

How we create value using the six capitals

Transforming the stocks of capital through our business activities

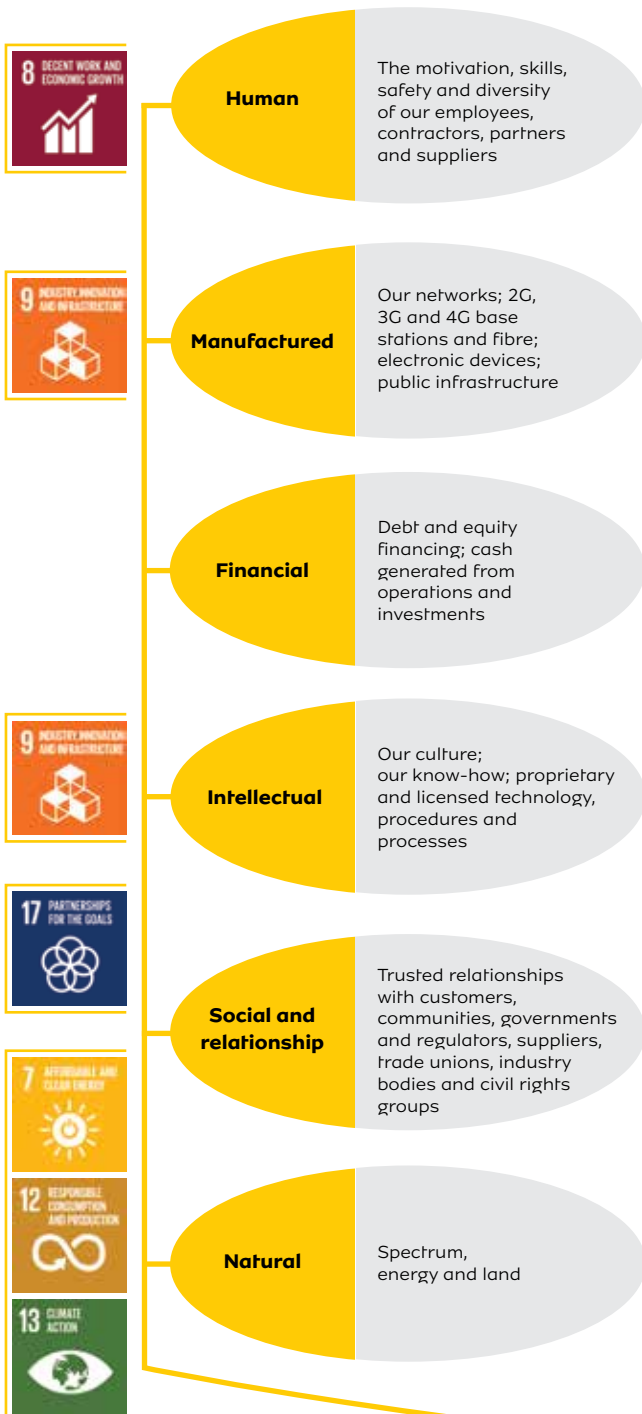
We create value by developing and distributing a range of innovative and reliable communication products and services. We depend on various resources and relationships, known as the six capitals, to do this.

SDGs

Inputs

How we do business

Our business model is informed by our vision, purpose, values and governance, and supports the delivery of our BRIGHT strategy:



Best customer experience

- Lead market in NPS.
- Reduce monthly churn.
- Achieve best brands in markets.

Returns and efficiency focus

- Improve ROIC.
- Report top-quartile TSR.
- Increase AFCF yield.
- Improve EBITDA margin.

Ignite commercial performance

- Grow subscribers to 300 million.
- Grow market share.
- Ensure stable voice revenue.
- Grow enterprise and wholesale revenue.

Growth through data and digital

- Achieve 200 million data subscribers.
- Achieve 100 million digital subscriptions, including 60 million for MTN Mobile Money.

Hearts and minds

- Lead market in employee NPS.
- Improve employee engagement.
- Enhance reputation.
- Ensure effective risk and compliance practices.

Technology excellence

- Lead market in network NPS.
- Increase efficiency of customer-facing systems.
- Increase population coverage.
- Improve network quality.

We ensure our agility by continuously assessing our market context (page 4) and our material matters (pages 16 and 17).

VALUE

We require inputs of each capital to deliver on our strategy, advance some of the UN Sustainable Development Goals (SDGs) and generate value for all stakeholders. When making decisions on allocating capital, we consider the trade-offs between the capitals, and seek to maximise positive outcomes and curb negative impacts.

Outputs

Outcomes in 2017

A range of consumer, enterprise and wholesale solutions including voice and data access; lifestyle, mobile financial services, entertainment and e-commerce offerings; and business connectivity and communication solutions

2 006 248 tonnes of greenhouse gas emissions[#]

18 931 **employment opportunities** in 24 countries

R9,0 billion paid in **wages and salaries**

Rolled out **3 663 2G, 8 583 3G** and **8 611 LTE sites**

EBITDA of R47,0 billion**

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

R31,5 billion** in **capital expenditure**

Paid R27,9 billion (LA) in total **tax contributions**

Paid R367 million in **regulatory fees**

Avoided 1 529 tonnes of **GHG emissions**

Spent R172 million (LA) in **social investment**

Improved **employee culture**

Improved **NPS** in most markets

MTN South Africa BEE contributor status at **level 4**[^]

[#] Defined as an output by the IIRC.
[^] Under amended codes, which have significantly higher recognition levels.

How we sustain value using the six capitals

	Key capital inputs		Outcomes of our activities			
	2017	2016	2017	2016		
Human capital	Number of employees	15 901	15 980	Staff costs (R billion)	9,0	9,2
	Number of contractors	3 030	4 009	Voluntary staff turnover (%)	7,0	7,2
	Gender split (men:women)	63:37	63:37	Mean employee culture survey (%) ^{LA}	70	67
	Investment in employee training (R million)	252	392	Number of training courses completed	31 118	25 376
	Number of nationalities employed	63	60	Opcos with Global Investor in People accreditation (see page 81 for details)	17	16
Manufactured capital	Value of property, plant and equipment (R billion)	91,8**	95,6**	2G sites rolled out	3 663	2 450
	Capital expenditure (R billion)	31,5**	35,3**	3G sites rolled out	8 583	8 201
	Number of smartphones on our networks (000)	88 506	82 361	4G sites rolled out	8 611	7 676
	<ul style="list-style-type: none"> Offices and networks in 24 countries. Access to public infrastructure. 			Kilometres of fibre rolled out	4 364	5 481
			Depreciation (R billion)	19,3**	21,0**	
			Impairment of assets (R billion)	3,0**	0,2**	
			Impairment of goodwill (R billion)	2,6**	0,9**	
Financial capital	Market capitalisation (R billion) at year-end	257	238	EBITDA (R billion)	47,0**	40,8**
	Interest received (R billion)	3,5**	4,4**	Profit/(loss) after tax (R billion)	4,5**	(3,1)**
	Net debt (R billion)	57,1**	51,9**	Cash generated through operations (R billion)	38,5**	55,7**
				Net debt to EBITDA ratio [^]	1,22	1,27
			Net interest paid (R billion)	3,9**	3,7**	
			Basic headline earnings/(loss) per share (cents)	182	(77)**	
Intellectual capital	<ul style="list-style-type: none"> Our strong and established brand. Our skilled and experienced employees. Our partnerships and joint ventures. More than 20 years' experience of operating in challenging emerging markets. 			Goodwill and intangible assets (R billion)	38,3**	46,5**
				<ul style="list-style-type: none"> MTN South Africa named most valuable brand in the country (Brand South Africa). Introduced standardised CVM platforms across 18 opcos. Expanded MTN Mobile Money ecosystems to 14 markets. Launched customised offers in 10 opcos. 		
Natural capital	<ul style="list-style-type: none"> Radio spectrum in the 700, 800, 900, 1 800, 2 100, 2 300, 2 600MHz bands. 			Carbon emissions (tonnes of CO ₂ equivalent) [‡]	2 006 248	1 609 704
	Gigajoules of energy used	19 095 879	13 514 716	GHG emissions avoided (tonnes)	1 529	833
			Number of new alternative energy sites*	459	1 001	
			E-waste recycled (tonnes)	215	537	
Social and relationship capital	<ul style="list-style-type: none"> Constructive relationships with regulators, customers, trade unions, employees, communities, civil society. Ongoing interactions with government and tax authorities. Regular engagement with shareholders and the investor community on MTN's plans and performance. 			Total tax contributions ^{LA} (R billion)	27,9	33,5 [†]
				CSI spend ^{LA} (R million)	172	295,4
				BBBEE status in South Africa [†]	Level 4 (102.65 points)	Level 2 (87.83 points)
				Number of calls to whistle-blower line ^{LA}	119	120
				MTN Mobile Money active subscribers (million)	21,8	15,4
				NPS South Africa (%) ^{LA} ^Δ	70	81
			NPS Nigeria (%) ^{LA} ^Δ	26	30	
			NPS other key markets (%) ^{LA}	35	25	

** Reported – as reflected in the MTN Group Limited financial results for the year ended 31 December 2017.

[^] Excluding the Nigerian regulatory fine.

[†] Under amended ICT Sector Codes. Level 2 achieved in 2016 is now equivalent to Level 6 under new framework.

How we achieved these

- Refreshed our management team.
- Invested in targeted training and development.
- Adjusted regional responsibilities.
- Encouraged diversity, so workforce understands the needs of our subscribers.

- Focused our capital investment on rolling out new 3G and 4G base stations, data and switching centres and dedicated fibre.

- Accessed the domestic markets for funding; raised R5,3 billion through the Domestic Medium Term Programme.
- Continued to maintain and improve on our group liquidity levels.
- Concluded local currency funding in some key markets including 510 million cedi facility for MTN Ghana.
- Repatriated R6,5 billion in cash from our Iran operation.
- Declared total dividend of 700 cents per share.

- Refreshed our brand.
- Hired specialist skills in customer value management (CVM).
- Partnering with experts in various fields, such as technology and management consultancy.
- Creating and maintaining joint ventures and partnerships to expand new revenue streams.

- Secured spectrum in Sudan and Syria in 2017.
- Ensured resilience to change in climate or increase in extreme weather events on critical infrastructure through business continuity processes.
- Continued to invest in efficiencies to ensure our technical infrastructure supports service delivery using the least possible amount of energy.

- Enhanced management structure to support regulatory compliance and revised key ethics structures and policies.
- Monitored staff morale through annual culture survey.
- Extended MTN Mobile Money services to more people.
- Increased number of certified ethics officers to 27.
- Elevated regulatory function to executive committee.
- MTN South Africa made notable improvements in transformation drive.
- Progressed plans for MTN Nigeria and MTN Ghana listings.
- Reduced effective data rates by 31% and voice rates by 20%.

The trade-offs

Employees in 15 of our 22 operating companies and in Manco received bonuses for 2017 as these operations met their financial targets. This positively affected **human capital**. By outsourcing some functions MTN reduced its stock of **human capital** to the benefit of **intellectual** and **financial capital**.

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

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

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

The short-term input to securing sufficient spectrum is **financial capital**. By establishing and maintaining an extensive high-quality network and increasingly rolling out 4G sites, our energy consumption for broadband and data services continues to grow. By remaining largely reliant on non-renewable resources, we negatively impact **natural capital**. However, through infrastructure sharing, the commitment of our tower management partners to prioritise energy efficiency, along with our own efforts and investments in low-carbon power, we are working to mitigate the overall impact on this stock of capital.

Investment in social and relationship capital reduces our **financial capital** in the short term. However, by helping to close the digital divide and transform society through our various skills and enterprise development, preferential procurement and localisation initiatives we ultimately build the stocks of **social, human, intellectual** and **financial capital**.

◇ Higher scope 3 emissions due to more outsourced sites accounted for by MTN than by tower companies.
 • 2016 number revised upwards after reconciliation of alternative energy investments.
 △ Although actual NPS is lower than prior year, NPS improved relative to nearest competitor.
 † Updated with Botswana number and apportionment of Swaziland numbers.