

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")

PROPOSED SPECIFIC REPURCHASE OF BLUE LABEL SHARES FROM MICROSOFT CORPORATION AND RESIGNATION OF DIRECTOR

1. INTRODUCTION

On the listing of Blue Label in 2007, Microsoft Corporation ("Microsoft") subscribed for 91,851,852 Blue Label shares at a price of R6.75 per share. On 5 October 2011, Blue Label entered into an agreement with Microsoft ("Share Buy-Back Agreement") in terms of which Blue Label will acquire 91,851,852 Blue Label shares ("Microsoft shares") from Microsoft, subject to the terms and conditions referred to below, at a price of R4.25 per Blue Label share (the "specific repurchase").

2. RATIONALE FOR THE SPECIFIC REPURCHASE

The specific repurchase, at the repurchase price of R4.25 per Blue Label share, is earnings accretive to shareholders and is an efficient use of Blue Label's excess cash. The specific repurchase also avoids a potential overhang of the Microsoft shares in the market.

3. TERMS OF THE SPECIFIC REPURCHASE

The repurchase price of R4.25 per share represents a discount of:

- 15.0% to the closing price;
- 15.1% to the 30 day VWAP;
- 11.4% to the 60 day VWAP; and
- 15.4% to the 90 day VWAP

to 5 October 2011, being the business day preceding this announcement.

The Share Buy-Back Agreement is subject to the fulfilment of the following conditions precedent:

- the shareholders of Blue Label in the Annual General Meeting pass a special resolution in accordance with the Companies Act, 71 of 2008, as amended ("Companies Act") and the JSE Limited Listings Requirements ("Listings Requirements"), authorising Blue Label by way of a specific authority in accordance with the Companies Act and the Listings Requirements to buy-back 91,851,852 shares from Microsoft, at the repurchase price of R4.25 per Blue Label share, and such special resolution being lodged with the Companies and Intellectual Property Commission; and
- the grant by the Financial Surveillance Department of the South African Reserve Bank of any necessary approval for the entering into and implementation of the sale of the Microsoft shares to Blue Label as contemplated in the Share Buy-Back Agreement.

Subject to the fulfilment of the above mentioned conditions precedent it is the intention to cancel the Microsoft shares with effect from Thursday, 1 December 2011.

In terms of the Listings Requirements the specific repurchase is a related party transaction as Microsoft, by virtue of its 12% shareholding in Blue Label, is a material shareholder (as defined in the Listings Requirements) and is consequently a related party to Blue Label. Consequently in terms of the Listings Requirements, in order to implement the specific repurchase a special resolution of the Company must be passed by securities holders excluding Microsoft.

In terms of the Listings Requirements, the votes of Microsoft will be taken into account in determining whether a quorum of shareholders is present at the Annual General Meeting, but such votes will not be taken into account in determining the results of the voting at the Annual General Meeting.

4. FINANCIAL EFFECTS

The table below sets out the unaudited *pro forma* financial effects of the specific repurchase on the audited basic earnings, diluted basic earnings, headline earnings, diluted headline earnings and core earnings per Blue Label share for the year ended 31 May 2011 and the net asset value and tangible net asset value per Blue Label share at that date. The unaudited *pro forma* financial effects have been prepared in accordance

with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA and the measurement and recognition requirements of 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 2011.

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only, in order to provide information on how the specific repurchase 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 specific repurchase. The unaudited *pro forma* financial effects are the responsibility of the directors.

Per Blue Label share	Before the specific repurchase (cents) ¹	After the specific repurchase (cents) ²	% Change	Notes
Basic earnings	57.04	62.57	9.7%	3, 6, 7
Diluted basic earnings	56.49	61.88	9.5%	3, 6, 7
Headline earnings	46.20	50.23	8.7%	3, 6, 7
Diluted headline earnings	45.75	49.67	8.6%	3, 6, 7
Core earnings	60.34	66.32	9.9%	3, 6, 7
Net asset value	388.90	383.63	-1.4%	4, 5, 6, 7
Tangible net asset value	331.58	318.38	-4.0%	4, 5, 6, 7
Weighted average number of shares in issue ('000)	756,359	664,508		
Diluted weighted average number of shares in issue ('000)	763,742	671,891		
Number of shares in issue ('000)	756,269	664,417		

Notes to the unaudited *pro forma* financial effects

1. The "Before the specific repurchase" column reflects the basic earnings, diluted basic earnings, headline earnings, diluted headline earnings and core earnings per Blue Label share for the year ended 31 May 2011 and the net asset value and the tangible net asset value per Blue Label share as at 31 May 2011.
2. The "After the specific repurchase" column is based on the assumption that the 91,851,852 shares were repurchased for a total consideration of R390.4 million (excluding costs, as the costs are charged to equity) with effect from 1 June 2010 for earnings per share purposes and a total consideration of R392.22 million (including costs) from 31 May 2011 for net asset value and tangible net asset value per share purposes.
3. Earnings have been decreased by the finance income earned on the excess cash utilised to finance the specific repurchase. This amount has been calculated as R15.7 million which is based on the average interest rate realised for the year of 5.4% (3.9% after tax). This effect is expected to be of a continuing nature.
4. Once-off net transaction costs assumed in respect of the specific repurchase of approximately R1.85 million have been taken into account and charged to equity. This comprises Securities Transfer Tax of approximately R1.0 million on the repurchase of the shares and additional transaction costs of approximately R0.85 million.
5. Cash and cash equivalents have been decreased by an amount of R392.22 million to reflect the cash outflow required for the specific repurchase and transaction costs. The specific repurchase is assumed to be funded from existing cash balances.
6. The weighted average number of shares, diluted weighted average number of shares and total number of shares in issue have been adjusted for the 91,851,852 shares repurchased, which are assumed to be cancelled after the specific repurchase.
7. In terms of the dividend definition in section 1 of the Income Tax Act, Act 58 of 1962, as amended, an acquisition by a company of its own securities through a reduction of its contributed tax capital will not be regarded as a dividend and therefore no secondary tax on companies is payable in respect of the specific repurchase.

5. IRREVOCABLE UNDERTAKINGS

Irrevocable undertakings to vote in favour of the specific repurchase have been secured from Blue Label shareholders holding 61.9% of the shares. 10.3% of the 61.9% are irrevocable undertakings to recommend to clients, in terms of mandates, that clients vote in favour of the resolutions necessary to implement the specific repurchase.

All Blue Label directors and their associated entities that hold shares in Blue Label have signed irrevocable undertakings to vote in favour of the specific repurchase.

6. FURTHER ANNOUNCEMENTS

A circular, including the Notice of Annual General Meeting, detailing the terms of the specific repurchase and actions required by shareholders will be posted to shareholders on or about 20 October 2011. It is expected that the Annual General Meeting will be held on Tuesday, 22 November 2011.

7. RESIGNATION OF DIRECTOR

In compliance with paragraph 3.59 of the Listings Requirements and as a consequence of the Share Buy-Back Agreement, shareholders are advised that Mr Mteto Nyati has tendered his resignation from the Blue Label board of directors with effect from 5 October 2011.

Johannesburg
6 October 2011

Investment Bank:
Investec Bank Limited

Sponsor:
Investec Bank Limited

Attorneys:
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