

## **BLUE LABEL TELECOMS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number: 2006/022679/07

Ordinary Shares share code: BLU

ISIN: ZAE000109088

("Blue Label" or "the Company")

## **ANNOUNCEMENT REGARDING THE ACQUISITION BY THE PREPAID COMPANY PROPRIETARY LIMITED (TPC) OF THE ENTIRE ISSUED SHARE CAPITAL OF RETAIL MOBILE CREDIT SPECIALISTS PROPRIETARY LIMITED ("RMCS")**

### **1. INTRODUCTION**

Blue Label shareholders are advised that TPC, a wholly owned subsidiary of Blue Label, has entered into an agreement with RMCS' shareholders, namely Pharaoh Limited, The Karoobos Trust, The Rooibos Trust, Adam Greenblatt, Bradley Ivan Kark, Keith Larry Brouze, Michael Roffey, Ran Goldstein, Shaun Hurwitz and Terence Nicholas Lazard and in terms of which TPC will acquire 100% of RMCS's issued share capital. The agreement is subject to the fulfilment of certain conditions precedent.

### **2. NATURE OF THE BUSINESS**

RMCS is an enhanced service provider of cellular products and services engaged in the supply of telecommunication products and services, content, data and allied activities via both physical and virtual mediums. The physical presence is in the form of stores and the virtual offering is in the form of an "Over the Air" cellular application which enables retailers, credit providers and consumers to communicate and transact over their mobile devices.

### **3. RATIONALE FOR THE ACQUISITION**

The acquisition of RMCS gives TPC access to new channels for the distribution of both RMCS and Blue Label products and services.

### **4. CONSIDERATION**

- 4.1 The purchase consideration is the sum of R306 588 511 ("initial payment") and, subject to certain earnings targets being achieved during the 12 month period ending 31 August 2014, an additional amount not exceeding R32 141 276.

- 4.2 The initial payment will be made three working days following the fulfilment of the suspensive conditions and any additional amounts are payable within 5 days of the determination of the earnings to which the payments relate.
- 4.3 The purchase consideration will be funded from TPC's existing cash resources.

## 5. CONDITIONS PRECEDENT TO THE ACQUISITION

The acquisition is subject to the fulfilment or waiver of the following conditions precedent:

- 5.1 The approval of the Competition Authority.
- 5.2 TPC being reasonably satisfied with the terms of certain key agreements.
- 5.3 The execution of certain supplier and customer agreements by RMCS.

## 6. FINANCIAL EFFECTS

The unaudited pro forma financial effects set out below have been prepared for illustrative purposes only in order to assist Blue Label shareholders in assessing the impact of the acquisition on the earnings per share ("EPS") and headline earnings per share ("HEPS"). The unaudited pro forma financial effects have been prepared for a 12 month period and are based on Blue Label's audited results for the year ended 31 May 2013 and RMCS's management accounts for the year ended 31 May 2013.

The unaudited *pro forma* financial effects have been prepared in accordance with the Listing Requirements, the Guide on *Pro Forma* Financial information issued by the South African Institute of Chartered Accountants and the measurement and recognition requirements of the international Financial Reporting Standards ("**IFRS**"). The accounting policies used to prepare the unaudited *pro forma* financial effects are consistent with those applied in the preparation of the financial statements for the year ended 31 May 2013.

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only, in order to provide information on how the proposed acquisition may have affected the financial results of Blue Label and how they may have impacted on Blue Label shareholders. As the financial effects are unaudited and pro forma in nature, they may not give a true reflection of the actual financial effects of the Acquisition. The unaudited *pro forma* financial effects are the responsibility of the directors of Blue Label.

Before the acquisition (cents)	After the acquisition (cents)	% Change
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Earnings per share	64.22	67.79	5.56%
Diluted earnings per share	63.19	66.71	5.57%
Headline earnings per share	64.17	67.31	4.89%
Diluted headline earnings per share	63.14	66.23	4.89%
Core earnings per share	66.13	71.16	7.61%
Weighted average number of shares ('000)	661,578	661,578	
Diluted weighted average number of shares ('000)	672,305	672,305	
Number of shares in issue ('000)	674,509	674,509	

Notes to the unaudited *pro forma* financial effects:

1. The *Before the Acquisition* column reflects the earnings, diluted earnings, headline earnings, diluted headline earnings and core earnings per share based on the audited consolidated financial statements of Blue Label for the year ended 31 May 2013.
2. The *After the Acquisition* column is based on the audited consolidated financial statements of Blue Label for the year ended 31 May 2013 and the financial results of RMCS for the 12 months ended 31 May 2013 based on its management accounts for that period.
3. The effects on earnings, diluted earnings, headline earnings, diluted headline earnings and core earnings per Blue Label share are based on the following assumptions:
  - a. the Acquisition was effective 1 June 2012;
  - b. The imputation of the forfeiture of finance income of R12,14 million net of taxation on the initial payment.
  - c. The amortisation of R9,67 million net of taxation on intangible assets raised in terms of IFRS 3 (R): Business Combinations. This amortisation is provisional in that finality will only be determined shortly after the closing date. Shareholders will be advised should there be material changes.
  - d. All adjustments are expected to have a continuing effect.
  - e. the costs relating to the Acquisition, which are once-off in nature, have not been included in the calculation as they are not considered to have a significant impact.
4. Core earnings per share is calculated after adding back the amortisation on intangible assets raised in terms of IFRS 3 (R) Business Combinations. Core earnings per share represents the effective financial performance of the group and represents the base on which management will measure future growth.
5. The effects on net asset value and tangible net asset value have not been disclosed as the effect is not considered to be significant.

## **7. CATEGORISATION OF THE ACQUISITION**

The acquisition has been categorised as a category 2 transaction in terms of section 9.5(a) of the JSE Listings Requirements.

Johannesburg

24 December 2013

Investment Bank and Sponsor: Investec Bank Limited