Interim results for the six months ended 30 September 2001

(Incorporated in the Republic of South Africa)
(Registration number 1994/009584/06) ("M-Cell")
a johnnic group company

Commentary

OVERVIEW

The M-Cell group ("the Group") again experienced good growth, driven by a strong performance from 100% owned subsidiary, Mobile Telephone Networks Holdings (Proprietary) Limited ("MTN"), which saw its total revenue-generating subscriber base reach the 4 million mark. Group revenues grew 34,5% to R5 170,2 million, while earnings before interest, tax, depreciation and amortisation ("EBITDA") grew by a robust 31,3% to R1 605,1 million over the same period last year.

MTN South Africa's subscriber base grew by 32,6% to 3,54 million, from 2,67 million at 30 September 2000. The rate of pre-paid subscriber growth in the six months to September 2001 was lower than the equivalent period last year, reflecting a degree of maturity entering the South African pre-paid market and the company's increasing focus on quality rather than quantity of subscribers. In the high value contract segment, however, MTN South Africa achieved a significant increase in the number of contracts signed over the equivalent period last year.

In line with the company's strategy of diversifying its telecommunications business into selected African countries, MTN Nigeria Communications Limited ("MTN Nigeria") launched in August 2001. The company is already exhibiting strong growth and is approaching the 100 000 subscriber mark. MTN now operates in a total of five African countries outside of South Africa and is regarded as one of the leading Africa-wide cellular operators. MTN's international operations contributed R449,0 million in revenue in the period under review, being 8,7% of total revenues, and are expected to experience even faster growth in the second half of the year now that MTN Nigeria is fully operational.

Basic headline earnings for the Group grew by 22,4% to R529,5 million. The decline in attributable earnings, from R312,5 million to R237,7 million, arises mainly from the amortisation of goodwill for the full six months in the current period (R291,8 million), as compared to only two and a half months (R120,0 million) in the corresponding period last year. This goodwill arose from the acquisition by M-Cell of a 23% interest of MTN in July 2000 from Transnet Limited ("Transnet").

Basic headline earnings per share for the South African operations increased by 22,6% to 41,7c, from 34c for the previous period. Overall basic headline earnings per share grew by 5,5% to 32,6c, notwithstanding the significant growth in finance charges and expenses resulting from the start-up operations in Nigeria and Cameroon.

REVIEW OF OPERATIONS

MTN South Africa division

Greater emphasis has been placed on attracting and retaining quality subscribers and reducing subscriber acquisition costs. Consequently, subsidies on pre-paid handsets have been eliminated. Despite this, pre-paid subscribers grew by 35%, from 2,0 million in September 2000 to 2,71 million and now constitute 76% of the total subscriber base. In keeping with this strategy, the rate of growth of pre-paid subscribers is expected to decrease somewhat from the exceptional growth experienced in the previous two years as the emphasis moves to balance volume with value.

As a result of greater focus on the important high-value contract segment, contract subscriber numbers increased by 21% to 830 000, from 684 000 in September 2000.

Total revenue increased by 28% to R4 670 million. Non-voice revenue increased to R151 million, primarily driven by increased use of short message services ("SMS") and other data services. Average revenue per user ("ARPU") per month decreased by 4% to R219 since March 2001, which is in line with expectations resulting from the deeper penetration of the South African market.

MTN South Africa announced the launch of DataFast, a high-speed wireless data access product. To date, MTN is still the only provider of high speed circuit switched data services, allowing its customers to access data at a speed similar to current ISDN lines. MTN South Africa will continue to focus on growing data revenues and aims to capitalise on its strong leadership position in this sector. In line with the data strategy, MTN South Africa plans to launch GPRS services early in 2002, which will provide high-speed data transmission, coupled with "always on" Internet capability.

MTNICE, MTN's mobile portal, has continued to grow its user base and currently has 650 000 registered users. MTNICE is now South Africa's leading mobile portal and provides the foundation for exciting new products and services in the future.

In October, an interconnect agreement was signed with Telkom SA, Vodacom and Cell-C, which removes certain uncertainties inherent in the old agreement. Telkom was able to increase the amount of money retained for fixed-to-mobile calls, while the overall effect is expected to be neutral to MTN.

MTN International division

MTN International launched its 80% owned Nigeria operation in Lagos in August. This was followed by further launches of both pre-paid and contract services in Abuja, Port Harcourt and Kaduna. By 30 September 32 000 subscribers had been signed up, although the base has subsequently grown to nearly 100 000, which is well ahead of target. It is expected that the total number of mobile lines in Nigeria will exceed the total number of fixed lines in less than one year.

Since the relaunch of the network in November 2000 and the introduction of pre-paid services, Mobile Telephone Networks Cameroon Limited ("MTN Cameroon") saw its subscriber base increase to 137 000, from 7 000 at the same time last year. With an estimated market share of 43%, MTN Cameroon is strongly positioned against Mobilis, the second mobile operator in Cameroon.

Mobile Telephone Networks Uganda Limited ("MTN Uganda") increased its subscriber base by 62% to 190 000 over the past year. Its superior network coverage, distribution capabilities, brand affinity and customer services have been key factors in maintaining its leading position in the Ugandan market, despite increased competition through the introduction of a third mobile competitor in January 2001. In July 2001 the government of Uganda had introduced a 7% tax levy on airtime and subscription fee revenue which will put pressure on the existing EBIDTA margin of 44%. Subsequent to the reporting period, the Group's interest in MTN Uganda was increased from 50% to 52%.

Rwandacell S.A.R.L. ("MTN Rwanda") increased its subscriber base by 152% to 53 000, while MTN Swaziland recorded 40 000 active subscribers as at 30 September 2001, a 90% increase from last year.

Overall, MTN's international operations recorded an operating loss of R42,3 million, which is well below expectation given the significant costs associated with the new operations.

Strategic investments division

The purpose of this division is to create a platform for the integration of telecommunication services with the wider market for data applications and content services, extending the Group's presence further up the value chain.

In November, Orbicom (Proprietary) Limited ("Orbicom") successfully launched an innovative wireless-based network for electronic payments and inter-bank settlements in Ghana. This first move into banking infrastructure provision will be extended into other African countries in the coming year.

Revenue for the period ended 30 September increased by 7,5% to R48,9 million as compared to the same period last year, with the bulk coming from its Multichoice satellite services contract. This contract was renewed for a further five years in October 2001. A total loss of R0,6 million was recorded for the period compared to a loss of R4,1 million for the same period last year, as a result of start-up expenditure associated with the electronic payments project.

Airborn, which markets MTN technology and services internationally, continues to look for opportunities to sell its innovative Remote Interactive Voice Response ("RIVR") technology beyond Italy, where it has built a successful reference site at Wind through its Aliasnet associate. New products are being developed based on the TWIST platform, which delivers two-way instant messaging between the wireless and the internet space. As at 30 September, Airborn had over 7,1 million registered users on its mtnsms.com site and continues to be the world's largest SMS community. However, several international operators are attempting to extract interconnect charges for SMS's which may threaten this service.

In June, MTN acquired a 60% interest in Citec (Proprietary) Limited ("Citec"), one of four tier-one Internet Service Providers ("ISP"). The remaining 40% is held by sister company, Johnnic e-Ventures Limited. Citec has since established a national backbone infrastructure serving all MTN and Johnnic group companies, as well as providing ISP services to over 120 corporate customers. This provides a strong basis for continued expansion into the managed data networking sector and is in line with MTN's strategy of diversifying into a broader telecommunications provider.

PROSPECTS

The South African cellular market has continued to show strong growth even though penetration has exceeded 18%. MTN's network now reaches a potential 92% of South Africa's population providing the foundation for continued growth prospects. However, ARPU is declining at the lower end. Attention will be focussed on managing incremental capital expenditure and operating costs in accordance with this trend in order to maintain margins.

To counter the decline in ARPU, MTN will focus more on quality rather than quantity of subscribers. In the important contract segment, MTN has performed strongly against its competitor in the period under review.

Attention will also be focused on growing data revenues and other non-human subscribers, which will in time have a positive impact on ARPU's.

The South African Telecommunications Amendment Bill has been passed by Parliament, providing more certainty for the telecommunications industry. An invitation to apply for participation in the Second Network Operator ("SNO") licence is expected to be published shortly, with the licence being issued by May 2002. M-Cell continues to explore the possibilities of participating in the SNO opportunity.

MTN's international operations are well placed to provide an increasingly important contribution to group earnings. Three of MTN International's operations are already profitable, while Nigeria and Cameroon are expected to be EBITDA positive during the next financial year.

DIVIDEND

The company's current dividend policy allows the businesses to retain and reinvest the bulk of the cash they generate to fund future growth. In the past, a conservative target dividend cover ratio between five to six times dividend was followed.

As a result of the increased funding requirement for the company's expansion into Africa, the directors believe that it is in the best interest of shareholders to utilise retained earnings to reduce current borrowings. As a result, the board of directors has decided to suspend payment of interim and final dividends for the time being, which will be reviewed on an ongoing basis to optimise shareholders' value in the most effective manner.

SHAREHOLDER MATTERS

Shareholders are reminded that the JSE Securities Exchange South Africa ("JSE") has introduced an electronic settlement and custody platform for share transactions, known as Share Transactions Totally Electronic ("STRATE"), for all listed companies. The first day for electronic settlement of M-Cell share trades will be Monday, 26 November 2001. As of that date, there will be a legal requirement for M-Cell shareholders to deposit their shares with a Central Securities Depositary Participant or a qualifying broker prior to selling them in order for trades to settle in STRATE. Thus, any trades that take place on or after 26 November 2001 will undergo simultaneous, final, irrevocable settlement in an electronic environment.

Paper share certificates will retain their value after the move to STRATE, but they will no longer be acceptable for the purpose of settlement on the JSE.

For and on behalf of the Board

Phuthuma Nhleko
(Non-executive Chairman)

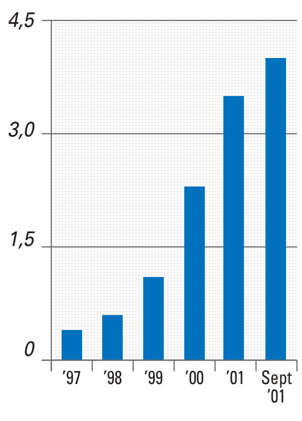
Paul Edwards
(Chief Executive Officer)

Rob Nisbet
(Financial Director)

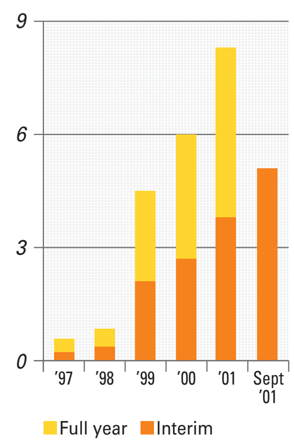
21 November 2001

These results can be viewed on the website at http://www.m-cell.co.za
E-mail: investor_relations@m-cell.co.za

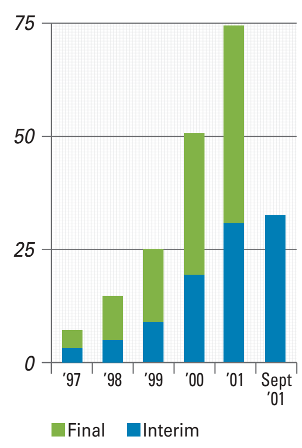
MTN subscribers (millions)



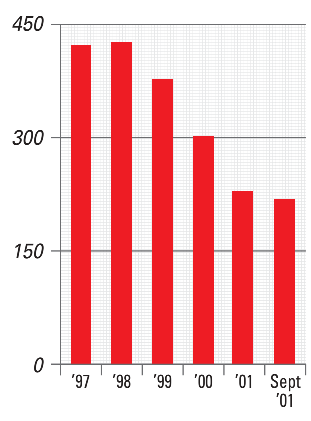
Revenue (R billion)



Headline EPS (Cents per share)



Average revenue per user (Rands)



Consolidated income statement

	6 months ended 30 Sept 2001 Reviewed Rm	6 months ended 30 Sept 2000 Reviewed Rm	% change	12 months ended 31 Mar 2001 Audited Rm
Revenue	**5 170,2**	3 844,6	34,5	8 337,3
Cost of sales	**(2 066,3)**	(1 582,2)		(3 352,6)
Gross profit	**3 103,9**	2 262,4	37,2	4 984,7
Operating expenses	**(1 498,8)**	(1 039,9)		(2 193,2)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**1 605,1**	1 222,5	31,3	2 791,5
Depreciation	**(455,3)**	(319,2)		(688,5)
Amortisation	**(133,2)**	(78,6)		(148,3)
Profit from operations before goodwill amortisation	**1 016,6**	824,7	23,3	1 954,7
Goodwill amortisation	**(291,8)**	(120,0)		(411,2)
Profit from operations	**724,8**	704,7	2,9	1 543,5
Finance costs	**(222,0)**	(130,7)		(264,6)
Finance income	**65,1**	50,0		81,6
Share of losses from associates	**(2,1)**	(2,1)		(0,6)
Profit before taxation	**565,8**	621,9	(9,0)	1 359,9
Taxation	**(334,1)**	(248,0)		(585,3)
Profit after taxation	**231,7**	373,9	(38,0)	774,6
Minority interests	**6,0**	(61,4)		(61,1)
Attributable earnings	**237,7**	312,5	(23,9)	713,5
Contribution to attributable earnings before goodwill amortisation:				
South Africa	**684,3**	477,0	43,5	1 199,2
MTN	**682,0**	473,9	43,9	1 194,3
Orbicom	**2,3**	3,1		4,9
Rest of Africa	**(148,5)**	(43,2)		(74,7)
MTN	**(145,6)**	(36,0)		(68,8)
Orbicom	**(2,9)**	(7,2)		(5,9)
Corporate head office and interest	**(6,3)**	(1,3)		0,2
Basic headline earnings	**529,5**	432,5	22,4	1 124,7
Goodwill amortisation	**(291,8)**	(120,0)		(411,2)
Attributable earnings	**237,7**	312,5	(23,9)	713,5
Basic earnings per ordinary share (cents)				
Headline	**32,6**	30,9	5,5	74,5
– South Africa	**41,7**	34,0	22,6	79,5
– Rest of Africa	**(9,1)**	(3,1)		(5,0)
Attributable	**14,6**	22,3	(34,5)	47,3
Dividend per ordinary share (cents)				
– Interim	**–**	3,0		3,0
– Final	**n/a**	n/a		7,0
	–	3,0		10,0
Dividend cover on basic headline earnings (times)	**n/a**	8,9		6,9
Number of ordinary shares in issue:				
– Weighted average ('000)	**1 626 067**	1 399 253		1 508 874
– At period end ('000)	**1 638 007**	1 617 345		1 620 244

Summarised group statement of changes in equity

	30 Sept 2001 Reviewed Rm	30 Sept 2000 Reviewed Rm	31 Mar 2001 Audited Rm
Balance at 1 April	**14 766,9**	1 923,4	1 923,4
Net profit attributable to ordinary shareholders	**237,7**	312,5	713,5
Dividends	**(0,5)**	(48,5)	(162,1)
Share capital issued at a premium less share issue expenses	**314,8**	12 095,0	12 175,5
Share election reserve	**(113,5)**	–	113,5
Variation of interests	**–**	–	(15,8)
Exchange differences arising on translation of foreign operations	**85,6**	(30,4)	18,9
Ordinary shareholders' interest	**15 291,0**	14 252,0	14 766,9

Summarised consolidated balance sheet

	30 Sept 2001 Reviewed Rm	30 Sept 2000 Reviewed Rm	31 Mar 2001 Audited Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**6 296,9**	4 197,5	5 491,3
Goodwill	**11 061,7**	11 404,0	11 198,2
Intangible assets	**3 160,6**	498,0	2 868,3
Investments and loans	**326,6**	238,2	247,0
Deferred taxation	**49,0**	17,7	37,3
	20 894,8	16 355,4	19 842,1
Current assets	**2 883,1**	2 186,5	2 440,8
Bank balances, deposits and cash	**631,8**	551,2	804,9
Other current assets	**2 251,3**	1 635,3	1 635,9
Total assets	**23 777,9**	18 541,9	22 282,9
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' interest	**15 341,0**	14 252,0	14 766,9
Minority interest	**595,5**	–	143,8
Non-current liabilities	**4 688,4**	2 718,9	4 595,1
Long-term liabilities	**3 886,2**	1 994,2	3 889,2
Deferred taxation	**802,2**	724,7	705,9
Current liabilities	**3 153,0**	1 571,0	2 777,1
Non-interest-bearing liabilities	**2 345,1**	1 397,0	2 302,0
Interest-bearing liabilities	**807,9**	174,0	475,1
Total equity and liabilities	**23 777,9**	18 541,9	22 282,9
Net asset value per ordinary share			
– Book value	**9,37**	8,81	9,11

Summarised consolidated cash flow statement

	6 months ended 30 Sept 2001 Reviewed Rm	6 months ended 30 Sept 2000 Reviewed Rm	12 months ended 31 Mar 2001 Audited Rm
Cash inflows from operating activities	**631,4**	866,4	2 914,8
Cash outflows from investing activities	**(1 327,2)**	(712,0)	(4 663,7)
Cash inflows from financing activities	**394,9**	73,6	2 187,8
Net (decrease)/increase in cash and cash equivalents	**(300,9)**	228,0	438,9
Cash and cash equivalents at beginning of period	**803,7**	380,4	380,4
Foreign entities translation adjustment	**(28,5)**	(30,6)	(15,6)
Cash and cash equivalents at end of period	**474,3**	577,8	803,7

Segmental analysis

	6 months ended 30 Sept 2001 Reviewed Rm	6 months ended 30 Sept 2000 Reviewed Rm	12 months ended 31 Mar 2001 Audited Rm
GEOGRAPHIC			
Revenue			
South Africa	**4 721,2**	3 695,4	7 960,2
Rest of Africa	**449,0**	149,2	377,1
	5 170,2	3 844,6	8 337,3
EBITDA			
South Africa	**1 562,0**	1 200,9	2 686,6
Rest of Africa	**50,0**	25,8	107,8
Corporate head office	**(6,9)**	(4,2)	(2,9)
	1 605,1	1 222,5	2 791,5
BUSINESS GROUPING			
Revenue			
Wireless telecommunications (MTN)	**5 121,3**	3 799,1	8 247,1
Satellite telecommunications (Orbicom)	**48,9**	45,5	90,2
	5 170,2	3 844,6	8 337,3
EBITDA			
Wireless telecommunications (MTN)	**1 607,2**	1 223,6	2 784,2
Satellite telecommunications (Orbicom)	**4,8**	3,1	10,2
Corporate head office	**(6,9)**	(4,2)	(2,9)
	1 605,1	1 222,5	2 791,5

Notes

1. **Basis of accounting**

   These consolidated condensed interim financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice ("GAAP") and Schedule 4 of the South African Companies Act. The accounting policies are consistent with those used in the annual financial statements for the year ended 31 March 2001, except for the capitalisation to intangible assets of exchange differences arising on the conversion of loans denominated in foreign currencies for which there is no practical means of hedging. This change is consistent with the allowed alternative treatment in terms of AC112, paragraph 22.

2. **Comparatives**

   Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3. **Earnings per ordinary share**

   The calculation of basic headline earnings per ordinary share is based on attributable earnings before goodwill amortisation of R529,5 million (2000: R432,5 million) and a weighted average of 1 626 067 069 (2000: 1 399 252 904) ordinary shares in issue.

   No fully diluted earnings per ordinary share, in respect of debentures convertible into ordinary shares, have been disclosed as the potential dilution is not material.

4. **Independent review by the auditors**

   This interim report has been the subject of a review by our auditors PricewaterhouseCoopers Inc., who have performed this review in accordance with the guideline "Guidance for Auditors on Review of Interim Financial Information" issued by the South African Institute of Chartered Accountants.

   The objective of the review was to enable PricewaterhouseCoopers Inc. to report that nothing came to their attention that caused them to believe that the interim financial information needs modification, so as to fairly present in accordance with South African Statements of Generally Accepted Accounting Practice, the financial position of the group at 30 September 2001 and the results of its operations and cash flow information for the period then ended. It should be recognised that their review did not constitute an audit where a high level of assurance is expressed on the fair presentation of the interim financial information. Accordingly, PricewaterhouseCoopers Inc. expressed only a moderate level of assurance on the fair presentation of the interim financial information.

   A copy of their unqualified review report is available for inspection at the registered office of the company.

		30 Sept 2001 Reviewed Rm	30 Sept 2000 Reviewed Rm	31 Mar 2001 Audited Rm
5.	**Interest-bearing liabilities**			
	Call borrowings	**157,5**	4,1	5,0
	Short-term borrowings	**650,4**	169,9	470,1
	Current liabilities	**807,9**	174,0	475,1
	Long-term liabilities	**3 886,2**	1 994,2	3 889,2
		4 694,1	2 168,2	4 364,3
6.	**Capital expenditure incurred**	**1 239,1**	614,0	2 219,0
7.	**Contingent liabilities and commitments**			
	Guarantees (ZAR)	**61,1**	–	98,9
	Guarantees (USD)	**–**	108,0	–
	Operating leases	**1 262,1**	884,9	907,1
	Commitments for capital expenditure			
	– Contracted for	**481,6**	468,4	259,7
	– Approved but not contracted for	**2 263,6**	1 034,4	1 941,2
8.	**Cash and cash equivalents**			
	Bank balances, deposits and cash	**631,8**	551,2	804,9
	Loans to affiliated companies receivable on demand	**–**	30,7	3,8
	Call borrowings	**(157,5)**	(4,1)	(5,0)
		474,3	577,8	803,7

P F Nhleko (Chairman) • P Edwards* (CEO) • D D B Band • I Charnley • Z N A Cindi • R S Dabengwa • P L Heinamann • C R Jardine • R D Nisbet • M C Ramaphosa • P L Zim • L C Webb (alternate) • J R D Modise (alternate) *British
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