



Preliminary results for the year ended 31 March 2002

Consolidated income statement

	31 March 2002 Rm	31 March 2001 Rm	% change
for the years ended			
Revenue	12 432.0	8 337.3	49.1
Cost of sales	(5 081.1)	(3 352.6)	
Gross profit	7 350.9	4 984.7	47.5
Operating expenses	(3 586.1)	(2 193.2)	
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	3 764.8	2 791.5	34.9
Depreciation	(1 081.6)	(688.5)	
Amortisation	(341.2)	(148.3)	
Profit from operations before goodwill amortisation	2 342.0	1 954.7	19.8
Goodwill amortisation	(592.0)	(411.2)	
Profit from operations	1 750.0	1 543.5	13.4
Finance costs	(447.4)	(264.6)	
Finance income	130.5	81.6	
Share of losses of associates	(4.8)	(0.6)	
Profit before taxation	1 428.3	1 359.9	5.0
Taxation	(900.2)	(585.3)	
Profit after taxation	528.1	774.6	(31.8)
Minority interests	44.5	(61.1)	
Attributable earnings	572.6	713.5	(19.7)

Contribution to attributable earnings			
Wireless telecommunications (MTN)			
– South Africa	1 435.0	1 194.3	20.2
– Rest of Africa	(258.3)	(68.8)	
Satellite telecommunications (Orbicom)	1 176.7	1 125.5	4.5
Corporate head office	(12.1)	(1.0)	
Basic headline earnings	1 164.6	1 124.7	3.5
Goodwill amortisation	(592.0)	(411.2)	
Attributable earnings	572.6	713.5	(19.7)

Basic headline earnings per ordinary share (cents)			
Wireless telecommunications (MTN)	72.0	74.6	(3.5)
– South Africa	87.8	79.2	10.9
– Rest of Africa	(15.8)	(4.6)	
Satellite telecommunications (Orbicom)	(0.7)	(0.1)	
Basic headline earnings per share	71.3	74.5	(4.3)
Effect of goodwill amortisation	(36.2)	(27.2)	
Attributable earnings per share	35.1	47.3	(25.8)
Dividends per ordinary share (cents)			
– Interim	–	3.0	
– Final	–	7.0	
	–	10.0	
Dividend cover on basic headline earnings (times)	–	6.9	
Number of ordinary shares in issue:			
– Weighted average ('000)	1 632 853	1 508 874	
– At year-end ('000)	1 640 437	1 620 244	

Summarised consolidated balance sheet

	31 March 2002 Rm	31 March 2001 Rm
as at		
ASSETS		
Non-current assets		
Property, plant and equipment	8 321.6	5 491.3
Goodwill	10 802.6	11 191.4
Intangible assets	3 732.4	2 870.3
Investments and loans	347.5	254.7
Deferred taxation	42.1	37.3
Non-current prepaid tax	43.8	–
	23 290.0	19 845.0
Current assets	4 170.1	2 394.8
Bank balances, deposits and cash	1 214.2	808.7
Other current assets	2 955.9	1 586.1
Total assets	27 460.1	22 239.8
Capital and reserves		
Ordinary shareholders' interest	15 949.1	14 766.9
Minority interest	820.6	143.8
	16 769.7	14 910.7
Non-current liabilities		
Long-term liabilities	5 297.8	3 889.2
Deferred taxation	918.2	705.9
Current liabilities	4 474.4	2 734.0
Non-interest-bearing liabilities	3 996.7	2 258.9
Interest-bearing liabilities	477.7	475.1
Total equity and liabilities	27 460.1	22 239.8
Net asset value per ordinary share		
– Book value	9.72	9.11
Debt/equity	0.27	0.24
Debt/equity (excluding goodwill)	0.76	0.96

Summarised group statement of changes in equity

	31 March 2002 Rm	31 March 2001 Rm
for the years ended		
Balance at 1 April	14 766.9	1 923.4
Net profit attributable to ordinary shareholders	572.6	713.5
Dividends	(0.4)	(162.1)
Share capital issued at a premium less share issue expenses	348.9	12 175.5
Share election reserve	(113.5)	113.5
Variation of interests	–	(15.8)
Exchange differences arising on translation of foreign entities	374.6	18.9
Ordinary shareholders' interest	15 949.1	14 766.9

Segment analysis

	31 March 2002 Rm	31 March 2001 Rm
for the years ended		
REVENUE		
Wireless telecommunications (MTN)	9 981.7	7 870.0
– South Africa	2 349.3	377.1
– Rest of Africa	12 331.0	8 247.1
Satellite telecommunications (Orbicom)	101.0	90.2
	12 432.0	8 337.3
EBITDA		
Wireless telecommunications (MTN)	3 329.2	2 670.7
– South Africa	439.4	113.5
– Rest of Africa	3 768.6	2 784.2
Satellite telecommunications (Orbicom)	(3.8)	10.2
Corporate head office (M-Cell)	3 764.8	2 791.5
PAT		
Wireless telecommunications (MTN)	1 432.7	1 255.0
– South Africa	(303.4)	(68.8)
– Rest of Africa	1 129.3	1 186.2
Satellite communications (Orbicom)	(12.1)	(2.6)
Corporate head office (goodwill)	(589.0)	(409.0)
	528.2	774.6

Summarised consolidated cash flow statement

	31 March 2002 Rm	31 March 2001 Rm
for the years ended		
Cash inflows from operating activities	2 893.9	2 772.8
Cash outflows from investing activities	(3 640.5)	(4 663.7)
Cash inflows from financing activities	702.4	2 329.8
Net (decrease)/increase in cash and cash equivalents	(44.2)	438.9
Cash and cash equivalents at beginning of year	803.7	380.4
Foreign entities translation adjustment	116.8	(15.6)
Cash and cash equivalents at end of year	876.3	803.7

Notes

1. Basis of accounting

These consolidated condensed annual 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.

As disclosed in the interim results announcement for the six months ended 30 September 2001, the group decided to apply the allowed alternative treatment as permitted by paragraph 22 of Statement of GAAP AC 112 – The Effect of Changes in Foreign Exchange Rates, relating to those exchange differences that result from a severe devaluation of a currency and against which there is no practical means of hedging. The application of this allowed alternative treatment resulted in certain exchange differences, amounting to R50.0 million, arising out of the

translation of foreign currency loans obtained to acquire certain licences, being included in the carrying amount of the relevant asset. At the time of preparing the interim results announcement, it was considered that this approach was the most appropriate. However, subsequent to the publication of the interim results for the six months ended 30 September 2001, it has been determined that paragraph 22 was intended to cater for situations where a country experiences a significant economic crisis resulting in measures such as a debt stand-still.

In view of the fact that the afore-mentioned situation does not apply to the circumstances under consideration within the M-Cell Group, it has been decided not to adopt this alternative treatment in the annual financial statements for the year ended 31 March 2002. In line with the decision of the directors to continue, as in prior years, to classify Mobile Telephone Networks International Limited as a foreign entity, as opposed to a foreign operation, the R50 million previously included in the carrying value of intangible assets has been taken directly to non-distributable reserves (ie foreign currency translation reserve).

2. Comparatives

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

3. Earnings per ordinary share

The calculation of basic headline earnings per ordinary share is based on attributable earnings before goodwill amortisation of R1 164.6 million (2001: R1 124.7 million) and a weighted average of 1 632 852 938 (2001: 1 508 874 016) ordinary shares in issue.

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

4. Preliminary results

These year-end results have been reviewed by our auditors PricewaterhouseCoopers Inc., who have performed their review in accordance with South African Statements of Generally Accepted Auditing Standards issued by the South African Institute of Chartered Accountants. The auditors' review report will be available for inspection at the company's registered office with effect from 13 June 2002.

5. Listing requirements

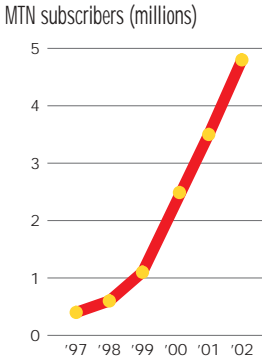
This preliminary announcement has been prepared in compliance with the Listings Requirements of the JSE Securities Exchange South Africa.

6. Corporate governance

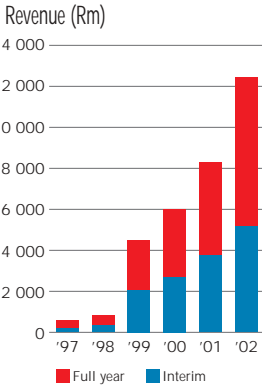
The company subscribes to the principles of good corporate governance, details of which will be included in the annual financial statements.

	31 March 2002 Rm	31 March 2001 Rm
for the years ended		
7. Interest-bearing liabilities		
Call borrowings	337.9	5.0
Short-term borrowings	139.8	470.1
Current liabilities	477.7	475.1
Long-term liabilities	5 297.8	3 889.2
	5 775.5	4 364.3
	3 355.7	2 219.0
8. Capital expenditure incurred		
9. Contingent liabilities and commitments		
Local currency guarantees (ZAR equivalent)	181.6	98.9
Operating leases	724.7	907.1
Commitments for capital expenditure		
– Contracted for	876.0	259.7
– Approved but not contracted for	5 790.7	1 941.2
10. Cash and cash equivalents		
Bank balances, deposits and cash	1 214.2	804.9
Loans to affiliated companies	–	3.8
receivable on demand	(337.9)	(5.0)
Call borrowings	876.3	803.7

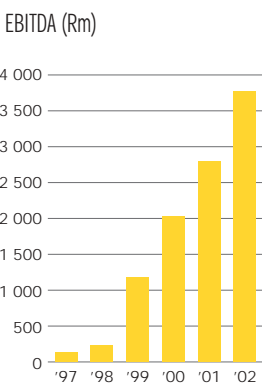
36 %
Year-on-year
increase



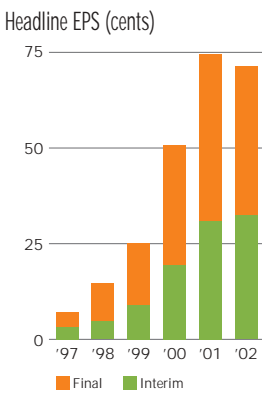
49 %
Year-on-year
increase



35 %
Year-on-year
increase



4 %
Year-on-year
decrease



Commentary

OVERVIEW

M-Cell Limited's ("M-Cell") revenue increased to R12 432.0 million, representing a significant 49.1% increase over last year. The successful launch of MTN Nigeria Communications Limited ("MTN Nigeria") during the year was a major contributor to this increase. The total number of capable subscribers rose by 36% to 4 774 000. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 34.9% to R3 764.8 million. The Group EBITDA margin declined from 33.5% to 30.3% due mainly to the start-up of MTN Nigeria. Basic headline earnings per share ("Headline EPS") declined by 4.3% to 71.3 cents, which was in line with the Group's expectations due to the anticipated losses in Nigeria in its first year of operation.

Key highlights and corporate transactions during the financial year under review were:

- June 2001 – Acquisition of 60% of Citec (Proprietary) Limited ("Citec"), a tier one internet service provider ("ISP") for a purchase price of R12.3 million. Citec has recently been renamed MTN Network Solutions (Proprietary) Limited ("MTN Network Solutions")
- August 2001 – Launch of a cellular network in Nigeria through MTN Nigeria, in which M-Cell currently holds a 77.5% interest
- October 2001 – Increase of M-Cell's interest in MTN Uganda Limited ("MTN Uganda") by 2% to 52% for a purchase price of US\$2.6 million
- Acquisition of 36% of Leaf Wireless (Proprietary) Limited for a purchase price of R15 million, a technology and content partner which has supplied content to MTNICE since its inception and has developed several applications for the portal

REVIEW OF RESULTS

Revenue increased by 49.1% from R8 337.3 million to R12 432.0 million. Revenue from the South African operations of Mobile Telephone Networks Holdings (Proprietary) Limited ("MTN Holdings") grew by 26.8% and contributed 80% of total Group revenues. MTN Nigeria, which only launched operations in August 2001, exceeded expectations and contributed revenue of R1 316.5 million.

Total EBITDA increased by 34.9% to R3 764.8 million. The EBITDA margin of the Group declined from 33.5% to 30.3%. This is as a result of a slight EBITDA margin decline from 33.9% to 33.4% in the South African operations due to competitive pressures, and a lower EBITDA margin of 18.7% recorded by MTN's African operations compared to last year's 30.1% as a result of the impact of the Nigeria start-up.

Net finance costs for the Group increased by 73% to R316.9 million, primarily due to the interest incurred for the full year on the debt raised for the investment into Nigeria. The net offshore borrowings of MTN International of US\$214.1 million are unhedged since current South African Reserve Bank ("SARB") exchange control regulations prevent this. During the year, M-Cell was allowed by SARB to contribute the maximum investment allowance of R750 million plus an additional 10% of the residual investment value for its investment into Nigeria. A further US\$20 million was externalised in terms of a SARB approved offshore placement of shares (asset swap) during January 2002. The Group continues to explore avenues to reduce its unhedged dollar exposure.

Headline EPS were negatively impacted by the start-up losses and increased interest expense relating to the Nigerian investment, and declined by 4.3% to 71.3 cents compared to last year's 74.5 cents. The South African operation contributed 87.8 cents to headline EPS, an increase of 10.9% on last year, which was offset by the negative impact of 15.8 cents from the African operations.

Reviewing the Group balance sheet, total assets increased by 23.5% to R27 460.1 million. Net borrowings increased by R1 billion primarily due to the devaluation of the Rand. The gearing ratio, being net interest-bearing debt as a percentage of total equity (after reversing out the goodwill asset of R10 802.6 million) is at 76%, which is acceptable considering the current expansion into Africa.

REVIEW OF OPERATIONS

MTN SOUTH AFRICA

Mobile Telephone Networks (Proprietary) Limited ("MTN") and M-Tel (Proprietary) Limited ("M-Tel") (together "MTN South Africa") recorded satisfactory results for the financial year despite the slightly negative economic conditions and the entrance of the third mobile operator in November last year. The sharp depreciation of the Rand has also negatively impacted on operating costs.

During the financial year, MTN South Africa's strategy has been to focus on subscriber value rather than volume. This strategy involves stimulating usage by the existing subscriber base, the retention of high-value customers through innovative additional service offerings and rendering excellent service. In addition, MTN South Africa targeted the underserved small and medium enterprises ("SMEs") sector and the corporate market through a range of relevant data services. As a result, a healthy 12% increase was recorded on the post-paid subscriber base which increased from 760 000 to 852 000 subscribers. Average revenue per user ("ARPU") for this segment increased to R561 per month.

In the prepaid market, competitive activities increased as a result of discounting of starter packs and handsets. MTN South Africa made a strategic decision not to aggressively compete in the low-end segment of the prepaid market and as a result experienced slower growth in this segment. Nevertheless, the capable prepaid base increased by 23% to 3 025 000 subscribers while ARPU has reduced year on year to R105. The year-on-year blended ARPU decreased to R208, a decline of less than 9% from last year.

Although still at an infancy stage, data services contributed a total of R312.0 million to revenue, representing 3.1% of MTN South Africa's revenue. During the year, MTN announced the launch of DataFast, a business solutions product which allows customers to access data at higher speeds than competing networks. Furthermore, over 99% of the network has been upgraded to support General Packet Radio Service ("GPRS"). This will provide a mobile link directly to the Internet and increase data speeds to 44 kbs initially, thereby making it an ideal tool for remote access of corporate Local Area Networks ("LANs"). The introduction of GPRS services will further consolidate MTN's position as the leading innovator in the value-added services arena.

MTN INTERNATIONAL

MTN Nigeria turned in a strong performance for its first eight months of operation. Demand was far stronger than had been anticipated and a total of 327 000 subscribers were connected by year-end, compared to an initial business plan forecast of 174 000 subscribers. The network now operates in 11 cities, with the key

markets being Lagos, Port Harcourt and Abuja. To date 183 base stations have been commissioned since the launch of the network.

Total revenue of R1 316.5 million was recorded, with ARPU levels of approximately US\$60, excluding connection fees. A small EBITDA loss of R25.3 million was incurred, which was significantly better than the initial business plan projections.

MTN Cameroon recorded subscriber growth of 234% in the current year to 224 000, from 67 000 last year. The EBITDA margin turned positive during the year under review to 19%, but ARPU levels were below expectations. A total loss of R39.9 million was recorded for the year.

Subsequent to the year-end, in compliance with the licence undertaking, the Group disposed of 30% of MTN Cameroon to its Cameroonian partner, Broadband Telecom. This was sold at the original cost of the investment plus carrying costs. A funding arrangement has been entered into with our local partners.

MTN Uganda Limited ("MTN Uganda") increased its subscriber base by 48% from the previous year to 222 000 subscribers by year-end. With revenue contribution to M-Cell of R462.0 million and an EBITDA margin of 45%, MTN Uganda continues to be a strong performer.

Rwandacell S.A.R.L. ("MTN Rwanda") increased its subscriber base by 77% from the previous year to 69 000 subscribers, while MTN Swaziland recorded 55 000 subscribers at year-end, an increase of 67% from the previous year. Both operations continue to perform well.

STRATEGIC INVESTMENTS

The Strategic Investments portfolio comprises the Group's investment in Orbicom, MTN Network Solutions (60% owned) (formerly Citec) and Airborn. This division was formed to identify and exploit opportunities in the mobile and Internet arenas.

For the year under review, Orbicom's revenue increased by 12% to R101.0 million. The Electronic Funds Transfer ("EFT") system in Ghana became operational on 1 June 2002.

MTN Network Solutions has consolidated its position as a provider of high-quality Internet access products and services, and in the process has created a highly efficient and scalable national Internet Protocol ("IP") network.

Airborn markets MTN's technologies internationally. The partnership with Italian company Wind through systems integrator Alisnet has continued to evolve. Although achieving a user base of over 7 million, mtmsms.com was forced to discontinue its free sms messaging service as a result of the introduction of charges on international signalling links. A new fee-paying service will be launched shortly.

PROSPECTS

The Group forecasts that the addressable market in South Africa will expand to 14 million subscribers within the next five years, reflecting a more mature market. This will result in slower growth than previously experienced. With increased focus on value and customer retention, MTN South Africa expects to grow its revenue in line with the overall market, while improving its margins. With the capital expenditure to revenue ratio expected to be below 10% for the forthcoming year, the South African operations are projected to generate significant free cash flow.

Over the past year, the contribution to revenue from operations outside South Africa has increased from 4.5% in 2001 to 18.9%. This is in line with the Group's stated

objective of deriving in excess of 35% of its revenue from operations outside South Africa within the next two years.

MTN Nigeria has established itself as the core of M-Cell's Africa strategy. With an estimated market potential of 10 million subscribers by 2010, it is expected that the Nigerian operation will become a significant contributor to M-Cell's revenue and EBITDA in the forthcoming year. However, the Nigerian operation is not expected to earn a profit after tax during the next financial year.

While taking cognisance of the Group's current expansion into Africa and the related funding requirements, coupled with the existing exchange control limitations, the Group will continue to explore further opportunities on the continent in line with its vision of being the leading provider of communication services in Africa.

It is forecast that earnings per share should resume its growth trend in the forthcoming year, assuming a continued strong performance by MTN Nigeria.

In May 2002 the Government of South Africa issued the Invitation to Apply ("ITA") for a 51% interest in the Second Network Operator ("SNO"). The Group is currently evaluating a response to the ITA.

Subsequent to year-end, the board announced that Mr Phuthuma Nhleko will succeed Mr Paul Edwards as Chief Executive Officer of the Group with effect from 1 July 2002. Mr Paul Edwards will continue to assist the Group on a consulting basis.

The Board is pleased to announce that Mr Cyril Ramaphosa has been elected as the new non-executive Chairman of M-Cell.

DIVIDEND

As a result of the increased funding requirements for the Group's expansion into Africa, the directors believe that it is in the best interest of shareholders to utilise retained earnings to minimise the level of borrowings. As a result, the Board of Directors has decided to continue their decision not to declare a dividend at this point in time. This will be reviewed on an ongoing basis to optimise shareholders' value.

SHAREHOLDER MATTERS

During the year under review, Johnnic Holdings Limited ("Johnnic"), M-Cell's parent company, has undergone extensive group restructuring. Johnnic now holds a direct interest of 36.6% in M-Cell. Johnnic and Transnet concluded a voting pool arrangement in terms of which Johnnic and Transnet pool their votes on matters material to M-Cell.

Over the past year some of the three-year financing structures for the black economic empowerment groupings ("BEEs") in M-Cell were closed out.

M-Cell's free-float of shares, which are shares easily available for trading, increased significantly from 16% last year to over 38%.

For and on behalf of the Board

P F Nhleko
(Non-executive chairman)

P Edwards
(Chief executive officer)

12 June 2002

Johannesburg

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

Directors: P F Nhleko (Chairperson) • D D B Band • I Charnley • Z N A Cindi • R S Dabengwa • P Edwards* • P Heinemann • C R Jardine (Alternate: L C Webb)
R D Nisbet • M C Ramaphosa (Alternate: J R D Modise) • PL Zim *British Company secretary: M M R Mackintosh
Transfer secretaries: Mercantile Registrars Limited • 11 Diagonal Street • Johannesburg 2001 • PO Box 1053 • Johannesburg 2000
Registered office: 3 Alice Lane • Sandown Ext. 38 • Sandton, 2146 • Private Bag 9955 • Sandton 2146

These results can be viewed on the website at
<http://www.m-cell.co.za>

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