

Africa Cellular Towers Limited

(Incorporated in the Republic of South Africa)

(Registration number 2000/027374/06)

(JSE code: ATR ISIN: ZAE000088084)

(“ACTOWERS” or “the company” or “the group”)

Highlights

- Revenue up 35% to R239 million
- Gross profit up 56% to R89 million
- Headline earnings up 32% to R37 million
- Headline earnings per share up 31% to 14.4 cents
- Net tangible asset value per share up 44% to 87.2 cents

REVIEWED GROUP CONDENSED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008

Condensed Group Income Statements

	Reviewed 6 months August 2008 R'000	Reviewed 6 months August 2007 R'000	Audited 12 months February 2008 R'000
Revenue	238 531	176 924	326 572
Cost of sales	(149 771)	(120 021)	(204 986)
Gross profit	88 760	56 903	121 586
Other income	2 827	1 232	14 868
Operating costs			
Accommodation and facilities	(3 334)	(1 744)	(3 862)
Administration costs ⁽¹⁾	(9 140)	(2 023)	(25 952)
Employee costs	(23 227)	(11 819)	(30 341)
Production and contract overheads	(6 200)	(3 072)	(9 817)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	49 686	39 476	66 481
Depreciation	(2 241)	(1 234)	(2 216)
Profit before interest and taxation	47 445	38 242	64 265
Interest received	16 842	3 326	13 351
Interest paid	(9 134)	(2 349)	(8 195)
Profit before taxation	55 153	39 219	69 421
Taxation	(18 461)	(11 374)	(24 396)
Earnings attributable to ordinary shareholders	36 692	27 845	45 025
Reconciliation of headline earnings:			
Earnings attributable to ordinary shareholders	36 692	27 845	45 025
Adjusted for:			
Profit on sale of property, plant and equipment	-	-	(13)
Headline earnings attributable to ordinary shareholders	36 692	27 845	45 012
Weighted average shares in issue on which earnings per share are based ('000)	253 928	253 772	254 658

Fully diluted weighted average shares in issue ('000)	261 055	257 885	260 195
Earnings per share (cents)	14.4	11.0	17.7
Headline earnings per share (cents)	14.4	11.0	17.7
Fully diluted earnings per share (cents)	14.1	10.8	17.3
Fully diluted headline earnings per share (cents)	14.1	10.8	17.3

Note:

- (1) The February 2008 administration costs includes an additional impairment against debtors of R14 million. This impairment was not reversed during the current reporting period.

Condensed Group Balance Sheets

	Reviewed August 2008 R'000	Reviewed August 2007 R'000	Audited February 2008 R'000
ASSETS			
Non-current assets	72 272	60 211	63 899
Property, plant and equipment	35 713	26 859	27 877
Goodwill	33 227	33 227	33 227
Intangible assets	522	-	55
Other financial assets	1 093	70	1 023
Deferred taxation	1 717	55	1 717
Current assets	348 613	236 015	237 202
Inventories	119 668	82 129	75 388
Other financial assets	-	4 738	-
Trade and other receivables	177 902	129 560	155 481
Cash and cash equivalents	51 043	19 588	6 333
Total assets	420 885	296 226	301 101
EQUITY AND LIABILITIES			
Equity and reserves	263 368	186 677	205 503
Share capital	103 591	80 790	82 467
Reserves	112	94	63
Retained earnings	159 665	105 793	122 973
Non-current liabilities	17 144	17 749	12 082
Instalment sale obligation	11 504	15 660	12 082
Mortgage bond	5 640	-	-
Deferred taxation	-	2 089	-
Current liabilities	140 373	91 800	83 516
Loans from vendors	400	8 940	309
Current taxation payable	16 247	7 710	20 397
Current portion of instalment sale obligation	3 741	2 748	3 182
Trade and other payables	119 094	72 402	53 372
Current portion of mortgage bond	891	-	-
Bank overdraft	-	-	6 256
Total equity and liabilities	420 885	296 226	301 101
Capital commitments	8 575	-	-
Shares in issue at period end ('000) (adjusted)	263 322	253 772	253 772

for treasury shares)			
Shares in issue at period end ('000)	276 722	265 422	266 822
Net asset value per share (cents)	100.0	73.6	81.0
Net tangible asset value per share (cents)	87.2	60.5	67.9

Condensed Group Statements of Changes in Equity

	Reviewed August 2008 R'000	Reviewed August 2007 R'000	Audited February 2008 R'000
Balance at beginning of period	205 503	125 896	125 896
Net profit for the period	36 692	27 845	45 025
Revaluation reserve	27	28	64
Foreign currency reserve	22	-	(66)
Share capital and premium	21 124	32 908	34 584
Balance at end of period	263 368	186 677	205 503

Condensed Group Cash Flow Statements

	Reviewed 6 months August 2008 R'000	Reviewed 6 months August 2007 R'000	Audited 12 months February 2008 R'000
Cash flows from operating activities	34 994	(37 138)	(40 055)
Cash flows from investing activities	(2 623)	(17 730)	(25 385)
Cash flows from financing activities	18 595	13 577	4 638
Change in cash and cash equivalents	50 966	(41 291)	(60 802)
Cash and cash equivalents at beginning of period	77	60 879	60 879
Cash and cash equivalents at end of period	51 043	19 588	77

Segmental Reporting

	Reviewed 6 months August 2008 R'000	Reviewed 6 months August 2007 R'000	Audited 12 months February 2008 R'000
Gross revenue			
Cellular towers	218 225	148 843	285 575
Equipment shelters	37 667	32 203	58 471
Power lines	3 050	-	-
Inter-segment eliminations	(20 411)	(4 122)	(17 474)
	238 531	176 924	326 572
Profit before interest and taxation			
Cellular towers	39 494	30 501	67 534
Equipment shelters	9 595	11 863	14 205
Power lines	(1 545)	-	-
Inter-segment eliminations	(99)	(4 122)	(17 474)
	47 445	38 242	64 265
Depreciation			
Cellular towers	(2 084)	(1 137)	(2 002)
Equipment shelters	(123)	(97)	(214)
Power lines	(34)	-	-
	(2 241)	(1 234)	(2 216)
Total assets			
Cellular towers	444 682	284 574	276 476
Equipment shelters	48 824	27 878	34 943
Power lines	2 528	-	-
Eliminations	(75 149)	(16 226)	(10 318)
	420 885	296 226	301 101

OVERVIEW

The directors of ACTOWERS are pleased to present the reviewed interim financial results for the six months ended 31 August 2008 (the interim period). The interim period has been characterised by buoyant market conditions in both the Cellular towers and the Equipment shelters divisions. The group increased its revenue by 35% as a result of the continued strong demand for cellular towers and shelters in Africa, as well as the increase in the steel price which led to an increase in selling prices. The increase in manufacturing capacity as well as increased efficiencies in the factory further enhanced the growth of the company. A contributor to the increase in the group's gross profit margins to 37% (2007: 32%) was attributable to the conscious effort made by the group to secure "supply-only" contracts where higher margins are achieved.

The Cellular towers division increased its revenue by an impressive 47% to R218 million (2007: R149 million) on the back of increased demand from both current and new customers. Operating margins for this division decreased to 18% (2007: 21%). The decline is directly attributable to higher provisions made for contract costs in the Congo (Brazzaville) and increased spending to increase capacity and staff. The Equipment shelters division increased its revenue by 17% to R38 million (2007: R32 million). This division achieved an operating profit margin of 26%.

Although only recently established, the Power lines division recorded revenue of R3 million for the interim period. This division has made significant progress in realising its objectives to enter the market as a supplier of transmission and distribution tower structures as well as becoming a recognised power line construction and installation company. Significant establishment costs and capital expenditure have been incurred to position this division as a major player in this industry and stringing equipment to the value of R9 million has been budgeted for in the 2009 financial year. The Power lines division achieved an important milestone during the interim period through the manufacturing and installation of towers and the award of its first transmission line construction contract as the main contractor. This construction contract commenced in October 2008 and completion is expected to be in April 2009. The award of future contracts in the South African market will be dependent on the group increasing its Broad Based Black Economic Empowerment (BBBEE) equity ownership levels and its BBBEE accreditation over the short to medium term. Shareholders

will be advised once an agreement has been reached with a potential BBBEE shareholder (refer cautionary announcement issued 29 October 2008).

ACTOWERS continues to invest in infrastructure and personnel to ensure that it has the capacity and capabilities to meet the increased demand for its products and services. New subsidiary companies have been established, during the interim period, in Ghana and Tanzania.

FINANCIAL RESULTS

Revenue of ACTOWERS increased 35% during the interim period to R239 million (2007: R177 million) as a result of the continued strong demand for the group's products and the introduction of new customers. Gross profit increased by 56% to R89 million (2007: R57 million), with gross profit margins increasing to 37% (2007: 32%) as a result of an increase in steel prices and increased efficiencies achieved in the manufacturing facility.

EBITDA increased by 26% to R50 million (2007: R39 million). EBITDA margins decreased to 21% (2007: 22%) mainly as a result of an increase in operating costs, due to increased spending to increase capacity and staff to meet the increase in demand and increased costs to position and align the company for the electrical transmission industry.

The group has had some success in lowering its trade debtor days' from 167 days as at 29 February 2008 to 129 days as at 31 August 2008. Certain of the long outstanding debtors were collected during the interim period and the group is actively collecting the remaining long outstanding amounts. Provisions against these debtors in the previous financial year have been maintained at the same level, despite a reduction in debtors' days. The measures introduced by management to reduce its exposure to the slow paying customers, both in collecting outstanding amounts and with regard to new contracts, have rendered positive results.

Inventory levels increased to R120 million (2007: R82 million) mainly as a result of higher steel prices and an increase in finished goods to R58 million (February 2008: R25 million) of which a significant portion was shipped early in September 2008. The company has also experienced delays in the completion of a contract in the Congo (Brazzaville), which increased work in progress, compared to the previous financial period. The increase in trade payables to R119 million (2007: R72 million) is also as a direct result of the increase in the steel prices and the increase in growth experienced by the group.

During the interim period the group acquired three adjacent stands in the Midvaal Municipality area, close to the R59 highway for a consideration of R7 million. These stands are being developed and are earmarked to house the galvanizing plant and will also be utilised as a packing area for towers after galvanizing prior to shipment.

BASIS OF PREPARATION OF THE REVIEWED RESULTS

Statement of compliance

The condensed consolidated interim financial statements for the six months ended 31 August 2008 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standards 34, Interim Financial Reporting, the Listings Requirements of the JSE Limited and the Companies Act, 61 of 1973 as amended.

The accounting policies used to prepare these interim financial statements are consistent with those applied in the prior interim period and at previous year-end, except where the group has adopted new or revised IFRS standards.

Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value.

Segment information

The group elected to adopt IFRS 8 as from 1 March 2008. This Standard requires disclosure of

information in respect of the group's operating segments and replaces the requirements to determine primary (business) and secondary (geographical) reporting segments of the group. Adoption of this Standard did not have any effect on the financial position or performance of the group. The group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

For management purposes and resulting from growth, the group is organised into business units based on their productions and services, and has three reportable operating segments:

- Cellular towers
- Equipment shelters
- Power lines

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance cost and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

REVIEWED RESULTS

The auditors, Nexia HBLT Chartered Accountants (East Rand) Inc, have reviewed these results for the six months ended 31 August 2008. The unqualified review report is available for inspection at the company's registered office.

POST-BALANCE SHEET EVENTS

There have been no significant events subsequent to 31 August 2008 and up to the date of this report.

PROSPECTS

ACTOWERS continues to experience strong demand for its products and the order book for both Cellular towers and Equipment shelters remains strong and the company has, to date, not experienced any decline in its business as a result of the current global market turmoil.

Environmental approvals are currently being processed in respect of the stands in the Midvaal Municipality and are expected to be finalised by the end of May 2009, after which the building process can commence. The cost savings from its own galvanizing plant far outweighs the expected capital outlay of approximately R45 million that ACTOWERS will have to incur.

ACTOWERS has decided to rent a bond store and establish a distribution centre in Ghana instead of the establishment of a manufacturing facility in the Ghana Free Zone, with less associated risks, achieving the same benefits for the group.

It remains an objective for ACTOWERS to increase production output to approximately 3 000 tons of steel per month in the next 8 to 12 months.

ACTOWERS is continuously considering various acquisition opportunities to expand its business into related industries.

CHANGES TO THE BOARD OF DIRECTORS

Dr Ruben Richards, who served as a non-executive director did not make himself available for re-election at the Annual General Meeting and retired in terms of the company's articles of association. He also resigned as Chairman of the Audit Committee with effect from 28 August 2008.

Mitesh Patel was appointed as an independent non-executive director and Chairman of the Audit Committee with effect from Tuesday 9 September 2008.

SHARE CAPITAL

The company issued 9 550 000 ordinary shares at R2.10 per share to an international investment fund on 29 August 2008. The group's employees acquired 350 000 ordinary shares in the company at a consideration of R1.30 per share in terms of the share incentive trust on 7 July 2008.

DIVIDEND POLICY

In line with the group's dividend policy, no interim dividend has been declared for the period.

STATEMENT ON GOING CONCERN

The condensed financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

On behalf of the Board

C J J Krüger
Chairman and Managing Director
12 November 2008

J de Villiers
Financial Director

CORPORATE INFORMATION

Independent non executive director: M M Patel

Executive directors: C J J Krüger (Chairman and Managing Director); D van Staden; J de Villiers

Registration number: 2000/027374/06

Registered address: 10 Tennyson Drive, Tulisa Park, Johannesburg

Postal address: PO Box 1078, Jukskei Park, 2153

Company secretary: Premium Corporate Consulting Services (Pty) Limited

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Transfer secretaries: Computershare Investor Services (Pty) Limited

Designated Adviser: Vunani Corporate Finance

These results and an overview of ACTOWERS are available at www.africacellular.co.za.