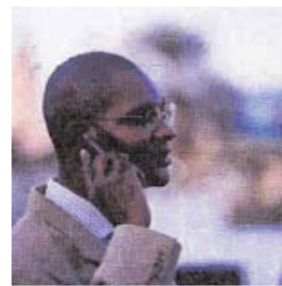


# MTN Group Limited



(Formerly M-Cell Limited)

## Interim results review for the six-month period ended 30 September 2002

### Commentary

#### OVERVIEW

MTN Group Limited ("MTN Group" or "the Group") (formerly M-Cell Limited) has resumed its positive growth trend after a year of muted earnings caused by initial investment costs arising from its expansion into Africa. The Group now reports pleasing results for the six-month period ended 30 September 2002.

The Group's consolidated revenue increased by 68% to R2 683.5 million compared to the same period last year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") grew by 79% to R2 687.1 million, while headline earnings per share ("headline EPS") reached 60.9 cents. A significant contributor to these increases was the operations of MTN International (Proprietary) Limited ("MTN International"), which houses the Group's other African operations. MTN Cameroon Limited ("MTN Cameroon") and MTN Nigeria Communications Limited ("MTN Nigeria") have both reached profitability after tax and produced better than anticipated results.

The Group has successfully diversified its income streams. African operations contributed 34% to Group revenue, 39% to Group EBITDA and 26% to headline EPS.

A total of 5.7 million capable subscribers was recorded in MTN Group's managed operations, an increase of 19% since March 2002.

The following transaction and change in accounting policy had an impact on the results:

- The disposal of 30% in MTN Cameroon to Broadband Telecom, a local shareholder group in compliance with licence obligations.
- A change in accounting policy for connection incentives was implemented to bring the Group's treatment of subscriber acquisition costs in line with international best practice. Connection incentives are no longer capitalised and amortised over 12 months, but are expensed in the period in which they occur. Prior period comparatives have been appropriately restated to reflect that change and to facilitate year-on-year comparison.

### REVIEW OF RESULTS

#### Income statement

Revenue for the Group increased by 68% from R5 170.2 million to R2 683.5 million compared to the same period in the previous year. MTN International increased revenue from R449.0 million to R2 968.8 million, contributing 34% to Group revenue. The more mature wireless South African operations achieved modest growth in revenue of 21% to R5 646.7 million.

Consolidated Group EBITDA was R2 687.1 million, a 79% increase year on year. The overall EBITDA margin for the Group increased to 30.9% from 29.1% compared to the same period in the previous year. The encouraging performance of the established African operations and the positive EBITDA levels achieved by MTN Nigeria were contributing factors, offsetting an EBITDA margin decline in South African operations.

As expected, net finance costs for the Group increased by 78% to R279.7 million compared to the same period last year. This resulted from increased borrowings by MTN Cameroon and MTN Nigeria, which had both raised project finance during previous periods and began to use these facilities to fund their network expansion in the current period.

After a subdued year in 2002, headline EPS increased by 92% to 60.9 cents. South African wireless operations contributed 45.6 cents, an 11.8% increase compared to the same period last year. African operations performed above expectations contributing 16.0 cents due to the earlier-than-anticipated profitability of MTN Nigeria. It should be noted though that significant additional capital expenditure is still required by MTN Nigeria.

Profit after tax, prior to taking into account minority interest, increased to R795.8 million from R219.3 million for the previous period. Attributable earnings for the Group increased 213% to R704.8 million.

#### Balance sheet and funding

The Group's total assets have increased by 6% to R29 018.5 million since 31 March 2002. Long-term liabilities reduced to R1 821.7 million, while short-term borrowings including overdrafts, increased to R4 634.9 million. This shortening in the debt maturity profile was due to the reclassification of the current US\$450 million syndicated bridge loan facility arranged by Standard Bank London Limited and Sumitomo Mitsui Banking Corporation, which terminates in July 2003. Management is currently renegotiating the facility and firm underwriting commitments have been received for US\$250 million. It is expected that the refinancing will be concluded, thus facilitating a realignment of the Group's debt profile by the end of March 2003.

Total net debt for the Group has decreased to R3 679.3 million since March 2002, partly due to the strengthening of the South African rand during the period under review. As a result, the gearing ratio for the Group, being interest-bearing net borrowings as a percentage of total equity adjusted for

R10.6 billion of goodwill arising predominantly from the acquisition of shares from Transnet Limited in July 2000, decreased to 54% from 71% at 31 March 2002.

The Group's net offshore US dollar borrowings in MTN International (Mauritius) Limited ("MTN Mauritius"), which were raised to finance the initial capital investments in Nigeria, have increased to US\$246 million as a result of additional capital calls by MTN Nigeria in April of this year. Management continues to pursue every effort to reduce this exposure in line with the South African Reserve Bank ("SARB") regulations. After 30 September 2002, the Group used approximately R170 million to reduce its offshore borrowings in line with previous SARB approvals. In addition, the Group invested R500 million in an international sinking fund policy, thus effecting an indirect US dollar hedge. In this respect, the Group welcomes the recent announcement by the Minister of Finance of the further liberalisation of exchange control, especially in regard to funding by South African corporates of investments into Africa. The Group is currently considering how to use these new regulations to facilitate the funding of its investments on the continent.

The Group was asked to report on its SARB approved share placements effected during January 2002 by the Myburgh Commission of Enquiry into the rapid Depreciation of the Rand during the last Quarter of 2001. The Group was found not to have contravened SARB regulations.

### REVIEW OF OPERATIONS

#### MTN South Africa

Mobile Telephone Networks (Proprietary) Limited ("MTN") and MTN Service Provider (Proprietary) Limited ("MTN SP") (formerly M-Tel (Proprietary) Limited) (together "MTN South Africa") continue to face a challenging, competitive and difficult economic environment.

Revenue increased by 21% to R5 646.7 million, while EBITDA grew by 13% to R1 635.1 million. Trading conditions remained competitive and the EBITDA margin decreased to 29.0% from 31.0% compared to the same period the previous year as a result of increased subscriber acquisition costs and higher interconnect costs.

Over the past year, MTN South Africa had embarked on a strategy to balance value with volume. As a result, Average Revenue per User ("ARPU") per month for the period has marginally increased to R210 from R208 in March 2002. ARPU for post-paid increased to R602 while a small decline to R101 occurred in the pre-paid segment since March 2002. However, overall subscriber growth slowed, showing an increase of 11% to 4 284 000 since March 2002. The overall base consists of post-paid subscribers of 891 000, an increase of 5% or 39 000, and pre-paid subscribers of 3 393 000, a 12% increase since March 2002. A higher than expected level of involuntary churn was experienced during the period under review.

In recognition of the competitive trading environment and the depth of the market, the Group refined its focus-on-value approach and launched several new pre-paid product offerings during the last few months of the period under review. New package options were introduced into the market offering innovative tariff structures as well as loyalty/preference benefits. As a result, it is anticipated that a more desirable balance between pre-paid and post-paid subscribers as well as a reduction in pre-paid churn will be achieved.

It is pleasing to note that MTN's share of active subscribers has not been negatively impacted by the third operator.

In regard to data, MTN was the first South African operator to market in launching GPRS services, branded as MTNdataLive. During the trial phase, approximately 30 000 users had tested the GPRS-enabled handset.

MTN South Africa has also partnered global technology companies Microsoft and Ericsson in delivering unique offerings to corporate South Africa. MTN Office Exchange was launched, allowing corporate access via cellphone to all functionalities of Microsoft Outlook through the customers' own mail servers. This is in line with providing customers cost-effective and useful applications and solutions rather than pure technologies. MTN South Africa continues to expand its partner base from technology providers to solution integrators. These efforts have longer lead times but are expected to contribute to revenue in the future. While the impact of these new services is not yet materially reflected in the revenue numbers – data contributed around 3% or R172 million to the South African revenue – it is anticipated that revenue from data will increase in the years to come.

#### MTN International

MTN International's operations have performed above expectations. Revenue increased from R449 million to R2 968.8 million compared to the same period last year, with EBITDA levels reaching R1 066.2 million. All operations provided a positive contribution to profit after tax.

MTN Cameroon achieved a turnaround in the period under review. With a new management team in place, revenue increased to R366.8 million and a 30% EBITDA margin was achieved. A profit after tax of R21.6 million was recorded before taking account of minority interests. Subscriber growth continues to be strong, reaching 316 000 by 30 September 2002, a 41% increase since March 2002. ARPU levels have stabilised at US\$21.

MTN Nigeria enjoyed a successful first year. Total revenue of R2 223.1 million was recorded with the EBITDA margin reaching 37%. A strong demand for our services resulted in a profit after tax of R420.7 million. During the period under review, significant investments were made in the network roll-

out. MTN Nigeria now covers 26 cities and over 60 smaller towns, villages and communities from a total of over 300 sites. MTN Nigeria is currently in the process of finalising its project finance facilities of around US\$380 million. Given the better than anticipated performance, the funding plan was reviewed causing a delay in closing the financing arrangements.

MTN Uganda continues to deliver strong results despite intensifying competition. Subscriber numbers increased to 298 000, a 34% increase since March 2002, while ARPU levels declined only slightly to US\$34. MTN Rwanda and MTN Swaziland both turned in good performances. Subscriber growth was 30% to 90 000 and 15% to 63 000 subscribers respectively during the period under review.

Notwithstanding these pleasing results, MTN International's African operations face a number of ongoing challenges, which includes managing the regulatory and political environment, currency volatilities and interconnect issues. Management, together with its local strategic partners, continues to address these issues in the respective countries.

#### Strategic Investments

This division comprises Orbicom (Proprietary) Limited ("Orbicom"), MTN Network Solutions (Proprietary) Limited ("MTN NS") and Airborn. Orbicom's core satellite distribution business remained steady, whilst its Electronic Funds Transfer ("EFT") operation in Ghana started to generate revenue. MTN NS continued to grow its revenue base, although market conditions in its sector remain extremely competitive. Overall, the performance of the entities within Strategic Investments was below expectations.

The South African government issued an Invitation to Apply ("ITA") for a 51% interest in the Second Network Operator ("SNO") in May this year. The Group has thoroughly investigated the opportunity and its potential impact on the telecommunications environment in South Africa. A decision was taken not to participate in the bid process. A Memorandum of Understanding was concluded with one of the bidding consortiums, Goldleaf Trading (Proprietary) Limited, to leverage the Group's infrastructure and network and to provide know-how on a commercial basis. The agreement is non-exclusive.

#### Directorate

The Group also welcomes two non-executive directors, Ms Sindi Mabaso and Mr Alan van Biljon. Mr van Biljon will also serve as chairman of the Audit Committee. The board extends its thanks to Dr Chris Jardine who resigned from the board in October 2002.

### PROSPECTS

MTN South Africa faces a more maturing market and an increasingly competitive trading environment nevertheless, the Group anticipates that the performance of MTN International's operations will continue to be strong. Overall, the board is confident that the Group will continue to perform soundly against its set objectives.

The Group will continue to explore further African opportunities in line with its vision to become the leading provider of communication services on the continent.

During the period under review, Mr Cyril Ramaphosa succeeded to the post of non-executive chairman of the board and Mr Phuthuma Nhleko accepted the position of chief executive officer for the Group.

### DIVIDEND

As a result of the ongoing funding requirement for the Group's expansion into Africa, the directors believe that it is in the best interest of shareholders to reinvest retained earnings to restrict borrowing levels. Accordingly, no interim dividend is proposed. The dividend policy will be reviewed on a regular basis to ensure optimisation of shareholder value.

### CAUTIONARY ANNOUNCEMENTS

The Group issued a cautionary announcement on 31 July in respect of its potential financial exposure following the liquidation of the CNA Group. Based on further legal review of the position, it is now considered unlikely that the MTN Group will have any additional exposure other than already anticipated. This cautionary announcement is accordingly withdrawn.

The Group also issued a cautionary announcement on 22 November 2002 in respect of preliminary discussions in relation to a potential transaction involving its non-South African assets. No further developments have occurred since the release. Shareholders are still advised to exercise caution when dealing in MTN Group shares until a further announcement is made.

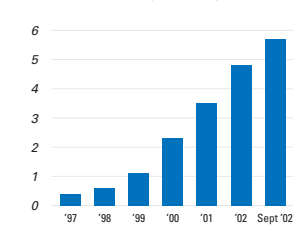
For and on behalf of the board

MC Ramaphosa  
(Non-executive Chairman)

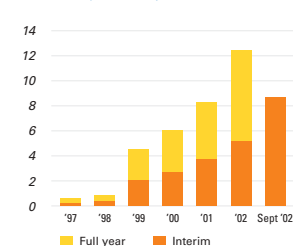
PF Nhleko  
(Chief Executive Officer)

26 November 2002  
Sandton

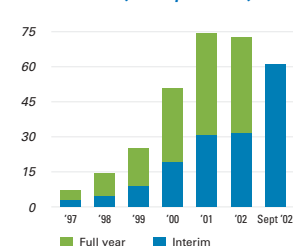
#### MTN subscribers (millions)



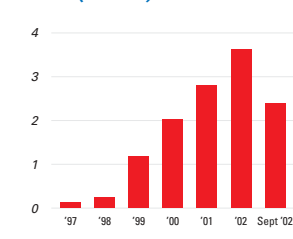
#### Revenue (R billion)



#### Headline EPS (Cents per share)



#### EBITDA (R billion)



### Consolidated income statement

	6 months ended 30 Sept 2002	6 months* ended 30 Sept 2001	% change	Year* ended 31 March 2002
<b>Revenue</b>	<b>8 683.5</b>	<b>5 170.2</b>	<b>68.0</b>	<b>12 432.0</b>
Cost of sales	(3 594.5)	(2 066.3)		(5 081.1)
<b>Gross profit</b>	<b>5 089.0</b>	<b>3 103.9</b>	<b>64.0</b>	<b>7 350.9</b>
Operating expenses – net of sundry income	(2 401.9)	(1 599.3)		(3 724.7)
<b>Earnings before interest, taxation, depreciation and amortisation (EBITDA)</b>	<b>2 687.1</b>	<b>1 504.6</b>	<b>78.6</b>	<b>3 626.2</b>
Depreciation	(766.8)	(455.3)		(1 081.6)
Amortisation	(138.3)	(50.5)		(175.1)
<b>Profit from operations before goodwill amortisation</b>	<b>1 782.0</b>	<b>998.8</b>	<b>78.4</b>	<b>2 369.5</b>
Goodwill amortisation	(297.5)	(291.8)		(592.0)
<b>Profit from operations</b>	<b>1 484.5</b>	<b>707.0</b>	<b>110.0</b>	<b>1 777.5</b>
Finance income	72.6	65.1		130.5
Finance costs	(352.3)	(222.0)		(447.4)
Share of profits (losses) of associates	0.8	(2.1)		(4.8)
<b>Profit before taxation</b>	<b>1 205.6</b>	<b>548.0</b>	<b>120.0</b>	<b>1 455.8</b>
Taxation	(409.8)	(328.7)		(908.4)
<b>Profit after taxation (PAT)</b>	<b>795.8</b>	<b>219.3</b>	<b>262.9</b>	<b>547.4</b>
Minority interest	(91.0)	6.0		44.5
<b>Attributable earnings</b>	<b>704.8</b>	<b>225.3</b>	<b>212.8</b>	<b>591.9</b>
<b>Contribution to attributable earnings</b>				
Wireless telecommunications (MTN)	1 013.5	517.7	95.8	1 196.0
– South Africa	750.1	663.3	13.1	1 454.3
– Rest of Africa	263.4	(145.6)		(258.3)
Satellite communications (Orbicom)	(11.2)	(0.6)		(12.1)
Gain on disposal of 20% shareholding in MTN Cameroon	(90.5)	–		–
Provision against loan arising on disposal of MTN Cameroon to reflect net asset value	90.5	–		–
<b>Basic headline earnings</b>	<b>1 002.3</b>	<b>517.1</b>	<b>93.8</b>	<b>1 183.9</b>
Goodwill amortisation	(297.5)	(291.8)		(592.0)
<b>Attributable earnings</b>	<b>704.8</b>	<b>225.3</b>	<b>212.8</b>	<b>591.9</b>
<b>Basic headline earnings per ordinary share (cents)</b>	<b>61.6</b>	<b>31.8</b>	<b>93.7</b>	<b>73.2</b>
– South Africa	45.6	40.8	11.8	89.0
– Rest of Africa	16.0	(9.0)		(15.8)
Satellite telecommunications (Orbicom)	(0.7)	(0.0)		(0.7)
<b>Basic headline earnings per share (cents)</b>	<b>60.9</b>	<b>31.8</b>	<b>91.5</b>	<b>72.5</b>
Effect of goodwill amortisation	(18.1)	(17.9)		(36.3)
<b>Attributable earnings per share (cents)</b>	<b>42.8</b>	<b>13.9</b>	<b>207.9</b>	<b>36.2</b>
Number of ordinary shares in issue:				
– Weighted average (000)	1 646 566	1 626 067		1 632 853
– At period end (000)	1 651 292	1 638 007		1 640 437

\* Restated for change in accounting policy for connection incentives (note 10)

### Summarised consolidated balance sheet

	6 months ended 30 Sept 2002	6 months* ended 30 Sept 2001	Year* ended 31 March 2002
<b>ASSETS</b>	<b>23 358.6</b>	<b>20 751.8</b>	<b>23 242.4</b>
<b>Non-current assets</b>			
Property, plant and equipment	9 044.5	6 296.9	8 321.6
Goodwill	10 598.9	11 061.7	10 802.6
Intangible assets	3 193.3	3 017.6	3 684.8
Investments and loans	449.2	326.6	347.5
Deferred taxation	28.9	49.0	42.1
Non-current prepaid tax	43.8	–	43.8
<b>Current assets</b>	<b>5 659.9</b>	<b>2 959.2</b>	<b>4 170.1</b>
Bank balances, deposits, cash and amounts receivable on demand	1 529.0	647.1	1 214.2
Securitized cash deposits **	1 248.3	9.6	354.1
Other current assets	2 882.6	2 302.5	2 601.8
<b>Total assets</b>	<b>29 018.5</b>	<b>23 711.0</b>	<b>27 412.5</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	<b>16 457.5</b>	<b>15 226.0</b>	<b>15 915.8</b>
Ordinary shareholders' interest	941.1	595.5	820.6
Minority interests	2 777.6	4 660.4	6 201.7
<b>Non-current liabilities</b>	<b>1 821.7</b>	<b>3 886.2</b>	<b>5 297.8</b>
Long-term liabilities	1 955.9	774.2	903.9
Deferred taxation	884.2	3 229.1	4 474.4
<b>Current liabilities</b>	<b>4 207.4</b>	<b>2 405.9</b>	<b>3 996.7</b>
Non-interest bearing liabilities	4 634.9	823.2	4 77.7
Interest bearing liabilities	–	–	–
<b>Total equity and liabilities</b>	<b>29 018.5</b>	<b>23 711.0</b>	<b>27 412.5</b>
<b>Net asset value per ordinary share (rand)</b>			
– Book value	9.97	9.30	9.70
Net debt/equity	0.21	0.26	0.25
Net debt/equity (excluding goodwill)	0.54	0.85	0.71

\* Restated for change in accounting policy for connection incentives and reclassification of letters of credit in MTN Nigeria from other current assets

\*\* These monies are placed on deposit with banks in Nigeria to secure letters of credit

### Summarised consolidated cash flow statement

	6 months ended 30 Sept 2002	6 months* ended 30 Sept 2001	Year* ended 31 March 2002
<b>Cash inflows from operating activities</b>	<b>2 186.2</b>	<b>530.9</b>	<b>2 755.3</b>
Cash outflows from investing activities	(1 858.7)	(1 226.7)	(3 501.9)
Cash inflows from financing activities	974.1	394.9	702.4
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1 301.6</b>	<b>(300.9)</b>	<b>(44.2)</b>
Cash and cash equivalents at beginning of period	1 230.4	803.7	803.7
Reclassification from other current assets	–	24.9	354.1
Foreign entities translation adjustment	(11.2)	(28.5)	116.8
<b>Cash and cash equivalents at end of period</b>	<b>2 520.8</b>	<b>499.2</b>	<b>1 230.4</b>

\* Restated for change in accounting policy for connection incentives (note 10)

### Summarised group statement of changes in shareholders' equity

	6 months ended 30 Sept 2002	6 months ended 30 Sept 2001	Year ended 31 March 2002
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