute 12,0% to service revenue.

The 1,5pp improvement in the EBITDA margin was supported by a stable naira against the US dollar benefiting our operating expenses as well as lower digital expenses arising from our VAS optimisation initiatives.

Southern and East Africa and Ghana (SEAGHA)

- Service revenue increased by 19,4%*
- Data revenue increased by 27,8%*
- Fintech revenue increased by 32,9%*
- Digital revenue declined by 32,8%*

The solid performance of the SEAGHA region was largely driven by MTN Ghana, which lifted service revenue by 18,7%*, supported by contributions from voice, data and fintech revenue. MTN Ghana and MTN Uganda continued to drive fintech revenue growth, with an increasing contribution from MTN MoMo, lending, pension and insurance services.

West and Central Africa (WECA)

- Service revenue increased by 0,5%*
- Data revenue increased by 24,9%*
- Fintech revenue increased by 35,5%*
- Digital revenue declined by 58,8%*

We delivered on our plans to stabilise our WECA region, recording a stronger second quarter performance. In a highly contested market, MTN Ivory Coast returned to competitiveness and implemented an aggressive efficiency programme to reduce costs in support of margin

improvements. The operating environment in Cameroon remained challenging, given the conflict in the Northwest and Southwest, however we are encouraged by the positive YoY service revenue trends in the first half. We reported strong net additions and value share gains in both MTN Cameroon and MTN Ivory Coast. Across the region we saw a sharp increase in MoMo users, which supported fintech revenue growth.

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

- Service revenue increased by 19,8%*
- Data revenue increased by 45,6%*
- Fintech revenue increased by 80,8%*
- Digital revenue increased by 26,1%*

Despite the geopolitical challenges across the region, MTN operations in MENA delivered a strong performance, largely driven by MTN Syria and MTN Sudan, delivering service revenue growth of 14,0%* and 49,4%* respectively. This was supported by the solid growth in data and voice revenue.

Associates, joint ventures and investments

Telecoms operations

MTN Irancell recorded a pleasing result given the challenges the business faced following the re-introduction of US sanctions, the depreciation of the currency and high inflation rates. Service revenue grew by 17,9%*, with voice up by 24,4%* and data revenue up by 22,4%*. The reported results from Iran were however negatively impacted on translation following the move to report exchange rates at the Sana rate as of August 2018. The average Sana rate in the reporting period was 51,3% weaker relative to the prior period. This added to the additional forex losses against the Iranian receivable of R1 295 million at the end of the period. The value of the Irancell receivable as at 30 June 2019 was R3,0 billion.

E-commerce investments

Following the **Jumia** IPO and making reference to the NYSE share price of the business at the end of the period (30 June 2019), we now value our 18,9% stake at R5,5 billion at an American Depositary Share (ADS) price of \$26,42. As at 6 August 2019 the Jumia ADS price was at \$13,81.

Middle East Internet Holding disposed of online platform Wadi, simplifying the portfolio and reducing ongoing capital requirements. Ride-hailing service Jeeny recorded a 75% YoY increase in ride numbers and bookings on cleaning service app Helping increased by 54% YoY. As at 30 June 2019 an impairment of R191 million was recognised for MEIH.

Within **IIG**, ride-hailing app Snapp recorded 2 million rides daily, ranking it among the top ride-hailing apps globally. Food delivery app Snappfood grew by 197% YoY and led the market with almost 80% market share. Snapptrip grew by 116% YoY and is number 1 in the local hotel booking market.

As MTN re-focuses its business on building an integrated digital operator, these e-commerce holdings, while important investments, are not viewed as long-term strategic holdings for the group.

Investments in tower companies

Our associate tower businesses include our 49% holdings in both **ATC Ghana** and **ATC Uganda**. During the first half we saw a strong contribution from both of R58 million in June 2019. Our 29% investment in IHS was fair valued at R23,1 billion at 30 June 2019.

Although towers are an important operational component of the business, the investments in the existing tower companies are not viewed as long-term strategic holdings of the group.

Results overview continued

Prospects and guidance

Well positioned to deliver growth

Guided by our BRIGHT strategy, we are well positioned to grow by leveraging our scale and enhancing our competitive position. Our markets are characterised by significant population growth, youthful demographics, low levels of smartphone penetration and data and digital adoption, as well as large unbanked populations. The enterprise and wholesale sectors are relatively undeveloped and growing fast. The combination of our large customer base, extensive networks and deep distribution gives us access to large pools of revenue. We are committed to building a digital operator, being a scale player in both the evolving telco and fintech and digital services spaces.

Following data price reductions in South Africa and Nigeria, we expect price elasticity in the second half of the year to improve data revenue growth. We expect lower wholesale revenue in MTN South Africa to be a drag on service revenue following the end of the national wholesale deal with Telkom on 28 June 2019.

We plan to launch MoMo in South Africa in the second half of the year. On the back of the award of the super-agent licence in Nigeria, we will accelerate our fintech ambitions and now fully leverage the extensive distribution we have across the country to offer a range of transfer and payment services to our GSM customer base. We will continue to work towards obtaining a payment service banking licence in Nigeria. We will roll out our MTN Homeland offering, allowing money to be sent to MoMo recipients in Africa from Europe quickly and affordably.

We will continue to expand our insurance business and leverage the partnership with Sanlam that we announced in July 2019.

We plan to roll out Ayoba in Nigeria, South Africa, Uganda and Liberia in the second half of the year. We will also integrate payments into the Ayoba service as part of our broadening of the fintech business, as well as integrate Ayoba into MTN segmented offers. After launching our time-based music streaming service MusicTime! in South Africa in December 2018, we plan to launch this next in Nigeria and Ghana.

Medium-term guidance

We reiterate our guidance for the medium term (3 to 5 years) of double-digit growth in group service revenue in constant currency terms, double-digit growth in MTN Nigeria's service revenue and mid-single-digit growth in service revenue from MTN South Africa. Over this period, we expect to continue to increase our group EBITDA margin.

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

Our improving revenue growth, margins and capex intensity are anticipated to drive significant improvements in group returns and cash flow.

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

Portfolio optimisation and asset realisation programme

In the first half, we made progress on the asset realisation programme that we announced in March 2019. The programme aims, over the next 3 years, to simplify our portfolio, reduce risk, improve returns and realise capital of R15 billion, excluding IHS.

In the first half, we realised R2,1 billion through the sale of our shareholder loan in ATC Ghana to American Tower Corporation for R900 million and the sale of our interests in investment fund Amadeus and its associated holding in Travelstart for net proceeds of R1,2 billion.

In April 2019, Jumia Technologies AG successfully raised fresh capital and listed on the New York Stock Exchange, resulting in a dilution of our shareholding from 29,7% to 18,9%. At 30 June 2019, this investment was valued at R5,5 billion at an American Depositary Share (ADS) share price of \$26,42. As of 6 August 2019 the Jumia ADS price was \$13,81.

The redemption of MTN Nigeria preference shares for a consideration of US\$315 million has always been envisaged as a necessary part of the simplification of our capital structure. The redemption process is underway and will be completed after the necessary regulatory processes.

Our plan to dispose of our shareholding in Mascom Wireless Botswana for a consideration of US\$300 million is in progress. We expect this to be concluded during the second half of the year, subject to various conditions precedents being met.

Board changes

In May, we announced changes to the board. Chairman Phuthuma Nhleko will step down on 15 December 2019, when chairman-designate Mcebisi Jonas will take the helm. This follows a specific request from our largest shareholder that the board consider extending Nhleko's term beyond the date originally envisaged of 31 December 2018.

On 15 December 2019, Dr Khotso Mokhele will assume the responsibilities of lead independent director and Alan Harper, Jeff van Rooyen and Koosum Kalyan will step down from the board. Peter Mageza and Dawn Marole will retire as directors on 30 April 2020.

On 1 July 2019 Lamido Sanusi and Vincent Rague joined the board as non-executive directors.

We also announced the establishment of an international advisory board (IAB). The IAB is a non-statutory entity which does not undertake fiduciary duties. It comprises prominent persons of considerable and wide-ranging experience. The primary purpose of the IAB will be to counsel the MTN Group in fulfilling its objective of being one of the premier African corporations and provide perspectives as it strives to contribute to certain areas of development in the countries where MTN operates. While the IAB will be non-statutory in nature and not have any fiduciary responsibility, it will make an important contribution in ensuring that the board is assisted in achieving MTN's vision in a technically complex world with uncertain and shifting geopolitical interests.

The IAB is chaired by His Excellency former President of the Republic of South Africa, President Thabo Mbeki and constituted of:

- His Excellency President John Kufuor, former President of Ghana
- Dr Aisha Abdullahi, former African Union Commissioner for Political Affairs
- Dr Mohammed ElBaradei, former Director General of the International Atomic Energy Agency
- Dr Momar Nguer, President of Marketing & Services, Total S.A. (France)
- Phuthuma Nhleko, Chairman of MTN Group

Results overview continued

Declaration of interim ordinary cash dividend

Notice is hereby given that a gross interim dividend of 195 cents per share for the period to 30 June 2019 has been declared. The number of ordinary shares in issue at the date of this declaration is 1 884 269 758 (including 9 430 246 treasury shares held by MTN Holdings and 76 835 378 shares held by MTN Zakhele Futhi).

The dividend will be subject to a maximum local dividend tax rate of 20% which will result in a net dividend of 156 cents per share to those shareholders who bear the maximum rate of dividend withholding tax of 39 cents per share. The net dividend per share for the respective categories of shareholders for the different dividend tax rates is as follows:

■ 0%	195,00 cents per share
■ 5%	185,25 cents per share
■ 7,5%	180,38 cents per share
■ 10%	175,50 cents per share
■ 12,5%	170,63 cents per share
■ 15%	165,75 cents per share

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

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

Declaration date	Thursday, 8 August 2019
Last day to trade cum dividend on the JSE	Tuesday, 27 August 2019
First trading day ex dividend on the JSE	Wednesday, 28 August 2019
Record date	Friday, 30 August 2019
Payment date	Monday, 2 September 2019

No share certificates may be dematerialised or re-materialised between Wednesday, 28 August 2019 and Friday, 30 August 2019, both days inclusive. On Monday, 2 September 2019 the dividend will be transferred electronically to the bank accounts of certificated shareholders who make use of this facility.

In respect of those who do not use this facility, cheques dated Monday, 2 September 2019 will be posted on or about this date. Shareholders who hold dematerialised shares will have their accounts held by the Central Securities Depository Participant or broker credited on Monday, 2 September 2019.

For and on behalf of the board

PF Nhleko
Group chairman

RA Shuter
Group president and CEO

RT Mupita
Group CFO

7 August 2019
Fairland

Date of release 8 August 2019

Lead sponsor
JP Morgan Equities South Africa Proprietary Limited

Joint sponsor
Tamela Holdings Proprietary Limited



Results overview

Reviewed condensed consolidated interim financial statements for the six months ended 30 June 2019

The group's reviewed condensed consolidated interim financial statements for the six months ended 30 June 2019 have been independently reviewed by the group's external auditors. The group's reviewed condensed consolidated interim financial statements have been prepared by the MTN finance staff under the guidance of the group finance operations executive, S Perumal, CA(SA) and were supervised by the group chief financial officer, RT Mupita, BScEng (Hons), MBA, GMP.

The results were made available on 8 August 2019.

Independent auditors' review report on interim financial statements

TO THE SHAREHOLDERS OF MTN GROUP LIMITED

We have reviewed the condensed consolidated interim financial statements of MTN Group Limited set out on pages 31 to 67 in the accompanying interim report titled 'MTN Group Limited Interim financial results' for the six months ended 30 June 2019, which comprise the condensed consolidated statement of financial position as at 30 June 2019, the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of MTN Group Limited for the six months ended 30 June 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SN Madikane
Registered Auditor

Johannesburg
7 August 2019

Sizwe Ntsaluba Gobodo Grant Thornton Inc.

Sizwe Ntsaluba Gobodo Grant Thornton Inc.
Director: DH Manana
Registered Auditor

Johannesburg
7 August 2019

Condensed consolidated income statement

for the

	Note	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Revenue	7	72 505	62 777	134 560
Other income		1 242	406	3 186
Direct network and technology operating costs		(10 806)	(11 927)	(25 370)
Costs of handsets and other accessories		(5 908)	(5 165)	(11 638)
Interconnect and roaming costs		(4 935)	(5 216)	(10 731)
Staff costs		(4 954)	(4 369)	(9 510)
Selling, distribution and marketing expenses		(8 621)	(7 823)	(16 798)
Government and regulatory costs		(2 661)	(2 085)	(4 889)
Impairment of trade receivables and contract assets ¹		(555)	(408)	(810)
CBN resolution		–	–	(744)
Other operating expenses ¹		(4 062)	(3 855)	(9 010)
Depreciation of property, plant and equipment and right-of-use assets		(13 209)	(9 121)	(19 709)
Amortisation of intangible assets		(2 595)	(2 233)	(4 649)
Impairment of joint venture and goodwill	9	(191)	(149)	(312)
Operating profit		15 250	10 832	23 576
Net finance costs	10	(7 088)	(3 677)	(8 331)
Net monetary gain		338	100	290
Share of results of associates and joint ventures after tax	11	(29)	197	(527)
Profit before tax		8 471	7 452	15 008
Income tax expense		(3 180)	(2 541)	(5 430)
Profit after tax		5 291	4 911	9 578
Attributable to:				
Equity holders of the company		4 433	4 381	8 719
Non-controlling interests		858	530	859
		5 291	4 911	9 578
Basic earnings per share (cents)	12	247	244	485
Diluted earnings per share (cents)	12	243	240	478

¹ Impairment of trade receivables was aggregated with other operating expenses in June 2018. In December 2018, the amounts were disaggregated and the impairment of contract assets was included in the impairment of trade receivables. Comparative numbers for June 2018 have been updated accordingly.

Condensed consolidated statement of comprehensive income

for the

	Note	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Profit after tax		5 291	4 911	9 578
Other comprehensive income after tax				
Items that may be reclassified to profit or loss				
Net investment hedges	18	351	(1 718)	(2 517)
Foreign exchange movement on hedging instruments		487	(2 386)	(3 497)
Deferred and current tax		(136)	668	980
Exchange differences on translating foreign operations including the effect of hyperinflation¹		(3 423)	5 235	1 943
(Losses)/gains arising during the period	18	(3 423)	5 235	1 943
Items that have been reclassified to profit or loss		(175)	–	(37)
Reclassification of foreign currency translation differences on loss of control and joint venture ¹		(175)	–	(37)
Items that will not be reclassified to profit or loss				
Equity investments at fair value through other comprehensive income^{1,2}		2 654	(5 377)	(8 030)
Gains/(losses) arising during the period	13	2 654	(5 377)	(8 030)
Other comprehensive income for the period		(593)	(1 860)	(8 641)
Attributable to equity holders of the company		(523)	(2 080)	(8 847)
Attributable to non-controlling interests		(70)	220	206
Total comprehensive income for the period		4 698	3 051	937
Attributable to:				
Equity holders of the company		3 910	2 301	(128)
Non-controlling interests		788	750	1 065
		4 698	3 051	937

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

² Equity investments at fair value through other comprehensive income (2019) relates mainly to the group's investment in IHS Holding Limited (IHS Group) and Jumia Technologies AG (Jumia) (note 13).

Condensed consolidated statement of financial position

as at

	Note	30 June 2019 Reviewed Rm	30 June 2018 Reviewed Rm	31 December 2018 Audited Rm
Non-current assets		225 536	187 002	183 810
Property, plant and equipment		99 570	95 505	100 581
Intangible assets and goodwill		37 560	39 896	40 331
Right of use assets		45 137	–	–
Investments	13	28 631	25 193	24 025
Investment in associates and joint ventures	11	7 149	19 420	11 884
Deferred tax and other non-current assets		7 489	6 988	6 989
Current assets		56 045	60 324	58 038
Trade and other receivables		29 093	29 314	29 367
Other current assets		10 961	14 173	10 689
Restricted cash		2 653	3 406	2 760
Cash and cash equivalents		13 338	13 431	15 222
Non-current assets held for sale	20	2 193	3 288	2 759
Total assets		283 774	250 614	244 607
Total equity		84 950	89 543	88 226
Attributable to equity holders of the company		82 791	87 887	84 799
Non-controlling interests		2 159	1 656	3 427
Non-current liabilities		135 984	88 522	83 811
Interest-bearing liabilities	15, 16	83 091	78 855	72 563
Lease liabilities		42 239	–	–
Deferred tax and other non-current liabilities		10 654	9 667	11 248
Current liabilities		62 840	71 162	72 570
Interest-bearing liabilities	15, 16	7 193	13 540	12 438
Lease liabilities		3 557	–	–
Trade and other payables		39 251	47 014	48 354
Other current and tax liabilities		12 839	10 608	11 778
Non-current liabilities held for sale		–	1 387	–
Total equity and liabilities		283 774	250 614	244 607

Condensed consolidated statement of changes in equity

for the

	Note	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Opening balance at 1 January		84 799	93 804	93 804
Total comprehensive income		3 910	2 301	(128)
Profit after tax		4 433	4 381	8 719
Other comprehensive income after tax		(523)	(2 080)	(8 847)
Opening reserve adjustment for impact of hyperinflation		–	–	531
Transactions with owners of the company				
Transaction with non-controlling interests		–	–	1 666
Decrease in treasury shares		–	–	143
Cancellation of share-based payment		–	(295)	(295)
Share-based payment transactions		27	86	371
Dividends declared		(5 851)	(8 098)	(11 248)
Other movements		(94)	89	(45)
Attributable to equity holders of the company		82 791	87 887	84 799
Non-controlling interests		2 159	1 656	3 427
Closing balance		84 950	89 543	88 226
Dividends declared during the period (cents per share)		325	450	625
Dividends declared after the period (cents per share)		195	175	325

Condensed consolidated statement of cash flows

for the

	Note	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Net cash generated from operating activities		13 696	13 189	32 389
Cash generated from operations		20 906	16 757	40 345
Interest received		688	991	2 130
Interest paid		(5 948)	(3 237)	(7 001)
Dividends received from associates and joint ventures	11	338	1 495	1 942
Income tax paid		(2 288)	(2 817)	(5 027)
Net cash used in investing activities		(13 095)	(14 926)	(23 219)
Acquisition of property, plant and equipment		(12 321)	(10 563)	(24 224)
Acquisition of intangible assets		(1 266)	(1 986)	(3 972)
Increase in non-current investments and joint venture		(67)	(362)	(802)
Proceeds on sale of subsidiaries, net of cash disposed of	21	1 152	–	3 986
Decrease in loan receivables		875	–	–
(Purchase)/realisation of bonds, treasury bills and foreign deposits		(1 543)	(1 266)	1 727
Net increase/(decrease) in restricted cash		82	(765)	6
Movement in other investing activities		(7)	16	60
Net cash used in financing activities		(2 344)	(1 776)	(11 123)
Proceeds from borrowings	16	19 708	14 695	25 219
Repayment of borrowings	16	(13 255)	(7 293)	(27 359)
Repayment of lease liability		(2 016)	–	–
Dividends paid to equity holders of the company		(5 851)	(8 098)	(11 236)
Dividends paid to non-controlling interests		(845)	(940)	(759)
Proceeds from the MTN Ghana initial public offering		–	–	3 057
Other financing activities		(85)	(140)	(45)
Net decrease in cash and cash equivalents		(1 743)	(3 513)	(1 953)
Net cash and cash equivalents at beginning of the period		14 967	15 937	15 937
Exchange (losses)/gains on cash and cash equivalents		(619)	1 123	1 564
Net monetary (loss)/gain on cash and cash equivalents		(17)	16	34
Decrease/(increase) in cash classified as held-for-sale	20	451	(235)	(615)
Net cash and cash equivalents at end of the period		13 039	13 328	14 967

Notes to the condensed consolidated interim financial statements

for the six months ended 30 June 2019

1. Independent review

The directors of the company take full responsibility for the preparation of the condensed consolidated interim financial statements. The condensed consolidated interim financial statements have been reviewed by our joint auditors PricewaterhouseCoopers Inc. and SizweNtsalubaGobodo Grant Thornton Inc., who have expressed an unmodified conclusion thereon. The joint auditors have performed their review in accordance with International Standard on Review Engagements (ISRE) 2410.

2. General information

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

3. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2019 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim financial statements and the requirements of the Companies Act applicable to interim financial statements. The interim financial statements were prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

4. Principal accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except as described below.

The group has adopted IFRS 16 *Leases* (IFRS 16) with effect from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the group's interim financial statements.

4.1 Adoption of IFRS 16

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies continued

4.1 Adoption of IFRS 16 continued

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

4.1.1 The group's leasing activities and significant accounting policies

The group's leases include network infrastructure (including tower space and land), retail stores, vehicles and office equipment. Rental contracts are typically made for fixed periods varying between two to 15 years but may have renewal periods as described below.

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

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

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

	30 June 2019 Rm	1 January 2019 Rm
Network infrastructure	33 702	36 113
Land and buildings	9 575	9 456
Licences	1 800	—
Other	60	73
Total right-of-use assets	45 137	45 642

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

- Fixed payments (including in-substance fixed payments), less any incentives receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies continued

4.1 Adoption of IFRS 16 continued

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

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

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

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

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

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

Renewal and termination options

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

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

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

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies continued

4.1 Adoption of IFRS 16 continued

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

Lease and non-lease components

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

4.1.2 Transition

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

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

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

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

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies continued

4.1 Adoption of IFRS 16 continued

4.1.3 Impacts on financial statements

4.1.3.1 Impacts on transition

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

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

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

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

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

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

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies *continued*

4.1 Adoption of IFRS 16 *continued*

4.1.3 Impacts on financial statements *continued*

4.1.3.1 Impacts on transition *continued*

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 11.8%. A reconciliation of the operating lease commitments disclosed as at 31 December 2018 discounted using the incremental borrowing rate at 1 January 2019 to the lease liability recognised on 1 January 2019 is disclosed below:

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

4. Principal accounting policies *continued*

4.1 Adoption of IFRS 16 *continued*

4.1.3 Impacts on financial statements *continued*

4.1.3.2 Impacts for the period

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the group recognised R44 975 million of right-of-use assets and R45 180 million of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the group has recognised depreciation and interest costs, instead of operating lease expenses of R4 371 million that would have been recognised under IAS 17. During the six months ended 30 June 2019, the group recognised R2 774 million of depreciation charges and R2 640 million of interest costs from these leases. Foreign exchange losses of R48 million were recognised on foreign denominated lease liabilities.

Earnings per share decreased by 39 cents per share for the six months ended 30 June 2019 as a result of the adoption of IFRS 16. Due to the impact of the reducing finance charges over the life of the lease, the impact of adopting IFRS 16 is initially dilutive, before being accretive in later periods.

Cash from operating activities includes interest paid on lease liabilities of R2 305 million and cash used in financing activities includes R2 016 million for the capital portion of lease liability repayments. The cash flows were previously recognised as net cash generated from operations.

5. Critical accounting judgement

5.1 Accounting for Mobile Money customer deposits and related bank balances

The group offers payment services from mobile devices in the majority of its operations. These Mobile Money services involve the issuing of electronic money (MoMo) into a MoMo electronic wallet in return for cash paid by the mobile phone subscriber. MTN provides the software to administer the MoMo wallet. In all instances, any monetary value stored on a customer's MoMo wallet must be supported by an equivalent cash deposit held with a bank or multiple banks. Mobile Money regulations by central banks are at various stages of development and implementation across the group's operations. These regulations govern the way mobile money services are conducted as well as the rights and obligations of all parties to the Mobile Money service offering, including rights to cash backing the Mobile Money issued, held with the banks and obligations to make payments to subscribers.

In considering the appropriate accounting treatment for MoMo cash balances held by banks and the subscribers' right to the cash, the group considered several factors relating to the underlying cash balances. In exercising its judgement, the group concluded that the most significant factor considered was the group's exposure to MoMo holders in the event of a credit risk event relating to the cash balances held by the banks. In instances where the group is exposed to MoMo holders in the event of a credit risk event, the cash held with banks and related liabilities are recognised in the MTN Group statement of financial position.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

5. Critical accounting judgement continued

5.1 Accounting for Mobile Money customer deposits and related bank balances continued

Given the various regulatory jurisdictions and recent and ongoing regulatory developments across a number of the group's operations, the group's obligations and exposures in the event of a credit risk event differ from country to country and in some instances are not clearly defined. As a result, the group applied judgement in accounting for these cash balances held by banks and obligations to MoMo holders.

Where it was concluded that the group has exposure to MoMo holders in the event of a credit risk event, the cash balances have been recognised as restricted cash and the related liabilities to MoMo holders have been recognised in trade and other payables.

Cash and related MoMo balances that were recognised:

	30 June 2019 Reviewed Rm	30 June 2018 Reviewed Rm	31 December 2018 Audited Rm
Restricted cash	1 096	715	607
Trade and other payables	1 096	715	607

Alternatively, the related MoMo cash balances with banks and liabilities to MoMo customers have not been recognised on the MTN Group statement of financial position where it was concluded that the group has no exposure to MoMo holders in a credit risk event. In addition, no cash or liability balances were recognised where the group's exposures and obligations were not yet clearly defined and uncertainty remains, and the balance of other factors considered did not indicate that the group carries the risks and rewards in relation to the cash.

Cash and related MoMo balances that were not recognised as MTN Group assets and liabilities:

	30 June 2019 Reviewed Rm	30 June 2018 Reviewed Rm	31 December 2018 Audited Rm
Momo subscribers cash held by banks	11 981	9 644	12 228

The group will continuously assess the impact of any new regulations as these evolve and evaluate the impact on the judgement applied and the conclusions reached in these markets.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

6. Hyperinflation

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

The economy of Sudan was assessed to be hyperinflationary effective 1 July 2018, and hyperinflation accounting was applied for the six months ended 31 December 2018. Upon first application of hyperinflation, net prior period gains of R625 million were recognised directly in equity. The uplift of the assets on initial adoption resulted in the net asset value of MTN Sudan Company Limited (MTN Sudan) exceeding its estimated recoverable amount. As a result of this, the initial adjustment was capped to the recoverable amount and the difference recorded directly to retained earnings. If the initial uplift had not been capped, the related increase in opening equity would have been R1,2 billion.

As at 31 December 2017¹, the historical increase in the asset value as a result of hyperinflation accounting had been fully impaired. During the six-month period ended 30 June 2018, R306 million of the impairment was reversed. This amount represents the full impairment recognised during 2017, translated at a significantly weaker exchange rate.

The economy of South Sudan was assessed to be hyperinflationary, effective 1 January 2016, and hyperinflation accounting has been applied since.

In 2015, the Iranian economy was assessed to no longer be hyperinflationary and hyperinflation accounting was discontinued effective 1 July 2015. The group's results from Irancell Telecommunications Company Services (PJSC) (MTN Iran) includes expenses resulting from the discontinuation of hyperinflation accounting mainly relating to the subsequent depreciation of assets that were historically written up under hyperinflation accounting. The additional income statement charge reduced equity-accounted earnings from Iran by R252 million for the six months ended 30 June 2019 (June 2018: R540 million) (December 2018: R873 million).

The economy of Syria was assessed to be hyperinflationary, effective 1 January 2014, and hyperinflation accounting has been applied since. The group's proxy indicator for inflation in Syria remained stable during the year. Therefore, a hyperinflation adjustment factor of one was applied during the period.

¹ Hyperinflationary accounting was applied previously in MTN Sudan, up until 30 June 2016.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

6. Hyperinflation continued

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

Six months ended 30 June 2019 Reviewed Rm			
	Revenue	Operating (loss)/profit	CAPEX
Syria	–	(125)	–
Sudan	163	(88)	19
South Sudan (included in other SEAGHA)	55	6	8
	218	(207)	27
Iran – Major joint venture	–	(336)	–
Six months ended 30 June 2018 Reviewed Rm			
	Revenue	Operating (loss)/profit	CAPEX
Syria	–	(123)	–
Sudan	–	336	–
South Sudan (included in other SEAGHA)	65	2	(1)
	65	215	(1)
Iran – Major joint venture	–	(721)	–
Financial year ended 31 December 2018 Audited Rm			
	Revenue	Operating (loss)/profit	CAPEX
Syria	9	(74)	–
Sudan	(109)	75	(67)
South Sudan (included in other SEAGHA)	274	9	(5)
	174	10	(72)
Iran – Major joint venture	–	(1 164)	–

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis

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

The group's underlying operations are clustered as follows:

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

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

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

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

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

- Impairment of joint venture and goodwill;
- Net monetary gain resulting from the application of hyperinflation;
- Share of results of associates and joint ventures after tax;
- Hyperinflation (note 6);
- Tower sale profits;
- Gain on disposal of subsidiary (note 21);
- CBN resolution; and
- Gain on dilution of investment in associate and joint venture.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis continued

These exclusions have remained unchanged from the prior year, with the exception of an impairment on joint venture that did not occur in the prior year.

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

MTN SA revenue recognition

Cell C Limited (Cell C) and Mobile Telephone Networks Proprietary Limited (MTN SA) entered into a network roaming agreement in 2018. Following delayed payments by Cell C during the first half of 2019, the group concluded that a change in facts and circumstances occurred as defined in terms of IFRS 15 *Revenue from Contracts with Customers* (IFRS 15), and the network roaming agreement with Cell C no longer met the definition of a contract for revenue recognition purposes in terms of IFRS 15. As a result, MTN SA did not recognise all revenue accrued on satisfied performance obligations. Revenue was only recognised on completed services based on the non-refundable consideration received and the group impaired the receivable balance recognised by R211 million. The group is evaluating a sustainable solution to the network roaming agreement with Cell C.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis continued

Six months ended 30 June

REVENUE

2019

South Africa

Nigeria

SEAGHA

Ghana

Uganda

Other SEAGHA

WECA

Ivory Coast

Cameroon

Other WECA

MENA

Syria

Sudan

Other MENA

Major joint venture - Iran

Head office companies and eliminations

Hyperinflation impact

Iran revenue exclusion

Consolidated revenue

2018

South Africa

Nigeria

SEAGHA

Ghana

Uganda

Other SEAGHA

WECA

Ivory Coast

Cameroon

Other WECA

MENA

Syria

Sudan

Other MENA

Major joint venture - Iran

Head office companies and eliminations

Hyperinflation impact

Iran revenue exclusion

Consolidated revenue

Network
services¹
Rm

Mobile
devices
Rm

Interconnect
and roaming¹
Rm

13 528

4 333

2 519

18 716

43

2 345

8 572

160

820

4 384

43

427

2 128

30

196

2 060

87

197

7 893

79

1 177

2 244

21

453

2 061

25

259

3 588

33

465

3 408

18

484

1 238

–

20

540

2

227

1 630

16

237

3 362

48

261

157

(4)

(184)

158

1

51

(3 362)

(48)

(261)

52 432

4 630

7 212

13 891

3 672

1 478

14 128

46

1 736

6 856

120

818

3 612

37

466

1 548

20

163

1 696

63

189

6 953

86

1 331

2 244

23

511

1 867

36

273

2 842

27

547

3 382

160

563

955

–

20

546

3

226

1 881

157

317

5 536

92

513

(17)

2

(202)

49

1

11

(5 536)

(92)

(513)

45 242

4 087

5 735

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

Digital and Fintech ¹ Rm	Other ¹ Rm	Revenue from contracts with customers Rm	Interest revenue Rm	Total revenue Rm
1 053	752	22 185	209	22 394
896	232	22 232	-	22 232
2 769	343	12 664	-	12 664
1 543	95	6 492	-	6 492
777	58	3 189	-	3 189
449	190	2 983	-	2 983
1 143	290	10 582	-	10 582
510	175	3 403	-	3 403
241	26	2 612	-	2 612
392	89	4 567	-	4 567
161	33	4 104	-	4 104
74	10	1 342	-	1 342
29	9	807	-	807
58	14	1 955	-	1 955
279	49	3 999	13	4 012
33	309	311	-	311
7	1	218	-	218
(279)	(49)	(3 999)	(13)	(4 012)
6 062	1 960	72 296	209	72 505
1 250	684	20 975	188	21 163
1 074	246	17 230	-	17 230
2 265	283	10 342	-	10 342
1 267	164	5 546	-	5 546
679	30	2 440	-	2 440
319	89	2 356	-	2 356
982	265	9 617	-	9 617
551	158	3 487	-	3 487
186	22	2 384	-	2 384
245	85	3 746	-	3 746
156	135	4 396	-	4 396
41	9	1 025	-	1 025
42	12	829	-	829
73	114	2 542	-	2 542
728	120	6 989	19	7 008
2	179	(36)	-	(36)
1	3	65	-	65
(728)	(120)	(6 989)	(19)	(7 008)
5 730	1 795	62 589	188	62 777

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis continued

Year ended 31 December	Network services¹	Mobile devices	Interconnect and roaming¹
REVENUE	Rm	Rm	Rm
2018			
South Africa	28 421	8 389	3 720
Nigeria	31 636	78	3 742
SEAGHA	15 116	279	1 765
Ghana	7 648	71	997
Uganda	3 649	52	336
Other SEAGHA	3 819	156	432
WECA	14 716	156	2 831
Ivory Coast	4 533	43	1 196
Cameroon	3 915	57	563
Other WECA	6 268	56	1 072
MENA	6 978	230	1 112
Syria	2 142	–	47
Sudan	1 125	6	457
Other MENA	3 711	224	608
Major joint venture - Iran	9 328	168	843
Head office companies and eliminations	17	(2)	(414)
Hyperinflation impact	151	–	25
Iran revenue exclusion	(9 328)	(168)	(843)
Consolidated revenue	97 035	9 130	12 781

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

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis continued

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
CODM EBITDA			
South Africa	8 166	7 450	15 660
Nigeria	11 959	7 426	16 574
SEAGHA	5 615	3 610	7 865
Ghana	3 217	2 166	4 452
Uganda	1 547	854	1 980
Other SEAGHA	851	590	1 433
WECA	2 986	2 314	4 133
Ivory Coast	996	934	1 593
Cameroon	778	457	455
Other WECA	1 212	923	2 085
MENA	1 262	1 246	2 510
Syria	525	351	909
Sudan	221	255	590
Other MENA	516	640	1 011
Head office companies and eliminations	34	(30)	(727)
CODM EBITDA	30 022	22 016	46 015
Major joint venture – Iran	1 490	2 554	4 231
Hyperinflation impact	54	307	271
Gain on dilution of investment in associates and joint ventures	1 039	–	569
Gain on disposal of subsidiary	112	–	2 112
Tower sale profits	18	12	23
CBN resolution	–	–	(744)
Iran CODM EBITDA exclusion	(1 490)	(2 554)	(4 231)
EBITDA before impairment of goodwill and joint venture	31 245	22 335	48 246
Depreciation, amortisation and impairment of goodwill and joint venture	(15 995)	(11 503)	(24 670)
Net finance cost	(7 088)	(3 677)	(8 331)
Net monetary gain	338	100	290
Share of results of associates and joint ventures after tax	(29)	197	(527)
Profit before tax	8 471	7 452	15 008

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

7. Segment analysis continued

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
CAPITAL EXPENDITURE INCURRED			
South Africa	5 773	3 907	9 448
Nigeria	4 050	2 320	6 888
SEAGHA	3 574	2 219	3 801
Ghana	2 080	1 260	2 015
Uganda	679	392	793
Other SEAGHA	815	567	993
WECA	1 218	2 351	3 281
Ivory Coast	257	562	1 364
Cameroon	415	101	694
Other WECA	546	1 688	1 223
MENA	646	572	2 215
Syria	332	102	935
Sudan	119	59	439
Other MENA	195	411	841
Major joint venture - Iran	861	1 622	3 716
Head office companies and eliminations	194	93	457
Hyperinflation impact	27	(1)	(72)
Iran CAPEX exclusion	(861)	(1 622)	(3 716)
	15 482	11 461	26 018

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

8. Nigeria regulatory fine

On 10 June 2016, MTN Nigeria Communications Plc (MTN Nigeria) resolved the matter relating to the previously imposed regulatory fine with the Federal Government of Nigeria (FGN).

In terms of the settlement agreement reached on 10 June 2016, MTN Nigeria agreed to pay a total cash amount of N330 billion over three years (the equivalent of R25,1 billion¹) to the FGN as full and final settlement of the matter.

The regulatory fine was fully expensed in 2016. A discount unwind of R189 million (30 June 2018: R396 million, 31 December 2018: R812 million) was recognised in finance costs during the current period relating to the outstanding liability. The liability has been fully paid as at 30 June 2019 (30 June 2018: R5,7 billion liability, 31 December 2018: R4,2 billion liability) following the payment of N110 billion in two instalments on 28 March 2019 (N55 billion/R2,2 billion²) and 24 May 2019 (N55 billion/R2,2 billion³) and the unwinding of the interest.

¹ Amount translated at the 10 June 2016 rate R1 = N13,15.

² Amount translated at the 28 March 2019 rate R1 = N24,81.

³ Amount translated at the 24 May 2019 rate R1 = N24,74.

9. Impairment of joint venture and goodwill

Impairment of joint venture

The group tested its investment in its equity accounted e-commerce joint venture, Middle East Internet Holding S.A.R.L (MEIH), for impairment following increasing competitive pressure and its disposal of Wadi, an online shopping portal, during the period. The recoverable amount was determined as the fair value less cost of disposal. The fair value represents a value determined from unobservable inputs, classified as level 3 inputs in terms of IFRS 13 *Fair Value Measurement*, and was based on comparable company and transaction average net merchandise value multiples of 1,6 for its transportation and consumer services business and 1,8 for its on-demand cleaning marketplace. The carrying value of the net assets equity accounted exceeded the recoverable amount of R745 million by R191 million and the group recognised the resulting impairment in profit or loss.

Impairment of goodwill

The group recognised an impairment of R312 million relating to MTN Yemen in 2018. No goodwill impairment was recognised for the six months ended June 2019.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

10. Net finance costs

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Interest income on loans and receivables	368	412	1 120
Interest income on bank deposits	662	488	872
Finance income	1 030	900	1 992
Interest expense on financial liabilities measured at amortised cost ¹	(7 052)	(3 977)	(8 422)
Net foreign exchange losses	(1 066)	(600)	(1 901)
Finance costs	(8 118)	(4 577)	(10 323)
Net finance costs recognised in profit or loss	(7 088)	(3 677)	(8 331)

¹ R189 million (June 2018: R396 million, December 2018: R812 million) relates to the discount unwind on the MTN Nigeria regulatory fine liability. The adoption of IFRS 16 resulted in an increase in net finance costs of R2 688 million.

11. Share of results of associates and joint ventures after tax

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
	(29)	197	(527)
MTN Iran	177	455	(281)
Others	(206)	(258)	(246)

For the six months ended 30 June 2019, no outstanding dividend was received from MTN Iran (June 2018: dividends of R1 296 million).

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

11. Share of results of associates and joint ventures after tax continued

Jumia change in shareholding and subsequent measurement

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

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

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

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

The group made an irrevocable election to designate the investment in Jumia as held at fair value through other comprehensive income in terms of IFRS 9 *Financial Instruments* subsequent to the listing date. The group has recognised an amount of R2 538 million, representing the fair value movements since the date of listing up to 30 June 2019 directly in other comprehensive income. The fair value of Jumia at 30 June 2019 of R5 536 million is based on its listed share price on the New York Stock Exchange.

Disposal of TravelLab Global AB (Travelstart)

The group sold its interest in Travelstart in June 2019. Refer to note 21 for details of the disposal.

Iran exchange rates and sanctions

In August 2018, the Central Bank of Iran (CBI) clarified that all future dividends can be expected to be repatriated at the SANA rate (note 18). After the introduction of the SANA rate, the group equity accounts the results and translates any receivable from Iran at the SANA rate. However, the group continues to translate any receivables that have been approved by the Iranian government under the Foreign Investment Promotion and Protection Act (FIPPA) at the CBI rate based on confirmation from FIPPA that the CBI rate will continue to apply to the FIPPA-approved funds.

On 8 May 2018, the US announced its decision to withdraw from the Joint Comprehensive Plan of Action (JCPOA) agreement and to reimpose economic sanctions against Iran. The first round of these sanctions became effective on 7 August 2018 and a second phase of sanctions became effective on 5 November 2018. The sanctions may limit the ability of the group to repatriate cash from Iran, including future dividends.

As at 30 June 2019, Iranian rial-denominated receivables¹ amounted to R1 295 million (December 2018: R1 031 million) and the Iranian rial-denominated loan² amounted to R1 666 million (December: R1 730 million). Sanctions may place pressure on the Iranian rial exchange rate that is used to translate these receivables as well as the equity-accounted results of MTN Iran.

¹ Translated at SANA rate.

² Translated at CBI rate.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

12. Earnings per ordinary share

Number of ordinary shares

	As at 30 June 2019 Reviewed	As at 30 June 2018 Reviewed	As at 31 December 2018 Audited
Number of ordinary shares in issue			
At end of the period (excluding MTN Zakhele Futhi and treasury shares)	1 798 004 650	1 797 642 541	1 797 642 541
Weighted average number of shares	1 797 848 603	1 797 562 154	1 797 602 678
Add: Dilutive shares			
– Share options – MTN Zakhele Futhi	22 268 043	30 195 952	22 966 591
– Share schemes	5 183 236	1 547 709	3 870 043
Shares for dilutive earnings per share	1 825 299 882	1 829 305 815	1 824 439 312

Treasury shares

Treasury shares of 9 430 246 (June: 9 791 839, December 2018: 9 791 839) are held by the group and 76 835 378 (June 2018: 76 835 378, December 2018: 76 835 378) are held by MTN Zakhele Futhi (RF) Limited (MTN Zakhele Futhi).

Headline earnings

Headline earnings is calculated in accordance with the circular titled Headline Earnings as issued by the South African Institute of Chartered Accountants as amended from time to time and as required by the JSE Limited.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

12. Earnings per ordinary share continued

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 December 2018 Audited Rm
Basic headline earnings per share			
Reconciliation between profit attributable to the equity holders of the company and headline earnings			
Profit attributable to equity holders of the company	4 433	4 381	8 719
Net (profit)/loss on disposal of property, plant and equipment and intangible assets	(7)	(11)	20
– Subsidiaries (IAS 16)	(7)	(11)	44
– Joint ventures (IAS 28)	–	–	(24)
Profit on disposal of subsidiary (IFRS 10)	(112)	–	(2 112)
Impairment of investment in joint venture/goodwill (IAS 36)	191	149	312
Net impairment loss/(reversal) on property, plant and equipment and intangible assets (IAS 36)	59	(244)	(206)
Net gain on dilution/sale of investment in joint venture/associate (IAS 28)	(1 076)	(438)	(703)
– Subsidiaries	(1 039)	(304)	(569)
– Joint ventures/associate	(37)	(134)	(134)
Realisation of deferred gain on lower sale profit	(18)	(12)	(23)
Total tax effects of adjustments	–	–	6
Total non-controlling interest effect of adjustments	27	42	42
Basic headline earnings	3 497	3 867	6 055
Earnings per share (cents)			
– Basic	247	244	485
– Basic headline	195	215	337
Diluted earnings per share (cents)			
– Diluted	243	240	478
– Diluted headline	192	211	332

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

13. Financial instruments

Financial instruments at amortised cost

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

Listed long-term borrowings

The group has listed long-term fixed interest rate senior unsecured notes in issue which were issued in prior years, with a carrying amount of R24 907 million at 30 June 2019 (30 June 2018: R24 186 million, 31 December 2018: R25 830 million) and a fair value of R25 592 million (30 June 2018: R23 255 million, 31 December 2018: R23 926 million). The fair values of these instruments are determined by reference to quoted prices on the Irish bond market. The market for these bonds is not considered to be liquid and consequently the fair value measurement is categorised within level 2 of the fair value hierarchy.

Financial instruments measured at fair value

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

Treasury bills

The fair value of these investments is determined by reference to published price quotations in an active market. The group has classified treasury bills with a carrying amount of R167 million (30 June 2018: R370 million, 31 December 2018: R343 million) as at fair value through other comprehensive income and the group has classified treasury bills with a carrying amount of R393 million (30 June 2018: R717 million, 31 December 2018: R307 million) as at fair value through profit or loss. The fair value of these investments is categorised within level 1 of the fair value hierarchy.

Fair value measurement of investment in Jumia

The fair value of the investment is determined by reference to published price quotations on the New York Stock Exchange. The American Depositary Share (ADS) price of Jumia was US\$26,42 on the last trading day of the period. The group has classified the investment in Jumia with a carrying amount of R5 536 million as at fair value through other comprehensive income. The fair value of this investment is categorised within level 1 of the fair value hierarchy. On 6 August 2019, the Jumia ADS price was US\$13,81, equating to a reduction in the fair value of R2 462 million subsequent to 30 June 2019.

Fair value measurement of investment in IHS

Included in investments in the condensed consolidated statement of financial position is an equity investment in IHS Group at fair value of R23 088 million (June 2018: R24 544 million, December 2018: R23 353 million). At 30 June 2019, the absence of transactions between market participants resulted in the fair value being determined using models considered to be appropriate by management. The fair value was calculated using an earnings multiple technique and was based on unobservable market inputs including tower industry earnings multiples of between 10x to 14x (June 2018: 11x to 16x, December 2018: 10x to 15x) applied to MTN management's estimates of earnings, less estimated net debt of R18 131 million (June 2018: R18 940 million, December 2018: R18 599 million). In addition, in June 2019, June 2018 and December 2018 the group has applied a 10% liquidity discount.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

13. Financial instruments continued

Given the confidentiality restrictions in the shareholders' agreement with IHS Group, MTN does not have access to the IHS Group business plans or 2019 actual financial information. Any estimated earnings used to derive the existing fair value are therefore solely based on MTN management assumptions and market estimates on financial growth, currency movements, costs and performance. The investment has therefore been classified as level 3 of the fair value hierarchy for the current and previous reporting periods. An increase of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in an increase in the fair value of R2 283 million (June 2018: R2 244 million, December 2018: R2 316 million) and a decrease of one in the low and high end of the multiple range, keeping other inputs constant, would have resulted in a decrease in the fair value of R2 283 million (June 2018: R2 244 million, December 2018: R2 316 million). An increase of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in an increase in the fair value of R2 782 million (June 2018: R2 949 million, December 2018: R2 821 million) and a decrease of 10% in the estimated earnings used, keeping other inputs constant, would have resulted in a decrease in the fair value of R2 782 million (June 2018: R2 949 million, December 2018: R2 821 million).

An increase of 1% to the liquidity discount, keeping other inputs constant, would have resulted in a decrease in the fair value of R257 million (December 2018: R259 million) and a decrease of 1% to the liquidity discount, keeping other inputs constant, would have resulted in an increase in the fair value by R257 million (December 2018: R259 million) as at 30 June 2019.

An increase of R175 million (June 2018: R5 469 million decrease, December 2018: R7 770 million decrease) has been recognised for the period under review in other comprehensive income resulting from the change in fair value that also included a liquidity discount.

Reconciliation of level 3 financial assets

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

	Rm
Balance at 1 January 2018	27 686
Acquisitions	310
Loss on equity investment at fair value through other comprehensive income	(8 030)
Foreign exchange differences	4 059
Balance at 1 January 2019	24 025
Revaluation of equity investment at fair value through other comprehensive income	178
Disposals	(606)
Foreign exchange differences	(444)
Balance at 30 June 2019	23 153

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

14. Authorised commitments for the acquisition of property, plant, equipment and software

	As at 30 June 2019 Reviewed Rm	As at 30 June 2018 Reviewed Rm	As at 31 December 2018 Audited Rm
– Contracted	18 850	16 286	28 790
– Not contracted	8 124	11 770	10 280
	10 726	4 516	18 510

15. Interest-bearing liabilities

	As at 30 June 2019 Reviewed Rm	As at 30 June 2018 Reviewed Rm	As at 31 December 2018 Audited Rm
Bank overdrafts	299	103	255
Current borrowings	6 894	13 437	12 183
Current liabilities	7 193	13 540	12 438
Non-current borrowings	83 091	78 855	72 563
	90 284	92 395	85 001

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

16. Issue and repayment of debt

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

	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2019 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Six months ended 30 June 2018 Reviewed Rm	Financial year ended 31 Dec 2018 Audited Rm	Financial year ended 31 Dec 2018 Audited Rm
	Raised	Repaid	Raised	Repaid	Raised	Repaid
MTN Holdings	9 550	7 950	7 450	2 157	11 750	6 320
Loan facilities	4 500	3 800	3 000	500	3 500	563
General banking facilities	2 800	3 000	2 700	1 350	6 500	5 450
Domestic medium-term programme	2 250	1 150	1 750	307	1 750	307
MTN International (Mauritius) Limited	–	–	2 366	1 245	3 753	8 070
Revolving credit facility	–	–	2 366	1 245	3 753	8 070
MTN Nigeria Communications Plc	7 887	3 228	3 628	1 753	4 770	8 101
Long-term borrowings	7 887	3 228	3 628	1 753	4 770	8 101
Other	2 271	2 077	1 251	2 138	4 946	4 868
	19 708	13 255	14 695	7 293	25 219	27 359

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

17. Contingent liabilities

	As at 30 June 2019 Reviewed Rm	As at 30 June 2018 Reviewed Rm	As at 31 December 2018 Audited Rm
Uncertain tax exposures	2 027	2 127	2 087
Legal and regulatory matters	2 226	1 589	2 660
	4 253	3 716	4 747

Uncertain tax exposures

The group operates in numerous tax jurisdictions and the group's interpretation and application of the various tax rules applied in direct and indirect tax filings may result in disputes between the group and the relevant tax authority. The outcome of such disputes may not be favourable to the group. At 30 June 2019, there were a number of tax disputes ongoing in various of the group's operating entities, the most significant of which relates to a transfer pricing dispute which the group is contesting. Based on internal and external legal and technical advice obtained, the group remains confident that it has a strong legal case to contest the exposure.

Legal and regulatory matters

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

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

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

18. Exchange rates

		Six months ended 30 June 2019 Reviewed	Six months ended 30 June 2018 Reviewed	Financial year ended 31 Dec 2018 Audited	Six months ended 30 June 2019 Reviewed	Six months ended 30 June 2018 Reviewed	Financial year ended 31 Dec 2018 Audited
		Closing rates			Average rates		
Foreign currency to South African rand:							
United States dollar	USD	14,11	13,75	14,38	14,17	12,28	13,21
South African rand to foreign currency:							
Nigerian naira	NGN	25,56	26,25	25,33	25,49	29,32	27,41
Iranian rial	IRR	7 972,00¹	3 089,10 ²	6 043,73 ³	6 548,14¹	3 187,14 ²	4 020,06 ³
Ghanaian cedi	GHS	0,38	0,35	0,34	0,37	0,37	0,36
Cameroon Communaute Financière Africaine franc	XAF	40,93	41,19	39,89	40,97	45,06	45,07
Côte d'Ivoire Communaute Financière Africaine franc	CFA	40,93	40,84	39,80	40,80	44,51	42,73
Ugandan shilling	UGX	261,54	281,94	257,93	262,06	300,99	280,55
Syrian pound	SYP	31,04	31,84	30,45	30,87	35,53	32,79
Sudanese pound	SDG	3,20	2,12	3,31	3,31	2,18	2,40

¹ SANA rate.

² CBI rate.

³ Weighted average exchange rate used to translate the results of MTN Iran.

At 30 June 2019, the ZAR to IRR exchange rate based on the CBI rate was ZAR1 = IRR2 976,8.

The group's presentation currency is rand. The strengthening of the closing rate of the rand against the functional currencies of the group's largest operations contributed to the decrease in consolidated assets and liabilities and the resulting foreign currency translation reserve reduction of R3 423 million (June 2018: R5 235 million increase, December 2018: R1 943 million increase) for the period.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

18. Exchange rates continued

Net investment hedges

The group hedges a designated portion of its dollar net assets in MTN (Dubai) Limited (MTN Dubai) for forex exposure arising between the USD and ZAR as part of the group's risk management objectives. The group designated external borrowings (Eurobonds) denominated in USD held by MTN (Mauritius) Investments Limited with a value of R25 billion (June 2018: R23,3 billion, December 2018: R23,9 billion) and external borrowings denominated in USD held by MTN Nigeria with a value of R559 million (June 2018: R2,1 billion, December 2018: R1,3 billion) as hedging instruments. For the period of the hedge relationship, foreign exchange movements on these hedging instruments are recognised in other comprehensive income as part of the foreign currency translation reserve (FCTR), offsetting the exchange differences recognised in other comprehensive income, arising on translation of the designated dollar net assets of MTN Dubai to ZAR. The cumulative forex movement recognised in other comprehensive income will only be reclassified to profit or loss upon loss of control over MTN Dubai. There was no hedge ineffectiveness recognised in profit or loss during the current or prior period.

19. Related party transactions

Transactions between members of the group

Scancom PLC (MTN Ghana) entered into lease agreements with Ghana Tower InterCo B.V in prior years. The lease liability recognised under IFRS 16 amounts to R3 179 million at 30 June 2019. The lease payments for the six-month period ended 30 June 2019 amounted to R402 million and the interest charge recognised under IFRS 16 for the period is R260 million. The operating lease commitments recognised under IAS 17 in the prior year amounted to R11 042 million at June 2018 and R9 468 million at December 2018. The IAS 17 expense recorded in the prior year amounted to R350 million for the six months ended in June 2018 and R1 016 million for the year ended December 2018. The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

MTN Uganda Limited entered into lease agreements with Uganda Tower InterCo B.V in prior years. The lease liability recognised under IFRS 16 amounts to R1 865 million at 30 June 2019. The lease payments for the six-month period ended 30 June 2019 amounted to R318 million and the interest charge recognised under IFRS 16 for the period is R145 million. The operating lease commitments recognised under IAS 17 in the prior year amounted to R1 581 million at 30 June 2018 and R1 988 million at 31 December 2018. The IAS 17 expense recorded in the prior year amounted to R207 million for the six months ended in June 2018 and R439 million for the year ended December 2018. The rental amounts escalate every year by inflation and the initial term is 10 years, followed by four times five-year renewal periods.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

20. Non-current assets held for sale

In December 2018, the group received an unsolicited offer to sell its interest in Mascom Wireless Botswana Proprietary Limited (Mascom) and its holding companies for US\$300 million. Accordingly, the investment in joint venture and related assets in holding companies have been presented as non-current assets held for sale. Any transactions will be subject to the execution of definitive transaction agreements and applicable governance and regulatory approvals. During 2019, Mascom declared a dividend of R115 million. In addition an amount of R566 million held by the holding companies as at 31 December 2018 was distributed to the shareholders in 2019. The sale is expected to be concluded in the second half of 2019.

As at 30 June 2019, the following assets and liabilities were included in the disposal group:

	30 June 2019 Reviewed Rm
Investment in joint venture	1 717
Intangible and other non-current assets	312
Cash and cash equivalents ¹	164
	2 193

¹ Cash and cash equivalents will be distributed to the group, prior to the conclusion of the sale.

21. Disposal of Amadeus and Travelstart

During the current period the group sold its investment subsidiaries Amadeus IV Digital Prosperity LP and Amadeus TI LP (Amadeus). The companies held various unlisted equity investments and a 43,74% interest in the joint venture Travelstart. The disposal of the investments was concluded on 26 June 2019.

The group equity accounted the investment in Travelstart until the date of concluding the sale agreement on 23 May 2019. The investments were subsequently accounted for as non-current assets held for sale until the disposal date. The group held the other equity investments in Amadeus at fair value through other comprehensive income. There was no movement in the fair value of the other equity investments in the current year. The total cumulative fair value gains at derecognition date of R268 million have been reclassified to retained earnings at the date of disposal.

Notes to the condensed consolidated interim financial statements continued

for the six months ended 30 June 2019

21. Disposal of Amadeus and Travelstart continued

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

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

22. Redemption of Nigeria preference shares

On 24 April 2019 the MTN Nigeria board approved the redemption of all the US dollar denominated preference shares previously issued by MTN Nigeria. The redemption of the preference shares is subject to the necessary regulatory processes. The group has recognised a liability of R1.2 billion representing the rand equivalent of the minority interest share of the preference shares of US\$85.5 million in trade and other payables previously recognised in equity. The proceeds expected from the redemption amounts to US\$314 million for the group's 78,59% interest in MTN Nigeria's preference shares.

23. Events after reporting period

Dividends declared

Dividends declared at the board meeting held on 7 August 2019 amounted to 195 cents per share.

Administration

Registration number: 1994/009584/06

ISIN: ZAE000042164

Share code: MTN

Board of directors

PF Nhleko[#]

RA Shuter¹

RT Mupita¹

PB Hanratty^{2*}

AP Harper^{3*}

KP Kalyan^{*}

S Kheradpir⁴

MH Jonas^{*} (appointed 1 June 2018)

NP Mageza^{*}

MLD Marole^{*}

AT Mikati^{5*}

SP Miller^{6*}

NL Sowazi^{*}

KC Ramon^{*}

BS Tshabalala^{*} (appointed 1 June 2018)

KDK Mokhele^{*} (appointed 1 July 2018)

J van Rooyen^{*}

SLA Sanusi^{7*} (appointed 1 July 2019)

VM Rague^{8*} (appointed 1 July 2019)

¹ Executive

² Irish

³ British

⁴ American

⁵ Lebanese

⁶ Belgian

⁷ Nigerian

⁸ Kenyan

[#] Non-executive

^{*} Independent non-executive

Group secretary

PT Bonoyi

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American depository receipt (ADR) programme

Cusip No. 62474M108

ADR to ordinary Share 1:1

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If phoning from outside South Africa

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Computershare Investor Services

Proprietary Limited

Registration number 2004/003647/07

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Jukskei View, 2090

SizweNtsalubaGobodo Grant Thornton Inc.

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Woodmead, 2191

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Joint sponsor

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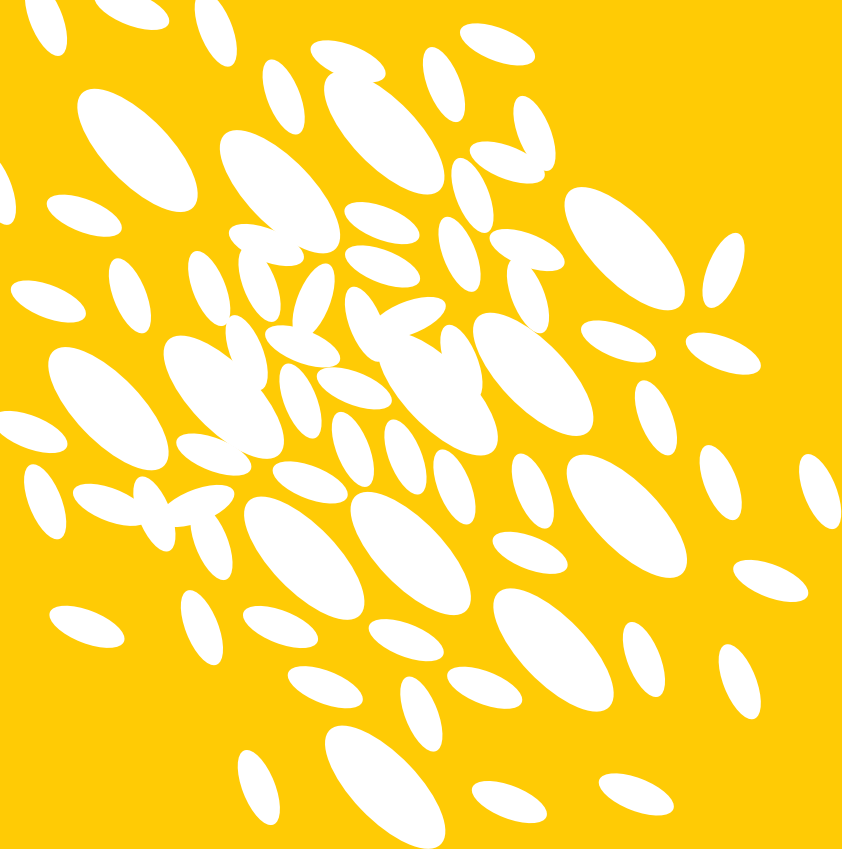
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