



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**”)

FINAL TERMS ANNOUNCEMENT FOR THE RECAPITALISATION OF CELL C AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Blue Label shareholders (“**Shareholders**”) are referred to the announcement released by Blue Label on the Stock Exchange News Service of the JSE Limited on 10 December 2015, in which the Company announced that it had offered to participate, in conjunction with other investors, in the recapitalisation of Cell C Proprietary Limited (“**Cell C**”) in terms of which Blue Label would 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.

The board of directors of Blue Label, 3C and Cell C are pleased to announce the finalised terms of the Cell C recapitalisation programme.

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 (“**MS15**”) and senior management of Cell C (“**MS10**”) (collectively, the “**Cell C Shareholders**”), 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 (“**Subscription Consideration**”).

The implementation of the Cell C recapitalisation will result in its existing net borrowings, comprising any contractual obligations pertaining to monies borrowed, including shareholder loans, less cash and cash equivalents (“**Net Borrowings**”), being reduced to a maximum of R8.0 billion, as at the effective date by way of:

- the subscription by TPC for shares comprising 45% of Cell C's total issued share capital following the conclusion of the Cell C recapitalisation for a subscription consideration of R5.5 billion;
- the subscription by MS10 for shares comprising 10% of Cell C's total issued share capital following the conclusion of the Cell C recapitalisation;
- the subscription by MS15 for shares comprising 15% of Cell C's total issued share capital following the conclusion of the Cell C recapitalisation; and
- the subscription by 3C for shares comprising 30% of Cell C's total issued share capital, for a subscription consideration equal to an amount which will result in Cell C's Net Borrowings being reduced to a maximum of R8.0 billion at the time of receipt by Cell C of the respective subscription considerations payable by each of Blue Label, through TPC, MS10, MS15 and 3C.

2. OVERVIEW OF CELL C AND RATIONALE FOR THE PROPOSED TRANSACTION

With the introduction of a new management team in 2012, Cell C has succeeded in providing consumers with market-leading products and services. To support these products and services, Cell C has invested significantly in its network infrastructure. This renewed focus on enhancing the quality of its network, broadening distribution channels and improving customer touch points has delivered a positive turnaround in Cell C's financial and operational performance, with the subscriber base increasing from approximately 9 million subscribers in 2012 to in excess of 25 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, LTE and LTE-A data services to subscribers and it continues to invest in its network and LTE rollout in order to capture the substantial growth opportunity that the South African market offers.

Blue Label has, for a number of years, acted as one of the primary distribution channels for Cell C. 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, 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 will create. The transaction structure allows 3C to remain invested and participate in the value creation arising from this new strategic relationship between Cell C and Blue Label.

3. PURCHASE CONSIDERATION AND SIGNIFICANT TERMS

3.1. Purchase Consideration and funding

Blue Label, through TPC, will settle the Subscription Consideration of R5.5 billion, as follows:

- R2.0 billion via a vendor consideration placement ("**Vendor Consideration Placement**") with NET1 UEPS Technologies Inc, through its South African subsidiary Net1 Applied Technologies South Africa Proprietary Limited, at a price of R16.96 per share, which represents a 10% discount to the 30 business day weighted average traded price, in terms of paragraph 5.62 (1) of the listings requirements of the JSE Limited ("**Listings Requirements**") **; and
- R3.5 billion from available cash and funding facilities.

**For more detail in this regard, reference should be made to the press announcement published on 5 October 2016 by NET1 UEPS Technologies Inc.

3.2. SIGNIFICANT TERMS OF THE PROPOSED TRANSACTION

Following the implementation of the Proposed Transaction, the relationship between TPC, MS10, MS15 and 3C as shareholders of Cell C will be governed in terms of a written shareholders' agreement and the memorandum of incorporation of Cell C. The salient terms of the aforesaid shareholders' agreement include, inter alia:

- the right for the other shareholders to "tag along" in the event of certain disposals by TPC of Cell C shares;
- TPC has been granted the right to cause the other shareholders in Cell C to "drag along" and sell a proportional number of their Cell C shares in certain circumstances;
- should 3C dispose of 15% or more of the entire issued share capital of Cell C to TPC, MS10 shall have the right to require TPC to purchase a proportional number of its Cell C shares; and
- subject to certain conditions, 3C or MS10 shall have the right to trigger and implement a listing of Cell C's shares on a recognised stock exchange.

Full details of the Proposed Transaction will be included in the transaction circular to be posted to shareholders.

4. EFFECTIVE DATE

The effective date of the Proposed Transaction will, subject to the fulfilment or waiver of all conditions precedent, be 18 November 2016.

5. CONDITIONS PRECEDENT

The Proposed Transaction is subject to, *inter alia*, the fulfilment (or waiver, where applicable) of the following conditions precedent:

- approval by Blue Label Shareholders;
- obtaining exchange control approval by the Financial Surveillance Department of the South African Reserve Bank, and any other regulatory approvals if and to the extent required by law;
- 3C and TPC obtaining the required funding for the subscription by them of their shares in Cell C;
- Cell C successfully completing a requisite bond placement process which, taking into account the amounts payable by 3C and TPC for their shares in Cell C, would result in the net borrowings of Cell C being no greater than R8.0 billion;
- TPC confirming that it is satisfied with the composition of the net borrowings of Cell C;
- none of the requisite licences of Cell C having lapsed, been revoked, permanently suspended or cancelled; and
- all of the transaction documents necessary to implement the Proposed Transaction becoming fully unconditional in accordance with their terms.

6. FINANCIAL EFFECTS OF THE ACQUISITION

The financial effects of the Proposed Transaction on the historical results of the Company are in the process of being finalised. A further announcement in this regard will be released in due course.

7. IRREVOCABLE COMMITMENTS

The Company has obtained irrevocable undertakings from Shareholders representing approximately 51.71% of the Company's Shareholders to vote in favour of the Proposed Transaction as well as the Vendor Consideration Placement.

8. CATEGORISATION

The Proposed Transaction is classified as a category 1 transaction in terms of the Listings Requirements, which requires Shareholder approval. A circular convening a general meeting and providing further detail of the Proposed Transaction (including the Vendor Consideration Placement) will be circulated to Shareholders in due course.

9. RENEWAL OF CAUTIONARY ANNOUNCEMENT

The financial effects of the Proposed Transaction on the historical results of the Company are in the process of being finalised, and a further announcement will be released in due course. Accordingly, Shareholders are advised to continue to exercise caution when dealing in the shares of the Company until a further announcement is made.

By order of the board

Sandton

5 October 2016

Financial Adviser and Sponsor to Blue Label

Investec Bank Limited

Financial Adviser to 3C Telecommunications

Goldman Sachs International

Houlihan Lokey

Legal Adviser to Blue Label

[Werksmans Inc]

Legal Adviser to 3C Telecommunications

Bowmans