

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")

CAUTIONARY ANNOUNCEMENT

Blue Label has submitted a conditional binding offer ("**Offer**") to the board of directors of Cell C Proprietary Limited ("**Cell C**") in terms of which Blue Label has offered to participate, in conjunction with other investors, in the recapitalisation of Cell C (the "**Proposed Transaction**"). Under the terms of the Offer, Blue Label will contribute R4.0 billion to Cell C by way of a subscription for approximately 35% of Cell C's total issued share capital following the conclusion of Cell C's recapitalisation programme.

Following the implementation of the Proposed Transaction, Cell C's net borrowings will be reduced to a maximum of R8.0 billion. A meeting of the board of directors of Cell C is in the process of being convened in order to consider the Offer.

The Proposed Transaction is subject to, inter alia,

- the execution of definitive transaction agreements typical for a transaction of this nature;
- the securing of funding by all parties to the Proposed Transaction;
- Cell C's aggregate net borrowings being reduced to a maximum of R8.0 billion following the conclusion of the Proposed Transaction; and
- the obtaining of all requisite regulatory approvals.

The expected effective date of the Proposed Transaction is 1 June 2016.

Overview of Cell C and rationale for the Proposed Transaction

Since the introduction of a new management team in 2012, Cell C has focused on providing consumers with market-leading products and services. To support these products and services, Cell C has invested significantly into its network infrastructure over the last few years. This renewed focus on enhancing the quality of its network, distribution channels and customer touch points has resulted in a positive turnaround in Cell C's financial and operational performance. This has manifested itself in the growth of Cell C's subscriber base from approximately 9 million subscribers in 2012 to more than 22 million subscribers to date.

Cell C's network, currently consisting of more than 4,800 sites, addresses South Africa's core voice segments, with 98% of the population covered. Cell C also offers 3G and LTE data services to subscribers.

Blue Label is one of the leading distributors of pre-paid airtime and secured electronic tokens of value in South Africa, India and Mexico.

Blue Label has, for a number of years, acted as a one of the primary distribution channels for Cell C's products. This has resulted in the development of a strong relationship between Blue Label and Cell C. The Proposed Transaction provides a compelling value proposition to Blue Label, as well as to Cell C and its customers, through vertical integration affording both companies the opportunity to realise synergies in product distribution, and positioning Blue Label to benefit from the improved operational and financial performance that the combined platform would create.

Other

Blue Label has received significant support in writing from its shareholders for the Proposed Transaction.

The Proposed Transaction is expected to be a category 1 transaction for Blue Label and a detailed category 1 announcement will be issued in due course upon the finalisation of the definitive transaction agreements.

The implementation of the Proposed Transaction could have a material impact on the price at which Blue Label shares trade on the JSE Limited. Accordingly, Blue Label shareholders are advised to exercise caution when dealing in their shares until a further announcement is made.

By order of the Board

Sandton

10 December 2015

Corporate advisor and sponsor to Blue Label

Investec Bank Limited

Legal advisor to Blue Label

Werksmans Inc.