UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 NOVEMBER 2012

BLUE LABEL TELECOMS

- Increase in headline earnings per share by 26% after excluding a once off income receipt in the comparative period*
- Decline in headline earnings per share by 5% after including the once off income receipt in the comparative period*
- Increase in revenue to R9,5 billion
- Increase in gross profit to R644 million
- Increase in gross profit margins by 0,42% to 6,80%

*Once off income receipt amounted to R79.4 million.

Summarised group statement of financial position

As at	30 November 2012 Unaudited R'000	30 November 2011 Unaudited R'000	31 May 2012 Audited R'000
ASSETS			
Non-current assets	**1 060 927**	998 127	993 076
Property, plant and equipment	**99 094**	130 741	112 188
Intangible assets and goodwill	**483 604**	528 074	505 698
Investment in associates and joint ventures	**462 185**	322 854	357 471
Loans receivable	**1 119**	—	1 435
Starter pack assets	**3 107**	9 715	4 501
Deferred taxation assets	**11 818**	6 743	11 783
Current assets	**4 220 089**	4 725 338	3 942 456
Financial assets at fair value through profit and loss	**—**	10	—
Inventories	**1 828 208**	667 099	539 221
Loans receivable	**53 506**	31 607	30 049
Starter pack assets	**2 194**	8 286	3 191
Trade and other receivables	**1 363 322**	1 316 823	1 387 650
Prepayments	**—**	391 402	—
Current tax assets	**2 571**	4 210	7 103
Cash and cash equivalents	**970 288**	2 305 901	1 975 242
Total assets	**5 281 016**	5 723 465	4 935 532
EQUITY AND LIABILITIES			
Capital and reserves	**3 004 144**	3 119 701	2 914 386
Share capital, share premium and treasury shares	**3 939 892**	4 332 137	3 941 316
Restructuring reserve	**(1 843 912)**	(1 843 912)	(1 843 912)
Non-distributable reserves	**60 827**	7 819	25 539
Share-based payment reserve	**31 655**	23 612	38 915
Transaction with non-controlling interests reserve	**(909 967)**	(909 572)	(909 572)
Retained earnings	**1 745 181**	1 505 177	1 671 378
Non-controlling interests	**(19 532)**	4 440	(9 278)
Non-current liabilities	**20 084**	109 048	50 624
Deferred taxation liabilities	**20 084**	25 977	21 598
Interest-bearing borrowings	**—**	12 018	—
Trade and other payables	**—**	71 053	29 026
Current liabilities	**2 256 788**	2 494 716	1 970 522
Trade and other payables	**2 227 830**	2 484 878	1 931 204
Provisions	**9 758**	4 012	6 260
Current tax liabilities	**7 113**	1 577	21 041
Current portion of interest-bearing borrowings	**—**	4 249	—
Current portion of non-interest-bearing borrowings	**12 087**	—	12 017
Total equity and liabilities	**5 281 016**	5 723 465	4 935 532

Summarised group statement of comprehensive income

	Six months ended 30 November 2012 Unaudited R'000	Six months ended 30 November 2011 Unaudited R'000	Year ended 31 May 2012 Audited R'000
Continuing operations			
Revenue	**9 466 174**	9 249 177	18 715 390
Other income	**4 498**	89 787	97 412
Change in inventories of finished goods	**(8 822 436)**	(8 659 445)	(17 507 468)
Employee compensation and benefit expense	**(149 083)**	(146 339)	(327 830)
Depreciation, amortisation and impairment charges	**(33 557)**	(45 953)	(91 557)
Other expenses	**(126 947)**	(94 910)	(227 022)
Operating profit	**338 649**	392 317	658 925
Finance expense	**(91 373)**	(74 959)	(181 081)
Finance income	**91 062**	85 611	170 995
Share of loss in associates and joint ventures	**(22 112)**	(11 308)	(19 835)
Profit for the period before taxation	**316 226**	391 661	629 004
Taxation	**(98 664)**	(117 862)	(194 075)
Net profit from continuing operations	**217 562**	273 799	434 929
Discontinued operation			
Net loss for the period from discontinued operation	**—**	(12 064)	(15 455)
Net profit for the period	**217 562**	261 735	419 474
Other comprehensive income:			
Exchange profits on translation of equity loans	**—**	9 038	5 395
Exchange profits on translation of foreign operations	**35 331**	14 588	36 058
Other comprehensive income for the period, net of tax	**35 331**	23 626	41 453
Total comprehensive income for the period	**252 893**	285 361	460 927
Net profit for the period attributable to:			
Equity holders of the parent	**228 940**	271 903	438 104
– From continuing operations	**228 940**	275 005	443 597
– From discontinued operation	**—**	(3 102)	(5 493)
Non-controlling interests	**(11 378)**	(10 168)	(18 630)
– From continuing operations	**(11 378)**	(1 206)	(8 668)
– From discontinued operation	**—**	(8 962)	(9 962)
Total comprehensive income for the period attributable to:	**252 893**	285 361	460 927
Equity holders of the parent	**264 228**	293 323	477 244
Non-controlling interests	**(11 335)**	(7 962)	(16 317)
Earnings per share for profit attributable to equity holders (cents)			
Basic earnings per share	**34,61**	36,02	61,87
– From continuing operations	**34,61**	36,43	62,65
– From discontinued operation	**—**	(0,41)	(0,78)
Diluted earnings per share**	**34,05**	35,58	60,97
– From continuing operations	**34,05**	35,99	61,75
– From discontinued operation	**—**	(0,41)	(0,78)
Headline earnings per share	**34,78**	36,74	64,65
– From continuing operations	**34,78**	37,15	65,43
– From discontinued operation	**—**	(0,41)	(0,78)
Diluted headline earnings per share**	**34,22**	36,29	63,70
Dividend per share	**23,00**	14,00	14,00
Weighted average number of shares	**661 520 749**	754 875 983	708 059 527
Diluted weighted average number of shares	**672 430 432**	764 256 072	718 577 060
Number of shares in issue	**674 509 042**	766 360 894	674 509 042
Reconciliation between net profit and core net profit for the period:			
Net profit for the period attributable to equity holders of the parent	**228 940**	271 903	438 104
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**6 913**	10 237	17 693
Core net profit for the period	**235 853**	282 140	455 797
Core net profit attributable to:	**224 602**	271 846	437 420
Equity holders of the parent	**235 853**	282 140	455 797
Non-controlling interests	**(11 251)**	(10 294)	(18 377)
– Core earnings per share (cents)*	**35,65**	37,38	64,37

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

**Diluted earnings per share and diluted 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.

Summarised group statement of cash flows

	Six months ended 30 November 2012 Unaudited R'000	Six months ended 30 November 2011 Unaudited R'000	Year ended 31 May 2012 Audited R'000
Cash flows from operating activities	**(723 118)**	794 644	528 109
Cash flows from investing activities	**(107 418)**	(204 684)	(276 991)
Cash flows from financing activities	**(174 304)**	(517 629)	(519 984)
(Decrease)/increase in cash and cash equivalents	**(1 004 840)**	72 331	(268 866)
Cash and cash equivalents at the beginning of the period	**1 975 242**	2 226 170	2 226 170
Translation difference	**(114)**	7 400	17 938
Cash and cash equivalents at the end of the period	**970 288**	2 305 901	1 975 242

Summarised group statement of changes in equity

Six months ended	Share capital, share premium and treasury shares Unaudited R'000	Retained earnings Unaudited R'000	Restructuring reserve Unaudited R'000	Non-distributable reserve Unaudited R'000	Transaction with non-controlling interests reserve Unaudited R'000	Share-based payment reserve Unaudited R'000	Non-controlling interests Unaudited R'000	Total equity Unaudited R'000
Balance as at 1 June 2011	4 348 231	1 340 318	(1 843 912)	(13 601)	(909 006)	19 099	14 234	2 955 363
Net profit for the period	—	271 903	—	—	—	—	(10 168)	261 735
Other comprehensive income	—	—	—	21 420	—	—	2 206	23 626
Total comprehensive income/(loss)	—	271 903	—	21 420	—	—	(7 962)	285 361
Dividends paid	—	(107 044)	—	—	—	—	(1 900)	(108 944)
Treasury shares purchased	(16 094)	—	—	—	—	—	—	(16 094)
Equity-based compensation movements	—	—	—	—	—	4 513	68	4 581
Transaction with non-controlling interest movements	—	—	—	—	(566)	—	—	(566)
Balance as at 30 November 2011	4 332 137	1 505 177	(1 843 912)	7 819	(909 572)	23 612	4 440	3 119 701
Balance as at 1 June 2012	**3 941 316**	**1 671 378**	**(1 843 912)**	**25 539**	**(909 572)**	**38 915**	**(9 278)**	**2 914 386**
Net profit for the period	**—**	**228 940**	**—**	**—**	**—**	**—**	**(11 378)**	**217 562**
Other comprehensive income	**—**	**—**	**—**	**35 288**	**—**	**—**	**43**	**35 331**
Total comprehensive income/(loss)	**—**	**228 940**	**—**	**35 288**	**—**	**—**	**(11 335)**	**252 893**
Dividends paid	**—**	**(155 137)**	**—**	**—**	**—**	**—**	**(1 900)**	**(157 037)**
Treasury shares purchased	**(17 223)**	**—**	**—**	**—**	**—**	**—**	**—**	**(17 223)**
Non-controlling interests acquired during the period	**—**	**—**	**—**	**—**	**—**	**—**	**2 829**	**2 829**
Transaction with non-controlling interest reserve movement	**—**	**—**	**—**	**—**	**(395)**	**—**	**395**	**—**
Equity compensation benefit scheme shares vested	**15 799**	**—**	**—**	**—**	**—**	**(15 559)**	**(240)**	**—**
Equity-based compensation movements	**—**	**—**	**—**	**—**	**—**	**8 299**	**(3)**	**8 296**
Balance as at 30 November 2012	**3 939 892**	**1 745 181**	**(1 843 912)**	**60 827**	**(909 967)**	**31 655**	**(19 532)**	**3 004 144**
Year ended	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
Balance as at 1 June 2011	4 348 231	1 340 318	(1 843 912)	(13 601)	(909 006)	19 099	14 234	2 955 363
Net profit for the year	—	438 104	—	—	—	—	(18 630)	419 474
Other comprehensive income	—	—	—	39 140	—	—	2 313	41 453
Total comprehensive income/(loss)	—	438 104	—	39 140	—	—	(16 317)	460 927
Dividends paid	—	(107 044)	—	—	—	—	(2 945)	(109 989)
Treasury shares purchased	(16 095)	—	—	—	—	—	—	(16 095)
Shares acquired	(392 378)	—	—	—	—	—	—	(392 378)
Equity compensation benefit scheme shares vested	1 558					(1 517)	(41)	—
Equity-based compensation movements	—	—	—	—	—	21 929	197	22 126
Share of equity movement in associates	—	—	—	—	—	(596)	—	(596)
Transaction with non-controlling interest reserve movement	—	—	—	—	(566)	—	—	(566)
Non-controlling interests disposed of during the year	—	—	—	—	—	—	(4 406)	(4 406)
Balance as at 31 May 2012	3 941 316	1 671 378	(1 843 912)	25 539	(909 572)	38 915	(9 278)	2 914 386

Segmental summary

Six months ended 30 November 2012	Total Unaudited R'000	South African distribution Unaudited R'000	International distribution Unaudited R'000	Technology Unaudited R'000	Mobile Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
Total segment revenue	**12 247 416**	**12 060 918**	**—**	**16 467**	**94 472**	**75 559**	**—**
Inter-segment revenue	**(2 781 242)**	**(2 747 014)**	**—**	**(8 904)**	**(17 884)**	**(7 440)**	**—**
External revenue	**9 466 174**	**9 313 904**	**—**	**7 563**	**76 588**	**68 119**	**—**
EBITDA	**372 206**	**436 248**	**(19 727)**	**(37 050)**	**21 075**	**14 391**	**(42 731)**
Net profit/(loss) for the period net of non-controlling interests	**228 940**	**329 960**	**(24 926)**	**(48 980)**	**14 295**	**8 019**	**(49 428)**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interests	**6 913**	**4 546**	**2 030**	**190**	**115**	**32**	**—**
Core net profit/(loss) for the period	**235 853**	**334 506**	**(22 896)**	**(48 790)**	**14 410**	**8 051**	**(49 428)**
At 30 November 2012							
Total assets	**5 281 016**	**4 470 514**	**438 021**	**83 220**	**95 120**	**153 563**	**40 578**
Net operating assets/(liabilities)	**1 963 301**	**1 966 974**	**(10 598)**	**1 666**	**11 899**	**31 244**	**(37 884)**
Six months ended 30 November 2011							
Total segment revenue	14 703 706	14 533 390	14 331	13 292	46 978	95 715	—
Inter-segment revenue	(5 454 529)	(5 444 571)	—	(5 037)	(2 253)	(2 668)	—
External revenue	9 249 177	9 088 819	14 331	8 255	44 725	93 047	—
EBITDA	438 270	394 357	2 918	(34 564)	89 946	24 186	(38 573)
Net profit/(loss) for the period net of non-controlling interests	275 005	300 141	(7 727)	(44 835)	70 204	13 664	(56 442)
Amortisation on intangibles raised through business combinations net of tax and non-controlling interests	10 237	4 223	1 215	190	4 577	32	—
Core net profit/(loss) for the period	285 242	304 364	(6 512)	(44 645)	74 781	13 696	(56 442)
At 30 November 2011							
Total assets	5 723 465	4 618 252	329 763	87 478	67 901	181 928	438 143
Net operating assets	2 230 622	1 771 651	27 939	2 733	15 951	52 258	360 090
Year ended 31 May 2012	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
Total segment revenue	**30 173 943**	29 855 365	17 429	28 405	96 084	176 660	—
Inter-segment revenue	**(11 458 553)**	(11 432 351)	—	(11 731)	(8 840)	(5 631)	—
External revenue	**18 715 390**	18 423 014	17 429	16 674	87 244	171 029	—
EBITDA	**750 482**	801 746	(15 901)	(64 258)	97 359	38 927	(107 391)
Net profit/(loss) for the year net of non-controlling interests	**443 597**	587 179	(24 784)	(83 144)	69 270	21 259	(126 183)
Amortisation on intangibles raised through business combinations net of tax and non-controlling interests	**17 693**	8 716	3 841	379	4 692	65	—
Core net profit/(loss) for the year	**461 290**	**595 895**	**(20 943)**	**(82 765)**	**73 962**	**21 324**	**(126 183)**
At 31 May 2012							
Total assets	**4 935 532**	4 279 757	337 494	84 304	62 278	137 997	33 702
Net operating assets/(liabilities)	**1 971 934**	2 032 935	(10 126)	(3 703)	5 247	7 385	(59 804)

Disposal of subsidiary

Shares in the following subsidiary were disposed of during the period:

Subsidiary	Effective date of disposal	% disposed
Content Connect Africa Proprietary Limited	1 September 2012	100

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

	Total R'000
Total proceeds	2 000
Fair value of net assets disposed of	4 027
Loss on disposal	(2 027)

The assets and liabilities disposed of are as follows:

	Fair value at disposal date R'000
Cash and cash equivalents	486
Property, plant and equipment	117
Intangible assets	2 970
Trade and other receivables	6 503
Borrowings	(3 130)
Current tax liabilities	(45)
Trade and other payables	(7 620)
Fair value of subsidiary disposed of	(719)
Goodwill	4 746
Fair value of net assets disposed of	4 027
Proceeds on disposal of subsidiary	2 000
Cash and cash equivalents of subsidiary disposed of	(486)
Cash inflow on disposal	1 514

Acquisitions of subsidiaries

Shares in the following subsidiaries were acquired during the period:

Subsidiaries	Effective date of acquisition	% acquired
Blue Label Engage Proprietary Limited	1 September 2012	50,1
Panacea Mobile Proprietary Limited	1 September 2012	51

Details of the total net assets acquired and the resulting goodwill as at acquisition are as follows:

	Total R'000
Total purchase consideration	12 569
Fair value of net assets acquired	2 944
Goodwill	9 625

The assets and liabilities acquired through the acquisitions are as follows:

	Fair value at acquisition date R'000	Acquirer's carrying amount on acquisition date R'000
Cash and cash equivalents	2 977	2 977
Property, plant and equipment	126	126
Intangible assets	5 263	—
Trade and other receivables	2 255	2 255
Deferred taxation liabilities	(1 474)	(1 474)
Current tax liability	(1 015)	(1 015)
Borrowings	(114)	(114)
Trade and other payables	(2 245)	(2 245)
Fair value of subsidiaries acquired	5 773	510
Minority interests	(2 829)	
Fair value of net assets acquired	2 944	
Total purchase consideration		12 569
Deferred purchase consideration		(2 669)
Cash and cash equivalents in subsidiaries acquired		(2 977)
Cash outflow on acquisition		6 923

"We continue to focus on diversifying our range of products and services and expanding our distribution footprint by growing our business organically and through strategic acquisitions."

Headline earnings

	Six months ended 30 November 2012 Unaudited R'000	Six months ended 30 November 2011 Unaudited R'000	Year ended 31 May 2012 Audited R'000
Profit attributable to equity holders of the parent	**228 940**	271 903	438 104
Net loss/(profit) on disposal of property, plant and equipment	**—**	41	(65)
Loss on disposal of subsidiary	**2 027**	—	3 014
(Profit)/loss on disposal of associates and joint ventures	**(873)**	—	3 025
Impairment of intangible assets and property, plant and equipment	**—**	5 431	9 354
Impairment of goodwill	**—**	—	4 684
Profit on disposal of investment	**—**	—	(361)
Headline earnings	**230 094**	277 375	457 755
Headline earnings per share (cents)	**34,78**	36,74	64,65
– From continuing operations	**34,78**	37,15	65,43
– From discontinued operation	**—**	(0,41)	(0,78)

Commentary

Financial review

The financial results for the period ended 30 November 2011, reflected a once off income receipt of R79,4 million that was received in October 2011.

The once off income receipt is excluded for the purposes of representing the performance of the group during the period under review; headline earnings per share of 34,78 cents equated to a growth of 26%. These results were achieved through a growth in revenue to R9,5 billion, an increase in gross profit by 9% to R644 million, supported by gross profit margin increases from 6,38% to 6,80% as well as the reduction in issued shares as a result of the purchase of Microsoft's 12% shareholding in the group in December 2011.

The vending of "pinless top ups" was introduced as an additional mechanism for the distribution of prepaid airtime during the comparative period. Only the gross profit earned thereon is included in group revenue as opposed to the gross revenue generated from transactions of this nature. These sales increased from R7 million to R411 million. The inclusion of this revenue in group revenue would effectively result in a growth in total group revenue of 7%.

The increase in gross profit included the exponential growth in commissions earned on the distribution of prepaid electricity as well as compounding annuity revenue earned from starter packs. Furthermore, the healthy cash resources enabled the group to enter into bulk inventory purchase transactions totalling R1,5 billion, at favourable discount rates.

The South African distribution segment remains the predominant contributor to group earnings. On the international front, Ukash continued to increase profitability whilst Oxigen Services India ("OSI") and Blue Label Mexico ("BLM") incurred losses.

Cash flows generated from operating activities, before the bulk inventory purchase transactions of R1,5 billion, amounted to R566 million. Post these transactions, the net movement in inventory by R1,3 billion, resulted in a negative cash flow from operating activities of R723 million.

The statement of financial position, reflecting capital and reserves of R3 billion, remains robust and liquid.

Financial overview

- Revenues increased to R9,5 billion.
- Gross profit increased by R54 million to R644 million supported by margin increases from 6,38% to 6,80%.
- Overheads increased by 14%.
- EBITDA increased to R372 million equating to a growth of 4%.*
- Headline earnings increased by 10% to R230 million.*
- Headline earnings per share increased by 26% from 27,70 cents* to 34,78 cents per share.
- On inclusion of the once off comparative receipt, headline earnings per share declined by 5% from 36,74 cents to 34,78 cents.

**On exclusion of the once off income receipt of R79,4 million in the comparative period.*

Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the requirements of Section 8.57 of the JSE Limited Listings Requirements and the presentation and disclosure requirements of IAS 34 Interim Financial Reporting and the AC500 standards as issued by the Accounting Practices Board. The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

This interim financial information has been prepared in accordance with the going concern principle, under the historical cost convention, except for certain financial and equity investments which have been measured at fair value. The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 May 2012, with the exception of the standards that are effective for the first time in the current period. These have been disclosed in note 1 to the annual financial statements. These standards have not had a significant impact on the interim financial information.

In addition, the group uses core net profit as a non-IFRS measure in evaluating the group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.

The results have not been reviewed or audited for the period ended 30 November 2012.

Segmental report

South African distribution

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
Revenue	**9 313 904**	9 088 819	225 085	2%
Gross profit	**558 344**	503 402	54 942	11%
EBITDA	**436 248**	394 356	41 892	11%
Core net profit	**334 506**	304 362	30 144	10%
Gross profit margin	**5,99%**	5,54%		
EBITDA margin	**4,68%**	4,34%		

Prepaid airtime, annuity revenue generated from starter packs and commissions earned on the distribution of prepaid electricity, accounted for a 2% increase in revenue. This excluded growth of R404 million in sales of pinless top ups, the gross profit thereon only being accounted for as revenue. The effective growth in revenue therefore equated to 7%.

Commissions earned on the distribution of prepaid electricity amounted to R53 million (2011: R41 million), equating to revenue generated on behalf of utilities of R3,5 billion (2011: R2,7 billion). Gross profit increased by R55 million (11%), supported by margin increases from 5,54% to 5,99%. Commissions on prepaid electricity accounted for 0,11% of this margin increase. On exclusion of IFRS adjustments, margins increased from 5,24% to 5,75%.

The growth in EBITDA of 11% was inclusive of the effects of IFRS adjustments. On exclusion of these adjustments in both the comparative and current period, a more representative growth of R47 million was achieved, equating to a 13% increase.

International distribution

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
Revenue	**—**	14 331	(14 331)	(100%)
Gross profit	**—**	3 488	(3 488)	(100%)
EBITDA	**(19 727)**	2 918	(22 645)	(776%)
Discontinued operation*	**—**	(3 102)	3 102	(100%)
Share of losses from associates and joint ventures	**(23 122)**	(11 008)	(12 114)	(110%)
Ukash	**4 362**	2 274	2 088	92%
Oxigen Services India	**(2 455)**	(4 399)	1 944	44%
Blue Label Mexico	**(22 894)**	(8 464)	(14 430)	(170%)
Other	**(2 135)**	(419)	(1 716)	(410%)
Core net loss from continuing operations	**(36 730)**	(11 296)	(25 434)	(225%)
– Equity holders of the parent	**(22 896)**	(6 510)	(16 386)	(252%)
– Non-controlling interests	**(13 834)**	(4 786)	(9 048)	(189%)
Core net loss from discontinued operation	**—**	(12 064)	12 064	
– Equity holders of the parent	**—**	(3 102)	3 102	
– Non-controlling interests	**—**	(8 962)	8 962	

**Represents loss after taxation and non-controlling interests in Africa Prepaid Services Nigeria.*

Historical revenue and gross profit were generated by SharedPhone International, which was disposed of in January 2012.

The decline in EBITDA of R23 million was predominantly representative of costs incurred on the ongoing litigation pertaining to Africa Prepaid Services Nigeria ("APSN") and a decline in foreign exchange gains relating to loans to OSI.

The comparative losses from discontinued operations pertained to the winding down of APSN.

The group's objective in the international segment is to partner with local management in the countries in which it operates. These partnerships result in its international operations being equity accounted for. The group's current active international operations, namely, Ukash, Oxigen Services India and Blue Label Mexico are disclosed accordingly under share of losses from associates and joint ventures.

The share of these net losses comprised the following:

Ukash

The group's share of profits in Ukash, after the amortisation of intangible assets, increased by 92% to R4,4 million. These results were achieved on organic growth in revenue by 28%, an increase in gross profit by 35% and EBITDA growth of 33%, all reported in their local currency.

Oxigen Services India

Blue Label's share of losses declined to R2,5 million against losses of R4,4 million in the comparative period. Revenue increased by 16% resulting in a positive EBITDA, all reported in their local currency.

When comparing the performance of OSI to the six months ended 31 May 2012, revenue declined by a melded 2%. This was due to the necessity to upgrade its information technology systems to a more robust and scalable platform. In addition 10 500 terminals were replaced on a piecemeal basis with more advanced equipment. This process resulted in a temporary decline in retail sales. Costs incurred in this transition process resulted in a decline in EBITDA over this period.

The focus on the above, compounded by the necessity to employ and train 200 field sales executives to cover the expansive urban and rural India, which impacted negatively on its operating profits.

Blue Label Mexico

In the comparative period BLM incurred losses of R20 million of which the group's share of 40% equated to R8,5 million after the amortisation of intangible assets. In the current period BLM's losses increased to R52 million. In October 2012, BLT increased its shareholding from 40% to 45%. The group's melded share of losses for the period equated to R23 million.

The losses in Mexico were primarily attributable to an increase in overhead costs, necessitated by its aggressive roll out of point of sale devices and ancillary support required thereon. At the end of the reporting period the number of point of sale devices increased to 42 000 net of churn.

Mobile

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
Revenue	**76 588**	44 725	31 863	71%
Gross profit	**49 157**	33 345	15 812	47%
EBITDA	**21 075**	89 946	(68 871)	(77%)
Core net profit	**14 410**	74 781	(60 371)	(81%)

This segment comprises Cellfind, Blue Label One and Content Connect Africa. The comparative EBITDA includes the once off income receipt of R79,4 million. On elimination of this comparative receipt, the effective growth in both EBITDA and core net profit equated R10 million and R8 million respectively. This was achieved through an increase in revenue by 71% and an increase in gross profit by 47%. Content Connect Africa was disposed of in September 2012.

Solutions

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
Revenue	**68 119**	93 047	(24 928)	(27%)
Gross profit	**31 540**	44 503	(12 963)	(29%)
EBITDA	**14 391**	24 186	(9 795)	(40%)
Core net profit	**8 051**	13 696	(5 645)	(41%)

The Solutions segment houses Blue Label Data Solutions ("BLDS"), Velociti and CNS Call Centres. BLDS contributed R15 million to EBITDA, equating to a growth of 34% on the prior period. This growth was negated by a negative EBITDA contribution by Velociti due to a substantial decline in outbound call centre campaigns. It is the intention to increase the volume of inbound activity in order to compensate for the outbound decline.

Technology

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
Revenue	**7 563**	8 255	(692)	(8%)
Gross profit	**4 697**	4 994	(297)	(6%)
EBITDA	**(37 050)**	(34 564)	(2 486)	(7%)
Core net loss	**(48 790)**	(44 645)	(4 145)	(9%)

Technology losses are representative of the costs of development and support to the group's Information Technology infrastructure. Income generation was limited to services to third parties.

Corporate

	Unaudited 2012 R'000	Unaudited 2011 R'000	Growth R'000	Growth
EBITDA	**(42 731)**	(38 573)	(4 158)	(11%)
Core net loss	**(49 428)**	(56 442)	7 014	12%

In spite of an increase in negative EBITDA by 11%, core net loss declined by 12%. This decline was mainly due to the change in legislation applicable to Secondary Tax on Companies ("STC"). No STC was payable on the dividends declared in the current period, whereas STC on dividends declared in the comparative period amounted to R11 million.

Depreciation, amortisation and impairment charges

Depreciation and amortisation of intangible assets declined by R6 million due to impairments of assets in the prior period. Amortisation of intangible assets in terms of purchase price allocations declined by R6 million in line with the expiration of useful tenure.

Net finance income

Finance costs

Finance costs totalled R91 million, of which R8 million related to interest paid on borrowed funds and R83 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds was R3 million and the imputed IFRS interest adjustment was R72 million. The increase in interest paid on borrowed funds was attributable to the bulk inventory purchase transactions of which facilities were utilised and repaid during the current period.

Finance income

Finance income totalled R91 million, of which R26 million was interest received on cash resources and R65 million pertained to IFRS adjustments. On a comparative basis interest received on cash resources amounted to R32 million and the imputed IFRS interest adjustment R54 million. The decline in interest received on cash resources was caused by the utilisation of funds on hand for the bulk inventory purchase transactions as well as by a reduction in interest rates by 0,5%.

Statement of financial position

Total assets increased by R345 million, of which R68 million was attributable to growth in non-current assets and R277 million in current assets.

The movement in non-current assets by R68 million was mainly attributable to investment in associates and joint ventures, of which R86 million related to an additional investment in BLM, set off by net losses of R22 million in associates and joint ventures.

The increase in current assets was primarily due to an additional inventory holding congruent with the bulk inventory purchases. These transactions were also the primary cause for the decline in cash resources. Although the stock turn consequently increased from an historical average of 11 days to 38 days in the short term, the discount afforded thereon justified this temporary excess in inventory holding.

Debtors collection period remained consistent at 26 days.

The net profit of R229 million less a dividend of R155 million as well as the movement of R35 million in foreign exchange translation reserves were the main contributors to the growth in capital and reserves.

Current liabilities increased by R286 million in line with the utilisation of extended credit available. Accordingly, the payment period to creditors increased from 37 days to 46 days.

Statement of cash flows

Cash flows of R566 million were generated from trading operations, of which R1,3 billion was applied to an increase in inventory, resulting in negative cash flows from operating activities of R723 million.

A further R107 million was applied to investing activities of which R86 million related to the additional investment in BLM, R12 million to capital expenditure and R7 million to acquisitions.

After the payment of dividends of R157 million to shareholders and minorities and the acquisition of treasury shares for R17 million, the cash on hand amounted to R970 million.

Forfeitable share scheme

Forfeitable shares totalling 3 881 276 (2011: 4 836 611) were issued to qualifying employees. During the period 434 061 (2011: 910 093) shares were forfeited and 2 700 512 (2011: nil) shares vested.

Prospects

A number of innovative financial services products, aimed at bringing financial inclusion and transactional value to customers, will be launched. These initiatives will benefit through the utilisation of BLT's mobile systems and the leveraging of the group's extensive distribution network. These additional financial services products complement the group's existing prepaid products and enhance the value-proposition to the merchants and their customers.

Recently launched loyalty initiatives are expected to generate revenue through supporter engagement programmes, including communications, events, access-control and concessionary services that enhance service value to supporters. These programmes benefit from the latest Near Field Communication and mobile technologies to collect and process data beneficial to the customer experience.

SMS aggregation is expected to gain further momentum following the successful development of technology pertaining to this service and a strategic acquisition in this segment of the market.

Consumer awareness of the benefits of prepaid electricity is expected to continue and in turn impact favourably on commissions earned on the distribution of this product.

Oxigen Services India continues its drive into banking services initiatives in partnership with leading banks and financial institutions.

The group's statement of financial position remains robust and liquid, which augurs well for future growth, acquisitions and distributions to shareholders.

Subsequent events

Airtime bases were acquired from Vo-Call Cellular Proprietary Limited and DNI 4PL Contracts Proprietary Limited for R108 million and R40 million respectively.

The above transactions were both concluded in January 2013.

Appreciation

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

For and on behalf of the board

LM Nestadt
Chairman

BM Levy and MS Levy
Joint Chief Executive Officers

DB Rivkind*
Financial Director

19 February 2013

**Supervised the preparation and review of the group's interim results.*

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellerine*, GD Harlow*, NN Lazarus SC*, JS Mthimunye*, MV Pamensky, DB Rivkind, J Vilakazi*
(*Non-executive)

Company Secretary: E Viljoen

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

Blue Label Telecoms Limited
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(Registration number 2006/022679/06)

JSE Share code: BLU
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("Blue Label" or "BLT" or "the company" or "the group")