

BLUE LABEL
TELECOMS

UNAUDITED RESULTS FOR THE HALF YEAR
ENDED 30 NOVEMBER 2016



DISCLAIMER: The information contained in this document has not been verified independently.

No representation or warranty express or implied is made as to and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information or opinions contained herein. Opinions and forward looking statements expressed represent those of the Company at the time. Undue reliance should not be placed on such statements and opinions because by nature, they are subjective to known and unknown risk and uncertainties and can be affected by other factors that could cause actual results and Company plans and objectives to differ materially from those expressed or implied in the forward looking statements.

Neither the Company nor any of its respective affiliates, advisors or representatives shall have any liability whatsoever (based on negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation and do not undertake to publicly update or revise any of its opinions or forward looking statements whether to reflect new information or future events or circumstances otherwise.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

www.bluelabeltelecoms.co.za



UNAUDITED INTERIM RESULTS

For the half year ended 30 November 2016

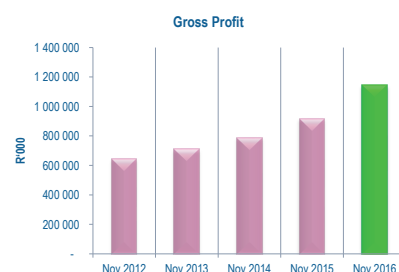
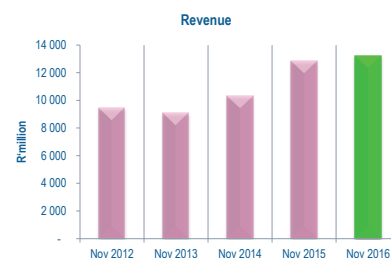


Group highlights for the half year ended 30 November 2016



- » Increase in revenue of 3% to R13.2 billion*
- » Increase in gross profit of 25% to R1.1 billion
- » Increase in EBITDA of 15% to R715 million
- » Increase in earnings per share of 56% to 81.78 cents
- » Increase HEPS of 54% to 81.78 cents
- » Increase in core headline earnings per share of 52% to 82.86 cents

* On including PINless top-ups, revenue increased by 9%

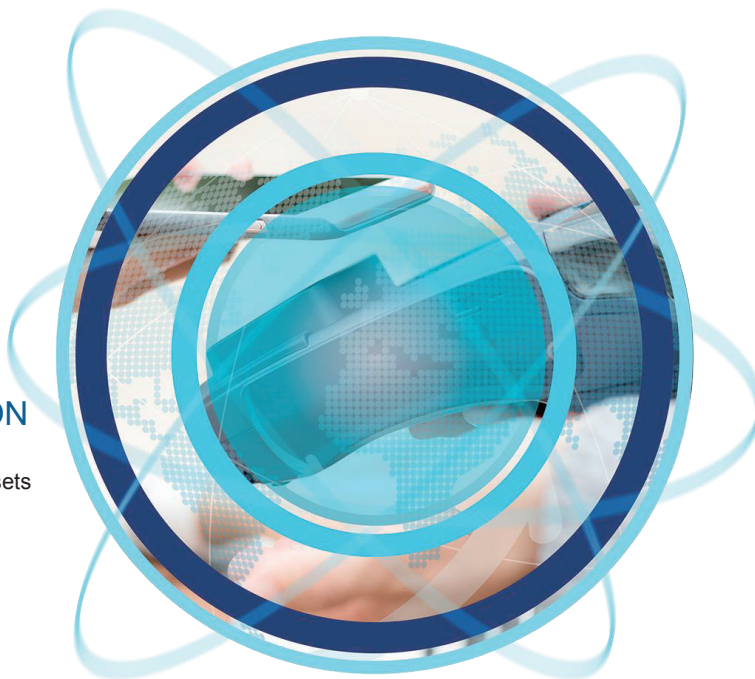




SOUTH AFRICAN DISTRIBUTION

BRETT LEVY – JOINT CEO

- Prepaid airtime, data, starter packs and handsets
- Prepaid electricity and water
- Ticketing
- Financial and other Value Added Services
- Acquisition of stake in Cell C



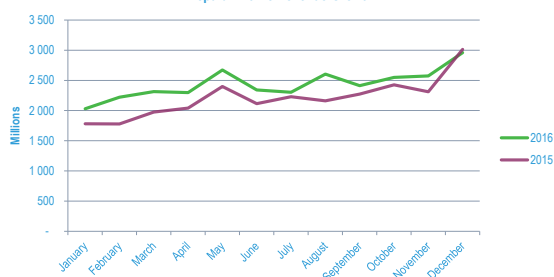
SOUTH AFRICAN DISTRIBUTION

Financial and operational highlights

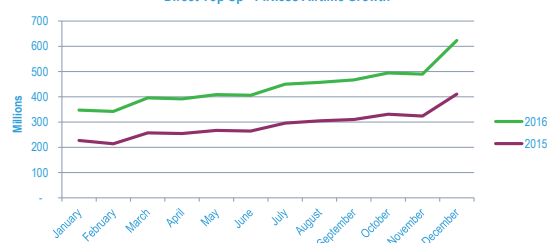


- » Revenue increase 3%
- » PINless revenue increase by R935 million to R2.8 billion:
 - mainly derived via banking channel
 - when PINless imputed to revenue effective growth is 9%
- » Gross profit improved 28% to R1 billion, mainly due to:
 - receipt of early settlement discounts, and
 - compounding annuity revenue
- » GP margin increase from 6.29% to 7.84%
- » Sweating the assets – merchants selling more of our products
- » Maintaining constructive relationships with all MNO's

Prepaid Airtime Revenue Growth



Direct Top Up - PINless Airtime Growth



Prepaid Airtime, Data, Starter packs and Handsets



- » Maintaining 700,000 new SIM connections/month, despite depressed market
- » **Increasing sales** driven by:
 - expanding banking channel
 - strong demand for data vouchers
 - competitive pricing through bundled offerings
 - data analytics helps target existing merchants to sell more of our products
- » **Informal market (85% of revenue):**
 - expanding Truck & Footsoldier distribution model
 - partnering with Big Boy Scooters and introducing Motorbike & Trailer
 - Blu Agents' social media platform enhancing lead generation
 - bulk printing channel of ~400 merchants distributing over 30 million vouchers per month
 - shift in buying patterns (5xR12 voucher = 6xR10 voucher = 12xR5 voucher)
- » **Formal market (15% of revenue):**
 - Chat 4 Change revenue growth of 25%
 - developing own distribution capabilities in retail channel



5

Retail Distribution



- » Merchandise includes hardware products such as POS devices, tablets, phablets, handsets and phones
- » Shift from feature phones to inexpensive smartphones:
 - acquired shareholding in Reware – sources, repairs, refurbishes, certifies, repackages and distributes pre-owned smartphones
 - local phone manufacturer planning production
- » **Blue Label Connect:**
 - Moova Money, a mobile money transfer service launched
- » **Edgars Connect:**
 - 'One-stop connectivity store'
 - 59 stores open



6

Prepaid Electricity and Water



» Growth continues:

- commissions earned up 8% to R103 million
- equates to R6.9 billion in sales, up 15%

» Growth in UniPIN redemptions:

- value up 19% to R509 million
- volume up 11% to 5.1 million vouchers

» Eskom promoting benefits of prepaid to municipalities and own customers, envisaging complete move to prepaid meters in longer term

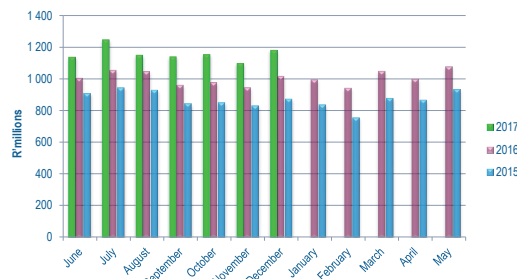
» Securing additional prepaid electricity contracts:

- Utilities World: Drakenstein Municipality, Steve Tshwete Municipality
- Prepaid24: campaigns with business partner Jean de Villiers

» Other prepaid services:

- now offering prepaid gas
- facilitating standardisation for water meters

Prepaid Electricity - Revenue



UniPIN Redemptions



7

Ticketing



» Ticketing solutions for events, sports and transport sectors

» Growing market share, currently at ~25%

» Entrenched across retail segment in Edcon, Spar and Choppies

» New website - ticketpro.co.za augmenting growth

» Long-term ticketing arrangements with:

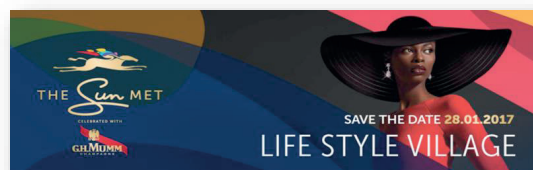
- Sun International sponsored events
- Putco (commuter bus service transporting ~250,000 passengers/month)

» Complimentary ticket management system introduced

» 2.6 million tickets sold

» 79 different venues served

» Revenue up by 28%



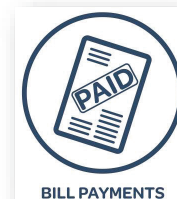
8

Financial and other Value Added Services



» Bill Payments:

- processing ~400,000 transactions/month for ~151 bill issuers
- revenue growth up by 28%
- number of transactions increased by 58%
- additional bill issuers include Multichoice for satellite TV subscriptions



» Credit and Debit card acquiring:

- white label capabilities for loyalty programmes

» Money transfers:

- *Moova Money* (money transfers) launched in Edcon Group



9

Acquisition of stake in Cell C



- » Acquisition of 45% stake for R5.5 billion
- » Approved by shareholders on 16 Nov 2016
- » Binding umbrella restructure agreement announced 27 Feb 2017
- » Funding:
 - R3.5 billion utilising own cash resources
 - R2 billion placement of shares with Net 1, equating ~15% stake in Blue Label
- » Rationale for vertical integration move:
 1. building value
 2. margin defence secures distribution channel
 3. commercial synergies



10



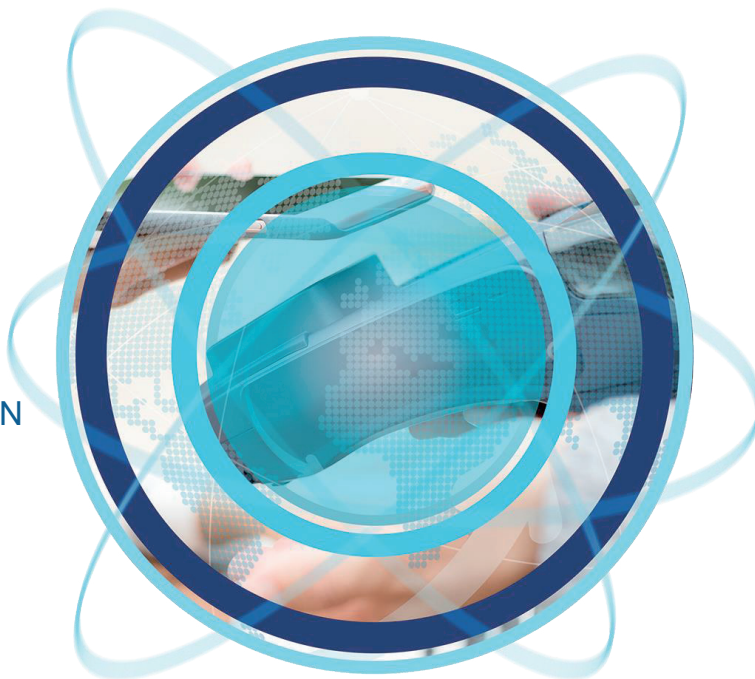
MARK LEVY – JOINT CEO

- Oxygen Services India
- Blue Label Mexico

Mobile Segment

Solutions Segment

Group Prospects



BLUE LABEL
TELECOMS

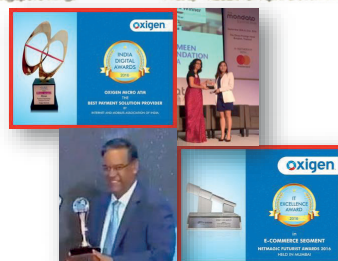
- » Expanding *Fintech* economy
- » Recent M&A deals driving escalating multiples →
- » Indian Government demonetises currency on 8 Nov 2016:
 - reducing cash economy in favour of digitisation
 - consumers leapfrog from cash payments to mobile wallets
 - tangible impact in Nov and Dec
- » Accounted for at fair value
- » Accolades and Awards – 2016:
 - '*Best Payment Solutions Provider*' by Internet and Mobiles Association of India
 - '*IT Excellence*' in E-Commerce Segment at Netmagic Futurist Awards, Mumbai
 - '*Iconic Brand in Cash Digitisation*' at World Business Concave, Hong Kong
 - '*Integrating Mobile Financial Education & Services for Financial Inclusion in India*' at Mondato Summit for Emerging Asia, Bangkok

	Revenue (Rs crore)	Loss (Rs crore)	Valuation (\$ billion)	Valuation-to-revenue multiple	Funding (\$ billion)
E-commerce	21,274	12,505.8	30.63	9.66	8.00

	Revenue	Loss	Total
Flipkart	17,930	5,769	21,274
Snapdeal	1,457	3,316	
Paytm	869	1,534	
Shopclues	179	383	
Quikr	95	534	
Zvame	65	54	
Brainbees	174	123	
Bluestone	103	71	
Lenskart	99	113	
Limeroad	43	106	
Voonik	17.8	85	
Livspace	9.1	9.8	
UrbanLadder	56	181	
Pepperfry	98	155	
Healthkart	79	72	

■ Revenue
 ■ Loss

*Note: Profit is forecast for April-December 2015.

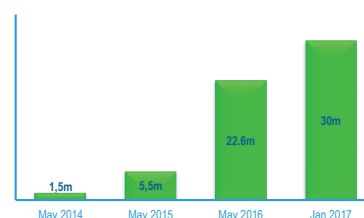


Oxygen Services India – Online Wallets



- » 30 million Oxygen Wallet subscribers
- » Supported by marketing, branding, advertising, sport sponsorships, brand ambassadors
- » Oxygen Wallet interoperability with:
 - >0.5m Virtual Visa Cards
 - >10,000 online sites
 - DND highway, Delhi
 - further reach into retail:
 - Future Group loyalty wallet
 - Big Bazaar co-branded wallet
- » On-line e-commerce recognising value in reverse tie-ups with *bricks & mortar* stores

Growth in Oxygen's Online Wallets



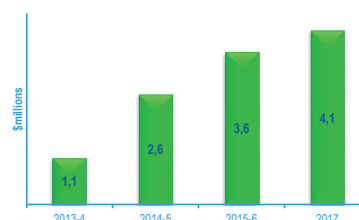
13

Oxygen Services India – Airtime Recharge and Banking



- » Serving 200,000 merchants nationwide
- » Selling traditional products via POS devices
- » **Airtime recharge:**
 - includes recharge for data card and satellite TV
 - revenue up 8%
- » **Banking services:**
 - comprehensive payments and financial services solutions
 - Business Correspondent revenue growth up 51%
 - upgrading POS devices to micro-ATM's to meet cash-in demand
 - partnering with Oxygen for its payment processor capabilities:
 - Federal Bank, Ratnaker Bank, eBay
- » **Transfers and Remittances:**
 - Oxygen Money Transfer Services - stable revenues
 - \$4.1 million per day in domestic money transfer deposits
 - demonetisation inhibiting cash flowing through to remittances

Daily Domestic Money Transfer Deposits (Ave)



oxygen

14

Blue Label Mexico - Highlights



- » Share of loss from R32.5 million to R22.1 million and narrowing further
- » Gross Profit increase 46% to R15.1 million
- » Sweating the assets:
 - increasing transactional throughput
 - continuous process improvements
- » Strengthening structures:
 - team, platform and systems
- » Paving the way in SIM Card distribution
- » SIM Card distribution complements payment's platform

GROSS PROFIT



% share	Telcel	Movistar	AT&T	Other
Market	66%	22%	12%	-
Revenue	66%	24%	9%	1%

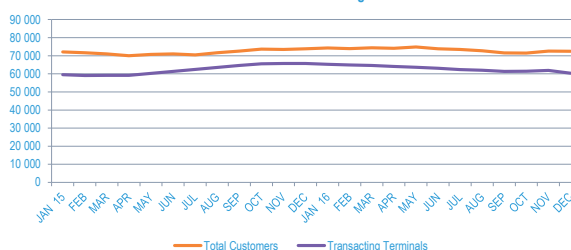
15

Blue Label Mexico – Devices



- » 72,000 vending devices installed
- » 62,000 active devices:
 - defined as a device registering a transaction during previous month
- » Redeploying and retrofitting devices
- » Roll-out strategy regaining momentum
- » Merchants operating multiple devices

Total Customers and Transacting Terminals

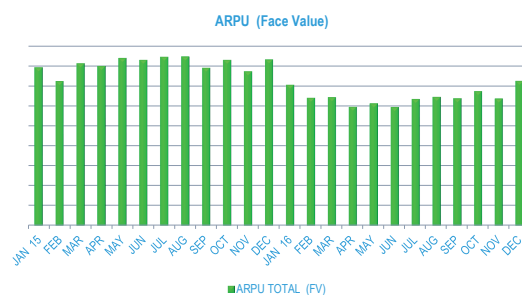


16

Blue Label Mexico – Airtime top-up



- » Competitive MNO landscape
- » Blended margin increasing
- » Smaller and newer players driving market
- » Some price rebound
- » >90% of devices transact airtime top-ups

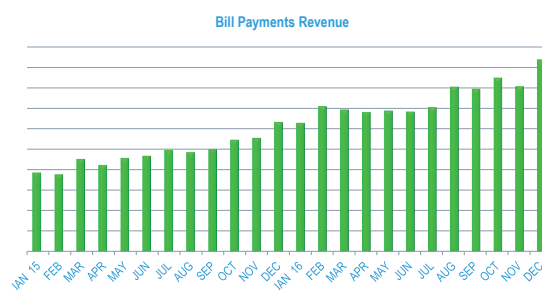


17

Blue Label Mexico – Bill Payments



- » Growth rates continue
- » Revenue increasing 52%
- » Total transactions up >30%
- » Marketing campaigns
- » ~50% of devices transact in bill payments



18

Blue Label Mexico – Financial Services



Merchants accepting Cards and Vouchers:

- » Strong growth
- » Ave ~25% of devices transacting

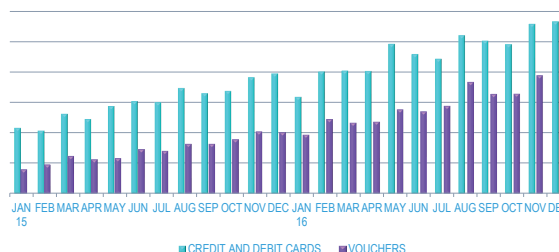
Credit and Debit Card Acquiring:

- » Partnership with Mastercard, Visa and Banamex
- » Revenue up >40% and transactions up >33%

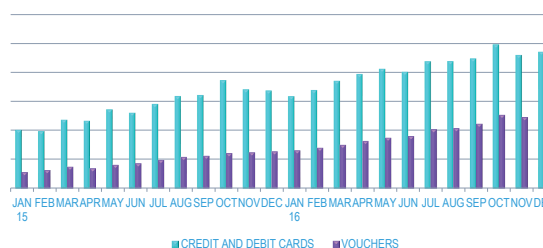
Food Vouchers:

- » Servicing Edenred, Si Vale, Sodexo and Inbursa customers
- » Revenue and transactions each more than doubled

FINANCIAL SERVICES REVENUE



TRANSACTIONS OF FINANCIAL SERVICES



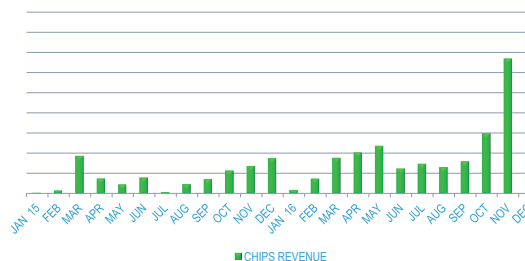
19

Blue Label Mexico – SIM Card Distribution



- » Accelerating distribution
- » Education and awareness campaigning:
 - merchandising practices
 - utilising data analytics
 - benefits of delinking and unlocking SIMs and phones
- » Distributing up to 60,000 SIMs/week
- » SIMs tracked through innovative scanning system
- » Enhances cash flows, deriving income from both sales and annuity earned

SIM CARD/CHIPS REVENUE



20

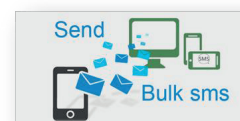
Mobile Segment



- » Complete ecosystem of services for mobile phone users
- » Core net profit up by 22% to R25.5 million

» Cellfind:

- Comprising converged communications, mobile financial services and value added services
- bulk SMS distribution of about ~250 million per month
- intensely competitive market



» Via Media:

- visual notification services launched
- expanding Content, Product and Services Catalogue
- rest of Africa expansion strategy
- annuity revenue income



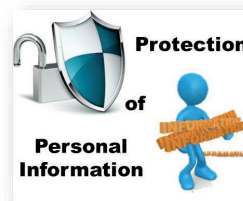
- » Restructuring segment into Blue Label Mobile

21

Solutions Segment



- » Data scientists supplying analytical services
- » Core net profit increase by 67% to R11 million
- » Growth driven by:
 - sending 496 million SMSs, up 33%, and
 - generating 2.1 million unique leads, up 75%
- » Accumulating "Big Database" across Group
- » Ensuring database of 17.2 million opt-in entries:
 - relevant
 - compliant
 - POPI and FAIS Acts



22

Group Prospects



- » The Board remains positive with regard to the investment in Cell C and other commercial benefits that will flow therefrom.
- » Demand for low-cost smart phones and tablets is expected to accelerate and, in turn, enhance revenue and profitability.
- » Financing of the mobile device element of post-paid contracts, as well as providing short-term finance for emergency top-ups, are under consideration.
- » Losses in Blue Label Mexico are expected to continue to decline with the advent of sustainable improved gross profit margins and increased annuity revenue generated from starter packs.
- » A "Big Data" program has consolidated and aggregated transactions across various divisions within the Group, which will create the opportunity to up-sell and cross-sell the various bouquet of products and services that Blue Label has to offer through their distribution channels.

29



BLUE LABEL
TELECOMS

FINANCIAL OVERVIEW

DEAN SUNTUP – FINANCIAL DIRECTOR



Financial - Highlights



**Increase in
revenue of 3%
to R13.2 billion**

**Increase in gross
profit of 25% to
R1.1 billion**

**Increase in
EBITDA of 15%
to R715 million**

**Increase in
headline earnings
per share of 54% to
81.78 cents**

**Increase in core
headline earnings
per share of 52%
to 82.86 cents**

**NAV amounted to
R6.96 per share**

25

Financial – Income Statement



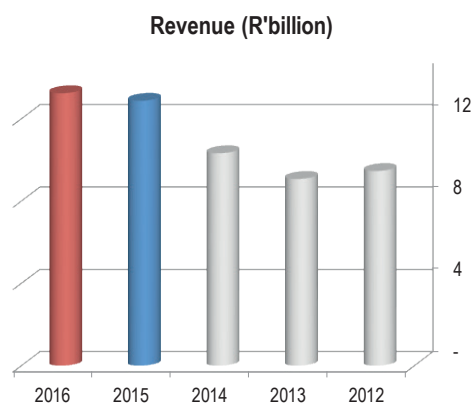
	Nov 2016 R'000	Nov 2015 R'000
Revenue	13,245,513	12,875,274
Change in inventories of finished goods	(12,100,814)	(11,956,637)
Gross profit	1,144,699	918,637
Other income	2,861	42,960
Overheads	(432,351)	(341,360)
EBITDA	715,209	620,237
Depreciation, amortisation and impairment charges	(55,435)	(47,083)
EBIT	659,774	573,154
Net finance expense	(23,373)	(3,010)
Net profit before taxation	636,401	570,144
Taxation	(189,064)	(169,694)
Net profit after taxation	447,337	400,450
Gain on associate measured at fair value	264,204	-
Share of loss from associates and joint ventures	(147,577)	(33,713)
Minority interest	(18,796)	(17,565)
Net profit attributable to equity holders of the parent	545,168	349,172

26

Financial – Income Statement Highlights



	Nov 2016 R'000	Nov 2015 R'000	Growth R'000	Growth %
Revenue	13,245,513	12,875,274	370,239	3%
Gross profit	1,144,699	918,637	226,062	25%
GP margins	8.64%	7.13%	1.51%	
EBITDA	715,209	620,237	94,972	15%
Net profit	545,168	349,172	195,996	56%

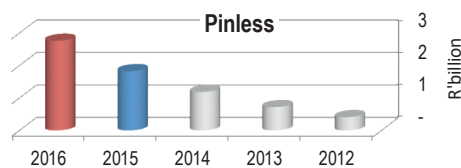
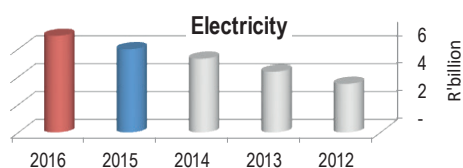
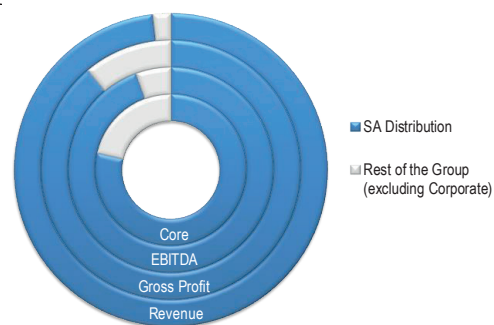


27

Financial – South African Distribution

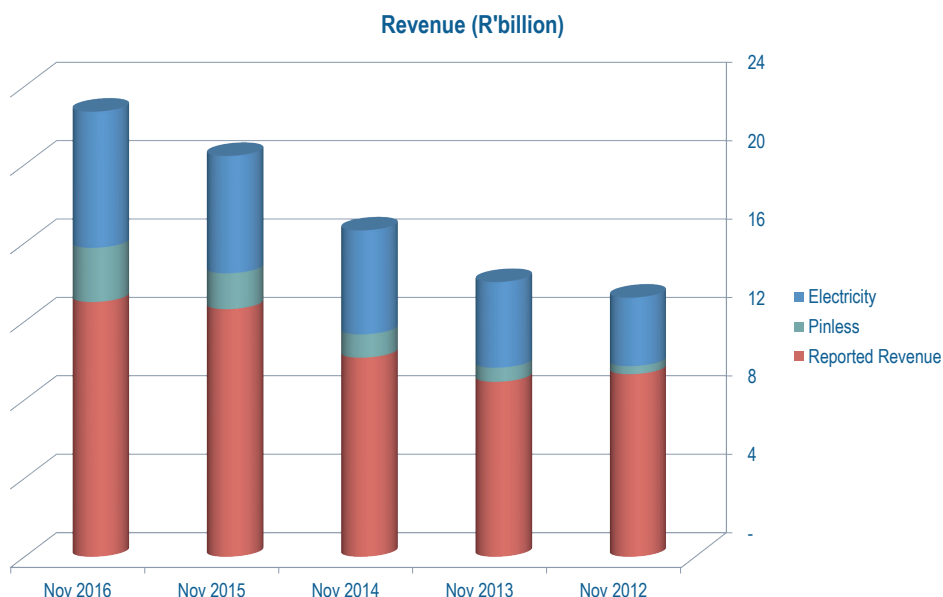


	Nov 2016 R'000	Nov 2015 R'000	Growth R'000	Growth %
Revenue	12,996,799	12,634,322	362,477	3%
Gross profit	1,018,359	795,245	223,114	28%
GP margins	7.84%	6.29%	1.54%	
EBITDA	746,126	577,586	168,540	29%
Core headline earnings	491,336	391,013	100,323	26%



28

Financial – South African Distribution Revenue



29

Financial – Associates and Joint Ventures



	Nov 2016 R'000		Nov 2016 R'000	Nov 2015 R'000	Growth R'000	Growth %
Net profit after tax	447,337					
Gain on associate measured at fair value	264,204					
Share of losses from associates and joint ventures	(147,577)		(147,577)	(33,713)	(113,864)	-338%
Minority interest	(18,796)					
Net profit attributable to equity holders of the parent	545,168					
		Oxygen India	(119,831)	2,813	(122,644)	(4360%)
		Blue Label Mexico	(22,122)	(32,499)	10,377	32%
		2DFine Mauritius	(5,832)	(4,605)	(1,227)	(27%)
		Other	208	578	(370)	(64%)

30

Financial – Performance



	Nov 2016 R'000	Nov 2015 R'000	Growth R'000	Growth %
Net profit attributable to equity holders of parent	545,168	349,172	195,996	56%
Headline earnings adjustment	17	5,328	(5,311)	(100%)
Headline earnings attributable to equity holders of parent	545,185	354,500	190,685	54%
<u>Core Headline Earnings</u>				
Headline earnings attributable to equity holders of parent	545,185	354,500	190,685	54%
Core adjustment	7,240	8,966	(1,726)	(19%)
Core Headline Earnings	552,425	363,466	188,959	52%
Earnings per share (cents)	81.78	52.46		56%
Headline earnings per share (cents)	81.78	53.26		54%
Core headline earnings per share (cents)	82.86	54.60		52%

31

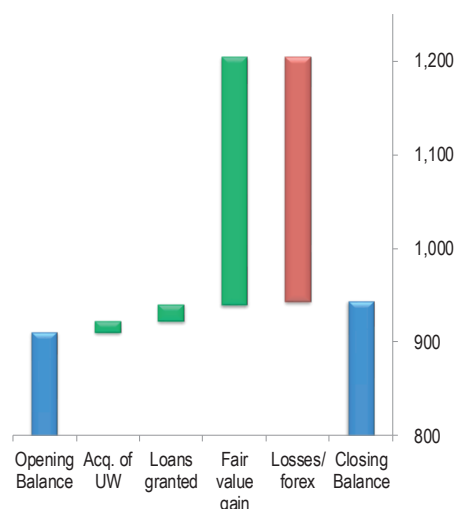
Financial – Balance Sheet



Summarised Group Statement of Financial Position as at

	Nov 2016 R'000	May 2016 R'000
Non-current assets	2,380,693	2,275,161
Property, plant and equipment	114,296	100,434
Intangible assets and goodwill	1,176,858	1,201,773
Investment in associates and joint ventures	943,475	910,567
Other non-current assets	146,064	62,387
Current assets	5,892,908	5,030,790
Inventories	2,042,354	1,658,860
Trade and other receivables	2,899,293	2,679,023
Other current assets	119,396	103,880
Cash and cash equivalents	831,865	589,027
Total assets	8,273,601	7,305,951
Capital and reserves	4,756,212	4,519,567
Non-current liabilities	100,022	102,954
Current liabilities	3,417,367	2,683,430
Trade and other payables	3,341,114	2,601,807
Other current liabilities	76,253	81,623
Total equity and liabilities	8,273,601	7,305,951

Investment in Associates & JVs (R'million)



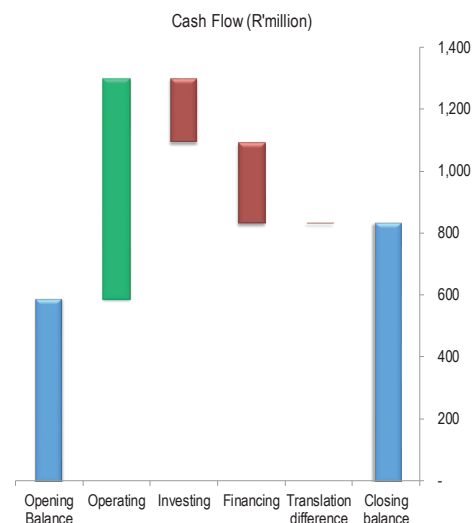
32

Financial – Cash Flow



Summarised Group Statement of Cash Flows

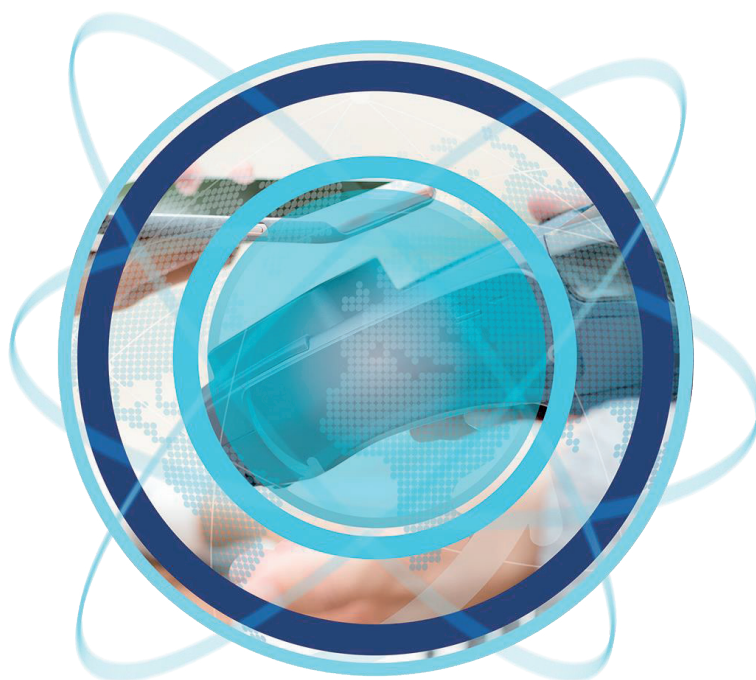
	Nov 2016	Nov 2015
	R'000	R'000
Cash generated by operations	945,583	1,241,467
Interest received	25,693	17,460
Interest paid	(65,819)	(11,716)
Taxation paid	(196,074)	(157,779)
Cash flows from operating activities	709,383	1,089,432
Cash flows from investing activities	(206,902)	(156,464)
Cash flows from financing activities	(259,607)	(236,150)
Decrease in cash and cash equivalents	242,874	696,818
Cash and cash equivalents at the beginning of the year	589,027	788,411
Translation difference	(36)	(2,488)
Cash and cash equivalents at the end of the period	831,865	1,482,741



33



THANK YOU
Q & A





BLUE LABEL
TELECOMS

SUPPLEMENTARY INFORMATION

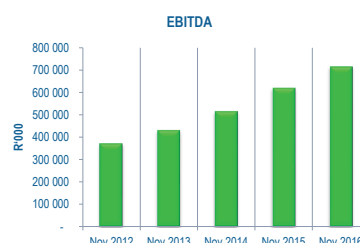
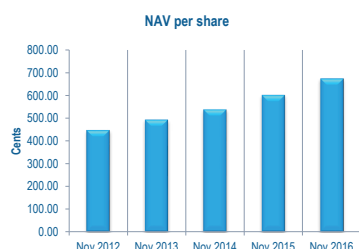
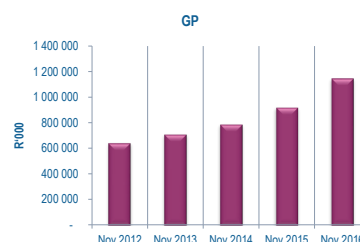


Supplementary – Blue Label factsheet



- » Founded in 2001
- » 1,844 employees Groupwide (FY'16)
- » Business model underpinned by long-term distribution contracts
- » Products and services include
 - » - airtime, starter packs, data and handsets
 - » - electricity and water
 - » - ticketing
 - » - financial and value adding services
- » Listed as BLU on JSE in 2007
 - » - R12 billion current market capitalisation (at R18/share)
 - » - free float ~57% with diverse institutional shareholder base
 - » - ADRs launched in 2013
- » Maiden dividend paid in September 2010
- » CSI spend R6.5 million and training, development & bursaries R7.4 million (FY16)

Supplementary – Charting our growth



37

Supplementary – Making a difference in South Africa

For Consumers:

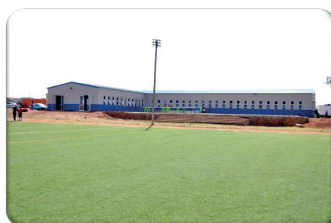
- Sophisticated proprietary technology
- Distributing innovative products and services
- Airtime, Starter packs, prepaid Electricity, Financial services and New solutions – Data, Ticketing and prepaid Water
- Reaching un- and under-banked, especially rural communities
- Taking product to the people
- Enabling payment for merchandise in a convenient manner
- Enriching and uplifting lifestyles
- Facilitating household electrification

For Merchants:

- Informal employment ~30,000 merchants, footsoldiers, BLU Agents
- Building solid relationships with merchant base
- Fostering entrepreneurial and empowerment skills
- Various entrepreneurial trading models – gazebos, umbrellas, tables, stalls, bicycles, trucks
- Upskilling, education, mentoring and development programmes and courses

CSI Spend:

- R6.5 million
- mainly on youth projects:
 - CEO Sleepout
 - Charity Golf Day
 - Boys & Girls Club Protea Glen opened May 2016

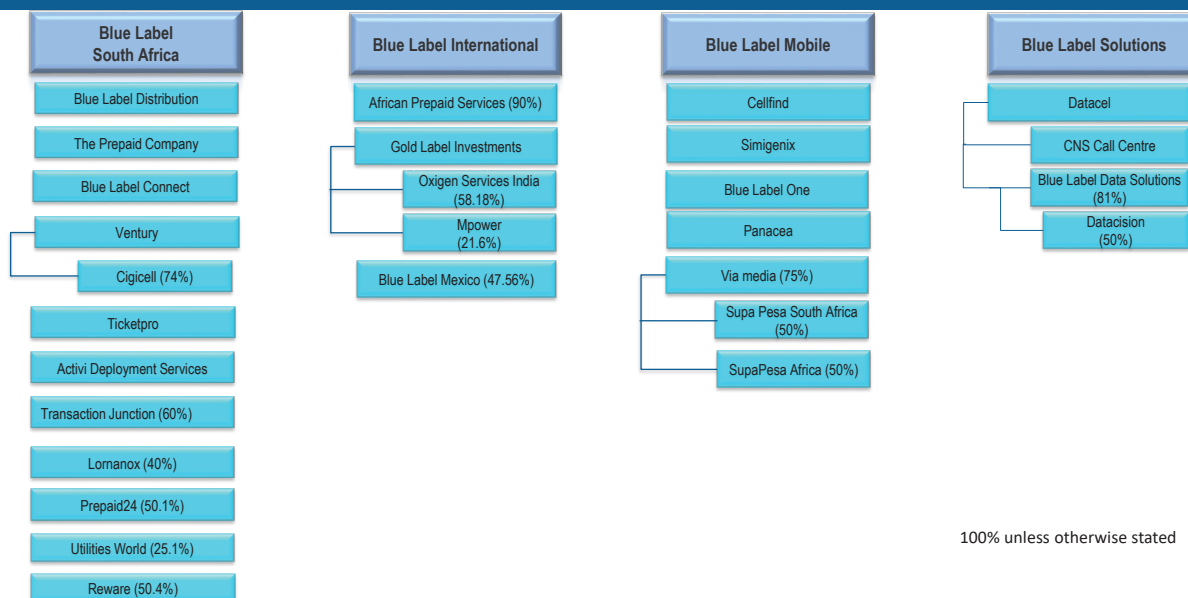


Boys & Girls Clubs of South Africa:

#greatfuturesstartthere
 'these young ones will create jobs,
 be innovative and defend our economy...' (MEC
 for Education, Panyaza Lesufi)

38

Supplementary – Group Operating structure as at 30 November 2016



39

Supplementary – Barriers to entry



- » Lag times in negotiating supplier and customer contracts can hinder integration
- » Long term contracts – ensure there is no cheaper pricing in the market
- » Lock-out periods for processing new and developing existing technologies. Roll-out of devices takes time
- » Time: as customers prioritise systems' integration for their own needs/objectives and/or products and services (customer, forecourt, municipality, utility, bank, retailer)
- » Technology platforms – AEON (proprietary, agnostic, neutral aggregator, plug 'n play, proven, scalable, no fees to others) and Postilion (banking and financial services grade)
- » Expanding distribution channel: >150,000 POP's in SA, ~200,000 POP's in India, and >72,000 in Mexico
- » Reputable local partners is key to business model
- » Trust and relationships of over 15 years in business
- » These are some of our greatest assets, achieved through long-term contracts with customers and suppliers, which fortify our foundations
- » Same barriers can hinder us entering new markets

40

Supplementary – Peer group



VERTICAL PEERS	HORIZONTAL PEERS ELECTRICITY	HORIZONTAL PEERS TICKETING	MOBILE WALLETES INDIA *	NETWORKS BY POS DEVICE MEXICO *
- Blue Label Telecoms - JSE listed - Cyberplat - Russian base - Eckoh – AIM listed - Euronet - Nasdaq listed - Hawk - Nasdaq listed - InComm – privately held in USA - NET 1 – Nasdaq listed - Paypal – Nasdaq listed - PayPoint – LSE listed - QIWI – Nasdaq listed	- Cigicell / Blue Label Telecoms - Conlog - Contour - Easypay - Flash - Landis & Gyr - Ontec	- Ticketpro / Blue Label Telecoms - Big Concerts / Computicket - Computicket / Shoprite - Itickets - Nuticket - Quicket - Webticket / PicknPay	- PayTM - Freecharge/Snapdeal - Mobikwik - Oxygen Wallet - PayUmoney - Citrus wallet *Descending in market share	- Red Qiubo / Blue Label Mexico - Cajeros Automaticos - OXO - Sistema Bancario - Pemex - BBVA Bancomer - Elektra - Banamex - Telecom Telegrafos - WalMart - HSBC 7-Eleven - Famsa * Descending in size

41

Supplementary – Shareholder Profile at 30 November 2016

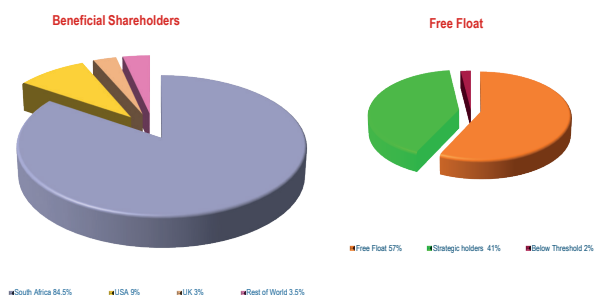


Top Shareholders:

- Allan Gray and clients – 22%
- Shotput Investments – 14.8%
- B M Levy – 12.5%
- M S Levy – 11.4%
- 36ONE – 4.79%
- Investec – 2.9%
- Sbg Securities – 2.8%
- Public Investment Corporation – 2.3%
- Dimensional Fund Advisors – 2%

Notes:

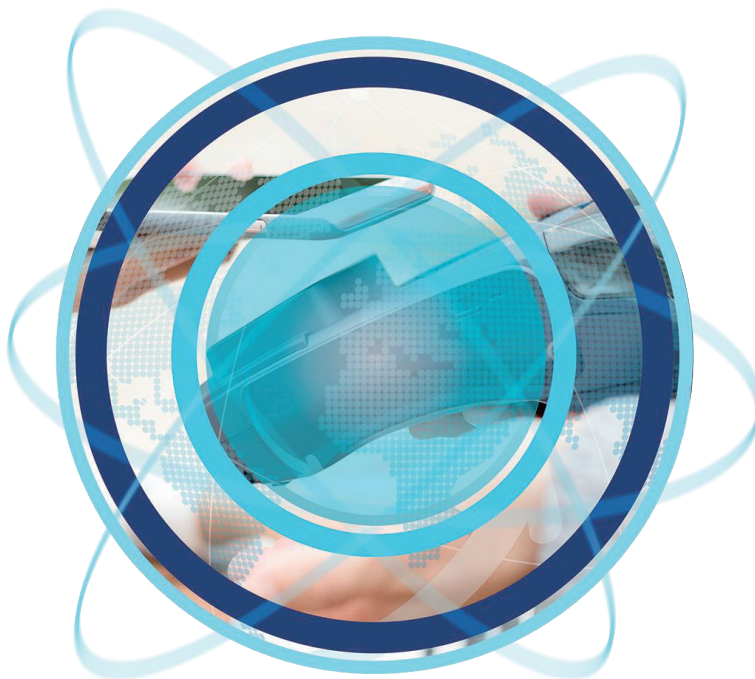
- Shareholders of >2% of issued capital account for ~66% of total issued share capital
- ADR programme through BNY Mellon
- Market capitalisation R12 billion (at R18/share)
- 54.9% share price appreciation calendar 2016
- 18.7% p.a. outperformance to FTSE/JSE All Share Index over past 5 years



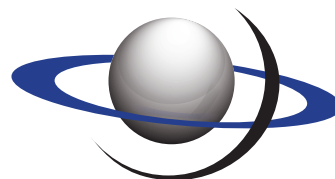
42



THANK YOU



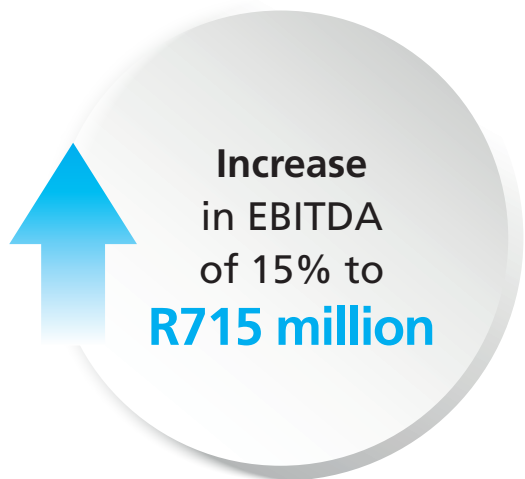
NOTES:



BLUE LABEL
TELECOMS

UNAUDITED RESULTS FOR THE HALF YEAR
ENDED 30 NOVEMBER 2016

Highlights



* On inclusion of the gross revenue generated on "PINless top-ups", revenue effectively increased by 9%.

Commentary

OVERVIEW

Group earnings continued to escalate, comprising a hybrid of organic growth in local operations augmented by the impact of a fair value gain resulting from Oxigen Services India (Oxigen) being viewed as a venture capital investment.

South African distribution perpetuated its dominance in contribution to Group earnings, with its core headline earnings equating to a growth of 26%.

Although Blue Label Mexico (BLM) continued to incur losses, the Group's share thereof declined by 32%, from R32.5 million to R22.1 million.

Continued growth in market share contributed to the increase in Group revenue. This growth was confined to 3% in line with the continuous shift in consumer buying patterns from traditional purchasing of airtime to that of "PINless top-ups". Only the gross profit earned on the latter is accounted for in Group revenue as opposed to the gross amount generated from transactions of this nature. On imputing such revenue, the effective growth would have equated to 9%.

An improvement in gross profit margins from 7.13% to 8.64% resulted in gross profit escalating by R226 million (25%) to R1.14 billion.

After accounting for a negative turnaround in foreign exchange movements of R78 million and an increase in other overheads of R53 million, the resultant EBITDA increased by R95 million (15%) to R715 million.

The Group, through its wholly owned subsidiary, Gold Label Investments, holds an effective 58.18% interest in Oxigen. This investment has historically been accounted for as an investment in an associate, applying the equity method up to 30 November 2016.

SEGMENTAL REPORT

South African distribution

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
Revenue	12 996 799	12 634 322	362 477	3%	25 722 540
Gross profit	1 018 359	795 245	223 114	28%	1 582 743
EBITDA	746 126	577 586	168 540	29%	1 133 433
Core net profit	491 334	391 138	100 196	26%	750 951
Core headline earnings	491 336	391 013	100 323	26%	751 086
Gross profit margin	7.84%	6.29%			6.15%
EBITDA margin	5.74%	4.57%			4.41%

Growth in revenue of 3% was organically achieved through the expansion of its distribution channels. Revenue generated on "PINless top-ups" increased by R935 million from R1.8 billion to R2.8 billion, equating to effective growth in South African distribution revenue of 9%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R8 million to R103 million on turnover of R6.9 billion generated on behalf of the utilities.

Gross profit margins improved from 6.29% to 7.84%, resulting in an increase in gross profit of R223 million (28%) from

The investment in Oxigen was initially of a long-term nature as it was expected to emulate the business model of the South African distribution operations. However, its profile has changed from that of the traditional Group business model to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen.

Accordingly, Oxigen is now viewed as a venture capital investment, which, in accordance with IAS 28 – *Investment in Associates and Joint Ventures* has been accounted for at fair value as at 30 November 2016. The differential between the carrying value of the investment and its fair value is reflected as a gain on associate measured at fair value.

The fair value gain of R264 million, less deferred taxation thereon of R9 million and the Group's share of losses for the period under review of R120 million, equated to a net increase of R135 million to Group earnings. On exclusion of this net increase, headline earnings would have amounted to R410 million and core headline earnings to R417 million, equating to 61.48 cents and 62.53 cents per share respectively. In both instances, effective growth per share would have equated to 15%.

Capital and reserves accumulated to R4.76 billion, net of accumulated dividends paid to date totalling R1.16 billion, further strengthening the Group's balance sheet. The net asset value increased by 15% to R6.96 per share.

R795 million to R1.0 billion. The improvement in margins was attributable to a hybrid of additional discounts received on early settlement payments and compounded annuity revenue. The increase in gross profit was partially negated by additional net finance costs, congruent with applying excess funds and facilities on a piecemeal basis to early settlement discounts.

The resultant growth in EBITDA of 29% to R746 million equated to an EBITDA margin of 5.74%.

Contribution to Group core headline earnings increased by R100 million (26%) to R491 million.

Commentary (continued)

International

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
EBITDA	(22 175)	23 595	(45 770)	(194%)	44 152
Gain on associate measured at fair value	264 204	–	264 204		–
Share of (losses)/profits from associates and joint ventures	(146 422)	(33 659)	(112 763)	(335%)	(70 283)
– Oxigen Services India	(119 831)	2 813	(122 644)	(4 360%)	(27 672)
– Blue Label Mexico	(22 122)	(32 499)	10 377	32%	(63 293)
– 2DFine Holdings Mauritius	(5 832)	(4 605)	(1 227)	(27%)	19 734
– Mpower	1 363	632	731	116%	948
Core net profit/(loss)	97 060	(11 825)	108 885	921%	(29 352)
Core headline earnings	97 060	(11 825)	108 885	921%	(59 327)

The decline in EBITDA of R46 million related to a negative turnaround in foreign exchange movements.

The share of net losses from associates and joint ventures comprised the following:

Oxigen Services India

The financial performance of Oxigen for the six months ended November 2016 was equity accounted for, of which the Group's share of losses amounted to R120 million. The major portion of these losses was attributable to substantial expenditure incurred on the marketing of the brand and the acquisition of wallets.

Total wallet subscribers accumulated to 25.6 million as at 30 November 2016. This quantum is expected to increase in perpetuity and in turn increase the value of Oxigen. The expenditure incurred on the creation of additional wallets was congruent with the decision that has been made to focus on the value creation of a compounding wallet subscriber base as opposed to the revenue generated thereon.

Oxigen has consequently been accounted for as a venture capital investment with effect from the 30 November 2016. The differential between the carrying value of the investment and its fair value amounted to R264 million and has been accounted for in the condensed Group statement of comprehensive income as a gain on associate measured at fair value. The fair value gain of R264 million, less deferred taxation thereon of R9 million and the Group's share of losses for the period under review of R120 million, equated to a net increase of R135 million to headline earnings.

Going forward, losses incurred by Oxigen will have no impact on Group earnings. The investment therein will be measured at fair value.

Blue Label Mexico

BLM's losses declined from R67.4 million to R44.7 million, of which the Group's share was R22.1 million after the amortisation of intangible assets. In the comparative period, the Group's share of losses amounted to R32.5 million.

The decline in losses was achieved in spite of a reduction in revenue by 28%. This decline was caused by intense competition among carriers, resulting in lower tariffs payable by the end user. It is anticipated that pricing will stabilise and increase in the near future.

The decline in revenue was compensated for by an increase in gross profit of R15.1 million (46%), underpinned by higher gross profit margins.

The increase in gross profit was primarily attributable to BLM becoming a multicarrier distributor as opposed to historically being confined to one network. This has created a more competitive environment among the networks to the benefit of the company.

Focus on cost efficiencies resulted in decreases in operational expenditure by 14%. While the resultant EBITDA remained negative, it declined by R20.4 million (50%).

The distribution of starter packs now generates monthly compounded annuity income. Bill payments, credit and debit card acquiring, food vouchers and compounding annuity revenue emanating from starter pack distribution, are perpetually increasing, which, together with improved margins and expense containment should result in a further decline in losses for the balance of the financial year.

Mobile

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
Revenue	148 651	137 730	10 921	8%	291 856
Gross profit	97 409	85 520	11 889	14%	182 533
EBITDA	46 765	39 441	7 324	19%	111 142
Core net profit	25 468	20 916	4 552	22%	64 273
Core headline earnings	25 438	20 915	4 523	22%	65 333

The mobile segment comprises Viamedia, Supa Pesa, Blue Label One, Cellfind, Panacea and Simigenix.

The growth in revenue at improved margins and containment of overheads resulted in this segment achieving a growth in EBITDA of 19%. Its contribution to core headline earnings increased by 22% to R25 million.

Solutions

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
Revenue	100 063	103 222	(3 159)	(3%)	190 326
Gross profit	28 931	37 872	(8 941)	(24%)	64 418
EBITDA	19 366	18 975	391	2%	35 889
Core net profit	11 345	6 808	4 537	67%	16 116
Core headline earnings	11 345	12 262	(917)	(7%)	21 564

In October 2015 Velociti was disposed of at a loss of R5.4 million. On exclusion of this capital loss from core net profit in the prior period, core headline earnings in the remaining entities declined by R0.9 million.

On exclusion of Velociti's historical contribution, revenue generated by the remaining entities, dominated by Blue Label Data Solutions, increased by 36%. However, margin compression resulted in static growth in gross profit, which, together with an increase in overheads, resulted in the decline in core headline earnings.

Corporate

	November 2016 Unaudited R'000	November 2015 Unaudited R'000	Growth R'000	% Growth	May 2016 Audited R'000
EBITDA	(74 873)	(39 360)	(35 513)	(90%)	(84 057)
Core net loss	(72 799)	(48 899)	(23 900)	(49%)	(93 748)
Core headline loss	(72 754)	(48 899)	(23 855)	(49%)	(93 745)

Of the decline in EBITDA of R36 million, R30 million pertained to a negative turnaround in foreign exchange movements and R6 million to professional fees incurred relating to potential acquisitions.

Its negative contribution to Group core headline earnings increased by R24 million to R73 million.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R8 million to R55 million. Of this amount, R9.1 million pertained to the amortisation of intangible assets resulting from purchase price allocations from historical acquisitions compared to R10.4 million in the comparative period.

NET FINANCE COSTS

Finance costs

Finance costs totalled R142 million, of which R66 million related to interest paid on borrowed funds and R76 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R12 million and the imputed IFRS interest adjustment equated to R87 million.

The increase of R54 million on interest paid on borrowed funds was mainly due to the perpetuation of applying excess funds to bulk inventory purchase transactions and early settlement payments attracting favourable discounts. Finance facilities were utilised on a piecemeal basis for this purpose, and repaid during the current period. The additional finance costs were more than compensated for by the growth in gross profit and gross profit margins.

Commentary (continued)

Finance income

Finance income totalled R118 million, of which R38 million was attributable to interest received on cash resources and R80 million to imputed IFRS interest adjustments on credit afforded to customers. On a comparative basis, interest received on cash resources amounted to R28 million and the imputed IFRS interest adjustment to R68 million.

The increase in interest received from cash resources was mainly attributable to growth in revenue, partially offset by the utilisation of funds for financing and investing activities.

STATEMENT OF FINANCIAL POSITION

Total assets increased by R968 million to R8.3 billion. Non-current assets increased by R106 million, and current assets by R862 million.

The movement in non-current assets included increases in investments in associate and joint venture companies of R33 million, in capital expenditure net of depreciation of R14 million, in loans receivable of R77 million and R8 million in trade receivables relating to postpaid contracts in excess of 12 months. These increases were partially offset by a decrease in intangible assets of R26 million.

The net increase of R33 million in investment in associate and joint venture companies comprised the R264 million gain on Oxygen measured at fair value, the acquisition of Utilities World for R12 million, interest capitalised on loans of R13 million and loans granted of R5 million. These increases were partially offset by the Group's share of losses therein, totalling R148 million inclusive of the amortisation of applicable intangible assets, a negative impact on foreign currency translation reserves of R82 million, and unrealised foreign exchange losses on loans of R31 million.

The net decline of R26 million in intangible assets mainly pertained to the amortisation of intangibles by R72 million, offset by R46 million expended on the purchase of computer software, internally generated software development costs and starter pack bases.

Of the increase in current assets, material movements related to increases in inventories of R383 million, loans receivable of R5 million, cash resources of R243 million and trade receivables of R220 million.

The stock turn equated to 31 days compared to 25 days for the financial year ended 31 May 2016. Bulk inventory purchase opportunities at favourable discount rates validated the consequent increase in inventory. The nature of the business enables it to reduce its inventory holdings within the above number of days at any given time.

The debtor's collection period increased to 40 days compared to 38 days for the financial year ended 31 May 2016.

Net profit attributable to equity holders of R545 million, less a dividend of R243 million, resulted in retained earnings accumulating to R3.4 billion.

Trade and other payables increased by R722 million, with average credit terms increasing to 51 days compared to 40 days for the financial year ended 31 May 2016.

STATEMENT OF CASH FLOWS

Cash flows generated from operating activities amounted to R709 million, predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R207 million. Of this amount, R46 million related to the purchase of intangible assets, R79 million to net loans granted, R37 million

to capital expenditure, R49 million to earn outs relating to prior acquisitions and R7.5 million to the acquisition of Utilities World. These outflows were partially offset by R1.5 million from the sale of fixed assets and R10 million from a contingent consideration received emanating from the sale of Ukash.

After applying R7 million to the acquisition of treasury shares and a dividend payment of R249 million to shareholders and non-controlling interests, cash on hand at year-end amounted to R832 million.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 1 386 327 (2015: 2 583 819) were issued to qualifying employees. During the period nil (2015: 530 375) shares were forfeited and 2 141 673 (2015: 2 915 266) shares vested.

SUBSEQUENT EVENTS

A binding umbrella restructure agreement has been entered into between Blue Label, Cell C, debt providers of Cell C, a third-party investor and other relevant parties, in terms of which the maximum net borrowings of Cell C will be reduced to approximately R6,0 billion. The third-party investor is to subscribe for 15% of the share capital of Cell C and Blue Label's subscription for 45% of the share capital of Cell C remains unchanged.

The binding restructure agreement is subject to the conclusion of the relevant transaction agreements by no later than 30 June 2017.

PROSPECTS

The Board remains positive with regard to the investment in Cell C and other commercial benefits that will flow therefrom.

The demand for low-cost smart phones and tablets is expected to accelerate and in turn enhance revenue and profitability.

The financing of the mobile device element of postpaid contracts as well as that of providing short-term finance for emergency top-ups are initiatives that are currently under consideration.

Losses in BLM are expected to continue to decline with the advent of sustainable improved gross profit margins and increased annuity revenue generated from starter packs.

A "Big Data" programme has consolidated and aggregated transactions across various divisions within the Group which will create the opportunity to upsell and cross-sell the bouquet of various products and services that Blue Label has to offer through their distribution channels.

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

DA Suntup* CA(SA)
Financial Director

27 February 2017

**Supervised the preparation of the Group's interim results.*

Condensed Group statement of financial position

As at	30 November 2016 Unaudited R'000	30 November 2015 Unaudited R'000	31 May 2016 Audited R'000
ASSETS			
Non-current assets	2 380 693	2 105 946	2 275 161
Property, plant and equipment	114 296	115 077	100 434
Intangible assets	572 268	636 157	598 333
Goodwill	604 590	603 440	603 440
Investments in and loans to associates and joint ventures	943 475	668 754	910 567
Loans receivable	83 396	2 300	5 910
Starter pack assets	6 746	7 488	6 099
Trade and other receivables	36 845	52 324	29 166
Deferred taxation assets	19 077	20 406	21 212
Current assets	5 892 908	5 511 932	5 030 790
Inventories	2 042 354	1 268 300	1 658 860
Loans receivable	103 699	69 529	98 217
Starter pack assets	1 722	1 872	1 576
Trade and other receivables	2 899 293	2 684 170	2 679 023
Current tax assets	13 975	5 320	4 087
Cash and cash equivalents	831 865	1 482 741	589 027
Total assets	8 273 601	7 617 878	7 305 951
EQUITY AND LIABILITIES			
Capital and reserves	4 756 212	4 095 105	4 519 567
Share capital, share premium and treasury shares	3 953 872	3 942 513	3 942 512
Restructuring reserve	(1 843 912)	(1 843 912)	(1 843 912)
Other reserves	106 998	140 476	187 605
Equity compensation benefit reserve	34 613	30 736	42 039
Transactions with non-controlling interest reserve	(965 861)	(965 861)	(965 861)
Retained earnings	3 407 395	2 762 632	3 105 050
	4 693 105	4 066 584	4 467 433
Non-controlling interest	63 107	28 521	52 134
Non-current liabilities	100 022	147 070	102 954
Deferred taxation liabilities	77 000	68 221	62 141
Trade and other payables	23 022	78 849	40 813
Current liabilities	3 417 367	3 375 703	2 683 430
Trade and other payables	3 341 114	3 309 049	2 601 807
Provisions	32 459	15 826	24 928
Current tax liabilities	25 769	33 112	40 608
Borrowings	18 025	17 716	16 087
Total equity and liabilities	8 273 601	7 617 878	7 305 951

Condensed Group statement of comprehensive income

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Revenue	13 245 513	12 875 274	26 204 722
Other income	2 861	42 960	126 294
Changes in inventories of finished goods	(12 100 814)	(11 956 637)	(24 375 028)
Employee compensation and benefit expense	(210 487)	(202 553)	(427 116)
Depreciation, amortisation and impairment charges	(55 435)	(47 083)	(98 183)
Other expenses	(221 864)	(138 807)	(288 313)
Operating profit	659 774	573 154	1 142 376
Finance costs	(141 680)	(98 834)	(214 110)
Finance income	118 307	95 824	193 899
Gain on associate measured at fair value	264 204	–	–
Share of losses from associates and joint ventures	(147 577)	(33 713)	(71 770)
Net profit for the period before taxation	753 028	536 431	1 050 395
Taxation	(189 064)	(169 694)	(318 783)
Net profit for the period	563 964	366 737	731 612
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive (loss)/income of associates and joint ventures	(81 844)	33 513	81 544
Foreign exchange loss on translation of foreign operations	(35)	(54)	(15)
Other comprehensive income/(loss) for the period, net of tax	(81 879)	33 459	81 529
Total comprehensive income for the period	482 085	400 196	813 141
Net profit for the period attributable to:	563 964	366 737	731 612
Equity holders of the parent	545 168	349 172	691 590
Non-controlling interest	18 796	17 565	40 022
Total comprehensive income for the period attributable to:	482 085	400 196	813 141
Equity holders of the parent	464 561	381 105	770 652
Non-controlling interest	17 524	19 091	42 489

Share performance

	Six months ended 30 November 2016 Unaudited	Six months ended 30 November 2015 Unaudited	Year ended 31 May 2016 Audited
Earnings per share for profit attributable to equity holders			
Basic earnings per share (cents)	81.78	52.46	103.85
Diluted earnings per share (cents)*	81.12	51.92	102.84
Weighted average number of shares	666 664 546	665 657 319	665 950 277
Diluted weighted average number of shares	672 076 754	672 569 839	672 520 023
Number of shares in issue	674 509 042	674 509 042	674 509 042
Share performance			
Headline earnings per share (cents)	81.78	53.26	100.35
Diluted headline earnings per share (cents)*	81.12	52.71	99.37
Dividend per share (cents)	36.00	31.00	31.00
Reconciliation between net profit and core headline earnings for the period			
Net profit for the period attributable to equity holders of the parent	545 168	349 172	691 590
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	7 240	8 966	16 650
Core net profit for the period	552 408	358 138	708 240
Headline earnings adjustments	17	5 328	(23 329)
Core headline earnings	552 425	363 466	684 911
Core headline earnings per share (cents)**	82.86	54.60	102.85

* 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.

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

Condensed Group statement of cash flows

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Cash generated by operations	945 583	1 241 467	744 185
Interest received	25 693	17 460	42 082
Interest paid	(65 819)	(11 716)	(48 207)
Taxation paid	(196 074)	(157 779)	(305 118)
Net cash generated from operating activities	709 383	1 089 432	432 942
Cash flows from investing activities			
Acquisition of intangible assets and property, plant and equipment	(83 530)	(84 782)	(127 131)
Acquisition of subsidiaries net of cash acquired	771	–	–
Acquisition of associate	(7 530)	–	–
Disposal of subsidiary net of cash disposed	–	13 219	13 219
Capital contribution to Blue Label Mexico	–	(42 654)	(42 654)
Capital contribution to Oxigen Services India	–	–	(159 425)
Loan granted to Lornanox	(1 758)	(32 000)	(58 883)
Loans granted	(73 889)	(11 390)	(27 306)
Loans granted to associates	(3 401)	–	(1 620)
Settlement of contingent consideration	(49 109)	(1 631)	(1 931)
Other investing activities	11 544	2 774	9 398
Net cash utilised in investing activities	(206 902)	(156 464)	(396 333)
Cash flows from financing activities			
Acquisition of treasury shares	(7 381)	(23 052)	(23 052)
Dividends paid to non-controlling interest	(6 600)	(4 000)	(4 000)
Dividends paid to equity holders of the parent	(242 823)	(209 098)	(209 098)
Other financing activities	(2 803)	–	–
Net cash utilised in financing activities	(259 607)	(236 150)	(236 150)
Net increase/(decrease) in cash and cash equivalents	242 874	696 818	(199 541)
Cash and cash equivalents at the beginning of the year	589 027	788 411	788 411
Exchange gains on cash and cash equivalents	(36)	(2 488)	157
Cash and cash equivalents at the end of the period	831 865	1 482 741	589 027

Condensed Group statement of changes in equity

	Share capital, share premium and treasury shares Unaudited R'000	Retained earnings Unaudited R'000
Six months ended		
Balance as at 1 June 2016	3 942 512	3 105 050
Net profit for the period	–	545 168
Other comprehensive income	–	–
Total comprehensive income	–	545 168
Dividends paid	–	(242 823)
Treasury shares purchased	(7 381)	–
Non-controlling interest acquired	–	–
Equity compensation benefit scheme shares vested	18 741	–
Equity compensation benefit movement	–	–
Balance as at 30 November 2016	3 953 872	3 407 395
Balance as at 1 June 2015	3 943 888	2 622 558
Net profit for the period	–	349 172
Other comprehensive income	–	–
Total comprehensive income	–	349 172
Dividends paid	–	(209 098)
Treasury shares purchased	(23 052)	–
Equity compensation benefit scheme shares vested	21 677	–
Equity compensation benefit movement	–	–
Balance as at 30 November 2015	3 942 513	2 762 632
Year ended	Audited R'000	Audited R'000
Balance as at 1 June 2015	3 943 888	2 622 558
Net profit for the year	–	691 590
Other comprehensive income	–	–
Total comprehensive income	–	691 590
Dividends paid	–	(209 098)
Treasury shares purchased	(23 052)	–
Equity compensation benefit scheme shares vested	21 676	–
Equity compensation benefit movement	–	–
Share of equity movement in associates	–	–
Balance as at 31 May 2016	3 942 512	3 105 050

* Included in other reserves is the foreign currency translation reserve and the non-distributable reserve.

		Transactions with non- controlling interest reserve			
Restructuring reserve Unaudited R'000	Other reserves* Unaudited R'000	Unaudited R'000	Equity compensation benefit reserve Unaudited R'000	Non- controlling interest Unaudited R'000	Total equity Unaudited R'000
(1 843 912)	187 605	(965 861)	42 039	52 134	4 519 567
-	-	-	-	18 796	563 964
-	(80 607)	-	-	(1 272)	(81 879)
-	(80 607)	-	-	17 524	482 085
-	-	-	-	(6 600)	(249 423)
-	-	-	-	-	(7 381)
-	-	-	-	65	65
-	-	-	(18 486)	(255)	-
-	-	-	11 060	239	11 299
(1 843 912)	106 998	(965 861)	34 613	63 107	4 756 212
(1 843 912)	108 543	(965 861)	39 297	13 468	3 917 981
-	-	-	-	17 565	366 737
-	31 933	-	-	1 526	33 459
-	31 933	-	-	19 091	400 196
-	-	-	-	(4 000)	(213 098)
-	-	-	-	-	(23 052)
-	-	-	(21 639)	(38)	-
-	-	-	13 078	-	13 078
(1 843 912)	140 476	(965 861)	30 736	28 521	4 095 105
Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000	Audited R'000
(1 843 912)	108 543	(965 861)	39 297	13 468	3 917 981
-	-	-	-	40 022	731 612
-	79 062	-	-	2 467	81 529
-	79 062	-	-	42 489	813 141
-	-	-	-	(4 000)	(213 098)
-	-	-	-	-	(23 052)
-	-	-	(21 429)	(247)	-
-	-	-	23 421	424	23 845
-	-	-	750	-	750
(1 843 912)	187 605	(965 861)	42 039	52 134	4 519 567

Segmental summary

	Total Unaudited R'000	South African distribution Unaudited R'000
Six months ended 30 November 2016		
Total segment revenue	16 415 810	16 159 238
Internal revenue	(3 170 297)	(3 162 439)
Revenue	13 245 513	12 996 799
Operating profit/(loss) before depreciation, amortisation and impairment charges	715 209	746 126
Net profit/(loss) for the period attributable to equity holders of the parent	545 168	486 520
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	7 240	4 814
Headline earnings adjustments net of non-controlling interest	17	2
Core headline earnings for the period attributable to equity holders of the parent	552 425	491 336
At 30 November 2016		
Total assets	8 273 601	6 662 879
Net operating assets/(liabilities)	2 475 541	2 388 351
Six months ended 30 November 2015		
Total segment revenue	16 004 672	15 749 428
Internal revenue	(3 129 398)	(3 115 106)
Revenue	12 875 274	12 634 322
Operating profit/(loss) before depreciation, amortisation and impairment charges	620 237	577 586
Net profit/(loss) for the period attributable to equity holders of the parent	349 172	385 355
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	8 966	5 783
Headline earnings adjustments net of non-controlling interest	5 328	(125)
Core headline earnings for the period attributable to equity holders of the parent	363 466	391 013
At 30 November 2015		
Total assets	7 617 878	6 306 524
Net operating assets/(liabilities)	2 136 229	2 188 937
Year ended 31 May 2016		
Total segment revenue	32 439 100	31 934 736
Internal revenue	(6 234 378)	(6 212 196)
Revenue	26 204 722	25 722 540
Operating profit/(loss) before depreciation, amortisation and impairment charges	1 240 559	1 133 433
Net profit/(loss) for the year attributable to equity holders of the parent	691 590	739 588
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	16 650	11 363
Headline earnings adjustments net of non-controlling interest	(23 329)	135
Core headline earnings for the year attributable to equity holders of the parent	684 911	751 086
At 31 May 2016		
Total assets	7 305 951	5 787 731
Net operating assets/(liabilities)	2 347 360	2 341 780

International Unaudited R'000	Mobile Unaudited R'000	Solutions Unaudited R'000	Corporate Unaudited R'000
–	156 433	100 139	–
–	(7 782)	(76)	–
–	148 651	100 063	–
(22 175)	46 765	19 366	(74 873)
95 957	24 145	11 345	(72 799)
1 103	1 323	–	–
–	(30)	–	45
97 060	25 438	11 345	(72 754)
818 199	612 650	127 587	52 286
(10 968)	102 357	32 989	(37 188)
–	146 220	109 024	–
–	(8 490)	(5 802)	–
–	137 730	103 222	–
23 595	39 441	18 975	(39 360)
(13 685)	19 593	6 808	(48 899)
1 860	1 323	–	–
–	(1)	5 454	–
(11 825)	20 915	12 262	(48 899)
561 975	504 004	154 861	90 514
(9 234)	38 803	53 426	(135 703)
Audited R'000	Audited R'000	Audited R'000	Audited R'000
–	307 661	196 703	–
–	(15 805)	(6 377)	–
–	291 856	190 326	–
44 152	111 142	35 889	(84 057)
(31 993)	61 627	16 116	(93 748)
2 641	2 646	–	–
(29 975)	1 060	5 448	3
(59 327)	65 333	21 564	(93 745)
809 096	543 561	137 061	28 502
1 872	40 423	37 376	(74 091)

Headline earnings

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Profit attributable to equity holders of the parent	545 168	349 172	691 590
Net loss/(profit) on disposal of property, plant and equipment	17	(136)	(360)
Loss on disposal of intangible assets	–	–	3
Loss on disposal of subsidiary	–	5 454	5 454
Profit on dilution of joint venture	–	–	(29 975)
Impairment of intangible assets and property, plant and equipment	–	10	1 549
Headline earnings	545 185	354 500	668 261
Headline earnings per share (cents)	81.78	53.26	100.35

Financial instruments

Contingent considerations, included in trade and other payables, are level 3 financial liabilities.

Changes in level 3 instruments are as follows:

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Contingent consideration			
Opening balance	83 563	123 902	123 902
Acquisition of Reware Proprietary Limited	1 150	–	–
Acquisition of Utilities World Proprietary Limited	4 516	–	–
Settlements	(49 109)	(1 631)	(1 931)
Gains and losses recognised in profit or loss	2 271	3 931	(38 408)
Closing balance	42 391	126 202	83 563
Total gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period, under:			
Other income	–	–	(48 120)
Finance costs	2 271	3 931	9 712
Change in unrealised gains or losses for the period included in profit or loss for liabilities held at the end of the reporting period	2 003	655	9 127

The fair value of the contingent consideration is estimated by applying the income approach. The fair value is based on the discount rates applicable to the Group and management's probability assumptions on certain warranties being achieved. There have been no changes in management's probability assumptions. The discount rate has been increased in line with the increase in the prime lending rate. The resulting changes in the fair values are accounted for in finance costs in the statement of comprehensive income.

The investment in Oxigen Services India Private Limited, viewed as a venture capital investment and accounted for at fair value, is a level 3 instrument. Refer to "Investments in and loans to associates and joint ventures".

The Group has not disclosed the fair values of all financial instruments measured at amortised cost, as their carrying amounts closely approximate their fair values.

Investments in and loans to associates and joint ventures

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Equity-accounted associates and joint ventures	196 449	383 940	628 371
Venture capital associate	412 800	–	–
Loans to associates and joint ventures	334 226	284 814	282 196
	943 475	668 754	910 567

The Group, through its wholly-owned subsidiary, Gold Label Investments, holds an effective 58.18% interest in Oxigen. This investment has historically been accounted for as an investment in an associate applying the equity method up to 30 November 2016.

The investment in Oxigen was initially of a long-term nature as it was expected to emulate the business model of the South African distribution operations. However, its profile has changed from that of the traditional Group business to one of generating growth in the market value of the investment with a view to unlocking the Group's share thereof. With the advent of its change in focus to financial services through wallet subscription, it is no longer strategically aligned with the other business units of the Group and is unlikely to generate profitability in the short to medium term. However, the market value of the company is expected to increase exponentially in conjunction with its growth in wallet subscribers. This in turn creates the potential to unlock the investment value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen.

Accordingly, Oxigen is now viewed as a venture capital investment, which in accordance with IAS 28 – *Investment in Associates and Joint Ventures* has been accounted for at fair value as at 30 November 2016. The differential between the carrying value of the investment and its fair value is reflected as a gain on associate measured at fair value in the condensed Group statement of comprehensive income.

The fair value is determined by an independent third party using the discounted cash flow model which takes into account the current and projected performance of Oxigen. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for ten years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate. The discount rate and terminal growth rate used in calculating the fair value are 23% and 5% respectively.

The following table illustrates the sensitivity analysis to the fair value of the investment in Oxigen should there be any movements to the material unobservable inputs.

Unobservable inputs	Change to inputs %	Movement in fair value R'000
Discount rate	+0.5	(50 812)
	-0.5	53 906
Terminal growth rate	+1	38 674
	-1	(34 509)
Customer acquisition and engagement spend	+1	40 745
	-1	(39 459)
Capital expenditure	+1	48 717
	-1	(47 408)

Significant related party transactions

	Six months ended 30 November 2016 Unaudited R'000	Six months ended 30 November 2015 Unaudited R'000	Year ended 31 May 2016 Audited R'000
Purchases from related parties			
ZOK Cellular Proprietary Limited	–	34 941	26 001
Loans to related parties			
2DFine Holdings Mauritius	218 890	203 865	234 892
Lornanox Proprietary Limited trading as Edgars Connect	69 418	38 000	65 949
Oxigen Services India Private Limited	36 025	35 049	38 359
Stylco Proprietary Limited	20 000	–	26 000
ZOK Cellular Proprietary Limited	28 934	3 260	20 881

Basis of preparation

The condensed unaudited consolidated interim financial statements have been prepared in accordance with the requirements of section 8.57 of the JSE Limited Listings Requirements, the presentation and disclosure requirements of IAS 34 – *Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The condensed unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No 71 of 2008.

These condensed unaudited consolidated interim financial statements have been prepared in accordance with the going concern principle, under the historical cost convention. The condensed unaudited consolidated interim report does not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The accounting policies used in preparing the condensed unaudited consolidated interim report are consistent with those applied in the previous annual financial statements.

We aim to provide stakeholders with the same additional information that management uses to evaluate the performance of the Group's operations. Accordingly, we make reference to operating profit before depreciation, amortisation and impairment charges (EBITDA). In addition, the Group applies core net profit and core headline earnings as a non-IFRS measures 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*. Core headline earnings are calculated by adjusting core net profit with the headline earnings adjustments required by SAICA circular 2/2015.

The results have not been reviewed or audited for the period ended 30 November 2016.

Directors: LM Nestadt (Chairman)*, BM Levy, MS Levy, K Ellrine**, GD Harlow*, P Mahanyele* (appointed 1 September 2016), Y Mahomed* (resigned 11 January 2017), JS Mthimunya*, DA Suntup, J Vilakazi*
(*Independent non-executive) (**Non-executive)

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

American Depositary Receipt (ADR) Programme:

Cusip No.: 095648101 Ticker name: BULBY ADR to ordinary share: 1:10

Depository: BNY Mellon, 101 Barclay Street, New York NY, 10286, USA

Blue Label Telecoms Limited

(Incorporated in the Republic of South Africa)

(Registration number 2006/022679/06)

JSE Share code: BLU

ISIN: ZAE000109088

("Blue Label" or "BLT" or "the Company" or "the Group")

