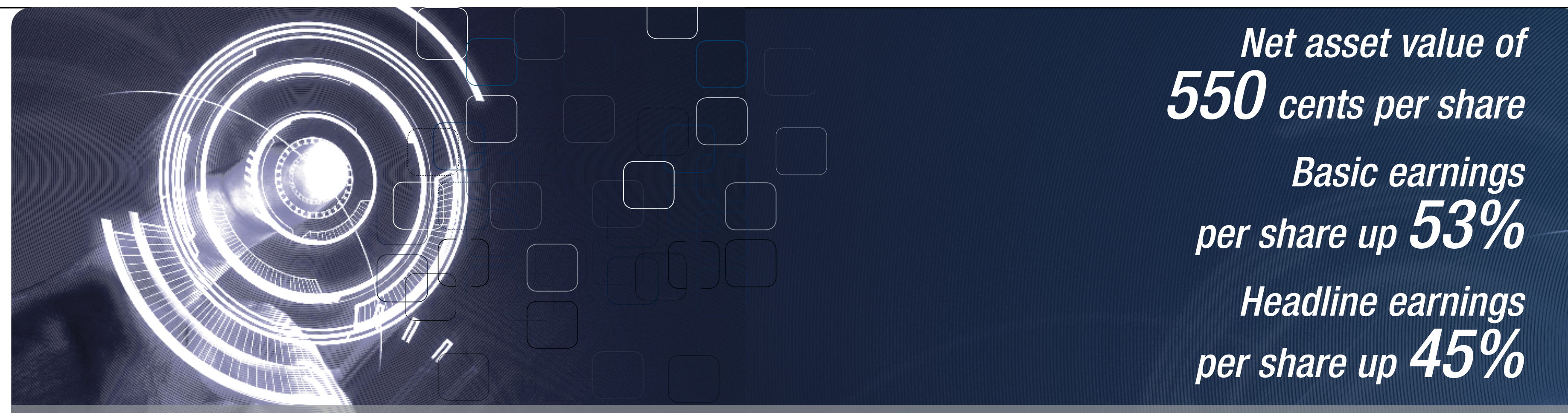
Mustek LIMITED

(Incorporated in the Republic of South Africa) (Registration number 1987/070161/06)
Share code: MST ISIN: ZAE000012373 ("Mustek" or "the Group")



UNAUDITED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months 31 Dec 2009 R000	Unaudited 6 months 31 Dec 2008 R000	Year-end 30 Jun 2009 R000
Revenue	1 601 610	1 732 354	3 481 903
Cost of sales	(1 349 491)	(1 410 834)	(2 916 547)
Gross profit	252 119	321 520	565 356
Other income	15 177	9 301	14 858
Distribution, administrative and other operating expenses	(197 232)	(288 613)	(463 623)
Profit from operations	70 064	42 208	116 591
Investment revenues	6 569	15 650	20 800
Finance costs	(27 625)	(32 021)	(66 051)
Other gains and (losses)	207	(407)	2 319
Profit before tax	49 215	25 430	73 659
Income tax expense	(12 442)	(7 117)	(21 224)
Profit for the period	36 773	18 313	52 435
Attributable to:			
Equity holders of the parent	34 884	22 815	54 731
Minority interest	1 889	(4 502)	(2 296)
	36 773	18 313	52 435
Earnings and dividend per share (cents)			
Weighted number of ordinary shares in issue	110 449 804	110 449 804	110 449 804
Ordinary shares in issue	110 449 804	110 449 804	110 449 804
Basic earnings per ordinary share	31,58	20,66	49,55
Diluted basic earnings per ordinary share	31,58	20,66	49,55
Dividend per ordinary share – paid	10,00	10,00	10,00
Dividend per ordinary share – proposed	—	—	10,00
Headline earnings per share (cents)			
Headline earnings per ordinary share	31,66	21,77	48,65
Diluted headline earnings per ordinary share	31,66	21,77	48,65
Reconciliation between basic and headline earnings			
Basic earnings attributable to equity holders of the parent	34 884	22 815	54 731
Realisation of foreign currency translation reserve	—	—	1 477
Group's share of loss (profit) on disposal of property, plant and equipment	87	1 229	(2 475)
Headline earnings	34 971	24 044	53 733
Net asset value per share (cents)	550,23	503,79	527,12

CONSOLIDATED BALANCE SHEET

	Unaudited 6 months 31 Dec 2009 R000	Unaudited 6 months 31 Dec 2008 R000	Year-end 30 Jun 2009 R000
ASSETS			
Non-current assets			
Property, plant and equipment	175 185	186 403	181 376
Intangible assets	56 601	51 161	54 907
Investments in associates	5 708	7 510	5 708
Investment in joint venture	—	1 000	—
Other investments and loans	35 146	49 685	34 324
Deferred tax asset	23 694	23 214	24 044
Non-current trade and other receivables	10 569	25 968	15 652
	306 903	344 941	316 011
Current assets			
Inventories	488 172	789 559	652 115
Trade and other receivables	612 451	598 355	518 524
Foreign currency assets	142	460	1 604
Tax assets	5 216	699	2 890
Bank balances and cash	244 685	124 964	338 605
	1 350 666	1 514 037	1 513 738
TOTAL ASSETS	1 657 569	1 858 978	1 829 749
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	884	884	884
Ordinary share premium	124 395	122 553	123 583
Retained earnings	471 133	414 447	447 294
Properties revaluation reserve	12 048	7 794	12 048
Investment revaluation reserve	—	8 465	—
Foreign currency translation reserve	(727)	2 294	(1 605)
Equity attributable to equity holders of the parent	607 733	556 437	582 204
Minority interest	20 377	15 482	18 488
Total equity	628 110	571 919	600 692
Non-current liabilities			
Long-term borrowings	299 349	404 333	305 616
Deferred tax liabilities	3 550	863	3 550
	302 899	405 196	309 166
Current liabilities			
Short-term borrowings	31 557	22 295	115 138
Trade and other payables	512 271	671 684	628 833
Provisions	7 968	16 960	15 448
Foreign currency liabilities	404	1 873	36 846
Deferred income	23 810	26 617	26 034
Tax liabilities	1 481	8 793	6 818
Bank overdrafts	149 069	133 641	90 774
	726 560	881 863	919 891
Total liabilities	1 029 459	1 287 059	1 229 057
TOTAL EQUITY AND LIABILITIES	1 657 569	1 858 978	1 829 749

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months 31 Dec 2009 R000	Unaudited 6 months 31 Dec 2008 R000	Year-end 30 Jun 2009 R000
Operating activities			
Cash receipts from customers	1 523 335	1 644 793	3 472 696
Cash paid to suppliers and employees	(1 513 610)	(1 929 180)	(3 461 717)
Net cash from (used in) operations	9 725	(284 387)	10 979
Investment revenues received	5 854	6 586	11 504
Finance costs paid	(27 625)	(32 021)	(66 051)
Dividends received	715	1 516	1 748
Dividends paid	(11 045)	(11 976)	(11 045)
Income taxes paid	(19 772)	(21 694)	(35 642)
Net cash used in operating activities	(42 148)	(341 976)	(88 507)
Net cash used in investing activities	(20 219)	(32 455)	(30 986)
Net cash (used in) from financing activities	(31 553)	79 292	37 995
Net decrease in cash and cash equivalents	(93 920)	(295 139)	(81 498)
Cash and cash equivalents at beginning of the period	338 605	420 103	420 103
Cash and cash equivalents at the end of the period	244 685	124 964	338 605

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital R000	Ordinary share premium R000	Retained earnings R000	Investment revaluation reserve R000	Property revaluation reserve R000	Foreign currency translation reserve R000	Attributable to equity holders of the parent R000	Minority interest R000	Total R000
Balance at 30 June 2008	884	121 031	403 608	8 465	7 794	7 634	549 416	19 408	568 824
Profit for the period	—	—	22 815	—	—	—	22 815	(4 502)	18 313
Recognition of share-based payments	—	1 522	—	—	—	—	1 522	—	1 522
Dividends paid	—	—	(11 976)	—	—	—	(11 976)	—	(11 976)
Net foreign currency translation reserve – foreign entities	—	—	—	—	—	(5 340)	(5 340)	576	(4 764)
Balance at 31 December 2008	884	122 553	414 447	8 465	7 794	2 294	556 437	15 482	571 919
Profit for the period	—	—	31 916	—	—	—	31 916	2 206	34 122
Recognition of share-based payments	—	1 030	—	—	—	—	1 030	—	1 030
Dividends paid	—	—	931	—	—	—	931	(613)	318
Asset revaluation	—	—	—	(8 465)	6 605	—	(1 860)	—	(1 860)
Asset revaluation realised on sale of property	—	—	—	—	(2 351)	—	(2 351)	—	(2 351)
Realisation of foreign currency translation reserve	—	—	—	—	—	1 477	1 477	—	1 477
Net foreign currency translation reserve – foreign entities	—	—	—	—	—	(5 376)	(5 376)	(678)	(6 054)
Investment in subsidiary	—	—	—	—	—	—	—	2 091	2 091
Balance at 30 June 2009	884	123 583	447 294	—	12 048	(1 605)	582 204	18 488	600 692
Profit for the period	—	—	34 884	—	—	—	34 884	1 889	36 773
Recognition of share-based payments	—	812	—	—	—	—	812	—	812
Dividends paid	—	—	(11 045)	—	—	—	(11 045)	—	(11 045)
Net foreign currency translation reserve – foreign entities	—	—	—	—	—	878	878	—	878
Balance at 31 December 2009	884	124 395	471 133	—	12 048	(727)	607 733	20 377	628 110

CONDENSED SEGMENT ANALYSIS

	Total		Mustek		Rectron		Comztek		Group		Eliminations	
Business segments	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008# R000	2009 R000	2008# R000
Revenue	1 601 610	1 732 354	719 417	878 836	724 074	671 896	182 505	219 279	—	—	(24 386)	(37 657)
EBITDA*	84 427	54 797	53 155	20 599	30 125	30 101	7 564	8 046	(6 417)	(3 949)	—	—
Depreciation	(14 363)	(12 589)	(8 785)	(7 163)	(4 762)	(4 941)	(816)	(485)	—	—	—	—
Profit (loss) from operations	70 064	42 208	44 370	13 436	25 363	25 160	6 748	7 561	(6 417)	(3 949)	—	—
Investment revenues	6 569	15 650	5 055	18 360	5 140	4 035	1 949	1 786	—	—	(5 575)	(8 531)
Finance costs	(27 625)	(32 021)	(12 887)	(13 872)	(10 202)	(13 199)	(4 536)	(5 373)	(5 575)	(8 108)	5 575	8 531
Other gains and (losses)	207	(407)	207	(407)	—	—	—	—	—	—	—	—
Profit (loss) before tax	49 215	25 430	36 745	17 517	20 301	15 996	4 161	3 974	(11 992)	(12 057)	—	—
Income tax (expense) benefit	(12 442)	(7 117)	(10 378)	(2 843)	(4 554)	(5 909)	(754)	(1 314)	3 244	2 949	—	—
Profit (loss) for the period	36 773	18 313	26 367	14 674	15 747	10 087	3 407	2 660	(8 748)	(9 108)	—	—
Attributable to:												
Equity holders of the parent	34 884	22 815	26 367	15 119	13 590	13 863	3 675	2 941	(8 748)	(9 108)	—	—
Minority interest	1 889	(4 502)	—	(445)	2 157	(3 776)	(268)	(281)	—	—	—	—
	36 773	18 313	26 367	14 674	15 747	10 087	3 407	2 660	(8 748)	(9 108)	—	—

*Earnings before interest, taxation, depreciation and amortisation.
#The prior year segment information has been restated to enhance comparability of the Mustek Group reportable segments.

	Total		South Africa		Mustek East Africa		Rectron Australia		Comztek Africa	
Geographical segments	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008 R000	2009 R000	2008 R000
Revenue	1 601 610	1 732 354	1 494 562	1 613 957	14 332	11 472	60 805	68 615	31 911	38 310
Profit (loss) before tax	49 215	25 430	47 748	32 057	263	(598)	2 748	(5 667)	(1 544)	(362)
Income tax (expense) benefit	(12 442)	(7 117)	(11 316)	(6 440)	(79)	179	(614)	(822)	(433)	(34)
Profit (loss) for the period	36 773	18 313	36 432	25 617	184	(419)	2 134	(6 489)	(1 977)	(396)
Attributable to:										
Equity holders of the parent	34 884	22 815	35 477	26 847	184	(419)	1 067	(3 244)	(1 844)	(369)
Minority interest	1 889	(4 502)	955	(1 230)	—	—	1 067	(3 245)	(133)	(27)
	36 773	18 313	36 432	25 617	184	(419)	2 134	(6 489)	(1 977)	(396)

COMMENTARY

1. Statement of compliance
These condensed financial statements for the six months ended 31 December 2009 are prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial reporting (IAS 34), the Listings Requirements of the JSE Limited and the Companies Act of South Africa, as amended.

2. Accounting policies
The unaudited results for the six months ended 31 December 2009 have been prepared in accordance with the Group's accounting policies which comply with IFRS. The accounting policies adopted are consistent with those applied in the preparation of the audited annual financial statements for the year ended 30 June 2009.

3. Audit report
Neither the consolidated financial results for the six months ended 31 December 2009, nor this set of summarised financial information has been audited by the Group's auditors, and thus no audit report was issued.

4. Corporate governance
The Group subscribes to and complies in all material aspects with the Code on Corporate Governance Practices and Conduct as contained in the second King Report on Corporate Governance.

5. Transformation
Management has continued to meaningfully extend its initiatives in employment equity, skills development and corporate social investment during the period. The Group is committed to a process of further transformation and economic empowerment of its stakeholders, such that an acceptable balance between the operatives and commercial benefits of such a process can be achieved, thereby ensuring the sustainability of the Group in a competitive market sector.

6. Board of directors
The board welcomes Ralph Patmore who was appointed to the board as an independent non-executive director on 16 October 2009.

7. Cash flow
Bank balances and cash remained strong at R244,7 million (31 December 2008: R125,0 million). A significant reduction in both trade and other payables and inventory levels resulted in R9,7 million cash from operations (31 December 2008: R284,4 million used). Cash generated from the continued drive to further improve working capital management will be used to reduce short-term borrowings.

8. Operating results
The decrease in turnover by 7,5% to R1,602 billion and the lower gross profit percentage compared to the previous corresponding period, was largely due to the stronger Rand. Nevertheless, profit from operations increased by 66,0% to R70,1 million (31 December 2008: R42,2 million).
A review of the overall structure has identified various inefficiencies and duplication of functions. The early identification and implementation of corrective action has placed Mustek ahead of the curve with respect to cost containment. As the process was only completed towards the end of the reporting period, the full benefit will only be achieved in the next financial reporting period. Further benefits include improved working capital management, reduced working capital requirements and an elimination of inefficiencies and duplication.
Excluding forex losses, expenses were well controlled. Distribution, administrative and other operating expenses decreased by 3,3% and a further decrease is expected for the year to June due to the restructuring process.
An improved gross margin and better working capital management contributed to higher profits at Comztek.
Rectron's contribution to profit attributable to equity holders of the parent was maintained due to turnover growth and a return to profitability from its Australian subsidiary.

9. Retirement benefit plan
The Mustek Group Retirement Fund is a defined contribution fund and payments to the plan are charged as an expense as they fall due. The majority of the group's employees belong to this fund. The Group does not provide additional post-retirement benefits.

10. Industry outlook
The market appears to be returning to a state of health, as evidenced in the recent earnings announcements from global companies. Growth predictions are finally positive for South Africa with consensus being around 2% for desktops and 32% for notebooks. Our relaunch of the Mecer notebook range has been well received and we believe our timing is right given the growth prospects in the mobile market.
The market expected netbook sales to improve temporarily, but it appears more sustained. Intel's Atom platform has gone to dual core, clock speeds are increasing and innovative designs are coming to the fore. Consumers are enjoying the prospect of a long battery life in an ultra-portable design.
Windows 7 is achieving a great market response and the positive sentiment will drive more companies to adopt it quickly and will result in a hardware refresh cycle this year on all fronts – government, enterprise, corporate and consumer. Because of the vast benefits of new hardware in this new operating system, we expect customers to buy new instead of upgrading old equipment.
A number of new technologies are due for prime time this year. Wireless N is in full swing, enabling corporates a better range on their networks and more security, while consumers can stream all forms of interesting content over their home networks. WiMAX is another of those new technologies and this year we will see it playing an increasingly important role in providing network access to customers and providing backhaul capability as an alternative to fibre, especially now that the undersea cables are coming in thick and fast. Another new technology is USB 3.0 which we will see in isolated environments. This technology holds the promise, because of its huge capacity (even over wireless), of finally ridding consumers of the drudgery of deciding which cable plugs where. Optimally configuring themselves for best audio and video experiences, this will improve satisfaction and drive repeat sales.
We expect Microsoft Office 2010 to be a huge success – and this is important since it is Microsoft's last really big show at an application suite before things head into the cloud. Office 2010 will be a compelling upgrade as users have overcome their resistance to the new interface.
2010 will be the year that we as a country get connected properly. The capacity is coming in the form of undersea cables, local infrastructure issues are being solved with telecommunication companies being more proactive and of course, prices are coming right.

11. Company outlook
The company is undertaking a review of the overall structure and operations with a view to further improving efficiency. The emphasis on increasing volumes remains a driver of performance across our operations.
The Group is placing increased focus on working capital management.
Mustek's outlook remains focused on sustainable growth. Opportunities for further optimisation, improved production, further consolidation and cost management will be explored. Enhanced cash flow will be used prudently to reduce our debt.

12. Dividend
The declaration of cash dividends will continue to be considered by the board in conjunction with an evaluation of current and future funding requirements, and will be adjusted to levels considered appropriate at the time of declaration.
Mustek's continued commitments to optimal cash utilisation will mean that cash generated by the operations will be used to fund our growth and reduce our debt. In line with the dividend policy, no interim dividend will be paid.

13. Post-balance sheet events
There have been no significant events subsequent to year-end up until the date of this report that requires adjustment or disclosure.

On behalf of the board of directors

David Kan *Chief Executive Officer* **Neels Coetzee** *Financial Director* 26 February 2010

Corporate information: www.mustek.co.za

Company secretary: Neels Coetzee

Transfer secretaries: Computershare Investor Services (Pty) Limited

70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107, South Africa. Telephone: (011) 370-5000

Registered office: 322 15th Road, Randjespark, Midrand, 1685

Postal address: PO Box 1638, Parklands, 2121

Contact numbers: Telephone: +27 (0) 11 237-1000 Facsimile: +27 (0) 11 314-5039 e-mail:ltd@mustek.co.za

Sponsor: Deloitte & Touche Sponsor Services (Pty) Ltd