

# MTN Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 1994/009584/06

ISIN: ZAE000042164

Share code: MTN

("MTN" or "the Group")

Quarterly update for the period ended 30 September 2016

MTN is a leading emerging market mobile operator, connecting approximately 234,7 million people in 22 countries across Africa and the Middle East. We are at the forefront of global technological changes, delivering a bold, new Digital World to our customers.

## Highlights

- New Group President and CEO, Rob Shuter to join MTN on 13 March 2017
- Group transformational project commenced during the quarter under review
- MTN has commenced the repatriation of funds from MTN Irancell to MTN Group
- Group subscribers increased 0,9% quarter-on-quarter (QoQ)
- MTN South Africa delivered encouraging improvement in EBITDA margin (+200bp QoQ)
- MTN Nigeria reported a 1,2% decline in revenue Q3 2016 year-on-year (YoY) compared to a 6,2% decline in Q1 2016 (YoY) as the operation continued to deliver incremental improvements in revenue
- Significant network improvement across the Group, particularly in the Nigerian and South African operations
- Group capex increased 10,5% YoY to R21 230 million with 2 669 3G and 1 995 4G sites added
- Constant currency data revenue increased 21,0% YoY, to contribute 26,4% to total revenue
- Voice and data traffic increased 1,8% and 142% respectively YoY

*YoY refers to the nine months to September 2016 versus the nine months to September 2015.*

*QoQ refers to Q3 2016 versus Q2 2016.*

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## **MTN Group executive chairman, Phuthuma Nhleko, comments:**

*“During the quarter the Group embarked on a material transformation project, focusing initially on its key operations of Nigeria and South Africa. A dedicated transformation office was established to drive this transformation to maximise revenue growth, enable a distinct customer experience and ensure operational efficiencies, including concerted initiatives to drive optimal return on investment, with hard targets set for the next 12, 18 and 24 months. Operations are expected to deliver the first results on clearly defined targets in the first half of 2017.*

*Over the past 12 months the Group has made a number of senior management changes to ensure efficient operational execution, enhance stakeholder engagement, manage reputational risk and ensure solid governance across its operations. The appointment of a new Group Chief Financial Officer as well as the few other outstanding senior management changes and appointments will be concluded by year end.*

*Following the announcement of senior management changes made on 20 June 2016 we are pleased to announce that the starting date for new Group President and CEO Rob Shuter has been brought forward. Rob will be joining us on 13 March 2017.*

*With the completion of my two key mandates of settling the Nigerian regulatory fine and appointing a new Group President and CEO I will revert to my role as non-executive chairman as soon as Rob assumes his position as Group President and CEO on 13 March 2017. In the interim, whilst I will continue as executive chairman to provide oversight, I will delegate more operational responsibilities to Gunter Engling, acting CFO and Stephen Van Coller, VP M&A and Strategy. I will also ensure that all outstanding senior management appointments are completed and the new senior management team is fully settled in before year end.*

*During the quarter, we appointed Felleng Sekha as Executive: Regulatory Affairs and Public Policy, effective 10 October 2016. Felleng brings experience in management of political, public policy, legal and regulatory affairs in the African ICT sector.*

*Despite a tough operating environment as a result of weaker macro-economic conditions, particularly in oil-dependent economies, as well as the regulatory challenges experienced, we are confident that the fundamental changes implemented over the past year position the Group well to participate efficiently and effectively in the data evolution and ensure sound stakeholder relationships and governance processes.*

*During the period under review, the **South African** business delivered a pleasing QoQ sequential improvement in both revenue and margin. Revenue improved by more than 3,6% QoQ while the EBITDA margin expanded by more than 200 bp QoQ. MTN South Africa expects to maintain this improvement in EBITDA margin in the fourth quarter.*

*After reporting a YoY decline in revenue in the first and second quarter of 2016 of 6,2% and 3,3% respectively, in the third quarter **MTN Nigeria's** revenue YoY decline was limited to 1,2% as the business continued to experience incremental improvements in revenues. We are confident of delivering positive YoY revenue metrics in the fourth quarter.*

*We are pleased to report that we have commenced the repatriation of cash from **MTN Irancell** to the Group and expect to conclude the process over the next six months.*

*MTN issued a SENS announcement on 28 September 2016 in which MTN Nigeria's CEO Ferdi Moolman refuted allegations made on the floor of the Senate that MTN Nigeria had improperly repatriated funds from Nigeria. Ferdi Moolman said that “The allegations made against MTN Nigeria are completely unfounded and without any merit.”*

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*In the latest development on this matter, the Senate of the Federal Republic of Nigeria has through the Senate Committee on Banking and Insurance and other Financial Institutions commenced an investigation into the alleged “unscrupulous violation” of the Foreign Exchange (Monitoring and Miscellaneous) Act. MTN Nigeria, four commercial banks, certain MTN Nigeria directors and shareholders, the Central Bank of Nigeria and others appeared before the Senate on 20 October 2016 at the outset of this investigation.*

*The allegations are that \$13.97 billion was repatriated illegally by MTN Nigeria through its bankers. MTN Nigeria and its bankers are cooperating with the investigation with a view to resolving the matter as expeditiously as possible. In the interim the CBN has instructed the banks to suspend any remittance of dividends until further notice. MTN Nigeria is committed to the payment of the N330bn fine related to the late disconnection of ‘improperly registered’ SIMS and as such has not declared a dividend since April 2015 and MTN Nigeria has no intention to make any dividend payments over the next six months. MTN Nigeria continues to refute the allegations that MTN Nigeria had improperly repatriated funds from Nigeria. Consequently MTN Nigeria will strongly defend any action that would be prejudicial to its interest.”*

SEA region includes South Africa, Uganda, Zambia, Rwanda, Botswana (joint venture), Swaziland (joint venture) and South Sudan.

WECA region includes Nigeria, Ghana, Cameroon, Ivory Coast, Benin, Congo Brazzaville, Liberia, Guinea Conakry and Guinea Bissau.

MENA region includes Iran (joint venture), Syria, Sudan, Yemen, Afghanistan and Cyprus.

## SEA

**MTN South Africa** reported a marginal decline in subscribers of 0,5% QoQ to 29,7 million. This was as a result of a 0,7% decline in the pre-paid subscriber base to 24,5 million, largely due to churn from low revenue-generating customers. The post-paid subscriber base increased by 0,7% to 5,2 million, benefiting from an improved customer experience, network quality, segmented customer offerings and attractive price plans.

Data revenue increased by 15,1% YoY and contributed 34,4% to total revenue. This was driven by the increased volumes of high-denomination data bundles sold and attractive digital offerings. The increase in the number of smartphones and improvements made on the network also contributed to data revenue growth. The number of smartphones on the network increased by 9,3% to 9,2 million YoY. ARPU increased by 10,4% QoQ.

**Other SEA** – across the rest of the region, the number of subscribers increased by 1,0% to 23,3 million, mainly driven by good growth in Uganda.

**MTN Uganda** increased its subscriber base by 2,9% QoQ to 10,2 million, supported by a special sales channel and a reduction in churn. Constant currency data revenue increased by 20,4% YoY and contributed 33,7% to total revenue. This was supported by our LTE leadership position, smartphone subsidisation and attractive data bundles. The operation recorded 1,3 million smartphones on the network. Local currency ARPU remained constant QoQ.

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## WECA

**MTN Nigeria** reported a 2,5% increase in its subscriber base to 60,5 million (QoQ). The reported subscriber base was negatively impacted by the exclusion from our active base of approximately 3.1 million subscribers relating to a change in subscriber accounting rules where we no longer account for subscribers whose activity was based on the receipt of a bulk SMS. On the upside subscriber numbers were supported mainly by reconnection through proactive engagement following their disconnection in line with regulatory requirements earlier this year. MTN Nigeria continues to engage the regulatory authorities on improving the approval process for promotions, products and services following the re-instatement of regulatory services to MTN.

Constant currency data revenue increased by 6,7% and contributed 20,4% to total revenue. This is largely the result of a weaker macro-economic environment negatively impacting consumers, a decline in the effective data tariff because of competition and regulatory requirements impacting out-of-bundle billing. The data traffic increased by 43,8% YoY, benefiting from an improved data network and increased smartphone penetration. The number of smartphones on the network increased by 59,4% to 19,2 million YoY. Local currency ARPU decreased by 1,4% QoQ.

**Other WECA** – the remainder of the region increased its subscriber base by 2,3% to 47,6 million, driven by growth in MTN Ghana and MTN Ivory Coast.

**MTN Ghana** delivered a strong performance and grew its subscriber base by 2,7% to 18,0 million. This was supported by attractive voice and data bundle propositions. Constant currency data revenue increased by 72,8% and contributed 41,7% to total revenue. This was helped by strong growth in digital and mobile financial services as well as the launch of LTE services. Local currency ARPU increased by 3,7% QoQ. The number of MTN Mobile Money customers increased by 10,7% QoQ to 7,8 million.

**MTN Cameroon's** subscriber base decreased by 1,3% to 9,5 million, impacted by the subscriber registration process. Constant currency data revenue increased by 28,3% and contributed 19,0% to total revenue. The increased focus on the monetisation of its LTE network together with higher volumes of LTE handsets during the quarter contributed positively to data revenue growth. The number of Mobile Money customers increased by 13,2% to 2,7 million QoQ, supported by improved distribution.

## MENA

**MTN Irancell** increased its subscriber base by 1,1% QoQ to 47,8 million in a highly penetrated market. Constant currency data revenue increased by 61,5% QoQ and contributed 41,5% to total revenue despite a decrease in data tariffs. This was largely due to a successful leadership position on its data network experience, aggressive 3G and 4G rollout as well as increased smartphone penetration. The number of smartphones on the network increased by 35,1% to 29,2 million. Local currency ARPU increased by 4,3% QoQ.

**Other MENA** – the subscriber base in the remainder of the region decreased by 3,9% to 25,8 million.

**MTN Sudan's** subscriber base decreased by 13,0% to 7,7 million due to the subscriber registration process. However, constant currency data revenue increased by 78,4%, driven by digital content, and contributed 28,2% to total revenue. Local currency ARPU increased by 7,7% QoQ.

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## Net additions guidance '000

	June 2016	Revised September 2016
<b>SEA</b>	<b>1 850</b>	<b>3 500</b>
<b>South Africa</b>	<b>1 100</b>	<b>1 100</b>
Uganda	950	1 600
Other	(200)	800
<b>WECA</b>	<b>4 725</b>	<b>3 750</b>
<b>Nigeria</b>	<b>800</b>	<b>120</b>
Ghana	1 800	2 000
Cameroon	1 000	900
Ivory Coast	475	550
Other	650	180
<b>MENA</b>	<b>1 500</b>	<b>1 750</b>
<b>Iran</b>	<b>1 500</b>	<b>1 750</b>
Sudan	(100)	–
Syria	400	–
Other	(300)	–
<b>Total</b>	<b>8 075</b>	<b>9 000</b>

*The financial information on which this quarterly update is based has not been reviewed and reported on by MTN's auditors.*

Fairland  
24 October 2016

### Sponsor

*Deutsche Securities (SA) Proprietary Limited*

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## Subscribers

('000)

Country	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	QoQ %
<b>SEA</b>	51 625	52 168	53 439	52 853	52 796	52 872	<b>52 974</b>	0,2
<b>South Africa</b>	27 958	28 504	29 077	30 588	30 077	29 805	<b>29 667</b>	(0,5)
Postpaid	5 402	5 328	5 190	5 242	5 198	5 132	<b>5 166</b>	0,7
Prepaid	22 555	23 176	23 888	25 346	24 879	24 673	<b>24 502</b>	(0,7)
Uganda	10 791	11 146	11 524	8 929	9 624	9 891	<b>10 180</b>	2,9
Rwanda	3 889	3 958	4 010	4 119	4 015	3 989	<b>4 094</b>	2,6
Zambia	5 386	4 901	5 026	5 264	5 197	5 417	<b>5 392</b>	(0,5)
South Sudan	904	982	1 084	1 200	1 126	1 055	<b>892</b>	(15,5)
Botswana (joint venture)	1 783	1 784	1 794	1 758	1 826	1 798	<b>1 805</b>	0,4
Swaziland (joint venture)	915	892	923	995	931	919	<b>945</b>	2,9
<b>WECA</b>	104 798	108 082	107 952	106 576	102 952	105 560	<b>108 109</b>	2,4
<b>Nigeria</b>	61 149	62 813	62 494	61 252	57 045	58 978	<b>60 462</b>	2,5
Ghana	14 208	14 886	15 493	16 255	17 004	17 579	<b>18 050</b>	2,7
Cameroon	10 097	10 363	9 949	9 178	9 477	9 648	<b>9 521</b>	(1,3)
Ivory Coast	8 295	8 488	8 461	8 346	8 140	8 236	<b>8 542</b>	3,7
Benin	3 782	3 913	3 989	4 012	3 923	3 962	<b>3 988</b>	0,6
Conakry	3 272	3 485	3 362	3 244	3 075	2 748	<b>2 941</b>	7,0
Congo B	2 038	2 128	2 216	2 250	2 175	2 270	<b>2 333</b>	2,8
Liberia	1 319	1 300	1 300	1 357	1 409	1 443	<b>1 574</b>	9,1
Bissau	636	705	689	682	704	696	<b>699</b>	0,4
<b>MENA</b>	71 080	70 747	71 663	73 071	73 855	74 145	<b>73 613</b>	(0,7)
<b>Iran (joint venture)</b>	44 421	44 146	45 464	46 142	46 852	47 316	<b>47 837</b>	1,1
Syria	5 747	5 765	5 769	5 972	5 802	5 837	<b>5 899</b>	1,1
Sudan	8 595	8 757	8 315	8 462	8 800	8 814	<b>7 668</b>	(13,0)
Yemen	5 595	5 239	5 255	5 351	5 335	5 310	<b>5 322</b>	0,2
Afghanistan	6 390	6 487	6 503	6 785	6 702	6 482	<b>6 480</b>	0,0
Cyprus	331	354	356	359	363	386	<b>407</b>	5,5
<b>Total subscribers</b>	227 503	230 997	233 054	232 500	229 603	232 577	<b>234 696</b>	0,9

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## ARPU

(Local currency)

Country	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	QoQ %
<b>SEA</b>								
<b>South Africa</b>	87,16	88,44	93,65	91,54	83,10	81,95	<b>90,47</b>	10,4
Postpaid	159,52	163,86	180,65	163,84	154,70	152,98	<b>178,33</b>	16,6
Prepaid	69,75	70,40	74,04	76,00	68,30	67,15	<b>72,00</b>	7,2
Uganda	7 998,46	7 148,75	7 512,37	7 358,68	8 462,00	7 528,18	<b>7 526,96</b>	0,0
Rwanda	1 538,99	1 562,92	1 565,57	1 444,71	1 487,72	1 486,82	<b>1 544,73</b>	3,9
Zambia	28,61	28,34	32,00	30,17	27,47	26,89	<b>28,09</b>	4,5
South Sudan	26,13	26,33	24,52	27,53	55,11	55,05	<b>70,22</b>	27,6
Botswana (joint venture)	61,04	63,21	68,24	64,00	61,00	63,00	<b>67,00</b>	6,3
Swaziland (joint venture)	94,26	93,73	103,30	101,31	88,00	91,00	<b>105,54</b>	16,0
<b>WECA</b>								
<b>Nigeria</b>	1 102,59	1 046,45	994,44	963,42	1 046,15*	1 062,33*	<b>1 047,63*</b>	(1,4)
Ghana	12,32	12,53	12,52	11,70	12,17	12,28	<b>12,73</b>	3,7
Cameroon	2 225,90	2 043,26	2 169,43	2 140,00	2 052,45	1 952,75	<b>1 981,00</b>	1,4
Ivory Coast	2 946,57	2 797,32	2 708,13	2 780,00	2 771,75	2 705,14	<b>2 802,82</b>	3,6
Benin	3 512,75	3 438,86	3 594,24	3 523,30	3 616,00	3 506,59	<b>3 458,95</b>	(1,4)
Conakry	19 190,61	17 043,90	14 874,41	16 508,47	14 791,78	16 409,98	<b>18 657,08</b>	13,7
Congo B	5 312,87	5 365,33	5 597,42	5 334,97	4 926,03	5 054,11	<b>4 714,69</b>	(6,7)
Liberia	5,07	4,70	3,96	4,31	3,73	3,51	<b>3,34</b>	(4,8)
Bissau	2 201,47	2 473,65	2 111,39	1 910,73	1 978,20	2 403,63	<b>2 321,77</b>	(3,4)
<b>MENA</b>								
<b>Iran (joint venture)</b>	110 351,87	114 958,63	116 024,94	113 683,00	112 513,01	121 147,23	<b>126 364,00</b>	4,3
Syria	706,14	795,23	863,86	770,64	767,08	865,87	<b>1 083,20</b>	25,1
Sudan	14,77	15,46	15,89	15,90	17,23	17,69	<b>19,05</b>	7,7
Yemen	970,24	786,84	920,73	909,66	880,20	904,79	<b>921,50</b>	1,8
Afghanistan	159,27	170,64	180,09	170,51	131,93	126,34	<b>135,98</b>	7,6
Cyprus	17,15	17,57	17,81	17,27	16,93	17,15	<b>17,41</b>	1,5

\*Visafone now included.

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## ARPU

(US dollar)

Country	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	QoQ %
<b>SEA</b>								
<b>South Africa</b>	7,45	7,46	7,22	6,40	5,32	5,51	<b>6,35</b>	15,3
Uganda	2,79	2,34	2,13	2,29	2,49	2,25	<b>2,23</b>	(0,8)
Rwanda	2,27	2,25	2,21	1,95	2,01	1,93	<b>1,95</b>	1,3
Zambia	4,23	3,83	3,65	2,84	2,45	2,63	<b>2,82</b>	7,1
South Sudan	8,26	8,33	7,75	4,71	2,06	1,50	<b>1,24</b>	(17,0)
Botswana (joint venture)	6,27	6,35	6,28	5,60	5,45	5,67	<b>6,33</b>	11,7
Swaziland (joint venture)	8,06	7,81	7,97	7,08	5,60	6,11	<b>7,41</b>	21,2
<b>WECA</b>								
<b>Nigeria</b>	5,68	5,25	4,99	4,87	5,25*	4,98*	<b>3,38*</b>	(32,1)
Ghana	3,57	3,15	3,29	3,09	3,13	3,19	<b>3,23</b>	1,3
Cameroon	3,83	3,43	3,68	3,60	3,37	3,29	<b>3,36</b>	2,3
Ivory Coast	5,07	4,70	4,59	4,69	4,55	4,63	<b>4,76</b>	2,8
Benin	6,05	5,78	6,09	5,80	5,94	5,95	<b>5,87</b>	(1,3)
Conakry	2,69	2,34	2,01	2,15	1,70	1,83	<b>2,06</b>	12,5
Congo B	9,14	9,02	9,48	9,00	8,22	8,66	<b>8,01</b>	(7,5)
Liberia	5,07	4,70	3,96	4,31	3,73	3,51	<b>3,34</b>	(4,9)
Bissau	3,79	4,16	3,58	3,15	3,24	4,11	<b>3,94</b>	(4,1)
<b>MENA</b>								
<b>Iran (joint venture)</b>	4,01	4,03	3,91	3,61	3,73	3,99	<b>4,02</b>	0,9
Syria	3,31	3,04	2,95	3,91	2,09	1,80	<b>2,16</b>	20,0
Sudan	2,47	2,59	2,62	2,61	2,83	2,90	<b>3,12</b>	7,4
Yemen	4,51	3,66	4,06	4,10	4,10	3,71	<b>3,69</b>	(0,5)
Afghanistan	2,76	2,89	2,86	2,59	1,92	1,84	<b>2,01</b>	9,5
Cyprus	19,35	19,37	19,80	18,38	18,51	19,33	<b>19,68</b>	1,8

\*Visafone now included.