



Blue Label Telecoms Limited
(Incorporated in the Republic of South Africa)
(Registration number 2006/022679/06)
Share code: BLU ISIN: ZAE000109088
("Blue Label" or the "Company")

Acquisition of 3G Mobile Proprietary Limited

1. Introduction

The board of directors of Blue Label is pleased to advise its shareholders that Blue Label and The Prepaid Company Proprietary Limited ("**TPC**"), a wholly owned subsidiary of Blue Label, has concluded an agreement with 3G Mobile Proprietary Limited ("**3G Mobile**") and its shareholders, being Wild Rose Capital Proprietary Limited, Newshelf 1312 Proprietary Limited, Malewell Investments Proprietary Limited, Investec Bank Limited, Jonathan Beare and DBF Capital Partners Proprietary Limited ("**3G Vendors**"), in terms of which TPC will acquire 100% of 3G's issued share capital for R1.9 billion.

The shares in 3G Mobile will be acquired in two stages, with the initial acquisition by TPC of 47.37% of the issued share capital of 3G for a purchase consideration of R900 million ("**Initial 3G Purchase Consideration**") ("**Initial Acquisition**") being subject to the conditions precedent set out in paragraph 5.1 below.

The acquisition of the remaining 52.63% of the issued share capital of 3G Mobile for a purchase consideration of R1.0 billion ("**Subsequent 3G Purchase Consideration**") ("**Subsequent Acquisition**") is subject to the conditions precedent set out in paragraph 5.2 below.

2. Nature of the business and rationale

3G Mobile is one of Africa's largest distributors, and financiers, of mobile devices and handsets to major retailers and cellular network providers. It operates in 8 African countries, with offices in South Africa, Namibia, Botswana, Mauritius and distribution channels into Zambia, Zimbabwe, Swaziland and Lesotho. It has distribution rights for all major tier one and tier two mobile device and handset manufacturers, including, inter alia, Apple, Samsung, Huawei, HiSense, ZTE and Nokia.

Through its wholly-owned subsidiary, Comm Equipment Company Proprietary Limited ("**CEC**"), it provides the financing of the mobile handset component of post-paid contracts to cellular network providers such as Cell C Proprietary Limited ("**Cell C**"). At present, the CEC finance book is approximately R3.0 billion.

3G Mobile shall be utilised as Blue Label's expansion platform into the financing and supply of mobile devices, handsets and allied products. Both of 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 consolidate Blue Label's low cost and certified pre-owned mobile handset divisions into a consolidated group. The resultant acquisition is both earnings accretive and provides a solid foundation for distribution into the burgeoning low cost smartphone market.

3. Salient terms of the acquisition

3.1. The Initial 3G Purchase Consideration will be settled as set out below:

- 3.1.1. R250 million will be settled by the issue of Blue Label shares ("**3G Acquisition Issue**") to the 3G Vendors following the fulfilment of the conditions precedent applicable to the Initial 3G Purchase Consideration; and
- 3.1.2. R650 million in cash, on a deferred basis.

3.2. The Subsequent 3G Purchase Consideration will be settled in cash, on the effective date of the Subsequent Acquisition as set out in paragraph 4 below.

The cash consideration of R1.65 billion will be funded either from available cash resources, a further placement of shares, banking facilities or a hybrid thereof.

3.3. As announced on the Stock Exchange News Service of the JSE Limited on Monday, 19 June 2017, Blue Label will be issuing an updated circular, which shall be issued on Tuesday, 27 June 2017, and convening a general meeting on Wednesday, 26 July 2017, in order to seek the approval of its shareholders for the amendments to the Cell C recapitalisation as set out therein ("**Cell C Recapitalisation**").

The resolution to place sufficient authorised but unissued shares of Blue Label under the control of directors for the purpose of undertaking the 3G Acquisition Issue will be included in the abovementioned circular. Blue Label has obtained irrevocable undertakings from approximately 53% of its shareholders to vote in favour of the 3G Acquisition Issue.

4. Effective date

The effective date of the Initial Acquisition is the first business day after the last of the conditions precedent in respect thereof, as set out in paragraph 5.1 below, have been fulfilled or waived.

The effective date of the Subsequent Acquisition is the date falling 30 days after the last of the conditions precedent in respect thereof, as set out in paragraph 5.2 below, have been fulfilled or waived, provided that if the last of the conditions precedent is fulfilled or waived on a date falling within the period commencing on 15 November 2017 to 15 December 2017, then the effective date of the Subsequent Acquisition will be 31 January 2018.

TPC may stipulate any earlier date as the effective date of the Subsequent Acquisition, provided all of the conditions precedent in respect thereof have been fulfilled or waived.

5. Conditions precedent

5.1. The Initial Acquisition is subject to the fulfilment (or waiver, where applicable) of, inter alia, the following conditions precedent by 3 September 2017, unless otherwise stipulated below, or such later date as agreed between the parties:

- Blue Label confirming it is satisfied with the results of its due diligence;
- Necessary third party consents being obtained;
- The Cell C Recapitalisation becoming unconditional in accordance with its terms; and
- Any regulatory approvals, including a waiver by the Takeover Regulation Panel, if and to the extent required.

5.2. The Subsequent Acquisition is subject to, the fulfilment (or waiver, where applicable) of, inter alia, the following conditions precedent, unless otherwise stipulated below:

- The Initial Acquisition becoming unconditional in accordance with its terms; and
- Any regulatory approvals, including a waiver by the Takeover Regulation Panel, and those contemplated in the Competition Act 89 of 1998, if and to the extent required.

6. Financial information

The net profit after tax of 3G Mobile for its year ended 31 December 2016, after adjusting for non-recurring expenditure, amounted to R248 million. It is expected that its net tangible assets will be no less than R1.0 billion rand as at the effective date of the Initial Acquisition.

7. Categorisation of the acquisition

In terms of the Listings Requirements, the 3G Acquisition is classified as a Category 2 transaction and therefore does not require shareholder approval.

By order of the board

Sandton
27 June 2017



Investec Bank Limited
(Registration number 1989/004783/08)

Financial Adviser and Sponsor
Investec Bank Limited



Legal Adviser to Blue Label
Werksmans Inc



Legal Adviser to 3G Vendors
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