

BLUE LABEL TELECOMS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/06)

JSE Share code: BLU ISIN: ZAE000109088 ("BLT" or "the company")

Reviewed interim results for the half year ended 30 November 2009

11% increase in revenue to R8,4 billion

24% increase in EBITDA to R368 million

18,6% increase in gross profit to R621 million

9% decrease in core earnings per share to 25,59 cents

R316 million cash flows from operating activities

Positive growth in both South African and International Distribution

Summarised Group Statement of Financial Position

as at 30 November 2009

	30 November 2009 Reviewed R'000	31 May 2009 Audited R'000
ASSETS		
Non-current assets	645 479	736 634
Property, plant and equipment	129 387	105 011
Intangible assets	398 338	460 325
Investment in associates and joint ventures	95 221	109 837
Financial assets at amortised cost	18 321	54 096
Deferred taxation assets	4 212	7 365
Current assets	3 599 713	3 139 218
Financial assets at fair value through profit and loss	10	10
Available for sale financial asset	861	—
Inventories	376 422	384 361
Loans receivable	33 618	29 920
Financial assets at amortised cost	88 955	67 449
Trade and other receivables	1 137 461	898 571
Current tax assets	2 637	2 101
Cash and cash equivalents	1 959 749	1 756 806
Total assets	4 245 192	3 875 852
EQUITY AND LIABILITIES		
Capital and reserves	2 422 762	2 244 120
Share capital, share premium and treasury shares	4 352 767	4 379 175
Restructuring reserve	(1 843 912)	(1 843 912)
Foreign currency translation reserve	(17 116)	(13 399)
Share-based payment reserve	19 511	10 602
Transaction with minority reserve	(914 782)	(914 399)
Retained earnings	812 220	635 305
	2 408 688	2 253 372
Minorities interest	14 074	(9 252)
Non-current liabilities	57 211	69 664
Deferred taxation	42 333	49 544
Interest bearing borrowings	14 878	20 120
Current liabilities	1 765 219	1 562 068
Trade and other payables	1 701 605	1 518 853
Current tax liabilities	61 203	28 039

Current portion of Interest bearing borrowings	2 411	15 176
Total equity and liabilities	4 245 192	3 875 852

Summarised Group Statement of Comprehensive Income
six months ended 30 November 2009

	30 November 2009 Reviewed R'000	30 November 2008 Reviewed R'000
Revenue	8 401 960	7 573 458
Other income	36 460	25 226
Cost of inventories sold	(7 780 524)	(7 049 489)
Employee compensation and benefit expense	(151 326)	(125 639)
Depreciation, amortisation and impairment charges	(68 499)	(45 377)
Other expenses	(138 741)	(127 960)
Operating profit	299 330	250 219
Finance income	63 499	103 858
Finance expense	(63 105)	(50 119)
Share of loss in associates	(11 897)	(14 082)
Profit for the period before taxation	287 827	289 876
Taxation	(100 874)	(90 186)
Net profit for the period	186 953	199 690
Other comprehensive income:		
Exchange losses on translation of equity loans	(3 308)	—
Exchange (losses)/gains on translation of foreign operations	(37)	1 299
Foreign currency translation reserve reclassified to profit or loss	(506)	—
Other comprehensive (loss)/income for the year, net of tax	(3 851)	1 299
Total comprehensive income for the year	183 102	200 989
Net profit for the period attributable to:		
Equity holders of parent	186 953	199 690
Minorities interest	176 915	198 158
Total comprehensive income for the period attributable to:		
Equity holders of parent	10 038	1 532
Minorities interest	183 102	200 989
Equity holders of parent	173 198	200 011
Minorities interest	9 904	978
Earnings per share for profit attributable to equity holders (cents)		
- Basic	23,31	25,86
- Headline	23,38	26,06
- Diluted basic**	23,09	25,86
- Diluted headline**	23,15	26,05
Weighted average number of shares	758 921 476	766 231 733
Number of shares in issue	766 360 894	766 360 894

**Dilutive earnings per share and dilutive headline earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the number of shares that would be issued on vesting under the employee forfeitable share plan.

Unaudited reconciliation between net

profit and core		
net profit for the period:		
Net profit for the period	186 953	199 690
Amortisation on intangibles raised through business combinations net of tax	18 357	18 857
Core net profit for the period	205 310	218 547
Core net profit for the period attributable to:	205 310	218 547
Equity holders of parent	194 208	215 926
Minorities interest	11 102	2 621
- Core earnings per share (cents)*	25,59	28,18

*Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations exercised in terms of IFRS 3: Business Combinations.

Summarised Group Statement of Changes in Equity
six months ended 30 November 2009

	Share capital, share premium and treasury shares Reviewed R'000	Retained earnings Reviewed R'000	Restructuring reserve Reviewed R'000	Foreign currency translation reserve Reviewed R'000
Balance as at 1 June 2008	4 404 737	244 758	(1 843 912)	2 552
Net profit for the period	—	198 158	—	—
Comprehensive income/(loss)	—	—	—	1 853
Total comprehensive income	—	198 158	—	1 853
Treasury shares	(24 131)	—	—	—
Minorities acquired during the period	—	—	—	—
Balance as at 30 November 2008	4 380 606	442 916	(1 843 912)	4 405
Balance as at 1 June 2009	4 379 175	635 305	(1 843 912)	(13 399)
Net profit for the period	—	176 915	—	—
Comprehensive loss	—	—	—	(3 717)
Total comprehensive income/(loss)	—	176 915	—	(3 717)
Treasury shares purchased	(26 408)	—	—	—
Share based payment	—	—	—	—
Equity based	—	—	—	—

compensation movements				
Minorities acquired and disposed of during the period	—	—	—	—
Contribution from minorities	—	—	—	—
Balance as at 30 November 2009	4 352 767	812 220	(1 843 912)	(17 116)

Summarised Group Statement of Changes in Equity (continued)
six months ended 30 November 2009

	Transaction with minority reserve Reviewed R'000	Share-based payment reserve Reviewed R'000	Minority interest Reviewed R'000	Total equity Reviewed R'000
Balance as at 1 June 2008	(898 564)	—	8 373	1 917 944
Net profit for the period	—	—	1 532	199 690
Comprehensive income/(loss)	—	—	(554)	1 299
Total comprehensive income	—	—	978	200 989
Treasury shares	—	—	—	(24 131)
Minorities acquired during the period	—	—	9 063	9 063
Balance as at 30 November 2008	(898 564)	—	18 414	2 103 865
Balance as at 1 June 2009	(914 399)	10 602	(9 252)	2 244 120
Net profit for the period	—	—	10 038	186 953
Comprehensive loss	—	—	(134)	(3 851)
Total comprehensive income/(loss)	—	—	9 904	183 102
Treasury shares purchased	—	—	—	(26 408)
Shared based payment	—	295	—	295
Equity based compensation movements	—	8 614	151	8 765
Minorities acquired and disposed of during the period	(383)	—	12 650	12 267

Contribution from minorities	—	—	621	621
Balance as at 30 November 2009	(914 782)	19 511	14 074	2 422 762

Segmental Summary
six months ended 30 November 2009

	30 November 2008 Actual Reviewed R'000	Adjustments ¹ Unaudited R'000	30 November 2008 Core Unaudited R'000
Revenue			
South African distribution	7 088 140	—	7 088 140
International distribution	282 944	—	282 944
Technology	10 300	—	10 300
Value added services	192 074	—	192 074
Corporate	—	—	—
Total	7 573 458	—	7 573 458
EBITDA			
South African distribution	296 965	—	296 965
International distribution	18 823	—	18 823
Technology	(22 114)	—	(22 114)
Value added services	47 176	—	47 176
Corporate	(45 254)	—	(45 254)
Total	295 596	—	295 596
Net profit for the period			
South African distribution	255 856	5 002	260 858
International distribution	(8 341)	2 575	(5 766)
Technology	(24 407)	371	(24 036)
Value added services	21 967	9 820	31 787
Corporate	(46 917)	—	(46 917)
Total	198 158	17 768	215 926

Segmental Summary (continued)
six months ended 30 November 2009

	30 November 2009 Actual Reviewed R'000	Core Adjust- ments ¹ Unaudited R'000	30 November 2009 Core Unaudited R'000
Revenue			
South African distribution	7 591 164	—	7 591 164
International distribution	674 866	—	674 866
Technology	13 440	—	13 440
Value added services	122 490	—	122 490

Corporate	—	—	—
Total	8 401 960	—	8 401 960
EBITDA			
South African distribution	361 746	—	361 746
International distribution	63 349	—	63 349
Technology	(35 561)	—	(35 561)
Value added services	18 641	—	18 641
Corporate	(40 346)	—	(40 346)
Total	367 829	—	367 829
Net profit for the period			
South African distribution	283 928	4 303	288 231
International distribution	(1 561)	2 932	1 371
Technology	(47 617)	371	(47 246)
Value added services	(12 325)	9 687	(2 638)
Corporate	(45 510)	—	(45 510)
Total	176 915	17 293	194 208

30 November

2009

31 May 2009

Actual

Actual

Reviewed

Audited

R'000

R'000

Net operating assets/(liabilities)

South African distribution	1 706 967	1 552 917
International distribution	138 654	82 860
Technology	(6 970)	(20 503)
Value added services	28 531	18 984
Corporate	(32 688)	(57 108)
Total	1 834 494	1 577 150

Notes

1) Represents the adding back of the amortisation of intangible assets as a consequence of the purchase price allocations exercised in terms of IFRS 3: Business Combinations.

Summarised Group Statement of Cash Flows six months ended 30 November 2009

	30 November 2009 Reviewed R'000	30 November 2008 Reviewed R'000
Cash flows from operating activities	316 434	421 142
Cash flows from investing activities	(34 958)	(110 577)
Cash flows from financing activities	(23 730)	7 554
Increase in cash and cash equivalents	257 746	318 119
Cash and cash equivalents at the beginning of the period	1 756 806	1 328 294
Cash and cash equivalents disposed of/acquired in subsidiaries	(46 209)	29 733
Translation difference	(8 594)	103
Cash and cash equivalents at the end of the period	1 959 749	1 676 249

Headline Earnings

	30 November 2009 Reviewed R'000	30 November 2008 Reviewed R'000
Profit attributable to equity holders of parent	176 915	198 158
Loss on disposal of property plant and equipment	1 376	—
Intangible asset impairment	4 884	—
(Profit)/loss on sale of group companies	(17 345)	255
Loan impairment	—	1 261
Foreign currency translation reserve reclassified to profit or loss	(364)	—
Goodwill impairment	11 961	—
Headline earnings	177 428	199 674
Headline earnings per share (cents)	23,38	26,06

Disposal of Subsidiaries

The group's entire shareholding in the following subsidiaries were

disposed of in the six months ended 30 November 2009

Blue Label USA LLC

Africa Prepaid Services (Mozambique) Limitada

Effective date
of disposal

31 July 2009

30 November 2009

% disposed

50,1

90

Details of the total net assets disposed and the resulting profit on disposal are as follows:

	Total R'000's
Total proceeds	66 241
Fair value of net assets disposed of	36 472
Profit on disposal	29 769

The assets and liabilities disposed of are as follows:

	Fair value at disposal date 000's
Cash and cash equivalents	46 209
Property, plant and equipment	2 132
Intangible assets	13 629
Inventories	3 634
Financial assets at amortised cost	1 738
Receivables	68 859
Deferred tax	49
Borrowings	(22 775)
Current tax liabilities	(495)
Payables	(88 182)
Fair value of subsidiaries disposed of	24 798
Minorities interest	11 571
Transaction with minority reserve	103
Fair value of net assets disposed of	36 472
Proceeds on disposal of subsidiaries	66 241
Still to be settled	(25 671)

Cash and cash equivalents in subsidiaries disposed of	(46 209)
Cash outflow on disposal	(5 639)

Commentary

INTRODUCTION

Against the background of the global economic crisis, the group achieved EBITDA of R368 million, equating to 24% growth year on year. This again endorses the group's ability to achieve compounded growth in spite of volatile economic conditions.

Revenue enhancement, margin improvement and the containment of overheads were the contributors to this growth.

A decline in interest rates had a negative impact on interest received on the substantial cash resources that the group has accumulated.

This together with impairments on goodwill and intangibles and the reversal of an element of deferred tax assets resulted in a decline in core earnings per share of 9%.

BASIS OF PREPARATION

The condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 - Interim Financial Reporting, the listing requirements of the JSE Limited and the South African Companies Act 61 of 1973, as amended.

The condensed consolidated financial statements are prepared in accordance with the going concern principle, under the historical cost basis, as modified by the revaluation of certain assets and liabilities where required or elected in terms of IFRS. The accounting policies and methods of computation are consistent with those used in the comparative financial information for the six months ended 30 November 2008.

Financial overview

- Revenues of R8,4 billion equated to an increase of R828 million (11%)
- Gross profit margin improved from 6,92% to 7,40%
- EBITDA increased to R368 million up 24% from R295 million
- EBITDA margin improved from 3,90% to 4,38%
- Losses in Associate Company, Oxigen Services India, declined by 68%
- Decrease in core earnings per share from 28,18 cents to 25,59 cents.

Core earnings

In spite of accumulating an additional R203 million cash off an opening base of R1,7 billion, the gradual decline in interest rates to August 2009 impacted negatively on net finance income, which declined by R53 million. This, together with the impairment of software and goodwill and the reversal of certain deferred tax assets, resulted in a decline in core earnings per share from 28,18 cents to 25,59 cents.

The underlying report has been prepared on a segmental basis in order to provide shareholders with an enhanced insight into the contributions to profitability by the various operational divisions of the group.

Revenue

Segments	R'000		% Growth	% of Total Contribution	
	2009 Reviewed	2008 Reviewed		2009	2008
South African	7 591 164	7 088 140	7	90,3	93,6

distribution

International

distribution	674 866	282 944	139	8,0	3,7
Value added services	122 490	192 074	(36)	1,5	2,6
Technology	13 440	10 300	31	0,2	0,1
Total	8 401 960	7 573 458	11	100	100

South African distribution

This segment is the major contributor to group revenue, covering mainly the distribution of prepaid airtime and electricity on a national basis. Significant growth in commission earned on the distribution of prepaid electricity (360%), was achieved through the establishment of additional distribution contracts with a wider spectrum of municipalities.

International distribution

International distribution encompasses the group's operations in Mozambique, Democratic Republic of Congo, Nigeria, Australia, Mexico, India, United Kingdom and Europe.

Revenue, which increased by 139%, was entirely attributable to Africa Prepaid Services Nigeria (APSN) and does not include the turnover of associated companies, namely, Oxigen Services India and Ukash (UK and Europe).

The group's interests in Mozambique were disposed of in November 2009. The comparative revenue does not include any contribution by APSN in that operations only commenced in May 2009.

Value added services

The telemarketing of cellular and financial services products and inbound customer care and technical support, are provided by various call centres operated by the group. Contribution to group revenue declined by R23 million as a result of material adverse market conditions. This in turn necessitated the impairment of goodwill of R11,1 million pertaining to CNS Call Centre.

The comparative revenue includes R47 million pertaining to e-Voucha, a subsidiary company that was sold prior to the commencement of the financial period under review.

Growth in revenue generated by location based services and aggregation of mobile content was neutral.

Technology

The technology division is an in house technical support and product development enhancement operation. Its revenue relates to services and sales to third parties.

EBITDA

EBITDA of R368 million represented growth of R72 million (24%) on the comparative period.

The underlying segmental analysis separates contributions from trading operations and technical and corporate support.

Segments	R'000		% growth
	2009 Reviewed	2008 Reviewed	
South African distribution	361 746	296 965	22
International distribution	63 349	18 823	237
Value added services	18 641	47 176	(61)
Total trading operations	443 736	362 964	22

EBITDA Margin (%)	5,29	4,80	0,49
Technology	(35 561)	(22 114)	
Corporate	(40 346)	(45 254)	
Total support	(75 907)	(67 368)	13
Net Total	367 829	295 596	24
EBITDA Margin (%)	4,38	3,90	0,48

South African distribution

The growth in EBITDA of R65 million (22%) was achieved through revenue growth of 7%, an increase in gross profit margins by 0,55% and the containment of overheads.

International distribution

The growth of R45 million included a profit of R29 million on the sale of APS Mozambique. On elimination of this extraneous profit, the growth in EBITDA equated to 82%.

Value added services

The decline in revenue of the call centres, reduced margins and costs of rationalisation, were the major contributing factors to the negative growth in value added services of R29 million (61%).

Technology and Corporate

The growth in EBITDA of R81 million (22%) generated by trading operations, was underpinned by skilled technological, administrative and managerial support. These services were provided at increased costs of R8 million.

NET FINANCE INCOME

Finance income of R64 million was attributable to interest earned by the South African distribution segment of the group. Of this amount, R20 million related to imputed interest receivable on debtor balances in terms of IFRS requirements and R44 million earned on liquid working capital.

Finance income earned in the comparative period was R104 million, of which R14 million applied to imputed interest receivable on debtor balances in terms of IFRS requirements.

The effective decline in finance income, net of the above IFRS adjustments, was therefore R46 million from the comparative period. This decline was primarily due to the reduction in interest rates, totalling 500 basis points.

This resulted in a net negative growth of R40 million (39%).

Of the finance expense of R63 million, R60 million related to imputed interest payable on creditor balances in terms of IFRS requirements.

In comparison with the relative period, the increase in finance expense of R13 million (26%) was predominantly due to a positive movement in IFRS adjustments of R12,2 million.

SHARE OF LOSSES FROM ASSOCIATES AND JOINT VENTURES

		R'000	
	%	2009	2008
Associate Company	Holding	Reviewed	Reviewed
Oxygen Services India Pvt Ltd	37,22	(4 595)	(14 285)
Smart Voucher Limited (Ukash)	17,25	(7 542)	(195)
Other	50	240	398
Total		(11 897)	(14 082)

Oxigen Services India

Oxigen Services India Pvt Ltd continues to incur losses albeit at a lesser rate, when comparing the group's share of historical losses of R14,2 million to current losses of R4,6 million. This reduction in losses of 68% was derived through growth in revenue by R130 million (21%) coupled with a reduction in overhead of 46%.

Smart Voucher Limited t/a Ukash

The group's share of associated company losses of R7,5 million included its share of the amortisation of the intangible assets. Comparatives related to two months only as Ukash was acquired in October 2008. In addition, the reversal of a deferred tax asset of R3,7 million, impacted further on Ukash's negative contribution to core earnings.

CORE NET PROFIT

Segments	R'000		%
	2009 Unaudited	2008 Unaudited	
South African distribution	288 231	260 858	11
International distribution	1 371	(5 766)	124
Value added services	(2 638)	31 787	(108)
Total operations	286 964	286 879	—
Technology	(47 246)	(24 036)	(97)
Corporate	(45 510)	(46 917)	3,0
Total support	(92 756)	(70 953)	(31)
Core earnings	194 208	215 926	(10)
Core earnings per share (cents)	25,59	28,18	(9)
Headline earnings per share (cents)	23,38	26,06	(10)

After deducting the profit on the sale of APS Mozambique (R19 million net of taxation and minorities interest) and accounting for the adjustment of impairments of R18 million, headline earnings per share equated to 23,38 cents.

DIVIDENDS

In line with the group's stated dividend policy, no dividend has been declared.

BALANCE SHEET

Assets

Total assets increased to R4,2 billion up R369 million (10%).

Non-current assets

The net decrease in non current assets by R91 million was attributable to:

- Capital expenditure net of disposals and depreciation on property, plant and equipment of R24 million. This was mainly applied to the acquisition of point of sale devices in both the South African and International distribution segments;
- The reversal of deferred tax assets of R4 million;
- A decrease in intangible assets, comprising goodwill and intangibles of R62 million, net of acquisitions, disposals, impairments and amortisation;
- A net decrease in financial assets at amortised cost of R35 million. This relates to starter packs which have been sold but not yet activated; and

- A decrease in Investments in associates of R14 million.

Current assets

Current assets increased by R460 million. This was mainly attributable to the increase in cash and cash equivalents by R203 million, trade and other receivables by R239 million and the current portion of unactivated starter packs by R21 million.

The stock turn averaged 3,44 times per month and debtors collections were 24 days.

CAPITAL AND RESERVES

Capital and reserves increased by R179 million, of which net profit for the period accounted for R177 million.

The purchase of treasury shares in terms of the group's staff share incentive scheme, increase in share based payment reserve, positive movements in minority interests and foreign exchange translation movements, accounted for the balance of the net increase in capital and reserves.

LIABILITIES

The net increase in total liabilities of R191 million, related to an increase in accounts payable by R183 million and taxation owing by R33 million less the reduction of interest bearing debt of R18 million and deferred taxation of R7 million.

The trade creditor payment terms equated to 40 days.

CASH FLOW

Operating profit and continuing focus on working capital management generated cash of R337 million. This was enhanced by a further R41 million from net interest received on liquid working capital offset by taxation paid of R62 million, equating to cash flows from operating activities of R316 million.

Funds applied to investing and financing activities as well as negative translation differences on foreign exchange transactions resulted in net cash flow generated by the group for the period under review totalling R203 million.

Total cash on hand as at the 30 November 2009 accumulated to R1,96 billion.

PROSPECTS

Revenue from the South African distribution segment is expected to continue to increase organically in line with the growth in the customer base and the introduction of additional e-tokens of value.

Africa Prepaid Services Nigeria, which commenced operations in May 2009, is expected to grow organically in line with the widening of the distribution network that has been established.

Blue Label Mexico continues to expand its footprint by growing the roll out of point of sale devices to new customers.

The improvement in the performance of Oxigen Services India is expected to continue.

The group will continue to consider any strategic acquisitions to complement the group's business model. Vertical integration and critical mass will be key criteria in order to ensure value creation to shareholders.

POST BALANCE SHEET EVENTS

Subsequent to the period under review, Africa Prepaid Services, a subsidiary of BLT, concluded an agreement to dispose of its 80% interest in Africa Prepaid Services DRC. In addition The Prepaid Company concluded an agreement with The Starter Pack Company to acquire a starter pack base for the amount for an amount of R59 million (VAT exclusive).

Review opinion

The results for the period ended 30 November 2009 have been reviewed by the company's auditors, PricewaterhouseCoopers Inc. and the unmodified review report is available for inspection at the company's registered office.

APPRECIATION

The board of Blue Label Telecoms would like to thank its suppliers, customers, business partners and staff for their ongoing support and loyalty.

For and on behalf of the Board

LM Nestadt	BM Levy and MS Levy	DB Rivkind
Chairman	Joint Chief Executive Officers	Chief Financial Officer

23 February 2010

DIRECTORS:

LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*, MV Pamensky, DB Rivkind, LM Tyalimpi*, P Mansour*#
(*Non-Executive) (#American)

COMPANY SECRETARY: E Viljoen

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