



BLUE LABEL
TELECOMS

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")

POSTING OF CIRCULAR, NOTICE OF GENERAL MEETING AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Blue Label shareholders ("**Shareholders**") are referred to the announcement released by Blue Label on the Stock Exchange News Service ("**SENS**") of the JSE Limited on Wednesday, 5 October 2016 ("**Transaction Announcement**"), regarding the finalised terms of the proposed participation by Blue Label in the recapitalisation of Cell C Proprietary Limited ("**Cell C**").

The Transaction Announcement detailed, *inter alia*, that Blue Label, through its wholly owned subsidiary The Prepaid Company Proprietary Limited ("**TPC**"), has agreed with Cell C, 3C Telecommunications Proprietary Limited ("**3C**"), Albanta Trading 109 Proprietary Limited and senior management of Cell C, to participate in the recapitalisation of Cell C, which, if successfully completed, will result in TPC holding 45% of the issued share capital of Cell C (the "**Proposed Transaction**"), for a total subscription consideration of R5.5 billion.

2. POSTING OF THE CIRCULAR AND NOTICE OF GENERAL MEETING

Shareholders are hereby advised that a circular ("**Circular**") has been posted to Shareholders today, containing, *inter alia*:

- details of the Proposed Transaction; and
- a notice convening the general meeting of Shareholders ("**General Meeting**").

Shareholders are advised to review the Circular for detailed terms regarding the Proposed Transaction.

Notice is hereby given that the General Meeting of Blue Label shareholders will be held at Blue Label's corporate offices, 75 Grayston Drive, Sandton on Wednesday, 16 November 2016 at 10:00 to consider and, if deemed fit, pass, with or without modification, the resolutions necessary to implement the Proposed Transaction.

The Circular and notice of General Meeting, is also available on the Company's website www.bluelabeltelecoms.co.za

3. IMPORTANT DATES AND TIMES

The important dates and times in relation to the General Meeting are set out below:

	2016
Record date to determine which Shareholders are eligible to receive the notice of General Meeting	Friday, 7 October
Circular and notice of General Meeting posted to Shareholders and announced on SENS on	Tuesday, 18 October
Last day to trade in Blue Label shares in order to be recorded in its securities register to vote at the General Meeting	Tuesday, 1 November
Record date to be entitled to attend, participate in and vote at the General Meeting by close of trading on	Friday, 4 November
Form of proxy for the General Meeting requested to be received by the transfer secretaries by no later than 10:00 on	Monday, 14 November
General Meeting held at 10:00 on	Wednesday, 16 November
Results of the General Meeting announced on SENS on	Wednesday, 16 November
Announcement as to the fulfilment of all conditions precedent to the Proposed Transaction released on SENS	To be advised

Notes:

1. The above dates and times are subject to amendment at the discretion of Blue Label. Any such amendment will be released on SENS.
2. Shareholders should note that as transactions in Blue Label shares are settled in the electronic settlement system used by Strate, settlement of trades takes place 3 business days after such trade. Therefore Shareholders who acquire Blue Label Shares after Tuesday, 1 November 2016 will not be eligible to attend, participate in and to vote at the General Meeting.
3. All times given in this Circular are local times in South Africa.

4. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The table below sets out the pro forma financial effects of the Proposed Transaction on the published audited results of the Blue Label Group for the year ended 31 May 2016. The pro forma financial effects have been prepared for illustrative purposes only and because of their pro forma nature, may not fairly present the Company's financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Proposed Transaction going forward. The financial effects are the responsibility of the Blue Label board.

The pro forma financial effects have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the published audited results of the Blue Label Group for the year ended 31 May 2016. The pro forma financial effects are presented in accordance with the Listings Requirements, the Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420 (Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus).

	Before¹	Pro forma after the Proposed Transaction before non- recurring Pro forma adjustments²	Change	Pro forma after the Proposed Transaction³	Change
	(cents)	(cents)	(%)	(cents)	(%)
Basic earnings per share	103.85	(70.93)	-168%	(97.16)	-194%
Diluted basic earnings per share**	102.84	(70.34)	-168%	(96.35)	-194%
Headline earnings per share	100.35	(55.90)	-156%	(82.13)	-182%
Diluted headline earnings per share**	99.37	(55.43)	-156%	(81.45)	-182%
Core headline earnings per share*	102.85	(52.69)	-151%	(78.93)	-177%
Net asset value per share	662.32	816.15	23%	807.16	22%
Net tangible asset value per share	484.15	664.49	37%	655.51	35%
Weighted average number of shares ('000)	665,950	783,875	18%	783,875	18%
Diluted weighted average number of shares ('000)	672,520	790,445	18%	790,445	18%
Number of shares in issue ('000)	674,509	792,434	17%	792,434	17%

* Core headline earnings per share is calculated after adding back to headline earnings, the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3(R): Business Combinations.

** Diluted earnings per share and diluted headline earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding for the number of shares that would be issued on vesting under the employee forfeitable share plan.

Notes:

1. The "Before" column is based on the published audited results of the Blue Label Group for the year ended 31 May 2016.
2. The "Pro forma after the Proposed Transaction before non-recurring pro forma adjustments" column reflects the results of the impact of the pro forma adjustments on the Blue Label group as a consequence of the Cell C recapitalisation and the Proposed Transaction before taking into account once-off and non-recurring pro forma adjustments.
3. The "Pro forma after the Proposed Transaction" column reflects the results of the impact of the pro forma adjustments on the Blue Label group as a consequence of the Cell C recapitalisation and the Proposed Transaction after taking into account recurring, once-off and non-recurring pro forma adjustments.
4. The effects on earnings, diluted earnings, headline earnings, diluted headline earnings and core headline earnings per share are calculated on the basis that the Cell C recapitalisation was effective on 1 June 2015, while the effects on net asset value and net tangible asset value per share are calculated on the basis that the Cell C recapitalisation was effective on 31 May 2016 for purposes of presenting the pro forma effects thereof on the Blue Label group.
5. The detailed notes and assumptions to the financial effects are presented in the Circular and the pro forma financial effects should be read in conjunction with the pro forma condensed group statement of financial

position and the pro forma condensed group statement of comprehensive income contained therein. The Independent Reporting Accountant's report on the pro forma financial effects and pro forma financial information is also contained in the Circular.

6. The increase in the weighted average, diluted weighted average and total number of Blue Label shares in issue is congruent with the new Blue Label shares issued for the vendor consideration placement.

5. PROSPECTS

1. The Board is of the opinion that the Proposed Transaction provides a compelling value proposition to Blue Label, as well as to Cell C, and its customers, 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 investment in Cell C will create.
2. At an EBITDA level, Cell C achieved a significant positive improvement from the year ended 31 December 2014 to 31 December 2015. Based on its performance during its current financial year to date, Cell C management are confident that it will perpetuate this growth for the remainder of its financial year ending 31 December 2016 and expect this momentum to continue thereafter.
3. Pursuant to its planned refinancing currently in progress, Blue Label will not be required to provide any additional funding to Cell C in the foreseeable future.
4. The investment in Cell C is expected to contribute positively to Blue Label's headline earnings per share post the 2017 financial year.
5. The investment in Cell-C will have no effect on the dividend policy for the 2017 financial year.
6. The information reported above has not been reviewed, audited or reported on by the Company's auditors

6. WITHDRAWAL OF CAUTIONARY

Shareholders are referred to the renewal of the cautionary announcement contained in the Transaction Announcement, and are hereby advised that as the details of the Proposed Transaction have been announced to Shareholders, caution is no longer required to be exercised when dealing in the shares of the Company.

By order of the board

Sandton
18 October 2016

Financial Adviser and Sponsor

Investec Bank Limited

Legal Adviser to Blue Label

Werksmans Inc.

Reporting accountants to Blue Label

PricewaterhouseCoopers Inc.