Tax report

The MTN Group is a leading emerging markets operator, connecting subscribers in 22 countries in Africa and the Middle East. Our offerings include voice, data and internet services, cloud services, machine-to-machine monitoring technology, a pan-African internet of things platform, global multiprotocol label switching, mobile money, as well as other mobile services (including mHealth, mEducation and mInsurance). MTN is listed on the JSE Limited South Africa under the share code “MTN”. At 31 December 2015, we had over 232,5 million subscribers across our operations.

Total tax contribution
R39,8 billion
(2014: R30,2 billion)

Group effective tax rate
32,45%
(2014: 26,17%)

Revenue
R147,1 billion
(2014: R146,9 billion)

Profit before tax
R34,9 billion
(2014: R51,1 billion)

Value distribution:
R95,2 billion on suppliers and contractors

21,084 employees

R223 million
(2014: R244 million) spent on learning and development

R335 million
(2014: R283 million) on corporate social investment

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Forward

MTN has always espoused integrity as one of our core values. As a result, we are committed to transparency and complete candour. This voluntary unaudited report is testament to our transparent approach. It is an effort to explain our tax affairs more clearly and build and maintain trust with our stakeholders and the general public. Our taxes were subjected to effective system controls and internal financial controls. We maintain our taxes in line with our standard processes and procedures on enterprise risk management and governance.

In order to achieve tax transparency, a company needs to move beyond merely providing detail on the tax numbers and performance. In line with this aspiration, in the "Our approach to tax" section we have endeavoured to provide readers with an understanding of the company's approach to tax, risk management, tax planning as well as views on specific tax risks.

MTN contributes significantly to the communities in which we operate through employment, skills development, the development of businesses in our supply chain and our contribution to tax revenues. The latter goes significantly beyond the corporate income taxes paid on our profits. In this report under the "Total tax contribution" section we endeavour to demonstrate our total tax contribution, which includes but is not limited to corporate taxes, indirect taxes, withholding taxes, payroll taxes, operating licence fees and other payments to government authorities.

In 2015 there were significant developments on the international tax landscape, as a result of the Organisation for Economic Co-operation and Development's (OECD's) continuing project on Base Erosion and Profit Shifting (BEPS). The outcomes of the BEPS initiative and other risks facing the organisation have been dealt with in this report under the "Tax environment" section.

MTN is acutely aware of its responsibility to uphold human rights. We understand that our behaviour has a direct impact on the civil liberties of others. Our corporate decision making, and indeed the manner in which we manage our tax affairs, are cognisant of that.

Brett Goschen
Chief financial officer

Economic contribution

As one of the largest mobile operators in our markets, we are aware that our activities have significant implications for the communities in the regions where we operate. It is vital that we understand exactly who is affected by our activities so that we can ensure their interests are promoted when strategic business decisions are made. MTN has identified the following among our key stakeholders: governments and regulatory authorities, shareholders and investors, civil society and advocacy groups, current and potential customers, suppliers, industry bodies, the media and employees.

Value distribution

Our activities drive economic value within each jurisdiction in which we operate. This value is distributed to our stakeholders in a multitude of ways only some of which are measurable. This includes:

Business

MTN spent R95,2 billion on suppliers and contractors during 2015.

In South Africa, in order to ensure enterprises can reach their full potential, we introduced a secure online platform to help small businesses increase their online presence.

We partnered with Sage Pastel to offer a secure and affordable mobile accounting application specifically developed for small businesses in Africa. This service is available in all countries where we offer cloud services.

We increased capital expenditure (capex) by 15,7% to R29,2 billion in 2015 with a focus on 3G and LTE rollout. MTN South Africa's capex amounted to R10,9 billion, representing 37,5% of total capex. During the year, the Group rolled out 3 116 2G sites, 7 891 co-located 3G sites and 5 241 co-located LTE sites. We also rolled out 1 469km of long-distance fibre and connected a total of 1 164 sites to fibre, enabling better quality data networks across our operations. We plan to spend R30,8 billion on our capex programme in 2016.

Employees

MTN employs 21 084 (15 202 permanent and 5 882 contracting) personnel, representing 59 different nationalities. In 2015, we spent R8,6 billion in salaries and other benefits for employees (R8,8 billion in 2014).

In the year, R223 million was spent on learning and development (R244 million in 2014). This resulted in an average of 12,9 hours of training per employee (17,4 hours in 2014). Employees are actively encouraged to look for opportunities to continuously improve their capabilities and skills through extensive training available digitally, face-to-face and from other sources supplied by the MTN Academy, or from external accredited and reputable organisations.

For a detailed report on MTN employees and remuneration please refer to pages 66 to 95 of the 2015 Group integrated report.

Corporate social investment (CSI)

As we invest in communications technology and infrastructure in our host markets, so too do we invest in the societies that make up our customer base, now and into the future. In line with our strategy, MTN's CSI policy is to invest in projects and programmes that will lead the way in helping beneficiaries build capacity and self-reliance using digital technology. Our approach is primarily to add value and provide support to government, predominantly in the education sector with educators, teachers and trainers, with additional focus on supporting health and enterprise development.

In 2015, MTN's CSI totalled R335,4 million (2014: R282,5 million), with R155,5 million of the total spent on improving access to education. Through various education initiatives, we have impacted the lives of over 200 000 beneficiaries, with 60% of our programmes aligned to supporting ICT education and training.

The rest of our total CSI was focused mainly on health, enterprise development and national priority area/special projects (for example, Ebola or refugee support).

In 2015, we spent R54,6 million on health programmes.

Through our support programmes and initiatives in the area of enterprise development, we aim to develop and grow small and medium-sized enterprises (with annual turnover of less than US$ 5 million) in our operating countries. The aim is to support the education and upskilling of entrepreneurs to build the sustainability of their

Economic contribution *continued*

businesses, and even taking them on as suppliers in time. In 2015, we spent R26,4 million on enterprise development initiatives.

With regards national priority projects, our objective is to support projects and programmes that are of national importance at the time, using our core business strengths in ICT. In 2015 we contributed R48,3 million towards national priority projects.

For more information on MTN's CSI achievements please visit www.mtn.com.

Governments

We make a significant contribution to government revenues in the regions where we operate. This information is detailed in the "Total tax contribution" section of this report.

Digital inclusion

With more than 232,5 million subscribers across Africa and the Middle East, bridging the digital divide and enabling environmental and economic benefits through the internet of things is a priority. Our investment in digital inclusion projects enables us to give back socially to the broader stakeholder communities in which we operate, while also facilitating a commercially viable and sustainable business proposition.

Our digital inclusion investments broadly span the financial, health, education, and enterprise and public sector categories, among others. More detail on MTN's digital inclusion initiatives can be found in the 2015 MTN Group sustainability report.

Current tax environment

MTN has an extensive footprint, with operations in 17 countries across Africa and five in the Middle East. Tax legislation and transfer pricing rules and regulations vary from country to country and consequently we operate in a complex and diverse tax environment comprising a variety of tax regimes.

In recent years, international tax and transfer pricing have become extensive areas of focus for revenue authorities and governments around the world. One of the major developments in this regard is the project on Base Erosion and Profit Shifting (BEPS) that was initiated by the Organisation for Economic Co-operation and Development (OECD) in 2013 and finalised in 2015. The BEPS programme comprised 15 action points, aimed at addressing the undesired consequences of differences in tax regimes and lack of transparency. The BEPS programme has changed the international tax and transfer pricing landscape for all companies with an international footprint. The impact on the MTN Group will vary per jurisdiction and will be dependent on whether (and to what extent) the outcome of the BEPS actions are adopted and implemented in the various jurisdictions. The MTN Group adheres to key principles underpinning the BEPS programme, such as ensuring that profits are reported where value is being created, and will continue to apply these principles going forward.

The African Tax Administration Forum (ATAF) aims to provide an environment for African revenue authorities to co-operate, improve the performance of tax administration and build capable African tax administrations that develop, share and implement best practices. Of the 17 countries in Africa in which MTN has operations, 13 are ATAF members. Through various initiatives, revenue authorities are increasingly sharing information pertaining to multinational enterprises. South Africa and Nigeria, for example, were among the 31 countries that recently signed the Multilateral Competent Authority Agreement (MCAA) for the automatic exchange of Country-by-Country (CbC) reports. Depending on when and how CbC reporting requirements will be implemented in the various jurisdictions in which MTN operates, such CbC information will have to be prepared and submitted. In anticipation of such legislation being adopted, MTN has performed assessments as to the readiness and adequacy of its systems and seeks to ensure that CbC reports can easily be provided if and when requested by revenue authorities.

It has become imperative that multinational enterprises are cognisant of the diversity and complexity of the international tax and transfer pricing landscape and that they are compliant with local tax legislation in jurisdictions in which they operate and with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

Against the backdrop of the increased focus on tax and transfer pricing by revenue authorities, legislators, regulators and various (national, regional and international) forums, there has also been an increased focus in the media and in the public domain on the tax and transfer pricing position of multinational enterprises. Over the past few years, various multinational enterprises, including MTN, have been the subject of news articles about tax issues, with varying degrees of accuracy and nuances. As noted, MTN closely follows all relevant international tax and transfer pricing developments and endeavours to be compliant with all relevant regulations.

MTN's approach to tax

Tax governance

The MTN Group board understands and takes accountability for all risks that potentially affect the achievement of its strategic priorities. Derived from a combined assurance methodology, MTN has implemented robust risk management frameworks consisting of proactively identifying and understanding the factors and events that may impact our strategic priorities, then managing them through effective mitigation plans, internal controls and monitoring and reporting processes.

The way MTN Group manages its tax affairs is directly relevant to its shareholders and other internal and external stakeholders. Taking into account an increasingly complex tax legislation environment, multiple regulatory requirements, and the focus of revenue authorities in protecting their tax revenues through the tightening of rules, increased enforcement and improvement of their approach to tax collection there is an increased focus on tax risk and controls that will mitigate tax risk to an acceptable level.

To this end, the MTN Group has developed a systematic approach to manage tax obligations and tax risk taking into account that tax obligations and the associated risks are managed and monitored by many different personnel, business functions, systems and processes within the Group.

Principles governing MTN's approach to tax

MTN Group has agreed the following tax guiding principles that support its approach to tax:

- It is paramount to the MTN Group that its tax affairs are managed in such a manner so as not to cause a detrimental effect on the reputation or brand of the MTN Group. Accordingly, the commitment of the MTN Group is to act responsibly and in an accurate, transparent and timely manner in respect of its tax affairs by fulfilling all compliance, disclosure and reporting obligations, in accordance with the prevailing tax laws in all jurisdictions in which it operates;
- The MTN Group seeks to create and manage shareholder value by undertaking legitimate and responsible tax planning within the tax laws and regulations of the countries in which MTN Group operates. In this regard the MTN Group acknowledges that its tax contribution in the jurisdictions in which it operates is significant and manages such obligations in a proactive and forward-looking manner and in accordance with the prevailing legislation;
- MTN is committed to transparent and constructive relationships with revenue authorities. These are based on open and honest communication. The need to foster strong relationships with revenue authorities is critical to ensure the management of tax risk;
- The Group commits to ensuring there is the necessary resource capacity and capability to manage its tax affairs in an efficient and effective manner, including investing in tax knowledge and training of tax resources to ensure they have the requisite skills and knowledge; and
- Tax is integrated into all business processes supported by adequate and robust controls, clear lines of communication, defined roles and responsibilities and financial systems that are adequately configured for specific tax requirements and controls.

Tax risk management

One of the fundamental pillars of MTN's approach to tax is a tax risk management framework aimed at ensuring that tax risks are properly identified, prioritised and managed in accordance with MTN Group's integrated risk management process. The Group board and Group audit committee provides oversight of the tax risk management framework taking into account the potential financial, legal, business and reputational risk of failing to detect and manage tax risks timeously.

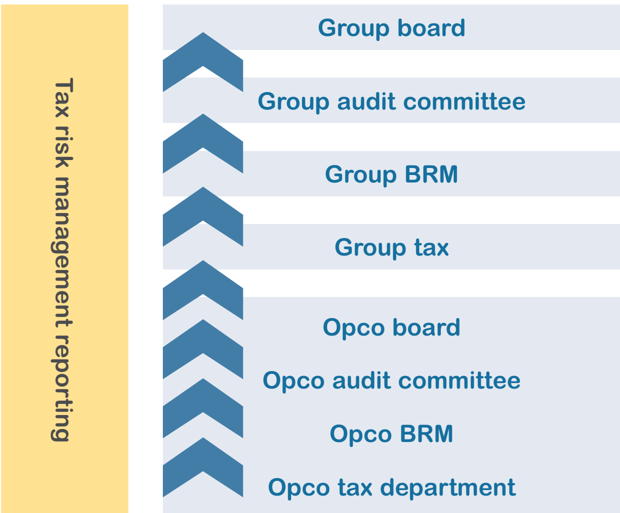
Regular and transparent tax reporting is embedded within the governance structures of the Group, including the Group audit committee, executive committee and the Group board.

Tax risk reporting is achieved through the tax risk management programme. Tax risk registers are compiled at an operations level on a quarterly basis and pass through in-country governance structures, including in-country audit committees and boards. The MTN Group tax function, together with the Group business risk management (BRM) function, aggregates the information provided by the operations and produces the Group audit committee tax report which is presented at the audit committee's quarterly meetings for deliberation. The Group audit committee will then report significant matters arising

MTN's approach to tax *continued*

from the Group tax report to the MTN Group board of directors.

This process ensures that all tax risks across the 22 countries within which MTN operates are identified, measured, controlled and monitored within the tax risk tolerance levels and managed at the highest governance levels within the Group.



For a detailed discussion on general business risk management refer to page 55 and pages 57 to 61 of the 2015 Group integrated report.

Uncertain tax positions

Tax legislation is often subject to interpretation, particularly in the absence of established case law, and as such, creates areas of uncertainty on which management is required to make judgements.

The tax risk management programme, through its governance, provides for robust processes and controls in evaluating the tax provisions and the classification thereof, and is an effective enabler in the reporting of these matters. The relevant tax provisions and/or contingencies are discussed and agreed with Group tax and the Group technical accounting team and are communicated to external audit, the Group audit committee and the Group board.

The Group does not recognise liabilities in the statement of financial position until future events indicate that it is probable that an outflow of resources will take place and a reliable estimate can be made, at which time a provision is raised. Contingent liabilities due to uncertain tax exposures in various tax jurisdictions where the Group operates amounted to R865 million in 2015 (R323 million in 2014).

For a detailed report on material issues that affect the Group please refer to pages 12 to 17 and for the top risks, see pages 24 to 27 of the 2015 Group integrated report.

Relationships with revenue authorities

In respect of dealings with revenue authorities, the MTN Group values a good working relationship and maintains these relationships based on the following key principles:

- Transparent, open and honest communications based on credibility and integrity, thereby building mutual trust;
- Full disclosure of all relevant information;
- A high level of responsiveness to revenue authorities queries, by dealing with such in a timely and efficient manner;
- Commitment to early resolution of tax disputes with revenue authorities;
- Do not use any influence to seek preferential or extra-statutory treatment in tax rulings or settlements; and
- Seek to boost the capacity of revenue authorities in poorer countries through positive and proactive disclosure and co-operative working practices and do not undermine revenue authorities' capacity or independence.

We believe in open communication and we meet with tax authorities on a regular basis to ensure that our business dealings are better understood by the authorities, to exchange perspectives on various matters, and in the course of tax audits and follow-up questions.

We support the initiatives of the ATAF and closely follow all relevant tax and transfer pricing developments and endeavour to be compliant with all relevant regulations including guidelines by conventions like the OECD.

MTN's approach to tax *continued*

Tax havens

The OECD set out four factors to be considered for identifying tax havens: 1) no or nominal tax is levied on relevant income; 2) lack of effective exchange of information; 3) lack of transparency; and 4) no substantial activities.

MTN has subsidiaries in jurisdictions that may be defined as tax havens. The reason for their existence in these jurisdictions is always based on sound business principles and not merely to obtain a tax benefit. For example, the most significant jurisdiction that some may argue is a tax haven is Dubai. The some 115 MTN employees in Dubai perform a range of services including procurement, IT and financial services, to name but a few. The location of Dubai relative to our Middle East and African operations, its proximity to major suppliers, the ease of travel and communication, good infrastructure, stable regulatory and political environment, and extensive business information technology network overwhelmingly support the commercial rationale for MTN's presence in Dubai. Our Mauritius registered company is tax resident in South Africa.

Advocacy or lobbying activity

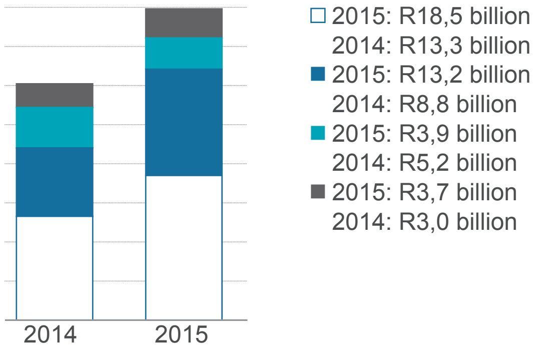
MTN seeks to engage openly and proactively with national and international organisations on matters of tax policy and potential changes to tax legislation in order to ensure regulations promote sustainable investment in the territories in which we operate. This includes information sharing and requesting input on whether subjects for consultation and lobbying are in place or have been monitored in other countries.

Total tax contribution

The total tax contribution represents payments made by the MTN Group (including joint ventures and associates) to all spheres of governments within the regions in which we operate. The amounts represent actual cash payments made in the respective financial year rather than the tax charge.

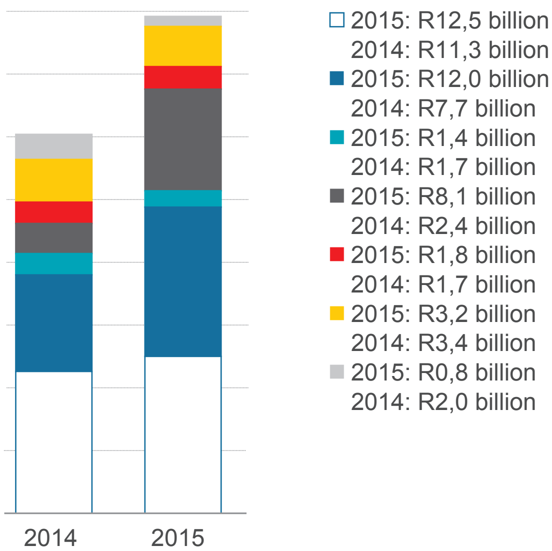
Value: R39,8 billion (2014: R30,2 billion) – 31,7% increase

Total tax contribution by opco tiers and joint ventures



	2015 %	2014 %
Tier 1[1]	**43,9**	46,5
Tier 2[2]	**29,0**	34,2
Tier 3[3]	**17,1**	10,0
Joint ventures[4]	**10,0**	9,3

Total tax contribution by category



	2015 %	2014 %
Corporate tax	**31,4**	37,4
Indirect taxes	**30,0**	25,5
Payroll taxes	**3,4**	5,6
Operating licence fees[5]	**20,4**	8,1
Withholding taxes	**8,1**	11,1
Other[6]	**4,6**	5,8
Dividend tax	**2,0**	6,6

[1] Tier 1 jurisdictions: Nigeria and South Africa.
[2] Tier 2 jurisdictions: Cameroon, Ivory Coast, Ghana, Sudan, Syria and Uganda.
[3] Tier 3 jurisdictions: Afghanistan, Benin, Congo-Brazzaville, Cyprus, Guinea-Bissau, Guinea-Conakry, Liberia, Rwanda, South Sudan, Yemen and Zambia.
[4] Joint ventures jurisdictions: Iran, Botswana and Swaziland.
[5] Operating licence and regulatory fees.
[6] Property rates, stamp duties, transfer duties and other various payments to government authorities.

Total tax contribution *continued*

Total tax contribution by country and opco tiers and joint ventures

This table reflects the total of all tax amounts (in millions) in respect of the 2015 financial year classified in Company tiers and joint ventures.

	2015 Rm	Proportionate %	2014 Rm	Proportionate %
Nigeria	12 463	31,3	6 949	23,0
South Africa[1]	6 032	15,2	6 322	20,9
Total tier 1	18 495		13 271	
Cameroon	3 963	10,0	2 291	7,6
Ivory Coast	3 728	9,4	1 814	6,0
Ghana	2 408	6,0	2 441	8,1
Sudan	356	0,9	266	0,9
Syria	1 534	3,9	0	0,0
Uganda	1 609	4,0	1 943	6,4
Total tier 2	13 598		8 755	
Afghanistan	488	1,2	344	1,1
Benin	434	1,1	323	1,1
Congo-Brazzaville	1	0,0	1	0,0
Cyprus	189	0,5	175	0,6
Guinea-Bissau	95	0,2	12	0,0
Guinea-Conakry	279	0,7	336	1,1
Liberia	338	0,8	395	1,3
Rwanda	593	1,5	594	2,0
South Sudan	134	0.3	274	0,9
Yemen	675	1,7	1 536	5,1
Zambia	769	1,9	1 187	3,9
Total tier 3	3 995		5 177	
Iran	3 105	7,8	2 465	8,2
Botswana	336	0,8	345	1,1
Swaziland	279	0,7	214	0,7
Total joint ventures	3 719		3 025	
Total tax contribution	39 807	100	30 228	100

[1] The South Africa line includes MTN South Africa and all South Africa head office/holding companies.

Group effective tax rate

	2015 %	2014 %	Comment
MTN Group	**32,45**	26,17	Increased rate due to lower profit before tax and provision for the regulatory fine[1]

[1] A provision of R9,3 billion was raised with respect to the fine by the Nigerian Communications Commission to MTN Nigeria.