



MVELAPHANDA GROUP LIMITED

Mvelaphanda Group reports increased revenues and profits for the year to 30 June 2009 and announces a major restructuring plan to unlock value for shareholders

Mvelaphanda Group Ltd (“Mvela”) reported good results for the year to 30th June 2009 with revenues up 6% to R3,746m and operating profit up 4% to R256m. On a comparable basis, revenues were up 15% and operating profit up 28%.

Performance of the group’s operating company, Mvelaserve, was strong with earnings before interest tax, depreciation and amortisation (“EBITDA”) up by 21% also on a comparable basis. Mvelaserve is one of the leading providers of support services in South Africa, employing some 26,800 people with operations in facilities management, security, catering and cleaning and exposure to the franchise and gambling markets. The two largest divisions, facilities management and security, both reported increased revenues and profits.

Cash flow remained strong with cash generated from the Mvelaserve operations of R363m, up 34%. This was mainly the result of improved working capital management as well as the improved earnings.

Yolanda Cuba, Mvelaphanda Group CEO said:

“We are pleased with these results, particularly considering the difficult economic conditions in which our businesses operate. We have focused on diversifying and growing our operating revenues as well as looking closely at efficiencies across the Group.”

Headline earnings per share were 49.9 cents for the year compared to a loss of 362.6 cents the previous year. This was the largely the result of a net gain of R315m in 2009 on the fair value adjustments and profit and loss from investments, excluding dividends received, compared to a loss of R1,631m the previous year. This positive swing of nearly R2bn in value was from the company’s investments in Absa Group (“ABSA”) and in The Life Healthcare Group (“Life Healthcare”).

The company’s balance sheet remained strong with R470m cash at year end and reduced borrowings of R1,765m (30 June 2008 R2,120m) with a consequent lower debt to equity ratio of 44.0%.

The group’s intrinsic net asset value (“NAV”) per share decreased to R7.90 on 30 June 2009 from R8.68 the previous year as a result of a more conservative approach adopted to valuations in the current market environment.

The company’s largest investment is its 22% stake in Life Healthcare. The business performed well in the year to 30 June 2009 with EBITDA from continuing operations up 14%. Mvela received R178m by way of repayment of shareholders loans and dividends from Life Healthcare.

Mvela's interest in ABSA is held through its 44.7% holding in Batho Bonke Capital (Pty) Ltd ("Batho Bonke"). On 27 August 2009, Batho Bonke announced that it had secured funding to settle the temporary facility raised to exercise its options in ABSA. This was a significant achievement with the difficult financial and credit conditions in South Africa. The result is that Batho Bonke now holds 5.1% in ABSA valued at about R4.7bn against a R1.7bn loan. Batho Bonke will distribute R146m to shareholders of which Mvela's share is R65m.

During the past year there were no changes in Mvela's strategic investments with the other key investments comprising 25.5% in Avusa, 10.7% in Group Five and 12.3% in Vox Telecom.

Restructuring

Over the past five years, significant value has been created for shareholders in the underlying investments of Mvelaphanda Group, excluding those in the telecoms and media sectors. However, this is not reflected in the Mvela share price which still trades at a significant discount to its intrinsic NAV. Considering this, together with the current corporate structure not being appropriate to take advantage of the changed BEE landscape, the Board has agreed to the realisation and unbundling of the Group's assets and distribution to shareholders in the most efficient and orderly manner over a period of time. No new investments will be made by the Group.

Said Yolanda Cuba:

"We have always been committed to unlocking value for our shareholders. We believe that the current corporate structure has now run its useful life and we are therefore considering a number of options in order to unlock value for our shareholders."

Strategies are being developed for each of the company's investments. Additionally it is proposed to reduce the board size focused on independent non-executive director representation and in order to save costs, management will be outsourced at a fixed fee.

Further details on the value unlocking plan will be communicated prior to the company's AGM in October.

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