



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")

ACQUISITION BY BLUE LABEL TELECOMS LIMITED ("BLT") OF 75% OF THE SHARE CAPITAL OF VIA MEDIA PROPRIETARY LIMITED ("VIA MEDIA")

1. INTRODUCTION

The shareholders of BLT are advised that it has entered into an agreement with Malik Investment Holdings Proprietary Limited, the sole shareholder of Via Media, in terms of which BLT will acquire 75% of its shareholding in Via Media.

2. NATURE OF THE BUSINESS

Via Media is a mobile content and value-added services provider. Its technology platform connects to all South African Mobile Networks, offering the best of breed in mobile services. These include Mobile Terminate and originate and premium rated SMS's, Online Billing, Multimedia Messaging, WAP and Web services, Unstructured Supplementary Services Data and Interactive Voice Response.

Via Media offers its partners the ability to sell mobile entertainment, information and communication services to consumers through a variety of media and technology channels.

3. RATIONALE FOR THE ACQUISITION

The acquisition of Via Media affords BLT access to new channels for the distribution of both Via Media and BLT products and services.

4. SALIENT TERMS OF THE ACQUISITION

- 4.1 BLT will acquire 75% of the issued share capital of Via media.
- 4.2 The purchase consideration is the sum of R144,375,000 (“initial payment”) plus additional amounts totalling up to R103,125,000 if warranted profits are achieved by Via Media during a 36 month warranty period . The additional amounts will be payable as follows:
 - 4.2.1 Year 1: R24,062,500
 - 4.2.2 Year 2: R24,062,500
 - 4.2.3 Year 3: R55,000,000
- 4.3 If the warranted profits are not achieved, the above payments will be abated on a pro-rata basis. If, however, the warranted profits fall below an agreed threshold, BLT will have the right to put its shares to the vendors for a refund of all payments made plus interest thereon.
- 4.4 An additional R112,500,000 or part thereof will be payable if stretched targets are achieved. These targets are over and above the warranted accumulated profits over the warranty period.
- 4.5 The purchase consideration will be funded through the Group’s cash resources.

5. CONDITIONS PRECEDENT TO THE ACQUISITION

All conditions precedent have been fulfilled.

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. The unaudited pro forma financial effects have been prepared for a six month period and are based on BLT’s unaudited results for the six months ended 30 November 2013 and Via Media’s management accounts for the six months ended 30 November 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 and the six months ended 30 November 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 and position of a Blue Label shareholder and, because of their nature, 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 BLT.

	Before the acquisition (cents)	After the acquisition (cents)	% Change
Earnings per share	37.17	39.24	5.57%
Diluted earnings per share	36.66	38.70	5.56%
Headline earnings per share	37.15	39.21	5.55%
Diluted headline earnings per share	36.63	38.67	5.57%
Core earnings per share	37.89	40.60	7.15%
Net tangible asset value per share	381.23	353.65	-7.23%
Weighted average number of shares ('000)	662,704	662,704	
Diluted weighted average number of shares ('000)	672,015	672,015	
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, core earnings and net tangible asset value per BLT share based on the unaudited consolidated financial statements of BLT for the six months ended 30 November 2013.
2. The *After the acquisition* column is based on the unaudited consolidated financial statements of BLT for the six months ended 30 November 2013 and the financial results of Via Media for the six months ended 30 November 2013 based on its management accounts for that period.
3. The effects on earnings, diluted earnings, headline earnings, diluted headline earnings, core earnings and net tangible asset value per BLT share are based on the following assumptions:
 - a. the acquisition was effective 1 June 2013;
 - b. The imputation of the forfeiture of finance income of R3.1 million net of taxation on the initial payment.
 - c. The amortisation of R4.3 million net of taxation and non-controlling interest 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 any material changes in this regard.
 - d. Imputed finance costs of R3.8 million relating to the present value of the additional purchase consideration of R103,125,000 over 36 months if the warranted profits are achieved.
 - e. Via Media's financial results for the six months ended 30 November 2013 have been amended to exclude a management fee of R7.7 million net of taxation, as this is a non-recurring expense.

- f. All adjustments are expected to have a continuing effect.
 - g. The professional 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 are calculated after adding back the amortisation on intangible assets raised in terms of IFRS 3 (R): Business Combinations. Core earnings per share represent the effective financial performance of the Group and the basis on which management will measure future growth.

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

11 August 2014

Sponsor: Investec Bank Limited