

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”)

Arbitration and litigation between Blue Label, Telkom and Others

In December 2008 Africa Prepaid Services (Pty) Ltd (“APS”), a subsidiary of Blue Label concluded a super dealer agreement with Multi-Links Telecommunications Limited (“MLT”), a wholly owned subsidiary of Telkom, at the time, in terms of which APS was appointed for a period of 10 years to market and distribute a range of products and services for MLT in Nigeria (“the agreement”). In 2009 APS ceded and assigned all its rights and obligations in terms of the agreement to Africa Prepaid Services Nigeria Limited (“APSN”), a subsidiary of APS and Blue Label.

On 26 November 2010 APSN cancelled the agreement on the basis of MLT’s wrongful repudiation of the agreement.

In June 2011 APSN launched arbitration proceedings in South Africa against MLT (“the arbitration proceedings”). APSN claims payment of US\$457 million against MLT and MLT has counterclaimed for payment of the sum of US\$123 million.

Telkom sold its shareholding in MLT to Hip Oils Topco Limited on 3 October 2011. In terms of an indemnity contained in the sale and purchase agreement, Telkom is liable for all amounts in excess of US\$10 million in respect of APSN’s claim against MLT.

The arbitration was due to commence in November 2012 but was postponed and is due to reconvene in February 2014. MLT has applied to the High Court to stay the arbitration hearing (“the stay application”) pending the outcome of an action for damages which Telkom and MLT have instituted against Blue Label, APS, APSN and certain individuals, including a former senior executive of Telkom in the High Court for payment of an aggregate amount of US\$724 million (“the action”). The claim in the action is based, *inter alia*, on an alleged breach of the duty of care and alleged misrepresentations made by Blue Label together with alleged breaches of fiduciary duties on the part of the former senior Telkom executive, at the time the agreement was concluded.

On 16 May 2013 Telkom and MLT obtained an order without notice to APSN in terms of which APSN’s claim against MLT in the arbitration proceedings together with a costs order in APSN’s favour were purportedly attached in order to give the High Court jurisdiction over APSN in the action (“the *ex parte* order”).

The stay application is being opposed by APSN. APSN has also filed an application in the High Court to set aside the *ex parte* order and the purported attachment of APSN’s claim and order for costs against MLT. This application is due to be heard on 2 July 2013.

The Board is confident that the attempts which have been made to frustrate the continuation of the arbitration proceedings will be overcome and that the claims made against Blue Label, its subsidiaries and representatives will be successfully defended. As the arbitration and legal proceedings are *sub judice*, no further statements may be made about the merits at this stage.

As and when each of these proceedings is determined by the High Court and Arbitration Tribunal, further announcements will follow.

Johannesburg

14 June 2013

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