BLUE LABEL
TELECOMS

RESULTS
For the year ended 31 May 2017

Highlights

INCREASE IN **REVENUE** TO

R26.3 billion

INCREASE IN **GROSS PROFIT** OF 19% TO

R2.2 billion

INCREASE IN **EBITDA** OF 7% TO

R1.3 billion

INCREASE IN **EARNINGS PER SHARE** OF 14% TO

117.92 cents

INCREASE IN **HEADLINE EARNINGS PER SHARE** OF 18% TO

117.98 cents

INCREASE IN **CORE HEADLINE EARNINGS PER SHARE** OF 17% TO

120.09 cents

INCREASE IN **DIVIDEND PER SHARE** OF 11% TO

40 cents

Commentary

Overview

Group earnings continued to increase organically primarily attributable to South Africa Distribution increasing its contribution to Group core headline earnings by 19%.

Although Blue Label Mexico ("BLM") incurred losses, its losses continued to decline, with the Group's share thereof reducing by 42%, from R63 million to R37 million.

The continuous shift in consumer buying patterns from traditional purchasing of airtime to that of "PINless top-ups", resulted in limited growth in Group revenue. Only the gross profit earned thereon is accounted for in Group revenue as opposed to the gross amount generated from transactions of this nature. On imputing such amounts, the effective growth would have equated to 7%.

Gross profit increased by R343 million (19%) to R2.2 billion congruent with an increase in margins from 6.98% to 8.26%.

After accounting for a negative turnaround in foreign exchange movements of R125.7 million, a net negative movement of R37.9 million relating to a release of a contingent portion of deferred purchase considerations and an increase in overheads of R90 million, the resultant EBITDA increased by R91 million (7%) to R1.33 billion.

The investments in Oxigen Services India, Oxigen Online Services India, collectively ("Oxigen Services India"), and 2DFine Holdings Mauritius ("2DFine") were historically accounted for as investments in associates and joint venture, applying the equity method up until 30 November 2016. From that date these entities are accounted for as venture capital investments, which, in accordance with IAS 28 – *Investments in Associates and Joint Ventures*, have been accounted for at fair value. The differential between the carrying value of the investments and their fair value is reflected as a gain on associates and joint venture measured at fair value.

A fair value gain of R160 million and the Group's share of losses for the year under review of R125 million, equated to a net positive contribution of R35 million to Group earnings. On exclusion of this positive contribution, headline earnings would have amounted to R752 million and core headline earnings to R766 million, equating to 112.74 cents and 114.85 cents per share respectively.

Capital and reserves accumulated to R5 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 11% to R7.32 per share.

Segmental report
South African Distribution

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**25 786 396**	25 722 540	63 856	0%
Gross profit	**1 917 023**	1 582 743	334 280	21%
EBITDA	**1 388 296**	1 133 433	254 863	22%
Core net profit	**893 106**	750 951	142 155	19%
Core headline earnings	**893 128**	751 086	142 042	19%
Gross profit margin	**7.43%**	6.15%		
EBITDA margin	**5.38%**	4.41%		

Revenue remained consistent with that of the prior year. However, revenue generated on "PINless top-ups" increased by R2 billion from R4.1 billion to R6.1 billion, equating to effective growth in South African Distribution revenue of 7%, in that only the commission earned thereon is recognised.

Net commissions earned on the distribution of prepaid electricity continued to increase, escalating by R18 million to R215 million on a value of R14 billion generated on behalf of the utilities.

Gross profit margins improved from 6.15% to 7.43%, resulting in an increase in gross profit of R334 million (21%) from R1.58 billion to R1.92 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.

EBITDA increased by 22% to R1.39 billion equating to an EBITDA margin of 5.38%.

Contribution to Group core headline earnings increased by R142 million (19%) to R893 million.

Commentary continued

International

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
EBITDA	**(31 792)**	44 152	(75 944)	(172%)
Gain on associate measured at fair value	**160 200**	—	160 200	
Share of (losses)/profits from associates and joint ventures	**(162 218)**	(70 283)	(91 935)	(131%)
– Oxigen Services India	**(119 831)**	(27 672)	(92 159)	(333%)
– Blue Label Mexico	**(36 978)**	(63 293)	26 315	42%
– 2DFine Holdings Mauritius	**(5 409)**	19 734	(25 143)	(127%)
– Mpower	**—**	948	(948)	(100%)
Core net loss	**(17 213)**	(29 352)	12 139	41%
Core headline loss	**(16 874)**	(59 327)	42 453	72%

The decline in EBITDA of R76 million was directly attributable to a negative turnaround in foreign exchange movements.

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

Oxigen Services India and 2DFine Holdings Mauritius

The financial performance of Oxigen Services India for the six months ending 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.

The Group's share of losses in 2DFine amounted to R5.4 million for the six months ending November 2016. These losses were attributable to interest incurred on historical loans from Gold Label Investments and Blue Label. In the prior year, the Group's share of profits amounted to R19.7 million. This pertained to a gain on dilution of R30 million, being the Group's share of the increased net asset value emanating from a rights issue in Oxigen Services India, offset by a share of losses of R10.2 million relating to interest incurred on the above loans. The gain on dilution was deducted as a headline earnings adjustment, resulting in a negative contribution of R59.3 million by the International segment to core headline earnings.

With effect from 30 November 2016, Oxigen Services India and 2DFine have been accounted for as venture capital investments, and as a result thereof the investments are measured at fair value. Consequently, any further losses incurred by the above entities from that date will have no impact on Group earnings.

The differential between the carrying value of the investments and their fair value amounted to R160 million and has been accounted for in the reviewed condensed Group statement of comprehensive income as a gain on associate and joint venture measured at fair value. The fair value gain of R160 million and the Group's share of losses for the year of R125 million, equated to a net positive contribution of R35 million to Group earnings.

Blue Label Mexico

BLM's losses declined from R130 million to R74 million, of which the Group's share amounted to R37 million after the amortisation of intangible assets. In the comparative period the Group's share of losses amounted to R63 million.

The decline in losses was achieved in spite of a reduction in revenue by 23%. This decline was caused by intense competition amongst carriers, resulting in lower tariffs payable by the end user. However, in the latter half of the financial year pricing stabilised, resulting in an increase in revenue during that period.

The overall decline in revenue was compensated for by an increase in gross profit of R26.6 million (32%), 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 amongst the networks to the benefit of the company.

Focus on cost efficiencies resulted in a decrease in operational expenditure by 9%. Whilst the resultant EBITDA remained negative, it increased by R42.7 million (61%).

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 resulted in a decline in losses.

Mobile

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**347 858**	291 856	56 002	19%
Gross profit	**200 079**	182 533	17 546	10%
EBITDA	**99 101**	111 142	(12 041)	(11%)
Core net profit	**56 327**	64 273	(7 946)	(12%)
Core headline earnings	**56 289**	65 333	(9 044)	(14%)

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

Although revenue increased by 19% and gross profit by 10%, a negative movement of R12 million relating to a release of a contingent portion of deferred purchase consideration resulted in negative growth in EBITDA by 11%.

On exclusion of the deferred purchase consideration adjustment, the effective contribution to core headline earnings equated to a growth of R3 million (5%).

Solutions

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
Revenue	**177 621**	190 326	(12 705)	(7%)
Gross profit	**55 480**	64 418	(8 938)	(14%)
EBITDA	**34 020**	35 889	(1 869)	(5%)
Core net profit	**18 956**	16 116	2 840	18%
Core headline earnings	**18 956**	21 564	(2 608)	(12%)

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 year, core headline earnings in the remaining entities declined by R2.6 million.

On omission of Velociti's historical contribution, revenue generated by the remaining entities, dominated by Blue Label Data Solutions, increased by 10%. However, margin compression resulted in static growth in gross profit, which together with an increase in overheads, which included a R4 million loan impairment, resulted in the decline in its core headline earnings of 12%.

Corporate

	May 2017 R'000	May 2016 R'000	Growth R'000	Growth %
EBITDA	**(158 302)**	(84 057)	(74 245)	(88%)
Core net loss	**(150 142)**	(93 748)	(56 394)	(60%)
Core headline loss	**(150 103)**	(93 745)	(56 358)	(60%)

Of the decline in EBITDA of R74 million, R46 million pertained to a negative turnaround in foreign exchange movements and R26 million to a net negative movement relating to a release of a contingent portion of deferred purchase considerations.

Its negative contribution to Group core headline earnings increased by R56 million to R150 million.

Commentary continued

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

Depreciation, amortisation and impairment charges increased by R15 million to R113 million. Of this amount, R18 million pertained to the amortisation of intangible assets resulting from purchase price allocations on historical acquisitions compared to R20.6 million in the comparative year. The balance of the increase was congruent with capital expenditure incurred during the year.

NET FINANCE COSTS

Finance costs

Finance costs totalled R303 million, of which R106 million related to interest paid on borrowed funds and R197 million to imputed IFRS interest adjustments on credit received from suppliers. On a comparative basis, interest paid on borrowed funds amounted to R48 million and the imputed IFRS interest adjustment equated to R166 million.

The increase of R58 million on interest paid on borrowed funds was mainly due to applying 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 year. The additional finance costs were more than compensated for by the growth in gross profit and gross profit margins.

Finance income

Finance income totalled R242 million, of which R79 million was attributable to interest received on cash resources and R163 million to imputed IFRS interest adjustments on credit afforded to customers. In the prior year, interest received on cash resources amounted to R64 million and the imputed IFRS interest adjustment to R130 million.

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

STATEMENT OF FINANCIAL POSITION

Total assets increased by R1.4 billion to R8.7 billion of which current assets increased by R1.5 billion and non-current assets reduced by R76 million.

Non-current assets included increases in capital expenditure net of depreciation of R11 million, in loans receivable of R30.9 million and trade and other receivables of R13.3 million. These increases were offset by decreases of R86 million in intangible assets and goodwill and R50.6 million in investments in associates and joint ventures.

The net decrease of R50.6 million in investment in associate and joint ventures comprised the R160 million gains measured at fair value relating to Oxigen Services India and 2DFine, a capital contribution of R25.5 million to Oxigen Services India, a further equity loan granted to Lornanox of R9.3 million, the acquisition of Utilities World for R12 million, interest of R23.5 million capitalised on loans and loans granted of R14 million. These increases were offset by the Group's share of losses therein totalling R165 million inclusive of the amortisation of applicable intangible assets, a negative impact on foreign currency translation reserves of R82.4 million and unrealised foreign exchange losses on loans of R47.2 million.

The net decline of R86 million in intangible assets and goodwill mainly pertained to the amortisation of intangibles by R143 million, offset by R56 million expended on the purchase of software, internally generated software development costs and starter pack bases.

Of the increase in current assets, material movements included increases in inventories of R521 million, loans receivable of R90 million, cash resources of R762 million and trade receivables of R80 million.

The stock turn equated to 33 days compared to 25 days for the comparative year. 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 debtors' collection period increased to 39 days compared to 38 days for the comparative year.

Net profit attributable to equity holders of R787 million, less a dividend of R243 million, resulted in retained earnings accumulating to R3.6 billion.

Trade and other payables increased by R881 million, with average credit terms increasing to 53 days compared to 40 days for the comparative year.

STATEMENT OF CASH FLOWS

Cash flows generated from operating activities amounted to R1.36 billion, predominately attributable to increased trading activity, net of working capital requirements.

Cash flows applied to investing activities amounted to R320 million. Of this amount, R56 million related to the purchase of intangible assets, R57 million to capital expenditure, R25.5 million to a capital contribution to Oxigen Services India, R133 million to net loans granted, R50.7 million to earn outs relating to prior acquisitions and R7.5 million to the acquisition of Utilities World. These outflows were partially offset by R1.7 million from the sale of fixed assets and R13 million from an earn-out received emanating from the sale of Ukash.

After applying R7 million to the acquisition of treasury shares and a dividend payment of R270 million to shareholders and non-controlling interests, cash on hand at year end amounted to R1.35 billion.

FORFEITABLE SHARE SCHEME

Forfeitable shares totalling 1 376 257 (2016: 2 591 066) were issued to qualifying employees. During the year 121 226 (2016: 612 453) shares were forfeited and 2 141 673 (2016: 3 163 359) shares vested.

DIVIDEND

The Group's current dividend policy is to declare an annual dividend. On 23 August 2017 the Board approved a gross ordinary dividend (dividend number 8) of 40 cents per ordinary share (32 cents per ordinary share net of dividend withholding tax) for the year ended 31 May 2017.

The dividend of R349 803 616 inclusive of withholding tax equates to a 2.25 cover on headline earnings. The dividend for the year ended 31 May 2017 has not been recognised in the financial statements as it was declared after this date.

The dividend has been declared from income reserves. The issued share capital at the declaration date was 874 509 041. The Company's tax reference number is 9062246179. The salient dates are as follows:

Last date to trade cum dividend	Tuesday, 12 September 2017
Shares commence trading ex dividend	Wednesday, 13 September 2017
Record date	Friday, 15 September 2017
Payment of dividend	Monday, 18 September 2017

Share certificates may be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive.

Before declaring the final dividend the Board applied the solvency and liquidity test on the Company and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after payment of the final dividend. The final dividend will be paid 24 days after the Directors have performed the solvency and liquidity testing.

Dividend tax is provided for at 20% of the amount of any dividend paid by Blue Label, subject to certain exemptions. The dividend tax is a tax borne by the beneficial owner of the dividend and will be withheld by either the issuer of the dividend or by regulated intermediaries.

PROSPECTS

Blue Label is one of the primary distribution channels for Cell C Proprietary Limited ("Cell C") products and services. The acquisition therein provides a compelling value proposition to the Group, to Cell C and its customers through vertical integration that will afford both companies the opportunity to realise synergies in product distribution. Cell C now has a sustainable capital structure to deliver on their strategic objectives.

3G Mobile Proprietary Limited ("3G Mobile") is one of Africa's largest distributors and financiers of mobile devices and handsets to major retailers and cellular network providers. It has distribution rights for all major tier one and tier two mobile devices and allied products from the manufacturers thereof. Through its wholly owned subsidiary, Comm Equipment Company Proprietary Limited, it provides the financing of the mobile handset component of postpaid and hybrid contracts to Cell C, with the capability of extending such services to other networks and channels. These functions supplement Blue Label's strategic objectives to provide value added services to both Cell C and its own customer base.

3G Mobile provides the ideal platform to combine Blue Label's low cost and certified pre-owned mobile handset divisions into a consolidated group. The acquisition thereof is both earnings accretive and provides a solid foundation for distribution into the burgeoning low cost smartphone market.

Blue Label Mexico is expected to provide a positive contribution to Group profitability, given their consistent growth in revenue generation at sustainable improved gross profit margins and compounding annuity revenue generated from starter packs.

"Big Data" creates the opportunity to upsell and cross sell the various bouquets of products and services that Blue Label has to offer, through its distribution channels, by intelligently understanding consumer behaviour.

Value added services, including the provision of short-term finance for products and services required by consumers, are initiatives that are currently under consideration.

Commentary continued

INDEPENDENT AUDIT

These condensed Group financial statements for the year ended 31 May 2017 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

This announcement which sets out the reviewed annual results for Blue Label Telecoms Limited for the year ended 31 May 2017 contains "forward-looking statements", which have not been reviewed or reported on by the Group's auditors, with respect to the Group's financial condition, results of operations and businesses and certain of the Group's plans and objectives.

APPRECIATION

The Board of Blue Label 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

23 August 2017

* *Supervised the preparation of the reviewed condensed Group financial statements.*

Independent auditor's review report on condensed consolidated financial statements

To the shareholders of Blue Label Telecoms Limited

We have reviewed the condensed Group financial statements of Blue Label Telecoms Limited, set out on pages 8 to 20, which comprise the condensed Group statement of financial position as at 31 May 2017 and the related condensed Group statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The Directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the basis set out in notes to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Blue Label Telecoms Limited for the year ended 31 May 2017 are not prepared, in all material respects, in accordance with the basis set out in notes to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: D Storm
Registered Auditor
Johannesburg

23 August 2017

Reviewed condensed Group statement of comprehensive income

For the year ended 31 May

	2017 Reviewed R'000	2016 Audited R'000
Revenue	**26 311 875**	26 204 722
Other income	**16 814**	126 294
Changes in inventories of finished goods	**(24 139 293)**	(24 375 028)
Employee compensation and benefit expense	**(452 985)**	(427 116)
Depreciation, amortisation and impairment charges	**(112 851)**	(98 183)
Other expenses	**(405 088)**	(288 313)
Operating profit	**1 218 472**	1 142 376
Finance costs	**(303 027)**	(214 110)
Finance income	**242 194**	193 899
Gain on associates and joint venture measured at fair value	**160 200**	—
Share of losses from associates and joint ventures	**(164 941)**	(71 770)
Net profit before taxation	**1 152 898**	1 050 395
Taxation	**(332 037)**	(318 783)
Net profit for the year	**820 861**	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	**(82 424)**	81 544
Foreign exchange loss on translation of foreign operations	**(52)**	(15)
Other comprehensive (loss)/income for the year, net of tax	**(82 476)**	81 529
Total comprehensive income for the year	**738 385**	813 141
Net profit for the year attributable to:	**820 861**	731 612
Equity holders of the parent	**786 965**	691 590
Non-controlling interest	**33 896**	40 022
Total comprehensive income for the year attributable to:	**738 385**	813 141
Equity holders of the parent	**706 396**	770 652
Non-controlling interest	**31 989**	42 489

Share performance

For the year ended 31 May

	2017 Reviewed R'000	2016 Audited R'000
Earnings per share for profit attributable to equity holders		
Basic earnings per share (cents)	**117.92**	103.85
Diluted earnings per share (cents)*	**116.91**	102.84
Weighted average number of shares	**667 348 522**	665 950 277
Diluted weighted average number of shares	**673 162 133**	672 520 023
Number of shares in issue	**674 509 042**	674 509 042
Share performance		
Headline earnings per share (cents)	**117.98**	100.35
Diluted headline earnings per share (cents)*	**116.96**	99.37
Dividend per share (cents)	**36.00**	31.00
Reconciliation between net profit and core headline earnings for the year:		
Net profit for the year attributable to equity holders of the parent	**786 965**	691 590
Amortisation on intangible assets raised through business combinations net of tax and net of non-controlling interest	**14 069**	16 650
Core net profit for the year	**801 034**	708 240
Headline earnings adjustments	**362**	(23 329)
Core headline earnings	**801 396**	684 911
Core headline earnings per share (cents)**	**120.09**	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.*

Reviewed condensed Group statement of financial position

As at 31 May

	2017 Reviewed R'000	2016 Audited R'000
ASSETS		
Non-current assets	**2 198 757**	2 275 161
Property, plant and equipment	**111 599**	100 434
Intangible assets	**511 164**	598 333
Goodwill	**604 590**	603 440
Investments in and loans to associates and joint ventures	**315 833**	910 567
Investments in and loans to venture capital associates and joint venture	**544 165**	—
Loans receivable	**36 851**	5 910
Starter pack assets	**5 346**	6 099
Trade and other receivables	**42 512**	29 166
Deferred taxation assets	**26 697**	21 212
Current assets	**6 491 513**	5 030 790
Inventories	**2 180 121**	1 658 860
Loans receivable	**188 229**	98 217
Starter pack assets	**1 365**	1 576
Trade and other receivables	**2 758 997**	2 679 023
Current tax assets	**12 135**	4 087
Cash and cash equivalents	**1 350 666**	589 027
Total assets	**8 690 270**	7 305 951
EQUITY AND LIABILITIES		
Capital and reserves	**5 004 442**	4 519 567
Share capital, share premium and treasury shares	**3 953 871**	3 942 512
Restructuring reserve	**(1 843 912)**	(1 843 912)
Other reserves	**107 036**	187 605
Equity compensation benefit reserve	**46 420**	42 039
Transactions with non-controlling interest reserve	**(975 302)**	(965 861)
Retained earnings	**3 649 192**	3 105 050
	4 937 305	4 467 433
Non-controlling interest	**67 137**	52 134
Non-current liabilities	**59 226**	102 954
Deferred taxation liabilities	**52 952**	62 141
Trade and other payables	**6 274**	40 813
Current liabilities	**3 626 602**	2 683 430
Trade and other payables	**3 517 673**	2 601 807
Provisions	**35 071**	24 928
Current tax liabilities	**55 832**	40 608
Borrowings	**18 026**	16 087
Total equity and liabilities	**8 690 270**	7 305 951

Reviewed condensed Group statement of cash flows

For the year ended 31 May

	2017 Reviewed R'000	2016 Audited R'000
Cash generated by operations	**1 753 991**	744 185
Interest received	**52 300**	42 082
Interest paid	**(105 518)**	(48 207)
Taxation paid	**(338 814)**	(305 118)
Net cash generated from operating activities	**1 361 959**	432 942
Cash flows from investing activities		
Acquisition of intangible assets and property, plant and equipment	**(113 280)**	(127 131)
Disposal of subsidiary net of cash disposed	**—**	13 219
Capital contribution to Blue Label Mexico	**—**	(42 654)
Capital contribution to Oxigen Services India	**(25 534)**	(159 425)
Equity loans advanced to Lornanox	**(5 875)**	(58 883)
Loans granted	**(117 268)**	(27 306)
Loans granted to associates and joint ventures	**(15 756)**	(1 620)
Settlement of contingent consideration	**(50 666)**	(1 931)
Contingent proceeds received	**12 839**	5 813
Other investing activities	**(4 936)**	3 585
Net cash utilised in investing activities	**(320 476)**	(396 333)
Cash flows from financing activities		
Acquisition of treasury shares	**(7 381)**	(23 052)
Dividends paid to non-controlling interest	**(26 788)**	(4 000)
Dividends paid to equity holders of the parent	**(242 823)**	(209 098)
Other financing activities	**(2 803)**	—
Net cash utilised in financing activities	**(279 795)**	(236 150)
Net increase/(decrease) in cash and cash equivalents	**761 688**	(199 541)
Cash and cash equivalents at the beginning of the year	**589 027**	788 411
Exchange gains on cash and cash equivalents	**(49)**	157
Cash and cash equivalents at the end of the year	**1 350 666**	589 027

Reviewed condensed Group statement of changes in equity

	Share capital, share premium and treasury shares Audited R'000	Retained earnings Audited R'000
Balance as at 31 May 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	—	—
	Reviewed R'000	**Reviewed R'000**
Balance as at 31 May 2016	**3 942 512**	**3 105 050**
Net profit for the year	**—**	**786 965**
Other comprehensive income	**—**	**—**
Total comprehensive income	**—**	**786 965**
Dividends paid	**—**	**(242 823)**
Treasury shares purchased	**(7 381)**	**—**
Equity compensation benefit scheme shares vested	**18 740**	**—**
Equity compensation benefit movement	**—**	**—**
Non-controlling interest acquired	**—**	**—**
Transaction with non-controlling interest reserve movement	**—**	**—**
Balance as at 31 May 2017	**3 953 871**	**3 649 192**

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

Restructuring reserve Audited R'000	Other reserves* Audited R'000	Transactions with non-controlling interest reserve Audited R'000	Share-based payment reserve** Audited R'000	Non-controlling interest Audited R'000	Total equity 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

Reviewed R'000	**Reviewed R'000**	**Reviewed R'000**	**Reviewed R'000**	**Reviewed R'000**	**Reviewed R'000**
(1 843 912)	**187 605**	**(965 861)**	**42 039**	**52 134**	**4 519 567**
—	**—**	**—**	**—**	**33 896**	**820 861**
—	**(80 569)**	**—**	**—**	**(1 907)**	**(82 476)**
—	**(80 569)**	**—**	**—**	**31 989**	**738 385**
—	**—**	**—**	**—**	**(26 788)**	**(269 611)**
—	**—**	**—**	**—**	**—**	**(7 381)**
—	**—**	**—**	**(18 486)**	**(254)**	**—**
—	**—**	**—**	**22 867**	**550**	**23 417**
—	**—**	**—**	**—**	**65**	**65**
—	**—**	**(9 441)**	**—**	**9 441**	**—**
(1 843 912)	**107 036**	**(975 302)**	**46 420**	**67 137**	**5 004 442**

Segmental summary

Year ended 31 May 2017	Total Reviewed R'000	South African Distribution Reviewed R'000
Total segment revenue	**32 724 069**	**32 058 672**
Internal revenue	**(6 412 194)**	**(6 272 276)**
Revenue	**26 311 875**	**25 786 396**
Operating profit/(loss) before depreciation, amortisation and impairment charges	**1 331 323**	**1 388 296**
Net profit/(loss) for the year attributable to equity holders of the parent	**786 965**	**883 542**
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest	**14 069**	**9 564**
Headline earnings adjustments net of non-controlling interest	**362**	**22**
Core headline earnings for the year attributable to equity holders of the parent	**801 396**	**893 128**
At 31 May 2017		
Total assets	**8 690 270**	**7 201 527**
Net operating assets/(liabilities)	**2 864 911**	**2 762 751**

Year ended 31 May 2016	Audited R'000	Audited R'000
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 Reviewed R'000	Mobile Reviewed R'000	Solutions Reviewed R'000	Corporate Reviewed R'000
	—	361 754	178 286	125 357
	—	(13 896)	(665)	(125 357)
	—	347 858	177 621	—
	(31 792)	99 101	34 020	(158 302)
	(19 072)	53 681	18 956	(150 142)
	1 859	2 646	—	—
	339	(38)	—	39
	(16 874)	56 289	18 956	(150 103)
	743 530	593 595	141 100	10 518
	10 424	103 458	45 517	(57 239)
	Audited R'000	Audited R'000	Audited R'000	Audited R'000
	—	307 661	196 703	119 321
	—	(15 805)	(6 377)	(119 321)
	—	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

For the year ended 31 May

	2017 Reviewed R'000	2016 Audited R'000
Profit attributable to equity holders of the parent	**786 965**	691 590
Net loss/(profit) on disposal of property, plant and equipment	**23**	(360)
Loss on disposal of intangible assets	**—**	3
Loss on disposal of subsidiary	**—**	5 454
Profit on dilution of joint venture	**—**	(29 975)
Impairment of intangible assets and property, plant and equipment	**339**	1 549
Headline earnings	**787 327**	668 261
Headline earnings per share (cents)	**117.98**	100.35

Financial instruments

For the year ended 31 May

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

Changes in level 3 instruments are as follows:

	2017 Reviewed R'000	2016 Audited R'000
Contingent consideration		
Opening balance	**83 563**	123 902
Acquisition of Reware Proprietary Limited	**1 150**	–
Acquisition of Utilities World Proprietary Limited	**4 516**	–
Settlements	**(50 666)**	(1 931)
Gains and losses recognised in profit or loss	**(5 589)**	(38 408)
Closing balance	**32 974**	83 563
Total gains or losses for the year included in profit or loss for liabilities held at the end of the reporting period, under:		
Other income	**(10 210)**	(48 120)
Finance costs	**4 621**	9 712
Unrealised gains or losses recognised in profit or loss for liabilities held at the end of the reporting period	**5 304**	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 changes in management's probability assumptions in respect of certain of the companies. The resulting changes in the fair values are accounted for in other income in the statement of comprehensive income. 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, Oxigen Online and 2DFine Mauritius are viewed as venture capital investments and accounted for at fair value, and are level 3 instruments. Refer to "Investment and loans to venture capital associates and joint venture".

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 and loans to venture capital associates and joint venture

For the year ended 31 May

	2017 Reviewed R'000
Venture capital associates and joint venture	**291 550**
Loan to venture capital associates and joint venture	**252 615**
	544 165

The exemption available in IAS 28 – *Investments in Associate and Joint Ventures* has been applied to the investment in Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius from 30 November 2016 and the investment is accounted for in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement* at fair value with changes in fair value recognised in profit or loss. The differential between the carrying amount of the investment (previously equity accounted for) and the fair value at this date is reflected as a gain on associate measured at fair value in the reviewed condensed Group statement of comprehensive income. Any additional changes in the fair value between 30 November 2016 and year-end have also been recognised in the reviewed condensed Group statement of comprehensive income.

Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done in line with the Group's exit strategy to improve the marketability of these entities to potential investors.

Prior to 30 November 2016, the investment in Oxigen Services India was of a strategic nature as it was it was expected to emulate the business model of the South African distribution operations. The original decision to invest in this business was because it was strategically aligned with other Blue Label distribution businesses in South Africa. 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 in value in the future and the Group is pursuing this new strategy with respect to its investment in Oxigen Services India. In line with the Group's exit strategy Oxigen Services India was demerged into two separate entities with effect from 1 June 2016. This was done to improve the marketability of these entities to potential investors.

2DFine Holdings Mauritius is an investment holding company that holds an interest in Oxigen Services India and Oxigen Online.

Consequently, management review the results and operations of Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius on a fair value basis as opposed to the profits/losses that it generates. In addition, management have established an exit strategy that looks to realise this fair value in the foreseeable future.

Accordingly Oxigen Services India, Oxigen Online and 2DFine Holdings Mauritius are viewed as a venture capital investment which, in accordance with IAS 28 – *Investments in Associates and Joint Ventures* has been accounted for at fair value through profit and loss from 30 November 2016 at which date equity accounting ceased.

Investments and loans to venture capital associates and joint venture continued

For the year ended 31 May

Fair value estimate

The fair value of the investment in our venture capital associate Oxigen Services India and Oxigen Online are not traded in an active market and is therefore determined by the use of a valuation technique. An independent third party has performed a valuation using the discounted cash flow model taking into account the current and projected performance of Oxigen Services India and Oxigen Online. 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 values are 27% and 5% respectively. Capital expenditure in Oxigen Services India and Oxigen Online is expected to range between R166 million and R311 million on an annual basis. Customer acquisition and engagement spend for Oxigen Services India and Oxigen Online increases aggressively from R103 million to R2 575 million.

The fair value of the 2DFine Group is based on its share of the fair value of Oxigen Services India and Oxigen Online less the liabilities of the 2DFine Group.

The finance department of the Group includes a team that outsources the valuations to qualified independent third party valuation specialists required for financial reporting purposes, including level 3 fair values. This team reports directly to the Financial Director (FD) and the Audit, Risk and Compliance Committee (ARCC). Discussions of valuation processes and results are held between the FD, ARCC and the valuation team at least once every six months, in line with the Group's reporting periods.

The investments in our venture capital associates and joint venture are level 3 valuations in the fair value hierarchy.

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurement for this investment.

	Change to inputs	Movement in fair value		
		Oxigen Services India Private Limited	Oxigen Online Services Private Limited	2DFine Group[1]
Unobservable inputs	%	R'000	R'000	R'000
Discount rate	+0.5%	(16 489)	(9 938)	(10 831)
	-0.5%	17 575	10 573	11 531
Terminal growth rate	+1%	5 172	2 478	3 127
	-1%	(4 625)	(2 203)	(2 791)
Customer acquisition and engagement spend	+1%	(5 257)	(4 348)	(3 947)
	-1%	5 257	4 348	3 947
Capital expenditure	+1%	(3 000)	(292)	(1 333)
	-1%	3 000	292	1 333

[1] *2DFine Group consists of 2DFine Holdings Mauritius and 2DFine Investments Mauritius.*

Significant related party transactions and balances

For the year ended 31 May

	2017 Reviewed R'000	2016 Audited R'000
Purchases from related parties		
ZOK Cellular Proprietary Limited	**17 552**	26 001
Interest received from related parties		
2DFine Holdings Mauritius	**21 159**	19 879
Loans to related parties		
2DFine Holdings Mauritius	**218 305**	234 892
Lornanox Proprietary Limited trading as Edgars Connect	**75 209**	65 949
Oxigen Services India Private Limited	**34 310**	38 359
ZOK Cellular Proprietary Limited	**26 364**	20 881

Subsequent events

On 2 August 2017, Blue Label, through its wholly owned subsidiary, The Prepaid Company Proprietary Limited ("The Prepaid Company"), acquired 45% of the issued share capital of Cell C for a purchase consideration of R5.5 billion. In part settlement of this amount, 183 333 333 ordinary shares in Blue Label were subscribed for by third parties at an issue price of R15.00 per share, equating to R2.75 billion.

On the same date, The Prepaid Company concluded an agreement to purchase 100% of the issued share capital in 3G Mobile from its shareholders for a purchase consideration of R1.9 billion.

The acquisition has been structured in two stages, whereby 47.37% of the issued share capital was initially acquired for a purchase consideration of R900 million. The remaining 52.63% of the issued share capital will be acquired for a further R1.0 billion, subject to the fulfilment of conditions precedent. Of the initial purchase of 47.37%, 16 666 666 ordinary shares were issued to the vendors at R15.00 per share, equating to R250 million. The balance of R650 million will be payable on 28 February 2018.

As part of the restructure of the debt within Cell C by third party lenders, The Prepaid Company will be required to provide liquidity support to Magnolia Cellular Investment 2 (RF) Proprietary Limited ("SPV2"), which is 100% held by 3C Telecommunications Proprietary Limited ("3C"), of up to USD80 million, which liquidity support will be provided over 24 months and will be in the form of subordinated funding to SPV2. Oger Telecoms contributed USD20 million of the aforesaid USD80 million thus reducing The Prepaid Company's obligation in this regard to a maximum of USD60 million. In addition, to the extent that certain assets of Oger Telecoms are realised within the aforesaid 24 month period, a portion of such realisation shall further reduce The Prepaid Company's obligation. In this regard, USD16 million has been realised to date, thereby reducing its current exposure to a maximum of USD44 million.

The Prepaid Company, with effect from 2 August 2017, purchased Bond notes, issued by Cedar Cellular Investments 1 Proprietary Limited ("SPV1"), which is 100% held by 3C, from Saudi Oger Limited with a capital redemption value of USD18 million and with a coupon rate of 8.625% per annum for a purchase consideration of USD18 million, of which USD6 million has been paid, USD3 million will be payable on 30 September 2017 and USD9 million on 30 November 2017. The Prepaid Company is entitled to assign its rights and obligations, in whole or in part, to a nominee. Accordingly, it has assigned such rights and obligations in respect of 50% of the Bond notes, which assignment has been accepted by the assignee.

The Prepaid Company concluded an agreement with Cell C on 2 August 2017 in terms of which it has undertaken to advance R1.34 billion on a piecemeal basis for the purpose of applying such funds towards capital expenditure. This advance, which is interest bearing, will be repayable in full by the end of July 2018.

Subsequent to year-end, dividend number 8 was declared and approved by the Board.

Basis of preparation

The reviewed condensed Group financial statements for the year ended 31 May 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the preparation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC").

The accounting policies applied in the preparation of the reviewed condensed Group financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 May 2016. The Group has adopted all new and amended accounting pronouncements issued by the IASB that are effective for financial years commencing 1 June 2016. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 May 2016 had a material impact on the Group.

These condensed Group financial statements for the year ended 31 May 2017 have been reviewed by PricewaterhouseCoopers Inc., and their unmodified review conclusion is included on page 7.

Non-IFRS information

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the Company. This announcement contains certain non-IFRS financial information which has not been reviewed or reported on by the Group's auditors.

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

Company Secretary: J van Eden

Sponsor: Investec Bank Limited

Auditors: PricewaterhouseCoopers Inc.

American Depository 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")

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